

EXHIBIT B
BYLAWS
OF
VILLAGE ON THE GREEN HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
IDENTITY

NAME AND LOCATION. The name of the corporation is VILLAGE ON THE GREEN HOMEOWNERS ASSOCIATION, INC. hereinafter referred to as the "Association." The principal office of the corporation shall be located at 4949 Hedgcoxe Road, Suite 110, Plano, TX 75024, but meetings of members and directors may be held at such place or places within Collin County or Dallas County, State of Texas, as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 1. "Association" shall mean and refer to VILLAGE ON THE GREEN HOMEOWNERS ASSOCIATION, INC. its successors and assign.

Section 2. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions for Village on the Green, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Areas" shall mean all real property owned by the Association for the common use and enjoyment of the Owners, as defined in the Declaration.

Section 4 "Lot" shall mean and refer to any lot of record shown upon valid Plats of Village on the Green recorded or to be recorded in the County Property Records, as reasonably amended by Declarant from time to time, with the exception of the Common Areas, and shall include all improvements (including "residential units") thereon. Each lot is the area for one (1) residential unit, designed for single-family ownership.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to PORTRAIT HOMES-VILLAGE ON THE GREEN LLC, its successors and assigns, if such successors or assigns should acquire all of the Declarant's interest in the Properties.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions applicable to the Properties recorded in the Real Property Records of Collin County.

Section 8. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

ARTICLE III

MEMBERS AND MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the expiration of Declarant control, and each subsequent regular annual meeting of the Members shall be held within the same month of each year thereafter. Until the period of Declarant control expires as provided in the Declaration, any annual meetings shall not include the election of Directors.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or 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.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day, and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. However, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have 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 be represented.

Section 5. Proxies. At all meetings of Members, each Member 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 upon conveyance by the Member of his or her Lot.

Section 6. First Regular Meeting. The first regular meeting of the Members shall occur within one (1) year of the conversion of the Class B membership to Class A membership or upon the

voluntary relinquishment of Declarant's control.

Section 7. Suspension of Membership Rights. The Membership Rights of the Member including, without limitation, voting rights and the right to use and enjoy all or any portion of the Common Areas, may be suspended by the Board of Directors by notice to such Member during any period when assessments of the Association remain unpaid for a Member or his lessee is otherwise in default under the terms of the Declaration, these Bylaws or rules and regulations properly adopted by the Board of Directors or its designated committee; except, however, in the case of any suspension of a Member's right to use and enjoy the Common Areas, in which circumstance the Board of Directors shall first comply with the applicable provisions of the Texas Residential Property Owners Protection Act (§§209.001, *et seq.* of the Texas Property Code, referred to herein as the Owners Protection Act). Upon payment of such assessment or cure of such default, however, all rights and privileges shall be automatically restored.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of five (5) directors who need not be Members of the Association.

Section 2. Term of Office. At the First Regular Meeting, the Members shall elect three (3) directors for a term of one year and the remaining directors for a term of two (2) years, and at each annual meeting thereafter, the Members shall elect for a term of two (2) years the number of directors whose terms are expiring. The directors appointed by the Declarant shall serve until removed or until the First Regular Meeting.

Section 3. Removal. Any director may be removed by the Board, with or without cause or, by a majority vote of the Members of the Association at a properly called meeting of the Members. In the event of death, resignation, or removal of a director, his or her successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he or she may render to the Association. However, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting, which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Section 6. Compliance with Owners Protection Act. To the extent required notice provisions are especially applicable to the matter at issue, the Board of Directors will comply with all notice requirements of the Owners Protection Act, as the same may be amended from time to time, before taking any enforcement or punitive action against any Owner or Member.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. After the period of Declarant control, nomination for election to the Board of Directors shall be made by a Nominating Committee or by another procedure approved by the Board of Directors. Nominations may also be made from the floor at the First Regular Meeting or the annual meetings thereafter. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors from time to time, as needed. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected, and the person(s) with the highest totals shall fill the vacancies with the longest term. Cumulative voting is not permitted.

Section 3. Declarant Rights. Declarant shall be entitled to appoint all Directors until voluntary relinquishment of that right or upon conversion of the Class B membership to Class A membership as provided in the Declaration.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held every three months without notice after Declarant control expires, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. During the period of Declarant control, regular meetings shall be held as determined by the Board of Directors, in its discretion.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days' notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

- (a) adopt and publish rules and regulations governing the use of the Common Areas and Cross Easement Areas and facilities, the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations.
- (c) exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not exclusively reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;
- (d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties. Provided further, that the Board of Directors shall ratify and approve the management agreement between the Association and Encore Real Estate Co., employing Encore Real Estate Co. to act as managing agent for the property for a term commencing on the date the Declaration is recorded and terminating after Declarant control has expired at a rate not to exceed Fourteen and no/100 Dollars (\$14.00) per Lot per month for each Lot which has been conveyed to an Owner; provided however that notwithstanding anything contained herein or elsewhere to the contrary, that the Association has the right to terminate such management agreement without cause, which right is exercisable without penalty at any time after the termination of Class B membership, upon not less than sixty (60) days written notice to said managing agent.

Section 2. Duties. It shall be the duty of the Board of Directors to:

- (a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;
- (b) supervise all officers, agents, and employees of this Association, and to see that their duties are properly performed;

- (c) as more fully provided in the Declaration, to:
- (1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;
 - (2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and
 - (3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.
- (d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (e) procure and maintain adequate liability and hazard insurance on property owned by the Association or as required in the Declaration;
- (f) cause all officers or employees having fiscal responsibilities to be bonded, as provided in Article XIV hereof;
- (g) cause the Common Areas and Cross Easement Areas to be maintained;
- (h) cause the exterior of the residential units to be maintained;
- (i) perform all other duties and responsibilities provided in the Declaration.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and vice president, who shall, at all times, be members of the Board of Directors; a secretary, a treasurer; and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members or the annual appointment of the Directors.

Section 3. Term. The officers of this Association shall be elected annually by the Board, and each shall hold office for one (1) year, unless he or she shall sooner resign, shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time, giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices, except in the case of special offices created pursuant to Section 4 of this Article or as determined by the Board of Directors during the period of Declarant's control.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and absent some resolution from the Board of Directors specifying otherwise shall sign all checks and promissory notes.

Vice President

(b) The vice president shall act in the place and stead of the president in the event of his or her absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him or her by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association, together with their addresses; and shall perform such other duties as required by the Board.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; absent some resolution from the Board of Directors specifying otherwise shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the Members.

ARTICLE IX

COMMITTEES

The Association shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

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 of Incorporation, 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 XI

ASSESSMENTS

Section 1. General. As more fully provided in the Declaration, each Member is obligated to pay to the Association monthly and special assessments, which are secured by a continuing lien upon the property against which the assessment is made. Any assessments, which are not paid when due, shall be delinquent. If the assessment is not paid within fifteen (15) days after the due date, a late charge of \$25.00 shall be added to it and the assessment shall bear interest from the date of delinquency at the rate of eight (8%) percent per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interests, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas and Cross Easement Areas or abandonment of his or her Lot.

Section 2. Annual Budget. The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. The annual budget shall provide for a reserve for contingencies for the

year and a reserve for capital expenditures, in reasonable amounts as determined by the Board, according to the Declaration.

Section 3. Records and Statement of Account. The Board shall cause to be kept detailed and accurate records of the receipts and expenditures affecting (i) the Properties, (ii) the Lots, and (iii) the Common Areas and Cross Easement Areas, specifying and itemizing the common expenses incurred. Payment vouchers may be approved in such manner as the Board may determine.

Section 4. Discharge of Liens. The Board may cause the Association to discharge any mechanic's lien or other encumbrance, which in the opinion of the Board may constitute a lien against the Properties or the Common Areas, other than a lien against only a particular Lot. When less than all the Owners are responsible for the existence of any such lien, the Owners responsible shall be jointly and severally liable for the amount necessary to discharge the same and for all costs and expenses, including attorneys' fees, incurred by reason of such lien.

Section 5. Forbearance. The Association shall have no authority to forebear the payment of assessments by any Owner.

ARTICLE XII

CONTRACTUAL POWERS

No contract or other transaction between this corporation and one or more of its Directors or between this corporation and any corporation, firm or association in which one or more of the Directors of this corporation are directors, or are financially interested, is void or voidable because such Director or Directors are present at the meeting of the Board or a committee thereof which authorizes or approves the contract or transaction or because his or their votes are counted, if the circumstances specified in either of the following subparagraphs exists:

(a) the fact of the common directorship or financial interest is disclosed or known to the Board or committee and noted in the minutes and the Board or committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Director or Directors; or

(b) the contract or transaction is just and reasonable as to the Association at the time it is authorized or approved.

Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or a committee thereof, which authorizes, approves or ratifies a contract or transaction.

ARTICLE XVI

AMENDMENTS

Section 1. These Bylaws may be amended at a regular or special meeting of the Members by a vote of a majority of a quorum of Members present in person or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is Class B membership.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws or the Articles, the Declaration shall control.

ARTICLE XVII

FISCAL YEAR

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Consent of Mortgage Holder

The undersigned Lender ("Lender") is the owner and holder of a Revolving Loan Promissory Note (referred to as the "Note") dated July 9, 2003 in the original principal amount of \$4,000,000, and a Promissory Note dated July 9, 2003 in the original principal amount of \$550,000 (that collectively with the Note is the Loan), which Loan is secured by a lien upon the herein described Existing Property pursuant to that certain Deed of Trust, Security Agreement and Financing Statement (the "Deed of Trust"), dated of even date with the Loan, recorded as Document No. 2003-0153871 in the Real Property Records of Collin County, Texas on August 7, 2003 and Lender is the owner and holder of a Development Loan Promissory Note (referred to as the "Second Note") dated July 9, 2003 in the original principal amount of \$3,281,000, which Second Note is secured by a lien upon the herein described Existing Property pursuant to that certain Deed of Trust, Security Agreement and Financing Statement (referred to as the "Deed of Trust"), dated of even date with Second Note, recorded as Document No. 2003-0153868 in the Real Property Records of Collin County, Texas on August 7, 2003.

Lender hereby consents to the execution and recording of this Declaration, consents to the creation of the covenants, conditions and restrictions herein established against the Properties pursuant to the Declaration and agrees that the Deed of Trust and the lien and security interests thereof (together with any and all other liens and security interests in favor of Lender against the Properties given to secure the payment and performance by Declarant of the indebtedness and the other obligations of Declarant under the Note, the Deed of Trust and any and all other instruments and agreements given to secure payment of the Note) are hereby subordinated to this Declaration and to the covenants, conditions and restrictions contained herein; provided, however, that no lien or assessment created by or arising under this Declaration (including, specifically, but without limitation, the lien for assessments created in Section 1 of Article V of this Declaration) shall be prior or superior to the Deed of Trust, and as to any which liens or assessments created by or arising under this Declaration the lien and security interests of the Deed of Trust shall remain prior and superior at all times. It is the intention of Lender and Declarant that in the event of any foreclosure of the Deed of Trust or in the event of any conveyance in lieu of such Deed of Trust this Declaration and all covenants, conditions, restrictions and other rights and duties created herein will remain in place and in full force and effect against the Properties and all parties bound by the Declaration as if no such foreclosure or transfer in lieu of foreclosure had occurred.

LENDER:

OHIO SAVINGS BANK, a federal savings bank



By: ERIC D. EDLUND

Title: VICE PRESIDENT