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**SUPPLEMENTAL DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS FOR
VILLAGE OF EMERALD BAY**

This Supplemental Declaration of Covenants, Conditions and Restrictions for Village of Emerald Bay ("Supplemental Declaration") is executed this 28 day of February, 2002, under the terms of conditions herein set forth, and thus:

WHEREAS, the Declaration of Covenants, Conditions and Restrictions for Village of Emerald Bay was recorded under Brazoria County Clerk's File No. 01 043210 (as amended or supplemented the "Declaration"); and

WHEREAS, Article XIV, Section 1 expressly allows the Declarant to unilaterally amend the Declaration without the joinder or consent of any party; and

WHEREAS, Declarant wishes to amend the Declaration as herein set forth:

NOW THEREFORE, Declarant hereby amends the Declaration as follows:

1. Article IV, Section 6, of the Declaration is hereby deleted in its entirety and shall be replaced with the following:

Section 6. Compensation of Board. Prior to the expiration of the Class B Membership, the Board of Director can decide to compensate directors for acting as such in such fashion and in such amounts as it deems appropriate, however not to exceed \$5,000.00 per director position per year. After the expiration of the Class B Membership, no person serving on the Board shall be entitled to compensation for services performed unless approved by a majority of the total vote of the Association, however not to exceed \$5,000.00 per director position per year. Further, (a) any member of the Board may be reimbursed for his actual expenses incurred in the performance of his duties, and (b) the Board may employ one or more architects, engineers, land planners, landscape architects, management companies, accountants, bookkeepers, collection agencies, attorneys or other consultants to assist the Board in carrying out its duties hereunder, and the Association shall pay such consultants for services rendered to the Board, such payment to be made out of the Assessments.

2. The last sentence of Article X, Section 8, is hereby deleted in its entirety and is replaced with the following:

In each of the foregoing cases, payments received shall be credited first to interest, fines, attorneys fees, and other costs of collection, and then to Assessment reduction, satisfying the oldest obligations first, followed by more current obligations, in

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FIRST AMERICAN TITLE
INSURANCE COMPANY OF TEXAS
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CLOSER _____

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FIRST AMERICAN TITLE INS CO
3 GREENWAY PLAZA #1100
HOUSTON, TEXAS 77046

accordance with the foregoing order of priority, or in such other manner or fashion or order as the Association shall determine, in its sole discretion.

3. The following language is hereby added as new Article XIV, Section 14.20 to the Declaration:

Section 14.20 Legal Proceedings. After the expiration of the Class B voting status, the Board shall not institute any legal proceeding against any Person without first providing the Members at least forty-five (45) days prior written notice of a meeting of the Association to consider institution of a legal proceeding (the "Notice"). The Notice shall describe the purpose of the legal proceeding, the parties to the proceeding, the anticipated cost to the Association (including attorneys' fees) of the proceeding, the source of funds to fund the proceedings (reserves or special easements), and suggested information that should be disclosed to third parties, such as prospective purchasers and lenders, while the proceeding is being prosecuted. Except as otherwise provided in this Section, the Association may commence a legal proceeding only upon the affirmative vote or agreement of the Class A Members to which at least seventy-five percent (75%) of the then eligible total votes of the Class A Members of the Association are allocated.

The provisions of this Section do not apply to a legal proceeding that is commenced:

- (a) To enforce the payment of an assessment;
- (b) By the Association against an Owner or by an Owner against the Association to enforce the Declaration, Bylaws, Rules or Regulations or other governing documents of the Association;
- (c) To proceed with a counterclaim; or
- (d) To protect against an imminent threat to the health, safety, and/or welfare of the Members of the Association.

4. Except as specifically amended herein, the Declaration is hereby confirmed as written.

5. All capitalized terms not defined in this Supplemental Declaration shall have the meanings ascribed to them in the Declaration.

