

BYLAWS

OF

SHADOW RIDGE PHASE I

HOMEOWNERS ASSOCIATION, INC.

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ARTICLE I.

NAME AND OFFICES

Section 1

The name of the corporation is Shadow Ridge Phase I Homeowners Association, Inc., hereinafter referred to as the “Association.”

Section 2

The principal office of the Association shall be located at *an address agreed upon by the Board of Directors and communicated to the members via neighborhood newsletters and/or the neighborhood web site.*

Section 3

The Association shall have and continuously maintain, in the State of Texas, a registered office, and a registered agent whose office is identical with such registered office as required by the Texas Non-Profit Corporation Act. The registered office may, but need not, be identical with the principal office of the Association in the State of Texas, and the registered office and registered agent may be changed from time to time by the Board of Directors.

Section 4

The Association may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Association may require from time to time. The Board of Directors may change the location of any office of the Association.

ARTICLE II.

DEFINITIONS

The words “Association,” “Property,” “Area of Common Responsibility,” “Lot,” “Owner,” “Member,” “Home,” “Development,” and “Declarant,” when used in these Bylaws, unless a different meaning or intent clearly appears from the context, shall have the same meaning as they have in that certain Declaration of Covenants, Conditions and Restrictions for Shadow Ridge Phase I, as amended from time to time (the “Declaration”), dated October 1, 1992, and recorded in Volume 3393, Page 27, Real Property Records, Denton County, Texas, which Declaration is incorporated herein by reference for all purposes. In the event of any conflict between the language of these Bylaws and the Declaration, the language of the Declaration shall control.

ARTICLE III.

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1

Declarant during the time that it owns any Lots and each Owner of a Lot shall automatically be and must remain a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No Owner shall have more than one (1) membership. Membership shall be appurtenant to and may not be separated from any ownership of any Lot which is subject to assessment by the Association. Transfer of ownership, either voluntarily or by operation of law, shall terminate such Owner's membership in the Association, and membership shall be vested in the transferee; provided, however, that no such transfer shall relieve or release such Owner from any personal obligation with respect to assessments which have accrued prior to such transfer. The Board of Directors may declare that an Owner is not a Member in good standing because of prior unpaid dues, fines, late charges, interest, legal fees, and/or any other assessments of any nature. The Board of Directors may temporarily suspend the voting rights of any Member who is not in good standing until such unpaid amounts are paid in full.

Section 2

The Association shall have two (2) classes of voting membership.

CLASS A Class A Members shall be all Owners. Class A Members shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot. If title to a Lot is in the name of two (2) or more Owners, any one (1) of such Owners may vote as the Owner at any meeting of the Association and such vote shall be binding on other Owners of such Lot who are not present at such meeting unless written notice to the contrary has previously been delivered by the absent Owner to the Association, in which case the unanimous action of all such Owners (in person or by proxy) shall be required to cast their vote as Owners. If two (2) or more Owners of a Lot are present at any meeting of the Association, then unanimous action shall be required to cast their vote as Owners.

CLASS B The sole Class B Member shall be the Declarant. The Declarant, as the sole Class B Member, shall be entitled to three (3) votes for each Lot it owns; provided however, the Declarant shall cease to be a Class B Member and shall become a Class A Member entitled to one (1) vote per Lot on the happening of either of the following events:

- (i) when the total votes outstanding in the Class A membership equals the total number of votes outstanding in the Class B membership;
- or

- (ii) the expiration often (10) years from the filing date of the Declaration in the Real Property Records of Denton County, Texas, whichever occurs first in time.

Section 3

The rights of membership are subject to the payment of annual, special and individual assessments levied by the Association, together with such interest, costs and reasonable attorney's fees as provided in the Declaration, shall be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to successors in title unless expressly assumed by such successors, however the lien upon the Lot shall continue until paid.

Section 4

The rights of any Member to use or enjoy any property owned by the Association may be suspended by action of the directors during the period when assessments against a Lot owned by such Member remains unpaid; but, upon payment of such assessments, the Member's rights and privileges shall be automatically restored. If, at any time, the directors shall have adopted and published rules and regulations governing the use of any property owned by the Association, and the personal conduct of Members, their families and their guests thereon, as provided in the Declaration, they may, in their discretion, for violation of such rules and regulations by a Member or by his family or guests, suspend the rights of such Member and/or the person committing the violation, such suspension to continue for a period not to exceed sixty (60) days.

Section 5

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 a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

ARTICLE IV.

DIRECTORS

Section 1

The number of directors of the Association shall be *seven (7)*. The directors shall be elected at the annual meeting of the Members, except the initial directors and except as provided in *Section 1 and* Section 2 of this Article. At the first annual meeting, the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years and one (1) director for a term of three (3) years. *At the 1998 annual meeting of the Association, two (2) of the individuals nominated by the members present at said meeting for position of officer shall be chosen by the three (3) current directors to serve a two (2) year term as a director. Two (2) additional nominees shall be appointed to serve a one (1) year term as a director. The director elected at the 1998 meeting shall serve a term of (2) years. At the 1999 annual meeting of Member, three (3) directors shall be elected for a term of two (2) years each.* Each director elected shall hold office for his designated term or until his successor is elected and qualified. Directors need not be Members of the Association.

Section 2

Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of the directors shall be filled at an annual meeting of the Members or at a special meeting of the Members entitled to vote called for that purpose.

Section 3

Any director may be removed from the Board of Directors, with or without cause, by a majority vote of the Members at an annual meeting of the Members or at a special meeting of the Members entitled to vote called for that purpose. In addition, the Board of Directors shall have the power and authority to declare the office of a member of the Board of Directors to be vacant in the event such director shall be absent from three (3) consecutive regular meetings of the Board of Directors. *Any Board of Director delinquent in payment of an Assessment, shall not be allowed to serve on the Board of Directors.*

Section 4

The business and affairs of the Association shall be managed by its Board of Directors which may exercise all such powers of the Association and do all such lawful acts and things as are not by statute, by the Articles of Incorporation (“Articles”), by these Bylaws or by the Declaration directed or required to be exercised and done by the Members.

Section 5

The Board shall have the exclusive right to contract for all goods, services, and insurance, and the exclusive right and obligation to perform the functions of the Board, except as otherwise provided herein.

Section 6

The Board, on behalf of the Association, shall have full power and authority to contract with any Owners (including, without limitation, the Declarant) for the performance of services which the Board is otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and to the best interest of the Association.

Section 7

Neither any Member, the Board, any director, nor any officer of the Association shall be personally liable for debts contracted for, or otherwise incurred by the Association, or for a tort of any other Member, whether such other Member was acting on behalf of the Association or otherwise. Neither the Declarant, the Association, its directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portion thereof or for failure to repair or maintain the same. The Declarant, the Association or any other person, firm or corporation liable to make such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portion thereof. The Directors shall not be liable to the Association or any Members for any mistake in judgment or negligence in the performance of duty. The Directors shall have no personal liability with respect to any contract or other commitment made by them on behalf of the Association.

Section 8

The Board may maintain and establish funds which may be maintained and accounted for separately from other funds maintained for annual operating expenses and may establish separate, irrevocable trust accounts in order to better demonstrate that the amounts deposited therein are capital contributions and not net income to the Association.

Section 9

No contract or other transaction between the Association and any of the Directors, or between the Association and any corporation, firm or association (including Declarant) in which any Director is pecuniarily or otherwise interested (including, without limitation, any management contract) is either void or voidable because any such Director is present at the meeting of the Board which authorizes or approves the contractor transaction, or because his vote is counted for such purpose. Any interested Director may be counted in determining the presence of a quorum of any meeting of the Board which authorizes, approves or ratifies any contract or transaction and may vote with like force and effect as if such Director was not so interested.

ARTICLE V.

MEETINGS OF THE BOARD OF DIRECTORS

Section 1

The Board of Directors shall meet each year immediately following the annual meeting of the Members, at the place of such meeting, for the transaction of such business as may be properly brought before it. No notice of annual meetings need be given to either old or new members of the Board of Directors.

Section 2

Regular meetings may be held at such other times as shall be designated by the Board of Directors. 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.

Section 3

Special meetings of the Board of Directors shall be held when called by the President or by any director. A person or persons authorized to call special meetings of the Board of Directors may fix any place within or without the State of 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. Written notice of special meetings of the Board of Directors shall be given to each director not less than three (3) nor more than fourteen (14) 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.

Section 4

A majority of the directors then in office shall constitute a quorum for the transaction of business and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a greater number is required by the Articles. 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 shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 5

Notice of special meeting of the Board of Directors shall be given in writing by mail, telegram or by personal delivery to each director at his address as shown by the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of

such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need to be specified in the notice or waiver of notice of such meeting, unless specifically required by law, by these Bylaws or by the Declaration.

Section 6

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 these Bylaws. A director who is present at a meeting and abstains from a vote is not considered to be present and voting for the purpose of determining the decision of the Board of Directors.

Section 7

Meetings may be evidenced by unanimous written consent of the Board of Directors or held by telephone.

ARTICLE VI.

NOMINATION AND ELECTION OF DIRECTORS

Section 1

The initial Board of Directors shall be appointed by Declarant. Thereafter, nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of the Members. The Nominating Committee shall consist of a chairman and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine. Such nominations may be made from among Members or non-Members.

Section 2

Election to the Board of Directors shall be by secret written ballot at the annual meeting of the Members. At such election the Members or their proxies may cast as many votes as they are entitled to exercise under the provisions of the Declaration. For all annual meetings of the Members after the first such meeting, *the people receiving the largest number of votes shall be elected to serve in the available (vacant) Director positions for a term of two (2) years* or until his successor is duly elected. The election of Directors for the first annual meeting *and for the 1998 and 1999 annual meetings* shall be conducted pursuant to Article IV, Section 1 of these Bylaws.

ARTICLE VII.

COMPENSATION OF DIRECTORS

The directors of the Association shall serve without compensation. Nothing herein shall preclude any Director from serving the Association in any other capacity and receiving compensation therefor.

ARTICLE VIII.

NOTICES

Section 1

Notices to Members or Owners shall be in writing and shall be deemed to have been properly delivered when deposited in the United States mail addressed to the last known address of the person who appears as a Member or Owner on the records of the Association at the time of such mailing, with postage thereon prepaid. If a Member has not provided an address for purposes of notices to the Association, and the Lot owned by such Member is improved with a dwelling, notices may be delivered to such Member at the address of such Member's Lot. A person may change his or her address by giving written notice to the Secretary of the Association.

Section 2

Whenever any notice is required to be given to any Member or Owner under the provisions of any statute or of the Articles or of these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 3

Attendance of any Member at a meeting shall constitute a waiver of notice of such meeting unless the Member attend for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE IX.

OFFICERS

Section 1

The officers of the Association shall consist of a President, *four* or more Vice Presidents, a Secretary and a Treasurer. *Elections shall be conducted pursuant to Article IX, Section 2 of these ByLaws. No person shall simultaneously hold more than one office except* in the case of any other officers, assistant officers or agents created pursuant to Section 3 of this Article IX.

Section 2

The Board of Directors, by majority vote of the current seven (7) board members (or by Proxy of said Directors) of the Association shall elect officer(s) at a meeting to take place no later than 15 days after annual meeting of the Association. All members shall be notified, in writing, of the officers and their positions no later than 30 days after the annual meeting of the Association. New offices may be created and filled at any meeting of the Board of Directors. *Members shall always be notified, in writing, no later than 30 days after these new offices have been created and/or filled.*

Section 3

Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed *for a one (1) year term* by the Board of Directors, *but will have no voting rights. Members shall be notified, in writing, no later than 30 days after these new officers have been elected or appointed.*

Section 4

All officers of the Association shall serve without compensation.

Section 5

Each *director* of the Association shall hold office *for two (2) years* unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without good cause whenever in its judgment the best interests of the Association will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any vacancy occurring in any office of the Association by death, resignation, removal or otherwise, shall be filled by the Board of Directors for the unexpired portion of the officer's term *pursuant to Section 2, Article IX of these ByLaws.*

THE PRESIDENT

Section 6

The President shall be the chief executive officer of the Association and shall in general supervise and control all of the business and affairs of the Association. He shall preside at all meetings of the Members and of the Board of Directors. He may execute, with the Secretary or any other proper officer of the Association authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws or by statute to some other officer or agent of the Association. He shall, in his capacity as President, co-sign all checks and promissory notes of this Association; and in general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

THE VICE PRESIDENT

Section 7

In the absence of the President or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him by the President or Board of Directors.

THE SECRETARY

Section 8

The Secretary shall keep the minutes of the meeting of the Members and of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents, the execution of which on behalf of the Association under its seal is duly authorized in accordance with the provisions of these Bylaws; keep a register of the post office address of each Member which shall be furnished to the Secretary by such Member; and in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

THE TREASURER

Section 9

If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies or other depositories as directed by resolution of the Board of Directors; provided however, that a resolution of

the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. He shall sign all checks and notes of the Association, provided that such checks and notes shall also be signed by the President or Vice President.

The Treasurer shall keep proper books of account and cause an annual audit of the Association books to be made by a certified public accountant at the completion of each fiscal year. He shall prepare an annual budget and an annual balance sheet statement and the budget and balance sheet statement shall be presented to the membership at its annual meeting. He shall perform such other duties as from time to time may be assigned to him by the President or the Board of Directors.

ARTICLE X.

COMMITTEES

Section 1

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. The Standing Committees of the Association shall be:

- (a) The Nominating Committee; and
- (b) The Architectural Review Committee.

Unless otherwise provided in the Declaration, each committee of the Association shall consist of a Chairman and two or more Members and shall include a Member of the Board of Directors for Board contact. If the Board of Directors delegates any of its authority to a committee, the majority of the committee shall consist of directors. The Board of Directors may establish qualifications for membership on a committee. 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 these Bylaws or otherwise imposed by law.

Section 2

The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting until the close of the next meeting. The Nominating Committee shall have the duties and functions described in Article VI of these Bylaws.

Section 3

The Architectural Review Committee shall be appointed and have duties and functions in accordance with Article V of the Declaration which instrument is incorporated in these Bylaws by reference for all the purposes.

ARTICLE XI.

MEETINGS OF MEMBERS

Section 1

All meetings of members shall be held at the principal office of the Association, or at such place within the Town of Flower Mound, Texas, as may be designated by the Board of Directors or officer or Member(s) calling the meeting.

Section 2

The first annual meeting of the Members of the Association shall be held within one (1) year following the date of incorporation of the Association on a date to be selected by the Board of Directors and each annual meeting thereafter shall be held on the same date each year thereafter at the principal office of the Association or at such other location as may be designated by the Board of Directors.. If such date for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. The Board of Directors may postpone the time of holding the annual meeting of Members for such period not exceeding ninety (90) days as they deem advisable [any annual meeting which is so postponed or for any other reason not held on the date provided above (or on the first day following which is not a legal holiday) is herein referred to as a “delayed annual meeting”]. Failure to hold the annual meeting at the designated time shall not work a dissolution of the Association.

Section 3

Special meetings of the Members may be called at any time by the President or by the Board of Directors. Special meetings of Members may also be called by the Secretaiy upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A membership. Such request shall state the purpose or purposes of such meeting and the matters proposed to be acted on thereat.

Section 4

Written notice of all special meetings and delayed annual meetings stating the place, day and hour of the meeting, and the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) or more than fifty (50) days before the meeting to the then Members of record entitled to vote at such meeting. Such notice shall be deemed to be properly delivered when deposited in the United States mail addressed to the last known address of the person who appears as a Member or Owner on the records of the Association at the time of such mailing, with postage thereon prepaid. Notice of annual meetings (which are not delayed) shall not be required, but may be given in a like manner. If all the Members meet and consent to the holding of a meeting, any action may be taken at the meeting regardless of a lack of proper notice.

Section 5

The presence at the meeting of Members entitled to vote or represented by legitimate proxy, of thirty percent (30%) or more of all of the votes of the Association, regardless of class, shall constitute a quorum at a meeting of Members for any action except as

otherwise provided in the Articles, the Declaration or these Bylaws. The members present at a duly called and 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 the required quorum is not present at the first meeting, one additional meeting may be called, subject to the notice requirement hereinabove set forth, and the required quorum at such second meeting shall be one-half (1/2) of the required quorum at the preceding meeting; provided, however, that no such second meeting shall be held more than sixty (60) days following the first meeting. Further, if a quorum is not present or represented at any meeting, a majority in interest of the Members entitled to vote thereafter shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The vote of the Members holding a majority of the votes entitled to be cast and thus represented at a meeting at which a quorum is present shall be the act of the Members unless the vote of a greater number is required by law, the Articles, the Declaration, or these Bylaws.

Section 6

At all meetings of Members, each Member who is entitled to vote may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease should membership in the Association cease. Cumulative voting shall not be permitted.

Section 7

Meetings of the Members shall be presided over by the President or, if he is not present, by any one of the Vice Presidents. The Secretary shall act as the Secretary of the meeting, if present.

ARTICLE XII.

GENERAL PROVISIONS

Section 1

The fiscal year of the Association shall be the calendar year, unless otherwise fixed by resolution of the Board of Directors.

Section 2

The Association may, but shall not be required to, have a corporate seal. If the Board elects to have a corporate seal, the corporate seal shall have inscribed thereon the name of the Association, the words "Texas" and "Non-Profit" and a five-pointed star. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 3

All meetings of the Board and Members shall be conducted in accordance with Robert's Rules of Order, Newly Revised, except where inconsistent with the express language of the Articles, these Bylaws and/or the Declaration.

ARTICLE XIII.

INDEMNIFICATION

Section 1

The Association shall indemnify, defend and hold harmless the Declarant, the Board, the Architectural Review Committee and each director, officer, employee and agent of the Declarant, the Board and the Architectural Review Committee (collectively, the “Indemnified Parties” and individually, an “Indemnified Party”), from all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including attorney’s fees) incurred by such Indemnified Party under or in connection with the Declaration or the Property to the fullest extent permitted by applicable law, such indemnity to include matters arising as a result of the sole or concurrent negligence of the Indemnified Party, to the extent permitted by applicable law.

Section 2

If the Association has not fully indemnified an Indemnified Party, the court in the proceeding in which any claim against such Indemnified Party has been asserted, or any court having the requisite jurisdiction of an action instituted by such Indemnified Party on his claim of indemnity, may assess indemnity against the Association, its receiver, or trustee, for the amount paid by such Indemnified Party in satisfaction of any judgment or in compromise of any such claim (exclusive iii either case of any amount paid to the Association), or any expenses and costs (including attorney’s fees) actually and necessarily incurred by him in connection therewith to the extent that the court shall deem reasonable and equitable, to the fullest extent permitted by applicable law.

ARTICLE XIV.

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XV.

AMENDMENTS

Section 1

Subject to the provisions of Section 7.12 of the Declaration, these Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted at a regular or special meeting of the Members, by a vote of at least *fifty-one percent (51%)* of the outstanding votes of the Members of the Association, in the aggregate, regardless of class.

Section 2

In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XVI.

DISSOLUTION

Subject to the provisions of Section 7.12 of the Declaration, the Association may be dissolved with the assent given in writing and signed by the Members entitled to cast at least sixty-seven percent (67%) of the outstanding votes of the Members of the Association in the aggregate, regardless of class; provided, however, that no such agreement to dissolve shall be effective unless made at least 120 days in advance of the effective date of such dissolution, and unless written notice of the proposed dissolution is sent to every Member at least thirty (30) days in advance of any action taken. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of the Shadow Ridge Phase I Homeowners Association, Inc., a Texas non-profit corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of such Association, as duly adopted by Unanimous Consent in Lieu of Organizational Meeting dated effective November 11, 1993.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 20th day of January, 1994.

HADDON O. WINCKLER, Secretary

APPENDIX

REVISION HISTORY

Article: I

Title: Name and Offices

Section: 2

Date Amended: June 3, 1999

Amendment: The principal office of the Association shall be located at 2240 Morris Road, Suite 110/200, Flower Mound, Texas 75028.

Article: I

Title: Name and Offices

Section: 2

Date Amended: July 15, 2002

Amendment: The principal office of the Association shall be located at an address agreed upon by the Board of Directors and communicated to the members via neighborhood newsletters and/or the neighborhood web site.

Article: IV

Title: Directors

Section: 3

Date Amended: June 23, 1998

Amendment: The principal office of the Association shall be located at an address agreed upon by the Board of Directors and communicated to the members via neighborhood newsletters and/or the neighborhood web site.

Article: IV

Title: Directors

Section: 1

Date Amended: September 14, 1998

Amendment: The number of directors of the Association shall be seven (7). Directors shall be elected at the annual meeting of the Members, except the initial directors and except as provided in Section 1 and Section 2 of this Article. At the first annual meeting, the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years and one (1) director for a term of three (3) years. At the 1998 annual meeting of the Association, two (2) of the individuals nominated by the members present at said meeting for position of officer shall be chosen by the three (3) current directors to serve a two (2) year term as a director. Two (2) additional nominees shall be appointed to serve a one (1) year term as a director. The director elected at the 1998 meeting shall serve a term of (2) years. At the 1999 annual meeting of Members, three (3) directors shall be elected for term of two (2) years each. Each director elected (or appointed in 1998) shall hold office for his/her designated term or until his/her successor is elected and qualified. Directors need not be Members of the Association

Article: VI

Title: Nomination and Election of Directors

Section: 2

Date Amended: September 14, 1998

Amendment: Election to the Board of Directors shall be by secret written ballot at the annual meeting of the Members. At such election the Members or their proxies may cast as many votes as they are entitled to exercise under the provisions of the Declaration. For all annual meetings of the Members after the first such meeting, the people receiving the largest number of votes shall be elected to serve in the available (vacant) Director positions for a term of two (2) years or until his successor is duly elected. The election of Directors for the first annual meeting and for the 1998 and 1999 annual meetings shall be conducted pursuant to Article IV, Section I of these ByLaws.

Article: IX

Title: Officers

Section: 1

Date Amended: September 14, 1998

Amendment: The officers of the Association shall consist of a President, four or more Vice Presidents, a Secretary and a Treasurer. Elections shall be conducted pursuant to Article IX, Section 2 of these ByLaws. No person shall simultaneously hold more than one office except in the case of any other officer, assistant officers or agents created pursuant to Section 3 of this Article IX.

Article: IX

Title: Officers

Section: 2

Date Amended: September 14, 1998

Amendment: The Board of Directors, by majority vote of the current seven (7) board members (or by Proxy of said Directors) of the Association shall elect officer(s) at a meeting to take place no later than 15 days after annual meeting of the Association. All members shall be notified, in writing, of the officers and their positions no later than 30 days after the annual meeting of the Association. New offices may be created and filled at any meeting of the Board of Directors. Members shall always be notified, in writing, no later than 30 days after these new offices have been created and/or filled.

Article: IX

Title: Officers

Section: 3

Date Amended: September 14, 1998

Amendment: Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed for a one (1) year term by the Board of Directors, but will have no voting rights. Members shall be notified, in writing, no later than 30 days after these new officers have been elected or appointed.

Article: IX

Title: Officers

Section: 5

Date Amended: September 14, 1998

Amendment: Each director of the Association shall hold office for two (2) years unless he/she shall sooner resign, or shall be removed, or otherwise be disqualified to serve. Any officer elected or appointed by the Board of Directors may be removed as an officer by the current directors with or without good cause whenever in its judgment the best interests of the Association will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any vacancy occurring in any office of the Association by death, resignation, removal or otherwise, shall be filled by the Board of Directors for the unexpired portion of the officer's term pursuant to Section 2, Article IX of these ByLaws.

Article: XV

Title: Amendments

Section: 1

Date Amended: June 23, 1998

Amendment: Subject to the provisions of Section 7.12 of the Declaration, these Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted at a regular or special meeting of the Members, by a vote of at least fifty-one percent (51%) of outstanding votes of the Members of the Association, in the aggregate, regardless of class.