

**EXHIBIT "C"
TO THE
DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
HERITAGE PLACE**

BYLAWS

OF

HERITAGE PLACE HOMEOWNERS' ASSOCIATION, INC.

*Riddle & Williams, P.C.
Attorneys and Counselors
1050 Turtle Creek Centre
3811 Turtle Creek Boulevard
Dallas, Texas 75219
www.riddleandwilliams.com*

- TABLE OF CONTENTS -

Article I Name, Principal Office and Definitions 1

- 1.1. Name 1
- 1.2. Principal Office 1
- 1.3. Definitions 1

Article II Association: Membership, Meetings, Quorum, Voting, Proxies 1

- 2.1. Membership 1
- 2.2. Place of Meetings 1
- 2.3. Annual Meetings 1
- 2.4. Special Meetings 2
- 2.5. Notice of Meetings 2
- 2.6. Waiver of Notice 2
- 2.7. Adjournment of Meetings 2
- 2.8. Voting 2
- 2.9. Proxies 3
- 2.10. Majority 3
- 2.11. Quorum 3
- 2.12. Conduct of Meetings 3
- 2.13. Action Without a Meeting 3

Article III Board; Number, Powers, Meetings 3

- A. Composition and Selection 3
 - 3.1. Governing Body; Composition 3
 - 3.2. Number of Directors 4
 - 3.3. Directors During Class "B" Control Period 4
 - 3.4. Nomination and Election Procedures 4
 - (a) Nominations 4
 - (b) Election Procedures 4
 - (c) Class "B" Member 4
 - 3.5. Election and Term of Office 4
 - 3.6. Removal of Directors; Vacancies 5
- B. Meetings 5
 - 3.7. Organizational Meetings 5
 - 3.8. Regular Meetings 5
 - 3.9. Special Meetings 6
 - 3.10. Waiver of Notice 6
 - 3.11. Telephonic Meetings 6
 - 3.12. Quorum of Board 6
 - 3.13. Compensation 6

3.14. Conduct of Meetings	7
3.15. Open Meetings	7
3.16. Action Without a Formal Meeting	7
C. Powers and Duties	7
3.17. Powers	7
3.18. Right to Disapprove Actions	9
3.19. Management	9
3.20. Accounts and Reports	10
3.21. Borrowing	11
3.22. Rights of the Association	11
3.23. Enforcement	11
(a) Notice	11
(b) Repeat Offender	12
(c) Hearing	12
(d) Appeal	12
(e) Additional Enforcement Rights	12
(f) Applicability	12
Article IV Officers	13
4.1. Officers	13
4.2. Election and Term of Office	13
4.3. Removal and Vacancies	13
4.4. Powers and Duties	13
4.5. Resignation	13
4.6. Agreements, Contracts, Deeds, Leases, Checks, etc	13
4.7. Compensation	13
Article V Committees	13
5.1. General	14
5.2. Covenants Committee	14
Article VI Miscellaneous	14
6.1. Fiscal Year	14
6.2. Parliamentary Rules	14
6.3. Conflicts	14
6.4. Books and Records	14
(a) Inspection by Members and Mortgagees	14
(b) Rules for Inspection	14
(c) Inspection by Directors	14
6.5. Notices	15
6.6. Amendment	15
(a) By Declarant	15
(b) By Owners	15

BYLAWS

OF

HERITAGE PLACE HOMEOWNERS' ASSOCIATION, INC.

Article I

Name, Principal Office and Definitions

Section 1.1. Name. The name of the Association shall be **Heritage Place Homeowners' Association, Inc.** (hereinafter sometimes referred to as the "Association").

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

Section 1.3. Definitions. The words used in these Bylaws shall be given their normal commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions and Restrictions for Heritage Place (said Declaration, as amended, renewed or extended from time to time, is hereinafter sometimes referred to as the "Declaration"), unless the context shall otherwise require.

Article II

Association: Membership, Meetings, Quorum, Voting, Proxies

Section 2.1. Membership. The Association shall have two classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference.

Section 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 either within the Community or as convenient thereto as possible and practical.

Section 2.3. Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within one (1) year from the date of incorporation of the Association. Meetings shall be of the Members or their alternates. Subsequent regular annual meetings shall be set by the Board so as to occur during the third quarter of the Association's fiscal year on a date and at a time set by the Board.

Section 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 of the Association if so directed by resolution of a majority of a quorum of the Board or upon a petition signed by Members representing at least thirty percent (30%) of the total Class "A" votes of the Association.

Section 2.5. Notice of Meetings. Written or printed notice stating the place, day and hour 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 ten (10) nor more than sixty (60) 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 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 a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, with postage thereon prepaid.

Section 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, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member or alternate shall be deemed waiver by such Member of notice of the time, date and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

Section 2.7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting, either in person or by alternate, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. 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 reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that Members representing at least ten percent (10%) of the total votes of the Association remain in attendance and provided further that any action taken is approved by at least a majority of the votes required to constitute a quorum.

Section 2.8. Voting. The voting rights of the Members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein.

Section 2.9. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing, dated and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of such Member's Lot, or upon receipt of notice by the Secretary of the death or judicially declared incompetence of a Member, or of written revocation, or upon the expiration of eleven (11) months from the date of the proxy.

Section 2.10. Majority. As used in these Bylaws, the term "majority" shall mean those votes, owners or other group, as the context may indicate, totaling more than fifty percent (50%) of the total number.

Section 2.11. Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by proxy of Members representing at least twenty-five percent (25%) of the total Class "A" votes in the Association and, so long as the Class "B" membership exists, the presence of a duly appointed representative of the Class "B" Member, shall constitute a quorum at all meetings of the Association.

Section 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 the meeting, as well as a record of all transactions occurring at the meeting.

Section 2.13. Action Without a Meeting. Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting if written consent setting forth the action so taken is signed by a sufficient number of Members as would be necessary to take that action at a meeting at which all of the Members were present and voted, and any such consent shall have the same force and effect as a unanimous vote of the Members. Each written consent shall bear the date of the signature of each Member who signs the consent.

Article III

Board; Number, Powers, Meetings

A. Composition and Selection

Section 3.1. Governing Body; Composition. The affairs of the Association shall be governed by a Board, each of whom shall have one vote. Except with respect to directors appointed by the Class "B" Member, the directors shall be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time. In the case of a Member which is not a natural person, the person designated in writing to the Secretary of the Association as the representative of such Member shall be eligible to serve as a director; provided, no Member may have more than one representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

Section 3.2. Number of Directors. The Board shall consist of three (3) or five (5) directors, as provided in Section 3.5. The initial Board shall consist of the three (3) directors identified in the Articles of Incorporation.

Section 3.3. Directors During Class "B" Control Period. The directors appointed by the Class "B" Member pursuant to Section 3.5 shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member.

Section 3.4. Nomination and Election Procedures.

(a) Nominations. Nominations for election to the Board may be made from the floor or by a Nominating Committee. The Nominating Committee, if any, shall consist of a chairman, who shall be a director, and two (2) or more Members. The Nominating Committee, if any, shall be appointed by the Board not less than thirty (30) days prior to each annual meeting of the Members to serve a term of one (1) 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 as it shall in its discretion determine, but in no event less than the number of positions to be filled. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes. The Board may adopt rules governing the procedures for the nomination of directors.

(b) Election Procedures. Each Member may cast all votes attributed to the Lots which such Member represents for each vacancy to be filled. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled and who receive the greatest number of votes shall be elected. The directors elected by the Members shall hold office until their respective successors have been elected and qualified. Directors may be elected to serve any number of consecutive terms.

(c) Class "B" Member. The provisions of this Section 3.4 shall not apply to directors appointed by the Class "B" Member.

Section 3.5. Election and Term of Office. Notwithstanding any other provision contained herein:

(a) Within thirty (30) days after the time that Class "A" Members other than Builders own at least seventy-five percent (75%) of the total number of Lots shown on the Plat, or whenever the Class "B" Member earlier determines, the President shall call a special meeting at which Class "A" Members shall be entitled to elect one (1) of the three (3) directors, who shall be an at-large director. The remaining two (2) directors shall be appointees of the Class "B" Member. The directors appointed by the Class "B" Member shall not be subject to removal by the Class "A" Members and shall serve at the pleasure of the Class "B" Member. The director elected by the Class "A" Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two (2) years or until the happening of the event described in Subsection (b) below, whichever is shorter. If such director's term expires prior to the happening of the event described in Subsection (b) below, a successor shall be elected or appointed for a like term.

(b) Within ninety (90) days after termination of the Class "B" Control Period, the Association shall call an annual meeting of the Membership in which the directors shall be elected by the Members representing both Class "A" Members and the Class "B" Member, if any. If the Board consists of three (3) members, two (2) directors shall be elected for a term of two (2) years and one (1) director shall be elected for a term of one (1) year. If the Board consists of five (5) directors, three (3) directors shall be elected for a term of two (2) years and two (2) directors shall be elected for a term of one (1) year. At the expiration of the initial term of office of each member of the Board of Directors and at each annual meeting thereafter, a successor shall be elected to serve for a term of two (2) years.

Each Member shall be entitled to cast the total number of votes attributed to the Lots which it represents with respect to each vacancy to be filled. There shall be no cumulative voting. The candidate(s) receiving the most votes shall be elected. The directors elected by the Class "A" Members shall hold office until their respective successors have been elected by the Association. Directors may be elected to serve any number of consecutive terms.

Section 3.6. Removal of Directors; Vacancies. Any director elected by the Class "A" Members may be removed, with or without cause, by the vote of the Members holding a majority of the Class "A" votes entitled to be cast for the election of such director. Directors appointed by the Class "B" Member shall not be subject to removal by the Class "A" Members. Any director elected by the Class "A" Members whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall then and there be elected by the Class "A" Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Class "A" Members who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment or other charge due the Association for more than thirty (30) days, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

In the event of the death, disability or resignation of a director elected by the Class "A" Members, a vacancy may be declared by the Board, and it may appoint a successor; provided, however, upon written petition of the Class "B" Member or Class "A" Members entitled to cast at least ten percent (10%) of the total Class "A" votes in the Association, the Board shall call a special meeting for the purpose of electing a successor to fill such vacancy on the Board. Each person so elected or appointed by the Board shall serve the unexpired portion of the term.

B. Meetings.

Section 3.7. Organizational Meetings. The first meeting of the Board following each annual meeting of the Membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

Section 3.8. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least four (4) such

meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to directors no less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 3.9. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President or by any two (2) directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one of the following methods: (i) by personal delivery; (ii) written notice by first-class mail, postage prepaid; (iii) by telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) by electronic mail, facsimile, computer, fiberoptics or other communication device. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's 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 four (4) days before the time set for the meeting. Notices given by personal delivery, telephone or other device shall be delivered or transmitted at least seventy-two (72) hours before the time set for the meeting.

Section 3.10. Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and 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 also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 3.11. Telephonic Meetings. Members of the Board or any committee may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can simultaneously communicate with one another. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 3.12. Quorum of Board. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. A 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 cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have transacted at the meeting originally called may be transacted without further notice.

Section 3.13. Compensation. No director shall receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total Class "A" vote of the Association at a regular or special meeting of the Association; provided any director

may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors.

Section 3.14. Conduct of Meetings. The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of meetings of the Board, recording therein all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

Section 3.15. Open Meetings. Subject to the provisions of Section 3.16, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc., or matters that are to remain confidential by request of the affected parties and agreement of the Board. The general nature of any business to be considered in executive session must first be announced at the open meeting.

Section 3.16. Action Without a Formal Meeting. Any action to be taken at a meeting of the 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 a sufficient number of directors as would be necessary to take that action at a meeting at which all of the directors were present and voted, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

Section 3.17. Powers. The Board shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do or cause to be done all acts and things as are not by the Declaration, Articles or these Bylaws directed to be done and exercised exclusively by the Members or the membership generally.

The Board shall delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall have the power to establish policies relating to, and shall be responsible for, performing or causing to be performed, the following, in way of explanation, but not limitation:

(a) preparation and adoption, in accordance with Article VI of the Declaration, of annual budgets in which there shall be established the contribution of each Owner to the common expenses;

(b) making assessments to defray the common expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment; provided, unless otherwise determined by the Board, the annual assessment for

each Lot's proportionate share of the common expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month;

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

(d) designating, hiring and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair and replacement of its property and the Common Property 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) collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve and using the proceeds to operate the Association; provided, any reserve fund may be deposited in the directors' best business judgment, in depositories other than banks;

(f) making and amending rules and regulations;

(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 Common Property in accordance with the other provisions of the Declaration and these Bylaws after damage or destruction by fire or other casualty;

(i) enforcing by legal means the provisions of the Declaration, these Bylaws and the rules and regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

(j) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(l) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

(m) making available to any prospective purchaser of a Lot, any Owner of a Lot, any First Mortgagee, and the holders, insurers and guarantors of a First Mortgage on any Lot, current copies of the Declaration, the Articles of Incorporation, the Bylaws, rules governing the Lot and all other books, records and financial statements of the Association; and

(n) permitting utility suppliers to use portions of the Common Property reasonably necessary to the ongoing development or operation of the Community.

Section 3.18 Right to Disapprove Actions. So long as the Declarant owns property for development and/or sale in the Community, the Declarant shall have a right to disapprove any action, policy or program of the Association, the Board and any committee which, in the judgment of the Declarant, would tend to impair rights of the Declarant or Builders under the Declaration or these Bylaws, or interfere with development, construction of any portion of the Community, or diminish the level of services being provided by the Association.

No such action, policy or program described above shall become effective or be implemented until and unless:

(a) Declarant shall have been given written notice of all meetings and proposed actions approved at meetings of the Association, the Board or any committee thereof by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies as to the Board meetings with Sections 3.8, 3.9 and 3.10 of these Bylaws and which notice shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth in reasonable particularity the agenda to be followed at said meeting; and

(b) Declarant shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy or program which would be subject to the right of disapproval set forth herein. Declarant, its representatives or agents, shall make its concerns, thoughts and suggestions known to the Board and/or the members of the subject committee; and

(c) Declarant fails to disapprove of any such action, policy or program authorized by the Association, the Board or any committee thereof within the time period described below. This right to disapprove may be exercised by the Declarant, its successors, assigns, representatives or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions hereof. This right to disapprove may be used to block proposed actions but shall not extend to the requiring of any action or counteraction on behalf of any committee, or the Board of the Association. Declarant shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

Section 3.19. Management. The Board may employ for the Association a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Board may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board by these Bylaws, other than policy-making authority or the duties set forth in Subparagraphs (a) and (i) of Section 3.17 of this Article. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager. The Association shall not be bound by, either directly or indirectly, any management contract executed during the Class "B" Control Period unless such contract provides a right of

termination exercisable by the Association, with or without cause and without penalty, at any time after termination of the Class "B" Control Period upon not more than ninety (90) days' written notice.

Section 3.20. Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

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

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

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

(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;

(f) financial reports shall be prepared for the Association at least quarterly containing:

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

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(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 preceding period; and

(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 fifteenth (15th) day following the due date unless otherwise specified by resolution of the Board).

(g) an annual report consisting of at least the following shall be made available to all Members within one hundred twenty (120) days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. The annual report referred to above shall be prepared on an audited or reviewed basis, as

determined by the Board, by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any First Mortgage on a Lot, the Association shall provide an audited financial statement. During the Class "B" Control Period, the annual report shall include certified financial statements.

Section 3.21. Borrowing. The Association, acting through the Board, shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Common Property without the approval of the Members of the Association. The Board shall also have the power to borrow money for other purposes; provided, the Board shall obtain Member approval in the same manner provided in Article X, Section 7 of the Declaration for special assessments in the event that the proposed borrowing is for the purpose of modifying, improving or adding amenities and the total amount of such borrowing exceeds or would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Notwithstanding anything to the contrary contained in the Declaration, these Bylaws or the Articles of Incorporation, during the Class "B" Control Period, no mortgage lien shall be placed on any portion of the Common Property without the affirmative vote or written consent, or any combination thereof, of Members representing at least fifty-one percent (51%) of the Members other than the Declarant and the Declarant's nominees.

Section 3.22. Rights of the Association. With respect to the Common Property, and in accordance with the Articles of Incorporation and the Declaration, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational or other agreements with trusts, condominiums, cooperatives and other owners or residents associations, both within and without the Community. Such agreements shall require the consent of a majority of the total number of directors of the Association.

Section 3.23. Enforcement. The Association shall have the power to impose sanctions for violations of the Declaration and any rules promulgated thereunder as provided in the Declaration. The failure of the Board to enforce any provision of the Declaration shall not be deemed a waiver of the right of the Board to do so thereafter or of the right to enforce any other violation.

(a) Notice. Prior to imposition of any sanction under the Declaration, the Board or its delegate shall serve the alleged violator with written notice by certified mail, return receipt requested, describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, including the amount of any fine or charge (iii) a period of not less than thirty (30) days from the violator's receipt of such notice within which the alleged violator may present a written request to the Covenants Committee, if any, or the Board, for a hearing; (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the violation is cured within a reasonable period of time or unless a request for a hearing is made within the thirty-day period; (v) a statement that the violator has the right to appeal the decision of the Covenants Committee, if any, to the Board of Directors by written notice to the Board of Directors; and (vi) a statement that attorney's fees and costs will be charged to the violator if the violation continues after the cure period stated in the notice. The Board or the Covenants Committee, if any, may suspend any proposed sanction if the violation is cured within the cure period stated in the notice, or if correction of the violation is commenced within the cure period and diligently pursued to completion. 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) Repeat Offender. Notwithstanding anything to the contrary herein contained, in the event the violator was given notice and a reasonable opportunity to cure a similar violation within the preceding six (6) months of the current violation, no additional opportunity to cure must be given to the violator.

(c) Hearing. If a hearing is requested within the allotted thirty (30) day period, the hearing shall be held before the Covenants Committee, if any, or the Board in executive session. The hearing shall be held no later than the 30th day after the date the Board of Directors receives the violator's request for a hearing. The Board or its delegate shall notify the violator of the date, time and place of the hearing no later than the 10th day before the date of the hearing. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(d) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the manager, President or Secretary of the Association within thirty (30) days after the hearing date.

(e) Additional Enforcement Rights. Notwithstanding anything to the contrary herein contained, the Board may elect to enforce any provision of the Declaration or rules by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking restrictions or rules and regulations) or by suit at law or in equity to enjoin any violation without the necessity of compliance with the notice and hearing procedure set forth above unless otherwise required by law. 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 attorney's fees and additional management fees actually incurred. Any entry onto a Lot for purposes of exercising this power of self-help shall not be deemed a trespass.

(f) Applicability. The notice and hearing requirements of this Section 3.23 do not apply if the Association files suit seeking a temporary restraining order or temporary injunctive relief or files suit to foreclose its assessment lien for non-payment of annual or special assessments. The notice and hearing requirements of this Section 3.23 also do not apply to a temporary suspension of a Person's right to use Common Property if the temporary suspension is the result of a violation that occurred in a portion of the Common Property and involved a significant and immediate risk of harm to others in the Community. The temporary suspension is effective until the Board makes a final determination on the suspension action after following the notice and hearing procedures of this Section 3.23.

Article IV

Officers

Section 4.1. Officers. The officers of the Association shall be a President, Vice President, Secretary and Treasurer, to be elected from among the members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 4.2. Election and Term of Office. The officers of the Association shall be elected annually by the Board at the first meeting of the Board following each annual meeting of the Members, as set forth in Article III.

Section 4.3. Removal and Vacancies. Any officer may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. A vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board for the unexpired portion of the term.

Section 4.4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Treasurer shall have 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.

Section 4.5. Resignation. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of the 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.

Section 4.6. Agreements, Contracts, Deeds, Leases, Checks, etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board.

Section 4.7. Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.13 hereof.

Article V

Committees

Section 5.1. General. Committees are hereby authorized to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the directors present

at a meeting at which a quorum is present. Each committee shall cooperate in accordance with the terms of the resolution of the Board designating the committee or with rules adopted by the Board.

Section 5.2. Covenants Committee. In addition to any other committees which may be established by the Board pursuant to Section 1 of this Article, the Board may appoint a Covenants Committee consisting of at least three (3) and no more than five (5) members. Acting in accordance with the provisions of the Declaration, these Bylaws and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association.

Article VI

Miscellaneous

Section 6.1. Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board. In the absence of a resolution, the fiscal year shall be the calendar year.

Section 6.2. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Texas law, the Articles of Incorporation, the Declaration or these Bylaws.

Section 6.3. Conflicts. If there are conflicts between the provisions of Texas law, the Articles of Incorporation, the Declaration and these Bylaws, the provisions of Texas law, the Declaration, the Articles of Incorporation and the Bylaws (in that order) shall prevail.

Section 6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Declaration, Bylaws and Articles of Incorporation, any amendments to the foregoing, the rules and regulations of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board and committees shall be made available for inspection and copying by any holder, insurer or guarantor of a First Mortgage on a Lot, Member of the Association, or by 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 the Lot at the office of the Association or at such other place within the Community as the Board shall prescribe.

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

(i) notice to be given to the custodian of the records;

(ii) hours and days of the week when such an inspection may be made;

and

(iii) payment of the cost of reproducing copies of documents requested.

(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

Community owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and a copy of relevant documents at the expense of the Association.

Section 6.5. Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements or other communications under these Bylaws 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:

(a) 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

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 6.6. Amendment.

(a) By Declarant. Until termination of the Class "B" Control Period, these Bylaws may be amended unilaterally at any time and from time to time by the Declarant. Thereafter, Declarant may unilaterally amend these Bylaws if such amendment is (i) necessary to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to make, purchase, insure or guarantee mortgage loans on the Lots; or (iv) otherwise necessary to satisfy the requirements of any governmental agency. However, any such amendment shall not adversely affect the title to any Lot unless the Lot Owner shall consent thereto in writing. So long as the Declarant still owns property for development and/or sale as part of the Community, the Declarant may unilaterally amend these Bylaws for any other purpose, provided the amendment has no material adverse affect upon the right of any Owner.

(b) By Owners. Except as provided above and otherwise specifically provided herein, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof, of fifty-one percent (51%) of the Class "A" Members, and the consent of the Class "B" Member, so long as the Class "B" Member owns property for development and/or sale in the Community. In addition, the approval requirements set forth in Article XIV of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Any amendment to be effective must be recorded in the County Clerk Official Records of Tarrant County, Texas.

If an Owner consents to any amendment to the Declaration or these Bylaws, it will be conclusively presumed that such Owner has the authority so to consent and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

