

BYLAWS

EXHIBIT “B” – BYLAWS

BYLAWS OF THE EMERALD HEIGHTS HOMEOWNERS ASSOCIATION, INC.

Article I

Name, Principal Office, and Definitions

1. 1. Name. The name of the Corporation shall be Emerald Heights Homeowners Association, Inc. (The “Association”).

1.2. Principal Office. The principal office of the Association will be located in Collin County, Texas. The Association may have such other offices, either within or outside the State of Texas, as the Board of Directors may determine or as the affairs of the Association may require.

1. 3. Definitions. The words used in these Bylaws shall be given their normal, and commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions and Restrictions for Emerald Heights Homeowners Association filed in the Official Records, as it may be amended (the “Declaration”), unless the context indicates otherwise.

Article II

Association: Membership, Meetings, Quorum, Voting, Proxies

2.1. Membership. Each Owner of a Lot is a mandatory Member of the Association, as more fully described in the Declaration.

2. 2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board of Directors, either within the properties or as convenient as possible and practical.

2. 3. Annual Meetings. There shall be an annual meeting of the Members of the Association for the purposes of Association-wide elections or votes and for such other Association business as at such reasonable place, date, and time as set by the Board of Directors to occur during the first quarter of the Association’s fiscal year.

2. 4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board of Directors or upon a petition signed by Members representing at least 10% of the votes in the Association.

2. 5. Notice of Meetings. Written or printed notice stating the place, day, in our of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than 10 nor the more than 50 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of the meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at its address as it appears on the records of the Association, with postage prepaid.

2. 6. Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, wave notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member or the Member's proxy shall be deemed waived by such Member of notice of the time, date, and place thereof, unless such Member or proxy specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed a waiver of notice of all business transaction at such meeting unless objection on the basis of lack of proper notice is raised before the business is put to a vote.

2. 7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, Members or their proxies holding a Majority of the votes represented at such meeting may adjourn the meeting to a time not less than 5 days and no more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for the reconvening of

such meeting shall be given to the Members in a manner prescribed for regular meetings.

The Members represented at a duly called her held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal enough Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2. 8. Voting. The voting rights of the Member shall be set forth in the Declaration and in these Bylaws, and such voting rights provisions are specifically incorporated by reference herein.

2. 9. Proxies. At all meetings of the Members, Members may vote in person (if a corporation, partnership or trust, through any officer, director, partner or trustee duly authorized to act on behalf of the Member) or by proxy, subject to the limitations of Texas law. Every proxy shall be in writing, dated, and signed by the Member or its duly authorized attorney-in-fact and filed with the Secretary of the Association prior to any meeting for which it is to be effective. Except as otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of a Lot, or upon receipt of notice by these Secretary of the death or judicially declared incompetence of a Member who is a natural person, or of written revocation, or upon expiration of 11 months from the date of the proxy, unless otherwise provided in the proxy or by law.

2. 10. Majority. As used in these Bylaws, the term “majority” shall mean those votes, Owners, Members, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

2. 11. Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence, in person or proxy, of Members representing 10% of the votes in the Association and the presence of a duly appointed representative of the Declarant during the Development Period, shall constitute a quorum at all meetings of the Association.

2. 12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at such meetings, as well as a record of all transactions occurring at such meetings.

2. 13. Action without a Meeting. Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote, if written consent specifically authorizing the proposed action is signed by Members holding at least the minimum number of votes necessary to authorize such action at a meeting if all Members entitled to vote thereon were present. Such consent shall be signed within 60 days after receipt of the earliest dated consent, dated and delivered to the Association at its Principle Office in the State of Texas. Such consent shall be filed with the minutes of the Association, and shall have the same force and effect as a vote of the Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Members entitled to vote who did not give their written consent, fairly summarizing the material features of the authorized action.

Article III

Board of Directors: Number, Powers, Meetings

3. 1. Authority and Number of Directors.

(a) The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one equal vote. Directors need not be Members.

(b) The number of directors shall not be less than three nor more than five. The initial Board of Directors shall consist of three directors, as identified in the Articles of Formation.

(c) In accordance with Section 7.03(b) of the Declaration, i.e., within one hundred and twenty (120) days after the 10th anniversary of the date the Declaration is recorded in the Real Property Records of Collin County, Texas, the President of the Association's Board of Directors shall call a meeting of the Members of the Association (the "Initial Member Election Meeting") where the Members, other than the Declarant, will elect one (1) Director, for a one (1) year term ("Initial Member Elected Director"). The Declarant will continue to appoint and remove two-thirds of the Board of Directors after the Initial

Member Election Meeting until expiration or termination of the Development Period. Notwithstanding the foregoing, the Initial Member Elected Director's term will expire as of the date of the Member Election Meeting.

(c) At the expiration or termination of the Development Period, the Declarant will thereupon call a meeting of the Members of the Association where the Declarant appointed directors will resign and the Members will elect three (3) new directors (to replace the directors appointed by the Declarant and the First Member Elected Director) (the "Member Election Meeting"), one (1) director (the individual receiving the highest number of votes) for a three (3) year term, one (1) director (receiving the second highest number of votes) for a two (2) year term, and one (1) director (receiving the third highest number of votes) for a one (1) year term. Upon expiration of the term of a director elected by the Members pursuant to this Section 3.1(c), his or her successor will be elected for a term of two (2) years.

(d) A director takes office upon the adjournment of the meeting or balloting at which he/she is elected or appointed and, absent death, resignation, or removal, will hold office until his/her successor is elected or appointed.

(e) Each director, other than directors appointed by the Declarant, shall be a Member and resident, or in the case of a corporation or partnership Owner of a Lot, a duly authorized agent or representative of the corporation or partnership Owner. The corporate or partnership Owner shall be designated as a director in all correspondence or other documentation setting forth the names of the directors.

3.2. Compensation. The directors shall serve without compensation for such services. As determined by the Board of Directors, directors may be reimbursed for any reasonable and necessary out-of-pocket expenses.

3.3. Nomination of Directors. Except with respect to directors selected by Declarant, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and three or more Members or representatives of Members. The Nominating Committee shall be appointed by the Board of Directors not less than 30 days prior to each annual meeting of the Members to serve a term of one year or until their successors are appointed, and such appointment shall be announced at each such annual meeting.

The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of positions to be filled from each slate, as provided in Section 3.5. Nominations will also be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

3. 4. Removal of Directors and Vacancies. Any director elected by the Members may be removed, with or without cause, by the vote of such Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor director shall be elected by the Members entitled to elect a director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by Members who has three or more consecutive unexcused absences from the Board of Directors meetings or who is more than 30 days delinquent (or is the representative of a Member who is delinquent) in the payment of any Assessment or other charge due to the Association, may be removed by a majority vote of the directors present at a regular or special meeting at which a quorum is present, and the Board of Directors may appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term. In the event of death, disability, or resignation of a director, the Board of Directors may declare a vacancy in appoint a successor to serve until the next annual meeting, at which time a successor shall be elected to serve the remaining portion, if any, of the term of the director who created the vacancy.

This Section shall not apply to directors appointed by the Declarant during the Development Period. The Declarant shall be entitled to appoint the successor to fill any vacancy on the Board of Directors resulting from the death, disability or resignation of a director appointed by the Declarant or elected as a representative to the Declarant, respectively.

3.5. Organizational Meetings. The first meeting of the Board of Directors following the annual meeting of the membership shall be held within 10 days thereafter at such time and place as the Board of Directors shall fix.

3.6. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as a majority of the Director shall determine, but at least for such meeting shall be held during each fiscal year with at least one per quarter.

3.7. Special Meetings. Special meeting as the Board of Directors shall be held when called by written notice signed by the President or Vice President or by any two directors.

3.8. Notice; Waiver of Notice.

(a) Notice of meetings of the Board of Directors shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) email. All such notices shall be given at the director's telephone number or sent to the director's address or email address as shown on the records of the Association. Notices sent by first-class mail shall be deposited into a United States mailbox at least for business days before the time set for the meeting. Notices given by personal delivery, telephone, or email, shall be delivered or communicated at least 72 hours before the time set for the meeting.

(b) the transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be valid as though taken at a meeting duly held after regular call in notice if: (i) a quorum is present, and (ii) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.09. Quorum of Board of Directors; Telephonic Participation. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors, unless otherwise specifically provided in these Bylaws or the Declaration. In meeting at which a quorum is initially present may continue to

transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board of Directors cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days of the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of the Board of Directors, or committee meetings, by means of conference telephone or similar communication equipment, provided all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute the presence in person at such meeting.

3.10. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of the Board of Directors meetings, recording all Board of Directors resolutions and all transactions and proceedings occurring at such meeting.

3.11. Notice to Owner; Open Meetings. Subject to the provisions of Section 3.12, all meetings of the Board of Directors shall be open to all Members and their representatives, but Members other than directors may not participate in any discussion or deliberation unless permission to speak as requested on his or her behalf by a director. In such case, the President may limit the time any Member or Member representative may speak. Notwithstanding the above, the President may adjourn any meeting of the Board of Directors and reconvene in executive session, excluding Members and their representatives, to discuss matters of sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.12. Action without a Formal Meeting. Any action to be taken at a meeting of the Board of Directors or any action that may be taken at a meeting of the directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the directors, and such consent shall have the same force and effect as a unanimous vote.

3.13. Powers. The Board of Directors shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association set forth in the

Declaration, these Bylaws, the Articles of Formation, and as provided by Texas law. The Board of Directors may do or cause to be done all acts and things that are not directed, by the Declaration, Articles of Formation, these Bylaws or Texas law, to be done and exercised exclusively by Members.

3.14. Duties. The duties of the Board of Directors shall include, without limitation:

(a) preparation and adoption of annual budgets in which there shall be established each Owner's share of the Common Expenses;

(b) assessing and collecting Assessments from the Owners;

(c) providing for the operation, care, upkeep, and maintenance of the Common Area;

(d) designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than a bank;

(f) making and amending rules in accordance with the Declaration;

(g) opening of bank accounts on behalf of the Association and designating the signatories required;

(h) making or contracting for the making of repairs, additions, and improvements to or alterations of the property of the Association in accordance with the Declaration in these By-Laws;

(i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules adopted by it in bringing any proceeding which may be instituted on behalf or against the Owners concerning the Association;

(j) obtaining and caring property and liability insurance and fidelity bonds, as provided in the Declaration, if any, paying the cost thereof, and filing and adjusting claims, as appropriate;

(k) paying the cost of all services rendered to the Association;

(l) keeping books with detailed accounts of the receipts and expenditures of the Association;

(m) making available to any prospective purchaser of a Lot, Commercial Tract or portion of the Property, and the holders, insurers, and guarantors of any mortgage on a Lot, current copies of the Declaration, the Articles of Formation, the By-Laws, rules, and all other books, records, and financial statements of the Association as provided in Section 6. 4;

(n) permitting utility suppliers to use portions of the Association's property, as the Board of Directors may determine necessary, in its sole discretion, to the ongoing development and operation of the Property;

(o) indemnifying a director, officer or committee member, or former director, officer, or committee member of the Association, to the extent such indemnity is required by Texas Law, the Articles of Formation, or the Declaration; and

(p) assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration.

3.15. Accounts and Reports. The following management standards of performance shall be followed unless the Board of Directors by resolution specifically determines otherwise:

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and control should conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other account;

(d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; anything of value received shall benefit the Association;

(e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors;

(f) commencing at the end of the quarter in which the first Lot or Commercial Tract is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the proceeding period on an accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the proceeding.;

(iii) a variance report reflecting the status of all accounts in an “actual” versus “approved” budget format;

(iv) a balance sheet as of the last day of the proceeding period;

(v) a delinquency report listing all Owners who are delinquent in paying any Assessments at the time of the report and describing the status of any action to collect such Assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board of Directors resolution);

(g) an annual report consisting of at least the following shall be distributed to all Members within 20 days after the closing of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed or compiled basis, as the Board of Directors determines, by an independent public accountant.

3.16. Borrowing. The Association shall have the power to borrow money for any legal purpose; provided, the Board of Directors shall obtain the approval of the Members holding a Majority of the votes represented in person or by proxy at a duly constituted meeting if the proposed borrowing, together with all other debts incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross expenses of the Association for the fiscal year.

3.17. Right to Contract. The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall

include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or other property owners or similar associations, within and outside the Property; provided, however, any common management agreement shall require the consent of a majority of the Board of Directors of the Association.

3.18. Enforcement. In addition to such other rights as are specifically granted under the Declaration, the Board of Directors shall have the power to impose monetary fines, which shall constitute a lien on the Lot or Commercial Tract of the violator, and to suspend the Owner's right to vote for violation of any duty imposed under the Declaration, these Bylaws, or any Association rules. In addition, the Board of Directors may suspend any services provided by the Association to an Owner or the Owner's Lot, if the Owner is more than 30 days delinquent in payment of any Assessment or other charges owed to the Association. In the event that any lessee, occupant, guest or invitee of a Lot violates the Declaration, Bylaws, or a rule and a fine is imposed, the fine shall first be assessed against the occupants; provided, whatever, if the fine is not paid by the occupant within the time period set forth by the Board of Directors, the fine shall be assessed against the Lot and the Owner thereof upon notice from the Association. Failure of the Board of Directors to enforce any provision of the Declaration, Bylaws, or any rule should not be deemed a waiver of the right of the Board of Directors to do so thereafter.

(a) Notice. Prior to imposition of any fine or sanction hereunder, or under the Declaration, the Board of Directors or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction or fine to be imposed, (iii) a period of not less than 10 days within which the alleged violator or its representative may present a written request for hearing to the Board of Directors or its designee, if any, appointed pursuant to Article V; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within 10 days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed; provided, the Board of Directors may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Covenants Committee, if any, or if none, then before the Board of Directors in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of a proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date in the manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanctions, if any, imposed.

(c) Appeal. Following a hearing before the Covenants Committee, if any, the violator shall have the right to appeal the decision to the Board of Directors. To perfect that right, a written notice of appeal must be received by the manager, President, or the Secretary of the Association within 10 days after the hearing date.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board of Directors may elect to enforce any provision of the Declaration, these Bylaws, or the rules of the Association by self-help (specifically including, but not limited to, towing of vehicles that are in violation of parking rules) and, if applicable, by suit or law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorneys' fees actually incurred. Any entry on onto a Lot for the purpose of exercising this power of self-help shall not be deemed a trespass.

Article IV

Officers

4. 1. Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the members of the Board of Directors; other officers may, but need not be members of the Board of Directors. The Board of Directors may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasures, as it shall deem desirable, such officers to have such authority and perform such duties as the Board of Directors prescribes. Any two or more

offices may be held by the same person, except the offices of President and Secretary.

4. 2. Election and Term of Office. The Board of Directors shall elect the officers of the Association at the first meeting of the Board of Directors following each annual meeting of the Members, to serve until their successors are elected.

4. 3. Removal and Vacancies. The Board of Directors may remove any officer whenever, in its judgment, the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4. 4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertaining to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have the primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

4. 5. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4. 6. Agreements, Contracts, Deeds, Leases, Checks and Instruments. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by a Board of Directors resolution.

4. 7. Compensation. Compensation of officer shall be subject to the same limitations as compensation of directors under Section 3.2.

Article V

Committees

5. 1. General. The Board of Directors may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board

of Directors may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

5. 2. Covenants Committee. In addition to any other committees which the Board of Directors may establish pursuant to Section 5. 1, the Board of Directors may appoint a Covenants Committee consisting of at least three (3) and no more than five (4) Members. Acting in accordance with the Declaration, these Bylaws, and any resolutions the Board of Directors may adopt, the Covenants Committee shall be the hearing tribunal and shall conduct all hearings held pursuant to Section 3.19 of these Bylaws.

Article VI

Indemnification of Directors and Officers

6.1. INDEMNIFICATION. The Association shall indemnify every director and officers and committee member of the Association against, and reimburse and advance to every director and officer, for liabilities, costs and expenses incurred in connection with such directorship or office and any actions taken omitted in such capacity to the greatest extent permitted under the Texas Business Organization Code and all other applicable laws at the time of such indemnification, reimbursement or advance payment; provided, however, no director or officer shall be indemnified for: (a) breach of duty of loyalty to the Association or its Members; (b) an act or omission not in good faith or that involves intentional misconduct or knowing violation of the law; (c) a transaction from which such director or officer receives an improper benefit, whether or not the benefit resulted from an action taken within the scope of directorship or office; or (d) an act or omission for which the liability of such director or officer is expressly provided for by statute.

Article VII

Miscellaneous

7. 1. Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board of Directors. In the absence of a resolution, the fiscal year shall be the calendar year.

7. 2. Parliamentary Rules. In the event of a need for or a dispute regarding parliamentary procedure, Robert's Rules of Order (current edition) shall govern the

conduct of the Association proceedings when not in conflict with Texas law, the Articles of Formation, the Declaration or these By-Laws.

7. 3. Conflicts. If there are conflicts between the provisions of Texas law, the Master Association Governing Documents, the Article of Formation, the Declaration and these Bylaws, the provisions of Texas law, the Master Declaration and Master Governing Documents, the Declaration, the Articles of Formation, and these Bylaws (in that order) shall prevail.

7. 4. Books and Records.

(a) Inspection of Records by Members and Mortgagees. Board of Directors shall make available for inspection and copying by the holder, insurer, or guarantor of a first mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Declaration; the Bylaws; the Articles of Formation, including any amendments; the rules of the Association; the membership register, books of account; and the minutes of meetings of the Members, the Board of Directors, and committees. The Board of Directors shall provide for such inspection to take place at the office of the Association or at such other place within the Property as the Board of Directors shall designate.

(b) Rules for Inspection. The Board of Directors shall establish reasonable rules with respect to:

- (i) notice to be given to the custodian of records of the Association;
- (ii) hours and days of the week when such inspection may be made; and
- (iii) payment of the cost of reproducing copies of documents requested and charges for compiling and researching the requested records.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

7. 5. Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first-class postage prepaid:

(i) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or

(ii) if to the Association, the Board of Directors, or the managing agent, at the Principal Office of the Association or the managing agent, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6. 6. Amendment. These Bylaws may be amended by: (i) the declarant until expiration or termination of the Development Period; or (ii) a Majority vote of the Board of Directors with the advance written consent of the Declarant until expiration of the Development Period.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Emerald Heights Homeowners Association, Inc., A Texas non-profit corporation;

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on 9th day of April, 2018.

A handwritten signature in blue ink, appearing to read "Hansoff Jr", is written over a horizontal line.

Secretary