

EXHIBIT B

FILED
In the Office of the
Secretary of State of Texas

CERTIFICATE OF FORMATION

JUL 12 2007

EMERALD BY THE SEA CONDOMINIUM ASSOCIATION, INC.

Corporations Section

The undersigned, a natural person over the age of eighteen years, acting as organizer of the Emerald By The Sea Condominium Association (the "Association") under the Texas Business Organizations Code (the "Act"), does hereby adopt the following Certificate of Formation for the Association.

ARTICLE I

Condominium Association

The Association shall be, mean, and constitute a unit owners' association organized under Section 82.101 of the Uniform Condominium Act (Texas Property Code, Chapter 82) (the "Condominium Act"), as more specifically described in the Declaration of Emerald By The Sea Condominiums, recorded or to be recorded in the Condominium or Property Records of Galveston County, Texas, as same may be amended from time to time (the "Declaration"), with respect to certain real property located in the City of Galveston, Galveston County, Texas, and described in the Declaration. The Association is a Texas non-profit corporation, and shall have all the powers and duties specified in and allowable under the Texas Business Organizations Code. No part of the assets or net earnings of this Association shall inure to the benefit of, or be distributable to its members, directors, trustees, officers, or other private persons, except that the Association shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distribution in furtherance of the purposes set forth below. No substantial part of the activities of the Association shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Association shall not participate in, or intervene in (including publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this certificate, the Association shall not carry on any other activities not permitted to be carried on by a Association exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code or corresponding section of any future federal tax code.

ARTICLE II

Name

The name of the Association is Emerald By The Sea Condominium Association, Inc.

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ARTICLE III

Non-Profit Corporation

The Association is a Non-Profit corporation.

ARTICLE IV

Duration

The duration of the Association shall be perpetual.

ARTICLE V

Purposes

The purposes for which the Association is formed are to exercise the rights and powers and to perform the duties and obligations of the Association in accordance with the Declaration, the bylaws of the Association (the "Bylaws"), and the laws of the State of Texas, including the Condominium Act, as each may be amended from time to time.

ARTICLE VI

Powers

In furtherance of its purposes, the Association shall have the following powers which, unless otherwise provided in this Certificate of Formation, the Declaration, the Bylaws, or the laws of the State of Texas, may be exercised by the board of directors:

1. All rights and powers conferred upon Non-Profit corporations by the laws of the State of Texas in effect from time to time;
2. all rights and powers conferred upon condominium associations by the laws of the State of Texas, including the Condominium Act, as amended from time to time; and
3. All powers necessary, appropriate, or advisable to perform any purpose or duty of the Association as set out in this Certificate of Formation, the Declaration, the Bylaws, or the laws of the State of Texas.
 - (a) The enforcement of the Declaration of Emerald by The Sea Condominium, a condominium regime located in Galveston County, Texas, that has been or will be recorded in the Real Property Records of Galveston County, Texas, and/or any

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subsequent amendments thereto filed of record affecting such condominium regime. In order to carry out such general purposes, the Association shall have the general power to:

- (1) Fix assessments (or charges) to be levied against units and establish services, without the obligation to so provide, for the benefit of the Members;
- (2) Enforce any and all covenants, conditions, restrictions and agreements applicable to the condominium regime;
- (3) Insofar as permitted by law, this Certificate of Formation, the By-Laws, the Declaration or any other dedicatory instruments, to do any other thing of a similar nature that will promote the common benefit and enjoyment of the Owners of the property, as authorized by this Certificate of Formation, the By-Laws, the Declaration, and/or any other dedicatory instrument or permitted by law.

(b) Without limiting the foregoing general statement of purposes and powers, the Association shall have the powers set forth in §82.102 of the Texas Condominium Act, and by way of illustration and not limitation, shall have the power to:

- (1) Cause to be kept a complete record of all its receipts and disbursements hereunder and maintain a statement thereof and a summary of the major activities on an annual basis;
- (2) Monitor all agents and employees of the Association hereunder and to see that their duties are properly performed;
- (3) Fix, levy and collect the amount of the assessments and other charges to be levied against each unit;
- (4) Send written notice of each assessment to every unit owner subject thereto at least thirty (30) days in advance of each annual assessment;
- (5) Buy or otherwise acquire, sell, or otherwise dispose of, mortgage, or otherwise encumber, exchange, lease, hold, use, operate, and otherwise deal in and with real, personal, and mixed property of all kinds and any right or interest therein for any purpose of the corporation, which shall include the power to foreclose its lien on any unit subject to the Declaration by judicial or nonjudicial means;
- (6) Procure and maintain liability insurance upon the Board of Directors, its agents and employees, and insurance as deemed appropriate by the Board of Directors on Association assets or any other proper purpose;
- (7) Exercise all powers reasonably necessary to effectuate the purposes of the Association;

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- (8) Manage, control, operate, maintain, preserve, repair and improve the Common Areas and any Property subsequently acquired by the Association, or any other property owned by another for which the Association, by rule, regulation, Declaration, or contract, has a right or duty to provide such services;
- (9) Borrow money for any purpose subject to such limitations as may be contained in the dedicatory instruments;
- (10) Enter into, make, perform and enforce contracts of every kind and description, and to do all other acts necessary, appropriate or advisable in carrying out any purpose of the Association, including enforcement of the provisions contained in the Declaration;
- (11) Provide or contract for services benefiting the condominium regime including, without limitation or obligation, garbage removal and any and all supplemental municipal services as may be necessary or desirable;
- (12) Contract with other associations, organizations, or groups to provide for the maintenance of the Property, or property adjacent or adjoining the Property;
- (13) Spend money for the improvement or maintenance of property in the vicinity of the condominium regime subject to the Declaration, or adjacent or adjoining such property;
- (14) Suspend the rights of any unit owner to vote or use the Common Areas pursuant to the Declaration;
- (15) Implement a document retention policy as to the books and records of the Association;
- (16) Promulgate reasonable Rules and Regulations and implement fines for violation of said Rules and Regulations as set out in the Declaration;
- (17) Spend money on things in the vicinity of the condominium property that affect the condominium property;
- (18) Enforce any and all covenants, conditions, restrictions and agreements applicable to the condominium regime.

The foregoing enumeration of powers shall, except where otherwise expressed, be in no way limited or restricted by any reference to or inference from the terms or provisions of any other clause, but shall be regarded as independent powers.

The Association shall not engage in any activities or exercise any powers that are not in furtherance of the purposes of the Association as set forth above in Paragraphs (a) and (b) of this Article VI. The Association is organized pursuant to the Business Organizations Code and does

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not contemplate pecuniary gain or profit to the members thereof and is organized for non-profit purposes and nothing contained in the foregoing statement of purposes shall be construed to authorize the Association to carry on any activity for the profit of its members, or to distribute any gains, profits or dividends to its members as such.

ARTICLE VII

Membership

The Association shall be a non-stock membership corporation. The members of the Association shall consist solely of the owners of units of the condominium created by the Declaration. The Declaration and Bylaws shall determine the number and qualifications of members of the Association; the classes of membership, if any; the voting rights and other privileges of membership; and, the obligations and liabilities of members. Cumulative voting is not allowed.

ARTICLE VIII

Management by Board of Directors

The management and affairs of the Association shall be vested in the board of directors, except for those matters expressly reserved to the members in the Declaration and Bylaws. The Bylaws shall determine the number and qualifications of directors; the term of office of directors; the methods of electing, removing, and replacing directors; and, the methods of holding board meetings and obtaining consents.

ARTICLE IX

Limitations on Liability

An officer or director of the Association shall not be liable to the Association or any unit owner for monetary damages for an act or omission in the officer's or director's capacity as an officer or director, except that this Article IX does not eliminate or limit the liability of an officer or director to the extent the officer or director is found liable for: (1) a breach of the officer's or director's duty of loyalty to the Association; (2) an act or omission not in good faith that constitutes a breach of duty of the officer or director to the Association or an act or omission that involves intentional misconduct or a knowing violation of the law; (3) a transaction from which the officer or director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the officer's or director's office; or (4) an act or omission for which the liability of the officer or director is expressly prohibited by statute.

If the Texas Miscellaneous Corporation Laws Act, the Condominium Act, or the Act is amended after the date of adoption of this Article IX to authorize action further eliminating or limiting the personal liability of officers or directors, then the liability of an officer or director of

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the Association shall be eliminated or limited to the fullest extent permitted by such statutes, as so amended. Any repeal or modification of the foregoing paragraph shall not affect adversely any right of protection of an officer or director of the Association existing at the time of such repeal or modification.

ARTICLE X

Amendment of Articles

These Articles may be amended in accordance with the requirements of the Act; *provided, however,* that:

- A. an amendment shall not conflict with the Declaration or the Condominium Act.
- B. an amendment shall not impair or dilute a right granted to a person by the Declaration, without that person's written consent.

ARTICLE XI

Amendment of Bylaws

The Bylaws of the Association shall be amended or repealed according to the amendment provision of the Bylaws.

ARTICLE XII

Dissolution

The Association may be dissolved only as provided in the Declaration, the Bylaws, and the laws of the State of Texas. On dissolution, the assets of the Association shall be distributed in accordance with the Declaration provision for distribution upon termination; if the Declaration has no such provision, then in accordance with the termination provision of the Condominium Act.

ARTICLE XIII

Action by Non-Unanimous Consent without Meeting

Unless otherwise restricted by law, these Articles, or the Bylaws, any action required or permitted to be taken at any meeting of the members, directors, or members of a committee of the board of directors may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by a sufficient number of members, directors, or members of a committee of the board of directors as would be necessary to take that action at a meeting at which all of the members, directors, or members of a committee of the board of directors were present and voted. Such written consent shall bear the date of the signature of each member, director, or committee member who signs the consent, and such written consent shall not be effective unless, within sixty (60) days after the date of the earliest dated consent, a consent or

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consents signed by the required number of members, directors, or committee members is delivered to the Association. Delivery shall be by hand or certified or registered mail, return receipt requested. Prompt notice of the taking of any action by members, directors, or committee members without a meeting by less than unanimous written consent shall be given to all members, directors, or committee members who did not consent in writing to the action.

ARTICLE XIV

Initial Board of Directors

The number of directors constituting the board of directors of the Association and their qualifications shall be fixed or determined by, or in the manner provided in, the Bylaws of the Association. In the absence of a bylaw providing for the number of directors, or should the Association fail to determine the number of directors in the manner provided in the Bylaws, the number of directors constituting the board of directors shall be two (2). The number of directors constituting the initial board of directors is two (2), and the names and addresses of the persons who are to serve as the initial directors of the Association are:

<u>Name</u>	<u>Address</u>
<u>Namir Faidi</u>	1601 W. Webster #9 Houston, Texas 77019
<u>Harvey Demman</u>	1601 W. Webster #9 Houston, Texas 77019
<u>Joe Wheat</u>	10500 N.W. Freeway, Suite 206 Houston, Texas 77008

In case of the resignation, death, failure, incapacity, removal or refusal to serve of any of the said members of the appointed Board prior to the election of the elected Board, replacement shall be as authorized by the By-Laws. The judgment of the directors, whether the directors are the directors of the appointed Board or their successors, in the expenditure of funds of the Association shall be final and conclusive, so long as such judgment is exercised in good faith or the Business Judgment Rule.

ARTICLE XV

Initial Registered Office Registered Agent

The address of its initial registered office of the Association is 1601 W. Webster, #9, Houston, Texas 77019, and the name of the initial registered agent at such address is Namir Faidi.

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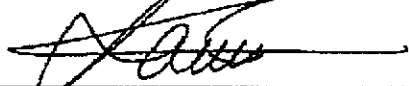
ARTICLE XVI

Incorporation

The name and street address of the organizer are as follows:

Namir Faidi
1601 W. Webster #9
Houston, Texas 77019

I execute this Certificate of Formation on this 11th day of July, 2007.



Namir Faidi, Organizer

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