

BY-LAWS
OF
HEATH CROSSING HOMEOWNERS ASSOCIATION

HEATH CROSSING HOMEOWNERS ASSOCIATION, a Texas non-profit corporation (the "Association"), is the non-profit corporation referred to in that certain Master Declaration of Covenants, Conditions and Restrictions for Heath Crossing dated as of December 14, 2005, recorded in Volume 04339, Page 00001 of the Official Public Records of Real Estate of Rockwall County, Texas, as the same may be amended from time to time as therein provided (the "Declaration"). The Declaration imposes certain restrictions and burdens upon land owned by TR Heath Partners, Ltd., a Texas limited partnership ("Declarant"). The capitalized terms used in these By-Laws shall have the same meanings given to them in the Declaration, unless otherwise specifically provided. In the event of any conflict between the terms and provisions of these By-Laws and the Declaration, the Declaration shall control over these By-Laws.

ARTICLE I

Membership and Voting

1.01. Members. Each Owner shall automatically be a Member of the Association.

1.02. Classes. The Association shall have two classes of voting membership with the right to vote at meetings of the Association as set forth below:

CLASS A. Class A Members shall be all Owners who are not Class B Members. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership. When more than one (1) Person holds such interest or interests in any Lot, all such Persons shall be Members, and 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 such Lot.

CLASS B. Class B Members shall be Declarant and any Owner who acquires a Lot for the purpose of constructing a dwelling on any Lot for sale to consumers. If at any time any portion of the Land owned by Declarant is not platted into residential Lots, for the purposes of determining at that time the number of votes Declarant is entitled to cast, Declarant shall be deemed to own four (4) Lots per full acre contained in such unplatted portion of the Land owned by Declarant. Upon the subsequent platting of any such portion of the Land owned by Declarant into residential Lots, the number of votes Declarant is entitled to cast with respect to such Lots shall be determined with reference to the actual number of such Lots owned by Declarant. Declarant shall be entitled to five (5) votes for each Lot owned by a Class B Member. Class B Members other than Declarant shall be non-voting Members. The Class B membership shall cease, and each Class B Member shall become a Class A Member, on the first to occur of (i) the date on which the total number of votes outstanding in the Class A membership is five (5) times greater than the total number of votes outstanding in the Class B membership; or (ii) the last to occur of the date that is the tenth anniversary of (x) the date of this Declaration or (y) if so added, the date the Additional Land is added to the coverage of the Declaration. If the Additional Land is added to the coverage of the Declaration, and if Class B membership has theretofore ceased, then the Class B membership shall be reinstated effective as of the date the Additional Land is so added.

1.03. Action of Members. All Members of the Association may be present at any meeting of the Association and may act at such meeting either in person or by proxy.

1.04. Neighborhood Associations. Every Lot shall be located within a Neighborhood. The Owners in a Neighborhood may create and all be members of another property owners association ("Neighborhood Association") in addition to the Association, but no such Neighborhood Association shall be required except as may be required by law. Any Neighborhood that does not choose to create and maintain a Neighborhood Association may create and maintain a Neighborhood Committee to represent the interests of the Owners in such Neighborhood with respect to the Association. A Neighborhood Committee shall have at least one officer elected by the majority of the Owners in the Neighborhood to act for the Committee. The senior elected officer of each Neighborhood Association or Neighborhood Committee (e.g., Neighborhood Association president or Neighborhood Committee chairman) shall serve as the Voting Member for such Neighborhood and shall cast all votes attributable to the Lots within the Neighborhood (as determined in accordance with Section 1.02 above and Section 6.3 of the Declaration) for the election of directors to the Board of Directors (also sometimes referred to herein as the "Board"), and on all other Association matters requiring membership vote, unless otherwise specified in the

Declaration or these By-Laws. The next most senior officer shall be the alternate Voting Member and may cast such votes in the absence of the Voting Member. The Voting Member may cast all such votes as he or she, in his or her discretion, deems appropriate.

1.05. Voting Groups. In order to guarantee representation on the Board of Directors for various groups having dissimilar interests and to avoid a situation in which the Voting Members representing similar Neighborhoods are able to elect the entire Board of Directors after the Class B Membership shall cease, excluding representation of others, the Declarant may establish one (1) or more Voting Groups for election of directors to the Board of Directors. The Declarant shall establish Voting Groups not later than the date the Class B Membership shall cease by filing with the Association and in the Official Public Records of Real Property of Rockwall County, Texas, a Supplemental Declaration identifying each Voting Group and designating the Neighborhoods within each group. Such designation may be amended from time to time by Declarant, acting alone, at any time prior to the date on which the Class B Membership shall cease. If Declarant fails to establish Voting Groups, all Neighborhoods shall be assigned to the same Voting Group. The Voting Members representing the Neighborhoods within each Voting Group shall be entitled to elect one (1) member of the Board of Directors on behalf of each such Voting Group. All other members of the Board of Directors shall be elected at large by all Voting Members without regard to Voting Groups.

ARTICLE II

Meetings

2.01. Annual Meetings. The first annual meeting of the Members of the Association shall be held on the 1st day of June, 2006 or on such other day in June, 2006 as the initial Board of Directors may select, upon at least ten (10) days written notice to the Members. Thereafter, an annual meeting of the Members of the Association shall be held at such place as may be designated by the Board at 7:00 o'clock p.m. on the 1st day of June of each calendar year (or the first business day thereafter if such day is a governmental or religious holiday). At the discretion of the Board, the annual meeting of the Members of the Association may be held at such other reasonable time (not more than sixty (60) days prior to or subsequent to the aforesaid date) as may be designated by written notice of the Board delivered to the Members not less than ten (10) nor more than sixty (60) days before the date fixed for such meeting.

2.02. Notice. Any notice permitted or required to be given to a member of the Board or to a Member may be delivered personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after deposit in the U. S. Mail, postage prepaid, addressed to a Member at his Lot or to such other

address as the Member may have given in writing to the Secretary of the Association for the purpose of service of notices. Any address for purposes of notice may be changed from time to time by notice in writing to the Secretary. For the purpose of determining the Members entitled to notice of a meeting and to vote at any meeting, the membership of the Association shall be determined at the close of business on the tenth day preceding the day notice of such meeting is given.

2.03. Special Meetings. Special meetings of the Members may be called by the President or any Vice President or Declarant at any time or may be called upon petition to the President by Members having twenty percent (20%) of the votes in the Association or by a majority of the Board of Directors. Written or printed notice stating the place, day and hour of such special meeting and the purpose or purposes for which the meeting is called shall be delivered to each Member not less than ten (10) nor more than sixty (60) days before the date of such meeting.

2.04. Quorum. Except as otherwise provided in the Declaration, the presence in person or by proxy of the Members representing an aggregate of more than fifty percent (50%) of those Members entitled to vote shall constitute a quorum for holding any meeting of the Association. Any provisions of the Declaration requiring a greater percentage of the Members for a quorum in certain circumstances shall prevail over this Section. If, however, a quorum is not present either in person or by proxy at any meeting of the Association, the Members present or represented by proxy shall have the power to adjourn and reconvene the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present in person or by proxy. At such reconvened meeting, at which a quorum is present in person or by proxy, any business may be transacted as was set out in the notification of the original meeting.

2.05. Proxies. At any meeting of the Association, votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Board at or before the appointed time of each meeting (or adjourned meeting) of the Association.

2.06. Majority Vote. When a quorum is present at any meeting of the Association, a majority of those Members entitled to vote, in accordance with Article I hereof, present either in person or by proxy at such meeting shall decide any question brought before such meeting unless the question is one upon which, by express provisions of the Declaration or these By-Laws, a different vote is required, in which case such express provision shall govern and control a vote on such question.

2.07. Cumulative Voting Prohibited. At all meetings of the Association, cumulative voting shall not be permitted, except as otherwise provided in Section 1.05 hereof with respect to Voting Groups.

ARTICLE III

Board of Directors

3.01. Number and Qualification. The initial Board of Directors shall serve in such capacity until the first annual meeting of Members. From and after the first annual meeting of Members, the Board of Directors shall consist of three (3) persons.

3.02. Election. At the first annual meeting of the Members and at each annual meeting thereafter, the Members shall elect the Board of Directors in accordance with these By-Laws. At such first annual meeting, one (1) director shall be elected for a term of two (2) years and two (2) directors shall be elected for a term of one (1) year. Thereafter, at the annual meeting of the Members, the Members shall elect either one (1) or two (2) Directors, as the case may be, each to serve for a term of two (2) years, in order to fill the positions of the directors whose terms have expired at the time of the annual meeting. The candidates receiving the highest number of votes up to the number of members of the Board to be elected shall be deemed elected. All votes shall be cast by written ballot. Election to the Board shall be by secret written ballot, at which election the Member may cast, in person or by proxy, in respect to each vacancy, such votes as they are entitled to exercise, but cumulative voting shall not be permitted, except as otherwise provided in Section 1.05 hereof with respect to Voting Groups.

The members of the Board (other than members of the initial Board) shall serve for a term of two (2) years commencing at the time of their election or until their death, resignation, or removal, whichever is earlier.

3.03. Removal and Vacancies. Any director may be removed from the Board, with or without cause, by a vote of Members representing in the aggregate at least seventy percent (70%) of the total vote of all Members, regardless of class, voting in person or by proxy at a special meeting called for such purpose or at an annual meeting. In such an event, a successor for such director as has been removed shall be selected by a vote of the Members. Except as to vacancies provided by removal of directors by vote of the Members, vacancies in the Board occurring between annual meetings of the Association shall be filled by the remaining directors.

3.04. Compensation and Expenses. No member of the Board shall receive any compensation from the Association for acting as such but shall be reimbursed for reasonable expenses incurred while serving in such capacity, however, any member of the Board who provides professional or other services to the Association shall be eligible for compensation in that capacity.

3.05. Action by Written Consent. The directors shall have the right to act by obtaining the written approval of all of the directors in lieu of a meeting. Any action so approved shall have the same effect as though taken at a meeting of the directors.

3.06 Regular Meeting. The annual meeting of the Board shall be held each year immediately following the annual meeting of the Association, at the place of such annual meeting, for the election of officers and consideration of any other business that may be properly brought before such annual meeting. 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. Notice of regular meetings shall be given to each director, personally or by mail, telephone or telegraph, at least two (2) days prior to the date named for such meeting.

3.07. Special Meetings. Special meetings of the Board may be called by the President and must be called by the Secretary at the written request of two (2) of the directors. Not less than three (3) days notice of the meeting shall be given personally by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting.

3.08. Waiver of Notice. Any director may waive notice of a meeting before or after the meeting and such waiver, if in writing and signed by such director, shall be deemed equivalent to the giving of notice. Any director who attends a meeting shall be deemed to have waived notice.

3.09. Quorum. A quorum at Board meetings shall consist of a majority of the entire Board. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board, except where approval by a greater number is required by the Declaration or by these By-Laws.

3.10 Consent to Action. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

3.11. Nomination. Nomination for election to the Board shall be made by a nominating committee which shall consist of a chairman who shall be a member of the Board, and two or more Members or representatives of Members, who shall have been appointed by the Board. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine but not less than the number of vacancies that are to be filled. Nominations may also be made from the floor at the annual meeting.

3.12. Powers and Duties. All of the powers and duties of the Association provided for under the Declaration and these By-Laws shall be exercised exclusively by the Board and, when authorized by the Board, the Association's officers, agents, contractors and employees, subject only to approval by Members when such is specifically required.

ARTICLE IV

Officers

4.01. Executive Officers. The executive officers of the Association shall be a President who shall be a director, a Vice President, who shall be a director, a Treasurer and a Secretary, all of whom shall be elected annually by the Board and who may be pre-emptorily removed by vote of the Board at any meeting. Any person may hold two or more offices except the President shall not also be the Secretary. The Board shall, from time to time, elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

4.02. President. The President shall be the chief executive officer of the Association and shall have all of the powers and duties which are usually vested in the office of President of an organized association including, but not limited to, the power to appoint committees from among the Members from time to time that, in the exercise of his discretion, are determined appropriate, to assist in the conduct of the Association.

4.03. Vice President. The Vice President shall, in the absence or disability of the President, exercise the powers and perform the duties of the President and shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board.

4.04. Secretary. The Secretary shall keep the minutes of all proceedings of the Board and Association and shall attend to the giving and serving of all notices to the Members and directors and other notices required by law, shall keep the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an organized association and as may be required by the Board or the President.

4.05. Treasurer. The Treasurer shall have custody of all property of the Association, including funds, securities and evidences of indebtedness and, on behalf of the Board, shall keep the books of the Association in accordance with sound accounting practices, and shall perform all other duties incident to the office of Treasurer.

4.06. Compensation. The compensation, if any, of all officers and employees of the Association shall be fixed by the Board. The Board may employ a director or officer as an employee of the Association.

ARTICLE V

Delegation of Board Duties

5.01. Notwithstanding anything contained herein to the contrary, the Board may delegate, in accordance with Article 1396-2.18 of the Texas Non-Profit Corporation Act, any of its duties, powers or functions to a committee comprised of two (2) or more Members (or representatives of Members), officers and/or directors selected by the

Board, including by way of example but not limitation, a New Construction Committee, and a Modifications Committee for each Neighborhood, as set forth in the Declaration. The members of the Board shall not be liable for any omission or improper exercise by any such committee of any such duty, power or function so delegated by the Board.

ARTICLE VI

Records

6.01. The Board, through the Treasurer, shall keep or cause to be kept a complete and accurate set of books of account reflecting the Association's receipts and expenditures and such books shall be maintained in accordance with sound principles of accounting, as directed by the Board. The books shall be available for examination by all Members and mortgagees (or their designees) at convenient hours on working days.

ARTICLE VII

Amendment

7.01. All or any part of these By-Laws may be amended from time to time by the Board of Directors.

ARTICLE VIII

Severability

8.01. The invalidity of any provision or provisions of these By-Laws shall not be deemed to impair or affect in any manner the validity, enforceability or effect of the remainder of these By-Laws, and, in such event, all of the other provisions of these By-Laws shall continue in full force and effect as if such invalid provision had never been included herein.

ARTICLE IX

Liability Limitations and Indemnity

9.01. Liability Limitations. Neither any Member nor the Board of Directors (or any of them) nor the officers of the Association shall be personally liable for debts contracted for or otherwise incurred by the Association or for the negligence, willful misconduct or other tort of another Member, whether such other Member was acting on

behalf of the Association or otherwise. Neither the Declarant, nor the Association, nor their respective officers, directors, agents or employees shall be liable in any manner to any Member or other person, for failure to inspect the Common Properties, or any other premises, improvements or portions thereof, or for failure to repair or maintain the same.

9.02. Indemnification and Insurance.

(a) The Association shall indemnify any officer, director or other employee of the Association, or former officer, director or employee of the Association, who, as a result of acting in such capacity, was, is, or is threatened to be made a named defendant or respondent in any action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative, and any appeal thereof, if it is determined in accordance with subsection (d) below that such person (i) conducted himself or herself in good faith, (ii) reasonably believed (A) in the case of conduct in his or her official capacity as a director, officer or employee of the Association, that his or her conduct was in the Association's best interests, and (B) in all other cases, that his or her conduct was at least not opposed to the Association's best interests, and (iii) in the case of any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(b) Except to the extent permitted by subsection (c) below, an officer, director or employee may not be indemnified under subsection (a) above in respect of a proceeding (i) in which the director, officer or employee is found liable on the basis that personal benefit was improperly received by him or her, whether or not the benefit resulted from an action taken in such person's official capacity, or (ii) in which the person is found liable to the Association.

(c) The Association shall indemnify any officer, director, or employee, or former officer, director, or employee, of the Association under subsection (a) above against any and all judgments, liabilities, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses (including court costs and attorneys' fees) actually incurred by such person in connection with the action or proceeding, including any appeals in such action or proceeding. However, if the person is found liable to the Association or is found liable on the basis that personal benefit was improperly received by such person, the indemnification (i) shall be limited to reasonable expenses actually incurred by such person in connection with the proceeding, and (ii) shall not be made in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his or her duty to the Association.

(d) A determination of indemnification under subsection (a) above shall be made: (i) by a majority vote of a quorum consisting of directors who, at the time of the vote, are not named defendants or respondents in the proceeding at issue; (ii) if such a quorum cannot be obtained, by a majority vote of a committee of the Board of

Directors, designated to act in the matter by a majority vote of all directors, which committee shall consist solely of two (2) or more directors who, at the time of the vote, are not named defendants or respondents in the proceeding; (iii) by special legal counsel selected by the Board of Directors, or a committee of the Board by vote as set forth in (i) or (ii) of this subsection, or, if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors; or (iv) by the Members in a vote that excludes the vote of directors who are named defendants or respondents in the proceeding.

(e) The Association shall indemnify any officer, director, or employee, or former officer, director, or employee, of the Association against reasonable expenses incurred by him or her in connection with a proceeding in which he or she is the named defendant or respondent as a result of acting in such capacity if he or she has been wholly successful, on the merits or otherwise, in the defense of the proceeding.

(f) Reasonable expenses incurred by an officer, director or employee, or former officer, director, or employee, who, as a result of acting in such capacity, was, is or is threatened to be made a named defendant or respondent in a proceeding shall be paid or reimbursed by the Association, in advance of the final disposition of the proceeding and without the determination specified in subsection (d) above, after the Association receives a written affirmation by such officer, director or employee, or former officer, director, or employee, of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article IX and a written undertaking by or on behalf of the director, officer or employee, or former officer, director, or employee, to repay the amount paid or reimbursed if it is ultimately determined that he or she has not met that standard or it is ultimately determined that indemnification of the officer, director, or employee, or former officer, director, or employee, against expenses incurred by him or her in connection with that proceeding is prohibited by subsection (c) above or Texas law. The written undertaking required by this subsection must be an unlimited general obligation of the officer, director, or employee, or former officer, director, or employee, but need not be secured, and it may be accepted without reference to financial ability to make repayment.

(g) The Association may purchase and maintain insurance on behalf of any person who is or was an officer, director, employee or agent of the Association against any liability asserted against him or her and incurred by him or her in such capacity or arising out of his or her status as such a person, whether or not the Association would have the power to indemnify him or her against that liability under this Article IX or Texas law. The Association also may purchase, maintain or enter into other arrangements on behalf of any person who is or was an officer, director, or employee of the Association against any liability asserted against and incurred by him or her in such capacity or arising out of his or her status as such a person, whether or not the Association would have the power to indemnify him or her against that liability under this Article IX or Texas law.

(h) Any indemnification of or advance of expenses to an officer, director, or employee in accordance with this Article IX shall be reported in writing to the Members of the Association with or before the notice or waiver of notice of the next meeting of Members or with or before the next admission to Members of a consent to action without a meeting pursuant to Section A, Article 1396-9.10 of the Texas Non-Profit Corporation Act and, in any case, within the twelve (12) month period immediately following the date of the indemnification or advance.

ARTICLE X

Contracts, Loans, Checks, Deposits and Transactions

10.01. Contracts. Subject to the limitations set forth in the Declaration, the Board of Directors may authorize any officer, officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association. Such authority may be general or confined to specific instances.

10.02. Checks, Drafts, Etc.. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by the President or such other officer, officers, agent or agents of the Association and in such manner as shall, from time to time, be determined by the Board of Directors.

10.03. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time, to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select.

10.04. Transactions with Declarant, Members, Directors and Officers.


(a) The Association may enter into contracts or transact business with Declarant, or with one or more of its respective officers or directors, or a Member, or with any firm of which any of the foregoing or any of the Association's directors, officers, or Members is an owner or employee, or in which any of them is otherwise interested; and no such contract or other transaction shall be void or voidable or otherwise affected by reason of such position, involvement or other interest, notwithstanding that the interested party was present at the meeting necessary to authorize, approve, ratify or otherwise obligate the Association upon such contract or transaction, so long as the contract or transaction is not unfair to the Association as of the time it is authorized, approved or ratified by the Board of Directors or the Members, as the case may be.

(b) This provision shall not be construed to make any director, officer or Member liable to account to the Association by reason of such directorship, office,


ownership, or other interest for any profits realized by, from, or through any such transaction or contract with the Association.

(c) Nothing herein contained shall create liability with respect to the transactions, contracts or events described above or prevent the authorization, ratification or approval of such transactions or contracts in any other manner permitted by law. This Article shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common or statutory law applicable thereto or which would otherwise be valid in the absence of this provision.

IN WITNESS WHEREOF, these By-Laws are adopted by the initial Directors of Heath Crossing Homeowners Association, a Texas non-profit corporation.



W.T. Field



George A. Field, III