

BYLAWS OF WALNUT PLACE PROPERTY OWNERS, INC.

These Bylaws (referred to as the "Bylaws") govern the affairs of WALNUT PLACE PROPERTY OWNERS, INC., a nonprofit corporation (referred to as the "Corporation") organized under the Texas Non-Profit Corporation Act (referred to as the "Act").

ARTICLE 1 OFFICES Principal Office

1.01. The principal office of the Corporation in the State of Texas shall be located at 4946 Tilbury, Houston, Texas 77056. The Corporation may have such other offices, either in Texas or elsewhere, as the Board of Directors may determine. The Board of Directors may change the location of any office of the Corporation.

Registered Office and Registered Agent

1.02. The Corporation shall comply with the requirements of the Act and maintain a registered office and registered agent in Texas. The registered office may, but need not, be identical with the Corporation's principal office in Texas. The Board of Directors may change the registered office and the registered agent as provided in the Act.

ARTICLE 2 MEMBERS Two (2) Classes of Members

2.01. Except as herein otherwise provided, each owner of a lot in the Walnut Place Subdivision ("Subdivision") shall have one (1) vote for each lot owned. The Developer shall have three (3) votes for each lot owned. The Developer shall be a Class B Member and all other owners of lots shall be Class A Members.

Admission of Members

2.02. At such time as the Developer has sold all of its lots to third parties, the Class B membership shall terminate and, thereafter, all owners of lots in the Subdivision shall be Class A Members.

2.03. Each lot owner is automatically admitted as a member of the corporation. The Directors shall have no authority to deny admission to any such Member.

2.04. There shall be no initiation fee or annual dues payable with respect to ownership of the Corporation. Each owner shall be subject to the provisions of Article 7 of the Declaration of Covenants, Conditions and Restrictions for Walnut Place, recorded October 7, 2002, under Harris County Clerk's File No. W132512 of the Official Public Records of Real Property of Harris County, Texas ("Deed Restrictions"). Article 7 of the Deed Restrictions provides the covenant for maintenance assessments set forth in the Deed Restrictions.

ARTICLE 3 MEETINGS OF MEMBERS Annual Meeting

3.01. Beginning in 2003, the Board of Directors shall hold an annual meeting of the members at such time as the Directors may determine by notice to the Members. The annual meeting shall be held during the month of April of each year. At the annual meeting, the members shall elect directors and transact any

other business that may come before the meeting. If, in any year, the election of directors is not held on the day designated for the annual meeting, or at any adjournment of the annual meeting, the Board of Directors shall call a special meeting of the members as soon thereafter as possible to conduct the election of directors.

Special Meetings

3.02. Special meetings of the members may be called by the president, the Board of Directors, or not less than one-fifth (1/5th) of the voting members.

Place of Meeting

3.03. The Board of Directors may designate any place, either within or without the State of Texas, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If the Board of Directors does not designate the place of meeting, the meeting shall be held at the registered office of the Corporation in Texas.

Notice of Meetings

3.04. Written or printed notice of any meeting of members, including the annual meeting, shall be delivered to each member entitled to vote at the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall state the place, day, and time of the meeting, who called the meeting, and the general purpose or purposes for which the meeting is called. Notice shall be given by or at the direction of the president or secretary of the Corporation, or the officers or persons calling the meeting. If all of the members meet and consent to the holding of a meeting, any corporate action may be taken at the meeting regardless of a lack of proper notice.

The record date for determining the members entitled to vote at a meeting shall be established as the date which is thirty (30) days prior to the date of notice of the meeting (but in no event more than 60 days prior to the date of the meeting). After a record date is fixed for the notice of a meeting, an alphabetical list of members entitled to receive notice, including their addresses and number of votes each is entitled to cast, will be prepared. The list must contain a listing of members who are entitled to vote at the meeting, although not entitled to receive notice. The list must be available for inspection at the principal office, or other reasonable place in the city in which the meeting will be held, as specified in the meeting notice, during the period from two business days after notice is given until the meeting is held. Any member entitled to vote at the meeting is entitled to access to the list for the purpose of communicating with other members. The member or the member's agent or attorney is entitled to make the inspection on written demand, and to copy the list at a reasonable time and at the member's expense.

Quorum

3.05. The members holding one-third (1/3rd) of the votes that may be cast at a meeting who attend the meeting in person or by proxy shall constitute a quorum at that meeting. The members present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough members leave the meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of members required to constitute a quorum. If a quorum is not present at any time during a meeting, a majority of the members present may adjourn and reconvene the meeting one time without further notice.

Actions of Membership

3.06. The membership shall try to act by consensus. However, the vote of a majority of voting members in good standing, present and entitled vote at a meeting at which a quorum is present, shall be sufficient to constitute the act of the membership unless the vote of a greater number is required by law or the bylaws. A member in good standing is one who has paid all required maintenance fees and annual assessments on the record date. Voting shall be cast by oral vote except that, with respect the election of directors, voting shall be cast by ballot if demanded by any voting member at the meeting before the voting begins.

Proxies

3.07. A member entitled to vote may vote by proxy, provided the proxy is in written form, on the form provided by the Board of Directors and if submitted to the Directors prior to the commencement of the meeting.

Voting by Mail

3.08. The Board of Directors may authorize members to vote by mail on the election of directors and officers or on any other matter that may be voted on by the members.

ARTICLE 4

BOARD OF DIRECTORS

Management of the Corporation

4.01. The affairs of the Corporation shall be managed by the Board of Directors.

Number, Qualifications, and Tenure of Directors

4.02. The number of Directors shall be three (3). At the first meeting of the Corporation, the Members may, by majority vote of a quorum present, replace the initial Directors with five (5) Directors {the Members may, by a vote of at least fifty-one percent (51%) of all members of the Corporation increase the number of Directors to serve on the Board}. Two (2) of the Directors elected at the initial meeting of the Members shall be elected for a one (1) year term, two (2) of the Directors shall be elected for two (2) year terms and the remaining Directors shall be elected for three (3) year terms. Thereafter, Directors shall be elected to serve for three (3) year terms.

Nomination of Directors

4.03. At any meeting at which the election of a director occurs, a voting member in good standing or a director may nominate a person with the second of any other voting member in good standing or director. The Directors may appoint a nominating committee to consider possible nominees and make nominations for each election of directors. The secretary shall include the names nominated by the nominating committee (if any), and the report of the committee, with the notice of the meeting at which such election of directors shall occur.

Election of Directors

4.04. Any person who meets the qualification requirements to be a director and who has been duly nominated by a voting member in good standing, a director or the nominating committee designated by the

Board of Directors, may be elected at the meeting. The members shall be entitled to vote separately for each vacancy occurring on the Board of Directors with Class A Members being entitled to one (1) vote for each vacancy and with Class B Members being entitled to three (3) votes for each vacancy. Each Director shall hold office until a successor is elected and qualified.. A Director may not be elected to more than three (3) consecutive terms, but will be eligible for election in successive years provided at least three (3) years has transpired since such person served on the Board of Directors.

Vacancies

4.05. Any vacancy occurring in the Board of Directors, and any director position to be filled due to an increase in the number of directors, shall be filled by the Board of Directors. A vacancy is filled by the affirmative vote of a majority of the remaining directors, even if it is less than a quorum of the Board of Directors, or if it is a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of the predecessor in office.

Annual Meeting

4.06. The annual meeting of the Board of Directors may be held without notice other than these Bylaws. The annual meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of members.

Regular Meeting

4.07. The Board of Directors may provide for regular meetings by resolution stating the time and place of such meetings. The meetings may be held either within or without the State of Texas and shall be held at the Corporation's registered office in Texas if the resolution does not specify the location of the meetings. No notice of regular meetings of the Board is required other than a resolution of the Board of Directors stating the time and place of the meetings.

Special Meetings

4.08. Special meetings of the Board of Directors may be called by or at the request of the president or any two directors. A person or persons authorized to call special meetings of the Board of Directors may fix any place within Texas as the place for holding a special meeting. The person or persons calling a special meeting shall notify the secretary of the information required to be included in the notice of the meeting. The secretary shall give notice to the directors as required in the Bylaws.

Notice

4.09. Written or printed notice of any special meeting of the Board of Directors shall be delivered to each director not less than three (3) days nor more than ten (10) days before the date of the meeting. The notice shall state the place, day, and time of the meeting, who called the meeting, and the purpose or purposes for which the meeting is called.

Quorum

4.10. Three Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The Directors present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough directors leave the meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of

directors required to constitute a quorum. If a quorum is not present at any time during a meeting, a majority of the directors present may adjourn and reconvene the meeting one time without further notice.

Duties of Directors

4.11. Directors shall discharge their duties, including any duties as committee members, in good faith, with ordinary care, and in a manner they reasonably believe to be in the best interest of the corporation. Ordinary care is care that ordinarily prudent persons in similar positions would exercise under similar circumstances. In the discharge of any duty imposed or power conferred on directors, they may in good faith rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the corporation or another person that were prepared or presented by a variety of persons, including officers and employees of the corporation, professional advisors or experts such as accountants or legal counsel. A director is not relying in good faith if the director has knowledge concerning a matter in question that renders reliance unwarranted.

Directors are not deemed to have the duties of trustees of a trust with respect to the corporation or with respect to any property held or administered by the corporation, including property that may be subject to restrictions imposed by the donor or transferor of the property.

Duty to Avoid Improper Distributions

4.12. Directors who vote for or assent to improper distributions are jointly and severally liable to the corporation for the value of improperly distributed assets, to the extent that debts, obligations, and liabilities of the corporation are not thereafter paid and discharged. Any distribution made when the corporation is insolvent, other than in payment of corporate debts, or any distribution that would render the corporation insolvent is an improper distribution. A distribution made during liquidation without payment and discharge of or provision for all known debts, obligations, and liabilities is also improper. Directors present at a board meeting at which the improper action is taken are presumed to have assented, unless they dissent in writing. The written dissent must be filed with the secretary before adjournment or mailed to the secretary by registered mail immediately after adjournment.

A director is not liable if, in voting for or assenting to a distribution, the director (1) relies in good faith and with ordinary care on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more officers or employees of the corporation; legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the person's professional or expert competence; or a committee of the Board of Directors of which the director is not a member; (2) while acting in good faith and with ordinary care, considers the assets of the corporation to be at least that of their book value; or (3) in determining whether the corporation made adequate provision for payment, satisfaction, or discharge of all of its liabilities and obligations, relied in good faith and with ordinary care on financial statements or other information concerning a person who was or became contractually obligated to satisfy or discharge some or all of these liabilities or obligations. Furthermore, directors are protected from liability if, in the exercise of ordinary care, they acted in good faith and in reliance on the written opinion of an attorney for the corporation.

Directors who are held liable for an improper distribution are entitled to contribution from persons who accepted or received the improper distributions knowing they were improper. Contribution is in proportion to the amount received by each such person.

Delegation of Duties

4.13. Directors are entitled to select advisors and delegate duties and responsibilities to them, such as the full power and authority to purchase or otherwise acquire stocks, bonds, securities, and other investments on behalf of the corporation; and to sell, transfer, or otherwise dispose of the corporation's assets and properties at a time and for a consideration that the advisor deems appropriate. The directors have no liability for actions taken or omitted by the advisor if the Board of Directors acts in good faith and with ordinary care in selecting the advisor. The Board of Directors may remove or replace the advisor, with or without cause.

Interested Directors

4.14. Contracts or transactions between directors, officers, or members who have a financial interest in the matter are not void or voidable solely for that reason. Nor are they void or voidable solely because the director, officer, or member is present at or participates in the meeting that authorizes the contract or transaction, or solely because the interested party's votes are counted for the purpose. However, the material facts must be disclosed to or known by the board or other group authorizing the transaction, and adequate approval from disinterested parties must be obtained.

Actions of Board of Directors

4.15. The Board of Directors shall try to act by consensus. However, the vote of a majority of directors present and voting at a meeting at which a quorum is present shall be sufficient to constitute the act of the Board of Directors unless the act of a greater number is required by law or the bylaws. A director who is present at a meeting and abstains from a vote is considered to be present and voting for the purpose of determining the decision of the Board of Directors.

Proxies

4.16. A director may not vote by proxy at any matter to be considered by the Board of Directors.

Compensation

4.17. Directors shall not receive salaries for their services. The Board of Directors may adopt a resolution providing for reimbursement of Directors for reasonable out-of-pocket expenses incurred for and on behalf of the Corporation.

Removal of Directors

4.18. The Board of Directors, at any time, or the members of the Corporation at any regular or special meeting of such members, may vote to remove a Director for good cause. Good cause shall be considered to include (i) the conviction of a director of any crime involving moral turpitude or any felony; (ii) the failure of a director to pay all maintenance fees and assessments required to be paid; (iii) public drunkenness or habitual use of narcotics; (iv) failure of a director to perform such director's duties {which may include failure of a director to attend three (3) or more regular consecutive meetings of the Board of Directors}; or (v) the taking of any action, on the part of such director, which would tend to discredit the Corporation or harm the Corporation or its members. A meeting to consider the removal of a director may be called and noticed following the procedures provided in the bylaws. The notice of the meeting shall state that the issue of possible removal of the director will be on the agenda. The director shall have the right to present evidence at the meeting as to why he or she should not be removed, and the director shall have the

right to be represented by an attorney at and before the meeting. At the meeting, the Corporation shall consider possible arrangements for resolving the problems that are in the mutual interest of the Corporation and the director. A director may be removed by the affirmative vote of a majority of the Directors or by the vote of 2/3rds of the members constituting a quorum at any regular or special meeting of the members.

ARTICLE 5 *OFFICERS* *Officer Positions*

5.01. The officers of the Corporation shall include a president, a vice president, a secretary, and a treasurer. The Board of Directors may create additional officer positions, define the authority and duties of each such position, and elect or appoint persons to fill the positions. Any two or more offices may be held by the same person, except the offices of president and secretary.

Election and Term of Office

5.02. The officers of the Corporation serve in such capacity for one (1) year and shall be elected annually by the Board of Directors at the regular annual meeting called by the Board of Directors. Any officer shall be a director of the Corporation and no person who is not currently serving on the Board of Directors shall be eligible to serve as an officer. Each officer shall hold office until a successor is duly elected and qualified and officers may be re-elected in the same capacity or in the capacity as another officer, so long as such person is qualified to continue serving as a director as herein provided.

Removal

5.03. Any officer elected by the Board of Directors may be removed by such Board upon the affirmative vote of a majority of such directors.

Vacancies

5.04. A vacancy in any office may be filled by the Board of Directors for the unexpired portion of the officer's term.

President

5.05. The president shall be the chief executive officer of the Corporation. The president shall supervise and control all of the business and affairs of the Corporation. The president shall preside at all meetings of the members and of the Board of Directors. The president may execute any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors have authorized to be executed. However, the president may not execute instruments on behalf of the Corporation if this power is expressly delegated to another officer or agent of the Corporation by the Board of Directors, the bylaws, or statute. The president shall perform other duties prescribed by the Board of Directors and all duties incident to the office of president.

Vice President

5.06. When the president is absent, is unable to act, or refuses to act, a vice president shall perform the duties of the president. When a vice president acts in place of the president, the vice president shall have all the powers of and be subject to all the restrictions upon the president. If there is more than one vice president, the vice presidents shall act in place of the president in the order of the votes received when elected. A vice president shall perform other duties as assigned by the president or board of directors.

Treasurer

5.07. The treasurer shall:

- (a) Have charge and custody of and be responsible for all funds and securities of the Corporation.
- (b) Receive and give receipts for moneys due and payable to the Corporation from any source.
- (c) Deposit all moneys in the name of the Corporation in banks, trust companies, or other depositories as provided in the bylaws or as directed by the Board of Directors or president.
- (d) Write checks and, upon the signature of the treasurer and at least one (1) other officer, disburse funds to discharge obligations of the Corporation. The treasurer may maintain a petty cash fund in an amount not to exceed \$500.00 to provide for incidental expenses. Any disbursement from such petty cash fund shall not require the co-signature of another officer.
- (e) Maintain the financial books and records of the Corporation.
- (f) Prepare financial reports at least annually.
- (g) Perform other duties as assigned by the president or by the Board of Directors.
- (h) If required by the Board of Directors, give a bond for the faithful discharge of his or her duties in a sum and with a surety as determined by the Board of Directors.
- (i) Perform all of the duties incident to the office of treasurer.

Secretary

5.08. The Secretary shall:

- (a) Give all notices as provided in the bylaws or as required by law.
- (b) Take minutes of the meetings of the members and of the Board of Directors and keep the minutes as part of the corporate records.
- (c) Maintain custody of the corporate records and of the seal of the Corporation.
- (d) Affix the seal of the Corporation to all documents as authorized.
- (e) Keep a register of the mailing address of each director, officer, and employee of the Corporation.
- (f) Perform duties as assigned by the president or by the Board of Directors.
- (g) Perform all duties incident to the office of secretary.

ARTICLE 6
COMMITTEES
Establishment of Committees

6.01. The Board of Directors may adopt a resolution establishing one or more committees delegating specified authority to a committee, and appointing or removing members of a committee. A committee shall include at least one (1) director and may include other persons who are members in good standing of the Corporation, but are not directors or officers. Any committee so created may report to the director regarding its activities and its recommendations. No action may be undertaken by the committee in its independent capacity which would obligate the Board of Directors to the payment of any sums of money or the acquisition or disposition of any property of the Corporation. Such action shall require the approval of the Board of Directors. The establishment of a committee or the delegation of authority to it shall not relieve the Board of Directors, or any individual director, of any responsibility imposed by the Bylaws or otherwise imposed by law. No committee shall have the authority of the Board of Directors to:

- (a) Amend the articles of incorporation.
- (b) Adopt a plan of merger or a plan of consolidation with another corporation.
- (c) Authorize the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Corporation.
- (d) Authorize the voluntary dissolution of the Corporation.
- (e) Revoke proceedings for the voluntary dissolution of the Corporation.
- (f) Adopt a plan for the distribution of the assets of the Corporation.
- (g) Amend, alter, or repeal the bylaws.
- (h) Elect, appoint, or remove a member of a committee or a director or officer of the Corporation.
- (i) Approve any transaction to which the Corporation is a party and that involves a potential conflict of interest as defined in paragraph 7.04, below.
- (j) Take any action outside the scope of authority delegated to it by the Board of Directors.

Term of Office

6.02. Each member of a committee shall continue to serve on the committee at the discretion of the Board of Directors. Any member may be removed by the directors. A vacancy on a committee may be filled by an appointment made in the same manner as an original appointment. A person appointed to fill a vacancy on a committee shall serve for the unexpired portion of the terminated committee member's term.

Chair and Vice-Chair

6.03. One member of each committee shall be designated as the chair of the committee and another member of each committee shall be designated as the vice-chair. The chair and vice-chair shall be elected by the members of the committee or appointed by the president of the Corporation. The chair shall call and

preside at all meetings of the committee. When the chair is absent, is unable to act, or refuses to act, the vice-chair shall perform the duties of the chair. When a vice-chair acts in place of the chair, the vice-chair shall have all the powers of and be subject to all the restrictions upon the chair.

Notice of Meetings

6.04. The notice of committee meetings may be oral or in writing but shall be not less than three (3) days prior to the date of meeting (unless the members waive such 3-day notice by attendance at the meeting). The notice shall state the place, day, and time of the meeting, and the purpose or purposes for which the meeting is called.

Quorum

6.05. More than fifty percent (50%) of the number of members of a committee shall constitute a quorum for the transaction of business at any meeting of the committee. The committee members present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough committee members leave the meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of committee members required to constitute a quorum. If a quorum is not present at any time during a meeting, the chair may adjourn and reconvene the meeting one time without further notice.

Actions of Committees

6.06. Committees shall try to take action by consensus. However, the vote of a majority of committee members present and voting at a meeting at which a quorum is present shall be sufficient to constitute the act of the committee unless the act of a greater number is required by law or the bylaws. A committee member who is present at a meeting and abstains from a vote is considered to be present and voting for the purpose of determining the act of the committee.

Proxies

6.07. A committee member may not vote by proxy.

Compensation

6.08. Committee members shall receive no compensation for their services. The Board of Directors may adopt a resolution to reimburse committee members for reasonable out-of-pocket expenses incurred for and on behalf of the Corporation in connection with performance of their duties on the committee.

Rules

6.09. Each committee may adopt rules for its own operation not inconsistent with the bylaws or with rules adopted by the Board of Directors.

ARTICLE 7
TRANSACTIONS OF THE CORPORATION
Contracts

7.01. The Board of Directors may authorize any officer or agent of the Corporation to enter into a contract or execute and deliver any instrument in the name of and on behalf of the Corporation. This authority may be limited to a specific contract or instrument or it may extend to any number and type of possible contracts and instruments.

Deposits

7.02. All funds of the Corporation shall be deposited to the credit of the Corporation in banks, trust companies, or other depositories that the Board of Directors selects.

Gifts

7.03. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Corporation. The Board of Directors may make gifts and give charitable contributions that are not prohibited by the bylaws, the articles of incorporation, state law, and any requirements for maintaining the Corporation's federal and state tax status.

Potential Conflicts of Interest

7.04. The Corporation shall not make any loan to a director, officer or member of the Corporation; the Corporation shall be authorized to advance cash sums to a director, officer or committee member where such sums are to be expended for and on behalf of the Corporation and in furtherance of the Corporation's best interests. The Corporation shall not borrow money from any director, officer or member, including a committee member. The Corporation shall not borrow money from or otherwise transact business with any director, officer or member, including a committee member, without full disclosure of all relevant facts and without the approval of the Board of Directors. In soliciting such approval, any person who has a personal interest in the transaction shall be prohibited from voting.

Prohibited Acts

7.05. Unless specifically approved, in writing, by the Board of Directors, no director, officer or member, including a committee member of the Corporation, shall:

- (a) Do any act in violation of the bylaws or a binding obligation of the Corporation.
- (b) Do any act with the intention of harming the Corporation or any of its operations.
- (c) Disclose Minutes of the proceedings of the meetings of directors, members and any committees.
- (d) Disclose a list of the names and addresses of the directors, officers and committee members.
- (e) Use the name of the Corporation (or any substantially similar name) or any trademark or trade name adopted by the Corporation, except on behalf of the Corporation in the ordinary course of the Corporation's business.

ARTICLE 8
BOOKS AND RECORDS
Required Books and Records

8.01. The Corporation shall keep correct and complete books and records of account. The Corporation's books and records shall include:

- (a) A file-endorsed copy of all documents filed with the Texas Secretary of State relating to the Corporation, including, but not limited to, the Articles of Incorporation, and any Articles of Amendment, Restated Articles, Articles of Merger, Articles of Consolidation, and Statement of Change of Registered Office or Registered Agent.
- (b) A copy of the bylaws, and any amended versions or amendments to the bylaws.
- (c) Minutes of the proceedings of the Board of Directors, and committees having any of the authority of the Board of Directors.
- (d) A list of the names and addresses of the directors, officers, and any committee members of the Corporation.
- (e) A financial statement showing the assets, liabilities, and net worth of the Corporation at the end of the three most recent fiscal years.
- (f) A financial statement showing the income and expenses of the Corporation for the three (3) most recent fiscal years.
- (g) All rulings, letters, and other documents relating to the Corporation's federal, state, and local tax status.
- (h) The Corporation's federal, state, and local information or income tax returns for each of the Corporation's three most recent tax years.

Inspection and Copying

8.02. Any member, director, officer, or committee member may inspect the books and records of the Corporation which are required to be kept by the bylaws. Any such person may receive copies of such books and records; provided, the person requesting such copies shall reimburse the Corporation for its reasonable out-of-pocket expenses in making such copies. No copy of any record will be delivered unless such person has requested the copy, in writing, at least ten (10) days prior to the date of delivery of such copy. Any person entitled to inspect and copy the Corporation's books and records may do so through his or her attorney or other duly authorized representative. The books and records shall be available during normal business hours of the Corporation, provided the person desiring to inspect such books and records delivers at least ten (10) days' prior written notice to the Corporation of such request for inspection.

Audits

8.03. The directors may, upon vote of a majority of such directors, have an audit conducted of the Corporation's books and records. The directors may select an accounting firm to conduct the audit. The members may, by a vote of not less than one-third (1/3rd) of such members, request that an audit be conducted of the Corporation's books and records. The members requesting such audit shall bear the

expense of the audit, unless the results of such audit show an understatement of income or expenses which is more than five percent (5%) of the amount indicated on such books and records, in which event, the Corporation shall bear the expense of the audit. In no event shall the books and records of the Corporation be inspected more than one (1) time in any one (1) fiscal year unless a majority in number of all member authorize such additional audit, in writing.

ARTICLE 9 FISCAL YEAR

The fiscal year of the Corporation shall be the calendar year commencing January 1 and ending December 31 of each year.

ARTICLE 10 INDEMNIFICATION

When Indemnification is Required, Permitted, and Prohibited

10.01.

(a) The Corporation shall indemnify a director, officer, committee member, employee, or agent of the Corporation who was, is, or may be named defendant or respondent in any proceeding as a result of his or her actions or omissions within the scope of his or her official capacity in the Corporation. For the purposes of this article, an agent includes one who is or was Serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise. However, the Corporation shall indemnify a person only if he or she acted in good faith and reasonably believed that the conduct was in the Corporation's best interests. In a case of a criminal proceeding, the person may be indemnified only if he or she had no reasonable cause to believe that the conduct was unlawful. The Corporation shall not indemnify a person who is found liable to the Corporation or is found liable to another on the basis of improperly receiving a personal benefit. A person is conclusively considered to have been found liable in relation to any claim, issue, or matter if the person has been adjudged liable by a court of competent jurisdiction and all appeals have been exhausted.

(b) The termination of a proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent does not necessarily preclude indemnification by the Corporation.

(c) The Corporation shall pay or reimburse any expenses incurred by a director, officer, member, committee member, employee, or agent of the Corporation in connection with the person's appearance as a witness or other participation in a proceeding involving or affecting the Corporation when the person is not a named defendant or respondent in the proceeding.

(d) In addition to the situations otherwise described in this paragraph, the Corporation may indemnify a director, officer, member, committee member, employee, or agent of the Corporation to the extent permitted by law. However, the Corporation shall not indemnify any person in any situation in which indemnification is prohibited by the terms of paragraph 10.01(a), above.

(e) Before the final disposition of a proceeding, the Corporation may pay indemnification expenses permitted by the bylaws and authorized by the Corporation. However, the Corporation shall not pay indemnification expenses to a person before the final disposition of a proceeding if the person is a named defendant or respondent in a proceeding brought by the Corporation; or the person is alleged to have improperly received a personal benefit or committed other wilful or intentional misconduct.

(f) The person may be indemnified against judgments, penalties, including excise and similar taxes, fines, settlements, and reasonable expenses (including attorney's fees) actually incurred in connection with the proceeding. However, if the proceeding was brought by or on behalf of the Corporation, the indemnification is limited to reasonable expenses actually incurred by the person in connection with the proceeding.

Procedures Relating to Indemnification Payments

10.02.

(a) Before the Corporation may pay any indemnification expenses (including attorney's fees), the Corporation shall specifically determine that indemnification is permissible, authorize indemnification, and determine that expenses to be reimbursed are reasonable, except as provided in paragraph 10.02(c), below. The Corporation may make these determinations and decisions by any one of the following procedures:

(i) Majority vote of a quorum consisting of directors who, at the time of the vote, are not named defendants or respondents in the proceeding.

(ii) If such a quorum cannot be obtained, by a majority vote of a committee of the Board of Directors, designated to act in the matter by a majority vote of all directors, consisting solely of two or more directors who at the time of the vote are not named defendants or respondents in the proceeding.

(iii) Determination by special legal counsel selected by the Board of Directors by vote as provided in paragraph 10.02(a)(i) or 10.02(a)(ii), or if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors.

(b) The Corporation shall authorize indemnification and determine that expenses to be reimbursed are reasonable in the same manner that it determines whether indemnification is permissible. If the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination of reasonableness of expenses shall be made in the manner specified by paragraph 10.02(a)(iii), above, governing the selection of special legal counsel. A provision contained in the articles of incorporation, the bylaws, or a resolution of members or the Board of Directors that requires the indemnification permitted by paragraph 10.01, above, constitutes sufficient authorization of indemnification even though the provision may not have been adopted or authorized in the same manner as the determination that indemnification is permissible.

(c) The Corporation shall pay indemnification expenses before final disposition of a proceeding only after the Corporation determines that the facts then known would not preclude indemnification and the Corporation receives a written affirmation and undertaking from the person to be indemnified. The determination that the facts then known to those making the determination would not preclude indemnification and authorization of payment shall be made in the same manner as a determination that indemnification is permissible under paragraph 10.02(a), above. The person's written affirmation shall state that he or she has met the standard of conduct necessary for indemnification under the bylaws. The written undertaking shall provide for repayment of the amount paid or reimbursed by the Corporation if it is ultimately determined that the person has not met the requirements for indemnification. The undertaking shall be an unlimited general obligation of the person, but it need not be secured and it may be accepted without reference to financial ability to make repayment.

ARTICLE 11
NOTICES
Notice by Mail or Delivery

11.01. Any notice required or permitted by the bylaws to be given to a director, officer, or member of a committee of the Corporation may be given by mail or delivered in person or by a commercial courier. If mailed, a notice shall be deemed to be delivered when deposited in the United States mail addressed to the person at his or her address as it appears on the records of the Corporation, with postage prepaid. If given by delivery, a notice shall be deemed to be delivered when accepted by the party to whom such notice is given or by any person at such party's office or personal residence. A person may change his or her address by giving written notice to the secretary of the Corporation.

Signed Waiver of Notice

11.02. Whenever any notice is required to be given under the provisions of the Act or under the provisions of the articles of incorporation or the bylaws, a waiver in writing signed by a person entitled to receive a notice shall be deemed equivalent to the giving of the notice. A waiver of notice shall be effective whether signed before or after the time stated in the notice being waived.

Waiver of Notice by Attendance

11.03. The attendance of a person at a meeting shall constitute a waiver of notice of the meeting unless the person attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE 12
SPECIAL PROCEDURES CONCERNING MEETINGS
Meeting by Telephone

12.01. Any meeting called by the directors or committees may be attended by telephonic conference call procedures in which all persons participating in the meeting can hear each other. The notice of a meeting by telephone conference must state the fact that the meeting will be held by telephone as well as all other matters required to be included in the notice. Participation of a person in a conference-call meeting constitutes presence of that person at the meeting.

Decision Without Meeting

12.02. Any decision required or permitted to be made at a meeting of the Board of Directors, or any committee of the Corporation may be made without a meeting. A decision without a meeting may be made if a written consent to the decision is signed by all of the persons entitled to vote on the matter. The original signed consents shall be placed in the Corporation minute book and kept with the Corporation's records.

Voting by Proxy

12.03. A person who is authorized to exercise a proxy may not exercise the proxy unless the proxy is delivered to the officer presiding at the meeting before the business of the meeting begins. The secretary or other person taking the minutes of the meeting shall record in the minutes the name of the person who executed the proxy and the name of the person authorized to exercise the proxy. If a person who has duly executed a proxy personally attends a meeting, the proxy shall not be effective for that meeting. A proxy filed

with the secretary or other designated officer shall remain in force and effect until the first of the following occurs:

- (a) An instrument revoking the proxy is delivered to the secretary or other designated officer.
- (b) The proxy authority expires under the terms of the proxy.
- (c) The proxy authority expires under the terms of the Bylaws.

ARTICLE 13 AMENDMENTS TO BYLAWS

The bylaws may be altered, amended, or repealed, and new bylaws may be adopted by the Board of Directors. The notice of any meeting at which the bylaws are to be considered for alteration, amendment, repeal or adoption shall include a draft of the proposed bylaws which are to be altered, amended, repealed or adopted.

ARTICLE 14 MISCELLANEOUS PROVISIONS *Legal Authorities Governing Construction of Bylaws*

14.01. The bylaws shall be construed in accordance with the laws of the State of Texas. All references in the bylaws to statutes, regulations, or other sources of legal authority shall refer to the authorities cited, or their successors, as they may be amended from time to time.

Legal Construction

14.02. If any bylaw provision is held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision and the bylaws shall be construed as if the invalid, illegal, or unenforceable provision had not been included in the bylaws.

Headings

14.03. The headings used in the bylaws are used for convenience and shall not be considered in construing the terms of the bylaws.

Gender

14.04. Wherever the context requires, all words in the bylaws in the male gender shall be deemed to include the female or neuter gender, all singular words shall include the plural, and all plural words shall include the singular.

Power of Attorney

14.05. A person may execute any instrument related to the Corporation by means of a power of attorney if an original executed copy of the power of attorney is provided to the secretary of the Corporation to be kept with the Corporation records.

Parties Bound

14.06. The bylaws shall be binding upon and inure to the benefit of the directors, officers, committee members, employees, and agents of the Corporation and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as otherwise provided in the bylaws.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting secretary of WALNUT PLACE PROPERTY OWNERS, INC., and that the foregoing Bylaws constitute the Bylaws of the Corporation. These Bylaws were duly adopted at a meeting of the Board of Directors held on _____.

DATED: _____, 200__

Signature of Secretary

Typed name of Secretary

Secretary of the Corporation