

BYLAWS  
OF  
PANORAMA COUNTRY HOUSE ASSOCIATION, INC.

ARTICLE I  
Offices and Agent

The corporation may have such offices, either within or without the State of Texas, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

The registered office of the Corporation required by the Texas Non-Profit Corporation Act to be maintained in the State of Texas may be, but need not be, identical with the principal office in the State of Texas as designated by the Board of Directors. The address of the registered office may be changed from time to time by the Board of Directors. The registered agent of the Corporation may be changed from time to time by the Board of Directors.

The address of the initial registered office of the Corporation shall be Unit #32, Panorama Townhouses, Conroe, Texas, and the name of the initial registered agent of the Corporation at such address shall be INGA DANVILLE.

ARTICLE II  
Members

SECTION 1. MEMBERSHIP. Any person on becoming an Owner of a Townhouse Unit shall automatically become a member of the Association and be subject to the Bylaws and to the Rules and Regulations issued by the Association to govern the conduct of its members. Acquisition, rental or occupancy of any Unit in the Project shall be conclusively deemed to mean that said Owner, tenant or occupant has accepted and ratified these Bylaws and the Rules and Regulations of the Association and will comply with them.

Membership in the Association will terminate without any formal Association action whenever such person ceases to own a Townhouse Unit, but such termination shall not relieve or release any former Owner from any liability or obligation incurred under or in any way connection with Panorama Townhouses during the period of such ownership and membership in this Association, or impair any rights or remedies with the Board of Directors of the Association or other persons have against such former Owner and member arising out of or in any way connected with such ownership and membership and the covenants and incidents thereto.

In the event that a member should mortgage his Unit, the lien of the mortgage shall be deemed to attach to the member's rights, privileges and obligations in the Association so that

if the member shall be in default of any of the terms of the mortgage, and such default shall result in foreclosure thereof, the member's ownership in the Association shall automatically terminate and all of the rights, privileges and obligations of membership shall inure to the mortgagee and its assigns, or purchaser at foreclosure.

No certificate of stock shall be issued by the Association but the Board of Directors may, if it so elects, issue one membership card to the Owner of Co-Owners of a Unit. Such membership card shall be surrendered to the Secretary whenever ownership of the Unit designated thereon shall terminate.

Every lawful transfer of title to a member's Unit shall include membership in the Association and upon making such transfer, the previous Owner's membership shall automatically terminate and fully vest in the new Owner.

SECTION 2. ANNUAL MEETING. The annual meeting of the members shall be held in the month of December of each year beginning with the year 1981, at a time and place to be determined by the Board of Directors and for the transaction of such other business as may come before the meeting. If the election of the Directors shall not be held on the day designated herein for any annual meeting of the members or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as may be convenient.

SECTION 3. SPECIAL MEETING. Special meetings of the members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the members with not less than one tenth (1/10) of all the outstanding votes of the Corporation.

SECTION 4. PLACE OF MEETING. The Board of Directors may designate any place, either within or without the State of Texas, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all members entitled to vote at a meeting may designate any place, either within or without the State of Texas, as the place of the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the registered office of the Corporation in the State of Texas.

SECTION 5. NOTICE OF MEETING. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than three nor more than thirty days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, of the officer of persons calling the meeting. If such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the books of the Corporation, with postage thereon prepaid. Waiver by a member in writing of notice of a member's meeting, signed by him, whether before or after the time of such meeting, shall be equivalent to the giving of such notice.

Attendance by a member, whether in person or by proxy, at a members meeting shall constitute a waiver of notice of such meeting of which has had had no notice.

SECTION 6. VOTING LISTS. The Secretary shall make, at least ten (10) days before each meeting of members, a complete list of the members entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address and the number of votes held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered of the Corporation, and shall be subject to inspection by any member at any time during usual business hours. Such list shall also be produced and opened at the time and place of the meeting and shall be subject to the inspection by any member during the whole time of the meeting. Any member who is sixty (60) days past due for required maintenance fees will be removed from the list.

SECTION 7. QUORUM. A majority of the outstanding votes of the Corporation, represented in person or by proxy, shall constitute a quorum at a meeting of members. If less than a majority of the outstanding votes are represented at a meeting, a majority of the votes so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted as originally notified. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

SECTION 8. PROXIES. At all meetings of members, a member may vote by proxy executed in writing by the members or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and in no event shall it remain irrevocable for a period of more than eleven (11) months.

~~SECTION 9. CUMULATIVE VOTING PROHIBITED. Members of this Corporation shall not have the right to cumulate their votes at any election for directors. At each election for directors, every member entitled to vote at such election shall have the right to vote in person or by proxy, the number of votes allowed for him for as many persons as there are directors to be elected and for whose election he has a right to vote.~~

SECTION 10. ACTIONS WITHOUT A MEETING. Any action required to be taken at a meeting of 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, and such consent shall have the same force and effect as a unanimous vote of the members.

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ARTICLE III

Board of Directors

SECTION 1. GENERAL POWER. The business and affairs of the Corporation shall be managed by its Board of Directors except as the Board of Directors shall delegate the power to so manage to the Executive Committee or other committee.

SECTION 2. NUMBER, TENURE and QUALIFICATIONS. The number of Directors composing the initial Board of Directors shall be three (3). Upon resolution of the Board of Directors, the number of Directors may be increased or decreased, but no decrease shall have the effect of shortening the term of any incumbent directors. Each director shall hold office for one (1) year unless earlier removed in accordance with the Articles of Incorporation, Bylaws or law, and until his successor shall have been elected and qualified. Each member of the Board of Directors shall be a Unit Owner, ~~and reside in Panorama Townhouses.~~ *deleted 1-10-02*

SECTION 3. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of members. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Texas, for the holding of additional regular meetings without other notice than such resolution.

SECTION 4. SPECIAL MEETING. Special meetings of the Board of Directors may be called by or at the request of the President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Texas, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 5. NOTICE. Notice of any special meeting shall be given at least two days previous thereto by a written notice delivered personally or mailed to each directors at his business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail 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 directors at a 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 that 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 of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. QUORUM. A majority of the number of directors fixed in accordance with Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

SECTION 7. MANNER OF ACTION.

(a) Actions at a Meeting. Except as provided in Paragraph (b) of this Section and except as provided in Section 15 of this Article, 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.

(b) Actions Without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors or the Executive Committee or any other committee may be taken without a meeting if a consent in writing, setting forth the action so taken is signed by all of the members of the Board of Directors, Executive Committee or other committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting.

SECTION 8. VACANCIES. 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 annual meeting or at a special meeting of members called for that purpose.

A vacancy shall be deemed to exist by reason of the death, resignation, failure or refusal to act by the person elected, or upon failure of members to elect directors to fill the unexpired term of directors removed in accordance with the provisions of Section 9 of this Article III.

SECTION 9. REMOVAL. At any meeting of shareholders called expressly for the purpose of removal, any director or the entire Board of Directors may be removed, with or without cause by a vote of holders of a majority vote. In case the entire board or any one or more of the directors are so removed, new directors may be elected at the same meeting for the unexpired term of the director or directors so removed. Failure to elect directors to fill the unexpired term of the directors so removed shall be deemed to create a vacancy or vacancies in the Board of Directors.

SECTION 10. No member of the Board of Directors shall ever be liable to any person, firm or corporation for any action taken with reference to the matter hereinbefore set out or for any action (other than fraud or theft) taken with respect to the collection and/or administration and/or expenditure of the maintenance fund, and the acceptance by any party of a deed to any Unit in Panorama Townhouses shall constitute each party of a deed to any Unit in agreement that such liability shall not exist.

SECTION 11. POWER AND DUTIES. The Board of Directors shall have and exercise all lawful powers and duties necessary for the proper management and administration of the affairs of the Association and the operation and maintenance of a residential townhouse project and may do or cause to be done all such other lawful acts and things as are not by law, by these Bylaws or otherwise, directed or required to be done or exercised by the members of the Association or Owners of Units, or by others. In the performance of its duties as the administering body of the Association and of the townhouses being administered by said

Association, the Board of Directors shall have powers and duties including, but not limited to, the following:

(a) The operation, maintenance, renewal, replacement, care, upkeep, protection and surveillance of the buildings in the Project, their general and common elements and services and the community and recreational facilities and all other property, real or personal, of the Association.

(b) The preparation prior to the beginning of each fiscal year of a budget or estimate for the annual expenses of the operation of the Association, the expenses of the operation of the community and recreational facilities, and reasonable reserves for depreciation, retirements and renewals. The total amount of such budget or estimate shall be assessed against all of the dwelling Units and the respective Owners thereof, in the proportionate shares and percentage applicable to the Units owned by them as set forth in the Declaration of Covenants, Conditions and Restrictions. The proportionate amounts, thus found applicable to each monthly installments, in advance, said billing dates to be determined by the Directors.

(c) To use and expend any sums collected from the assessments or levied for the operation, maintenance, renewal, care, upkeep, surveillance and protection of the Owner or elements, community and recreational facilities of the Association and all of its real and personal property.

(d) To require all officers and employees of the Association handling or responsible for funds of the Association or funds in its possession or under its control to furnish adequate fiduciary bonds, in form, penalties and with corporate surety satisfaction to the Board of Directors. The premiums of such bonds shall be paid by the Association as part of the common expenses.

(e) To pay all taxes and assessments levied or assessed against any property of the Association, exclusive of any taxes or assessments levied against any Unit or otherwise properly chargeable to the Owners thereof.

(f) To employ and dismiss such clerks, stenographers, workmen, janitors, gardeners, watchmen and other personnel, and to purchase or arrange for such services, machinery, equipment, tools, materials and supplies, as in the opinion of the Board of Directors may from time to time be necessary for the proper maintenance and operation of the townhouse Project, and the community and recreational facilities, except the portions thereof required to be maintained by Owners of Units. The Board of Directors may also employ a manager for the Association, at such compensation as may be established by the Board, to perform such duties and services as the Board may lawfully delegate.

(g) To collect delinquent levies and assessments made by the Association through the Board of Directors against any Unit and the respective Owner thereof, together with such costs and expenses incurred in connection therewith, including but not limited to court costs and attorney's fees, whether by suit or otherwise, to abate nuisances and enforce observance of the Rules and Regulations relating to the Project, by injunctions or such other legal action or means as the Board of Directors may deem necessary or appropriate.

(h) To employ or retain legal counsel, engineers and accountants, and to fix their compensation whenever such pro-

professional advice or services may be deemed necessary by the Board for any proper purposes of the Association, including but not limited to those herein before or hereinafter referred to in these Bylaws.

(i) To borrow money and sign any Promissory notes and documents in connection therewith, with consent of a majority of the members in good standing and entitled to vote.

(j) To hire an outside agent and/or management firm to perform all duties and services required by these Bylaws, however, such contract must provide for termination by either party without cause or payment of a termination fee on ninety (90) days or less written notice and a maximum contract term of 3 years.

(k) To enter into any necessary contracts or agreements for the operation and administration of the corporation or the Project being administered by the Association, with private parties or any governmental agency, however, such contract must provide for termination by either party without cause or payment of a termination fee on ninety (90) days or less written notice and a maximum contract term of 3 years.

(l) To cause such operating accounts and escrow and other accounts, if any, to be established and opened as the Board of Directors may deem from time to time as may be consistent with good accounting practices.

(m) To keep detailed books of account of the receipts and expenditures affecting each townhouse Unit and its administration and specifying the maintenance and repair expenses of the common elements and all other expenses incurred.

(n) To make and enforce compliance with such Rules and Regulations relative to the operation, use and occupancy of the Units, common elements and Association facilities, and to amend the same from time to time as the Board shall deem necessary or appropriate which Rules & Regulations when approved by appropriate resolution shall be binding upon the Owners and occupants of Units, the successors in title and assigns. A copy of such Rules & Regulations and copies of any amendments thereof shall be delivered or mailed to each Owner of a Unit promptly upon the adoption thereof or posted in a conspicuous place.

SECTION 12. INSURANCE. The Association shall carry a master policy of fire, extended coverage, vandalism and malicious mischief and public liability insurance in such amounts and in such forms as may be considered appropriate by the Association, and, if required by law, worker's compensation insurance (hereinafter referred to as the "Master Policy"), with respect to the Project and the Association's administration thereof in accordance with the following provisions:

The Master Policy shall be purchased by the Association for the benefit of the Association for the benefit of the Association, the Owners and their mortgagees as their interests may appear (subject to the provisions of the Bylaws, the Declaration of Covenants, Conditions and Restrictions and the Act), and provision shall be made for the insurance of appropriate mortgagee endorsements to the mortgagees of the Owners. The Owners shall obtain insurance coverage upon their personal property at their own expense. The Association and the Owners shall use their best efforts to see that all property and liability insurance carried by an Owner or the Association

shall contain appropriate provisions whereby the insurer waives its right of subrogation as to any claims against the Owners or the Association and the respective tenants, servants, agents and guests of the Owner or the Association as the case may be.

All buildings, improvements, furniture and fixtures and other common elements of the Project shall be insured against fire, lightning, vandalism and malicious mischief and other perils covered by a standard extended coverage endorsement in and amount equal to the maximum insurance replacement value thereof, excluding the cost of excavations, foundations and footings, as determined annually by the Board of Directors of the Association. The Association may, in its sole discretion, elect to carry insurance to cover such other perils as from time to time shall be customarily covered with respect to buildings and improved property similar in construction, location and use. The Association shall use its best efforts to see that the liability insurance carried by the Association shall contain, if available, cross-liability *available?* endorsements or appropriate provisions for the benefit of the Owners individually and as a group, the members of the Board of Directors and the management company, if any, insuring each insured against liability to each other insured.

All premiums upon insurance purchased by the Association pursuant to the Bylaws and the Declaration of Covenants, Conditions, and Restrictions shall be included in the Association's budget except that the amount of increase over such premiums occasioned by the use, misuse, occupancy or abandonment of a Unit or the Common Elements by an Owner shall be assessed only against such Owner.

Proceeds of all insurance policies owned by the Association shall be received by the Association, held in separate account and distributed to the Association, the Owners and their mortgagees as their interests may appear; provided, however, whenever repair or reconstruction of the Project shall be required as provided in the Bylaws, the proceeds of any insurance received by the Association as a result of any loss requiring repair or reconstruction under the Declaration of Covenants, Conditions and Restrictions and the Bylaws shall be applied to such repair or reconstruction.

Each Owner, by ownership of a Unit in the Project, shall be deemed to appoint the Association as his true and lawful attorney-in-fact in connection with all matters concerning the maintenance of the Master Policy. Without limiting the generality of the foregoing, the Association as said attorney shall have full power and authority to purchase and maintain such insurance, to collect and remit the premiums therefore, to collect proceeds and to distribute the same to the Association, the Owners and their mortgagees as their interest may appear, to execute releases of liability and to execute all documents and do all things on behalf of such Owner and the Project as shall be necessary or convenient to the accomplishment of the foregoing; and any insurer may deal exclusively with the Association in regard to such matters. The Association shall not be responsible for procurement or maintenance of any insurance covering the contents or the interior of any Unit nor the personal liability of any Owner for occurrences therein not caused by or connected with the Association's operation, maintenance or use of the Project.

The owner of any unit (including the holder of any mortgage thereon) may obtain additional insurance (including a "unit-owner's endorsement" for the owner) at his own expense. Each



owner should obtain a "Tenant's Homeowners Policy", or equivalent, to insure against loss or damage to personal property used or incidental to the occupancy of the unit, additional living expense, vandalism and malicious mischief, theft, personal liability and the like. Such policy should include a "unit owner's endorsement" covering losses to improvements and betterments to the unit made or acquired at the expense of the owner.

This Association shall give notice to the Federal Home Loan Mortgage Corporation in writing of any loss to, or taking of, the common elements of the Project if such loss or taking exceeds \$10,000.00 or damage to a Unit covered by a mortgage and purchased in whole or in part by FHLMC exceeds \$1,000.00.

SECTION 13. LIABILITY INSURANCE. The Association shall carry a comprehensive or policies of public liability insurance covering all of the common areas in the Project, with a "Severability of Interest Endorsement", with limits not less than \$1,000,000.00 covering all claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against water damage liability, liability for non-owned and hired automobile, liability for property of other, and if applicable: elevator collision, garage-keeper's liability, host liquor liability, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use.

The Association shall carry a policy or policies of liability insurance insuring the Directors and Officers of the Association against any claims, losses, liabilities, damages or causes of action arising out of, in connection with or resulting from, any act done or omission to act in their respective capacity. This insurance shall be purchased by the Association to the extent available and the cost thereof shall be a common expense.

The Association shall carry a Worker's Compensation Policy to meet the requirements of law and/or fidelity bond on such officers as the Board of Directors shall deem necessary.

The Association shall carry such other insurance as the Board of Directors shall determine from time to time to be desirable.

SECTION 14. PRESUMPTION OF ASSENT. A Director of the Corporation who is present at a meeting of the Board of Directors in which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting, or unless he shall file his written dissent to such action with the person acting as Secretary of the meeting before the adjournment thereof, or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 15. EXECUTIVE and OTHER COMMITTEES. There may be established an Executive Committee, and one or more other committees, composed of one or more Directors designated by resolution adopted by a majority of the full number of directors of the Board of Directors as fixed in accordance with Section 2

of this Article. The Executive Committee or such other committee may meet at stated times, or on notice to all members by any one member. Vacancies in the membership of the Executive Committee or such other committees shall be filled by a majority vote of the full number of Directors on the Board of Directors at a regular meeting or at a special meeting called for that purpose. During the intervals between meetings of the Board, the Executive Committee, if it shall have been established, shall advise and aid the officers of the management of its business, and generally perform such duties and exercise such powers as may be directed or delegated by the Board of Directors from time to time. The Board of Directors may delegate to the Executive Committee or such other committees the authority to exercise all the powers of the Board of Directors. The designation of and delegation of power to the Executive Committee shall not operate to relieve the Board of Directors, or any members thereof, of any responsibility imposed upon it or him by law.

#### ARTICLE IV

##### Officers

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SECTION 1. NUMBER. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof, to be determined by the Board of Directors), a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. Any two or more offices may be held by the same person except the offices of President and Secretary. ~~All officers and assistants shall reside at Panorama Townhouse.~~

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor shall have been duly elected and shall have been removed in the manner hereinafter provided.

SECTION 3. REMOVAL. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgement the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person removed.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. PRESIDENT. The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the members and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, bonds,

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mortgages, 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 to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6. THE VICE PRESIDENT. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or should there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of 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 by the Board of Directors.

SECTION 7. THE SECRETARY. The Secretary shall: (a) keep the minutes of the members' and the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws, or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation, and see that the seal of the Corporation is affixed to all documents, the execution of which, on behalf of the Corporation under its seal, its duly authorized; (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member; and (e) in general perform all duties incident to the office of Secretary, and such other duties as from time to time may be designated to him by the President, or by the Board of Directors.

SECTION 8. THE TREASURER. 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: (a) have charge and custody of, and be responsible for, all funds and securities of the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and (b) prepare at the end of each fiscal year and furnish to the Owner of each Unit a report of the business and affairs of this Association, showing its transactions and reflecting fully and accurately its financial condition; and (c) in general, perform all of the duties as from time to time may be assigned to him by the President or by the Board of Directors.

SECTION 9. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The Assistant Treasurers, shall, respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or by the Board of Directors.

VIII

ARTICLE V

Contracts, Checks, Deposits and Funds

SECTION 1. The Board of Directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances.

SECTION 2. All checks, drafts or orders for the payment of money, notes or other evidences or indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Treasurer or an Assistant Treasurer and countersigned by the President or Vice President of the Corporation.

SECTION 3. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VI

Books and Records

The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members and Board of Directors and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by any member, his agent or attorney or any first mortgagee for any proper purpose at any reasonable time.

ARTICLE VII

Fiscal Year

*See notes*  
The Board of Directors shall, by resolution, fix the fiscal year of the Corporation.

ARTICLE VIII

Seal

The Board of Directors shall, if they so desire, provide a corporate seal, which shall, if adopted, be circular in form and shall have inscribed thereon the name of the Corporation, the state of incorporation, and the five-pointed Texas star.

ARTICLE IX

Waiver of Notice

Whenever any notice is required to be given to any shareholder or Director of the Corporation under the provisions of these Bylaws, under the provisions of the Articles of Incorporation, or under the provisions of the Texas Non-Profit Corporation Act, 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 deemed equivalent to the giving of such notice.

ARTICLE X

Procedure

Meetings of the shareholders and of the Board of Directors shall be conducted in accordance with the procedure as contained in Robert's Rules of Order, to the extent applicable.

ARTICLE XI

Obligations of Members

SECTION 1. Each member shall perform promptly and at his own risk, cost and expense, all maintenance and repair work with respect to the portion of the Unit owned by him which does not comprise a part of the common elements and which, if omitted, would adversely affect or jeopardize the safety of the building in which his Unit is located or any part thereof belonging in whole or in part to other members and each member shall be liable for any damages, liabilities, costs or expenses, including attorney's fees, caused by or arising out of his failure to promptly perform any such maintenance and repair work.

SECTION 2. Each member shall be obligated to reimburse the Association for any expenses incurred by it in repairing or replacing any part or parts of the common elements damaged solely by his negligence or by the negligence of his tenant, agent, guest, invitee or licensee, promptly upon the receipt of the Association's statement therefore.

SECTION 3. The Owner or Co-Owners of each Unit are bound to contribute pro rata in the percentage of their ownership in the common elements, as set out in the Declaration of Covenants, Conditions and Restrictions, toward the expenses of administration, maintenance, repair and replacement of the said common elements within the Project of which it is a part. As to expenses of administering and maintaining the Association and all of its real and personal property in such amount as shall from time to time be found by the Association to be necessary, including but not limited to expenses for the Corporation, maintenance, repair, or replacement of the Project's buildings grounds, and recreational facilities; or costs of carrying out the duties and powers of the Association employees, insurance premiums and expenses thereto; taxes which may be assessed against Association property and other expenses of the Association set forth herein, or in the Declaration of Covenants,

Conditions and Restrictions attached hereto, or which may be designated by the Board of Directors of such Association as "common elements", each Owner or Co-Owner of each Unit is bound to contribute pro rata to such expenses as designated proportionate to the ratio as the total expense bears to the percentage of interest in the common elements assigned to each Unit.

SECTION 4. All charges and expenses chargeable to a member and his Unit shall constitute a lien against the Unit in favor of the Association for the use and the benefit of the members of the Association prior to all other liens except (1) assessments, liens and charges for taxes past due and unpaid on the Unit, and (2) payments due under purchase money mortgage instruments of encumbrance, if any, duly recorded. The said lien may be foreclosed in the manner provided for the foreclosure and sale of real estate mortgages and in the event of foreclosure, the Association shall, in addition to the amount due, be entitled to recover reasonable expenses of the action including court costs and reasonable attorney's fees. The right of the Association to foreclose the aforesaid lien shall be in addition to any other remedy which may be available to it at law for the collection of the charges and expenses including the right to proceed personally against any delinquent member for the recovery of a personal judgment against him for the amount due, court costs and reasonable attorney's fees.

SECTION 5. Upon the sale, conveyance or other lawful transfer of title to a Unit, all unpaid assessments against a member for his pro rata share in the expenses of administration, maintenance and repair of the common elements and the community and recreational facilities and other expenses agreed upon shall first be paid out of the sales price or by the acquirer in preference over any other assessments or charges of whatever nature except the following:

(a) Assessments, liens and charges for taxes past due and unpaid on the Unit, and

(b) Payments due under purchase money mortgage instruments of encumbrance, if any, duly recorded.

SECTION 6. The acquirer of a Unit shall be jointly and severally liable with the seller for the amounts owing by the latter to the Association up to the time of conveyance or transfer, without prejudice to the acquirer's right to recover from the seller the amount paid by him as such joint debtor. The Association shall provide for the issuance, and issue to every acquirer, upon his request, a statement of such amounts due by the seller, and the acquirer's liability under this section shall be limited to the amount as set forth in said statement.

SECTION 7. Any first mortgagee who obtains title to a Unit pursuant to the remedies provided in the mortgage or foreclosure of the mortgage shall not be liable for such Unit's unpaid dues or charges which accrue prior to the acquisition of title to such Unit by the mortgagee.

SECTION 8. Unless at least seventy-five percent (75%) of the first mortgagees (based upon one note for each first

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mortgage owned) or owners (other than the developer) of the individual Units have given their prior approval, the Association shall not be entitled to:

(a) by act or omission, seek or terminate the Project;

(b) change the pro rata interest or obligation of any individual Unit for the purpose of: (1) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (2) determining the pro rata share of ownership of each Unit in the common elements;

(c) partition or subdivide any Unit;

(d) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the common elements (the granting of easements for public utilities or for the other public purposes consistent with the intended use of the common elements by the Project shall not be deemed a transfer within the meaning of this clause); and

(e) use hazard insurance proceeds for losses to any property (whether to Units or to common elements) for other than repair, replacement or reconstruction of such property, except as herein provided in Article XII of these Bylaws in case of substantial loss to the Units and/or common elements of the Project.

## ARTICLE XII

### Reconstruction or Repair

SECTION 1. If less than three-fourths (3/4) of the Buildings in the Project (as determined by the vote or written consent of the majority of the percentage of value assigned to the Owners in the exercise of their sole discretion) shall be damaged by fire or other casualty, then the buildings in the Project shall be rebuilt or repaired. If more than three-fourths (3/4) of the building in the Project (as determined by the vote or written consent of a majority of the percentages of value assigned to such Owners in the exercise of such discretion) shall be damaged by fire or other casualty, then reconstruction shall not be compulsory without the unanimous consent of each Owner and each mortgagee. In the event that such Owners decide not to reconstruct the Project, the land shall be sold and such sale proceed along with any insurance proceeds shall be distributed to each Owner and his mortgagee, as their interests may appear, in accordance with each Owner's percentage of value in the Project.

SECTION 2. Any reconstruction or repair of the buildings in the Project or any Unit located therein shall be substantially in accordance with the Declaration of Covenants, Conditions and Restrictions and the original plans and specifications for the buildings in the Project unless the Owners and their mortgagees shall unanimously decide otherwise.

SECTION 3. Each owner shall be responsible for the reconstruction, repair or replacement of the interior of his Unit including but not limited to, floor coverings, wall coverings, window shades, draperies, interior walls, furniture, furnishings,

decorative light fixtures, and all appliances located therein irrespective of whether or not such appliances are "built-in" to the Unit. Each Owner shall also be responsible for the costs not otherwise covered by insurance carried by the Association of any reconstruction, repair or replacement of any portion of the Project necessitated by his negligence or misuse, or the negligence or misuse by his family, tenants, guests, agents, servants, employees, or contractors. In the event damages to all or any part of the interior of an Owner's Unit is covered by insurance held by the Association for the benefit of such Owner, this such Owner shall begin reconstruction or repair of such damages upon receipt of the insurance proceeds or any portion thereof from the Association, subject to the rights of the Association to supervise, approve or disapprove such reconstruction or repair during the course thereof. In the event damage to all or part of the interior of an Owner's Unit is not covered by insurance held by this Association for the benefit of such Owner, then such Owner shall begin reconstruction or repair of his Unit within sixty (60) days after the date of such damage, subject to the right of the Association to supervise, approve or disapprove such reconstruction or repair during the course thereof.

SECTION 4. As soon as possible after the occurrence of a casualty which causes damage to any part of the Project for which the Association has insurance coverage (hereinafter referred to as the "casualty") the Association shall obtain reliable and detailed cost estimates of the following:

(a) The cost of restoring all damage caused by the Casualty to the general and limited common elements (hereinafter referred to as the "Common Elements Costs"); and

(b) The cost of restoring that part of the damage caused by the Casualty to each Unit which is or would be covered by insurance held by the Association without regard to the policy limits of such insurance (hereinafter referred to as the "Unit Costs").

All insurance proceeds available to the Association with respect to the Casualty shall first be applied to the payment of the actual common element costs and the balance thereof, if any, shall thereafter be applied to the payment of the actual Unit Costs. However, if such insurance proceeds are not sufficient to cover such estimated costs, then an assessment shall be made against the Owners by the Association in the following manner:

(a) All Owners shall be assessed on the basis of their percentages of value in the Project for the payment of the payment of the estimated Common Elements Costs not otherwise paid for by the insurance held by the Association.

(b) Each Owner of a damaged Unit shall be assessed an amount equal to the difference between his estimated Unit Costs less a insurance proceeds by the Association with respect to the casualty by a fraction, the numerator of which is his estimated Unit Costs and the denominator of which is the total of all of the estimated Unit Costs.

If actual costs exceed such estimated costs, then an additional assessment shall be made against the Owners by the Association in the same manner based upon actual costs.



SECTION 5. In the event of any taking of any Unit in the Project by eminent domain, or private purchase in lieu thereof, the Owner of such Unit and his mortgagee shall be entitled to receive the award of such taking and, after acceptance thereof, if such Owner shall vacate his Unit by virtue of such taking, he and his mortgagee shall be divested of all interest in the Project. If any repair or rebuilding of the remaining portions of the Project is required as a result of such taking, a majority of the percentage of value assigned to the remaining Owners shall determine by note or written consent whether to rebuild or repair the Project or take such other action as such remaining Owners deem appropriate. If no repair or rebuilding shall be required, or shall be undertaken, then the remaining portion of the Project shall be resurveyed and the Declaration of Covenants, Conditions and Restrictions shall be amended to reflect such taking and to proportionately read just the percentages of value assigned to the remaining Owners based upon the continuing value of the Project of one hundred percent (100%)

#### ARTICLE XIII

##### Indemnification of Officers and Directors

The Association shall indemnify every officer and/or director, his heirs, executors and administrators, against all loss, cost and expense, including counsel fees reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been an Officer or Director of the Association except as to such matters as to which he shall be finally adjudged in such action, suit, or proceeding to be liable for gross negligence or willful misconduct. In the event of settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Officer or Director in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such officer or director may be entitled. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as Common Expenses; provided, however, that nothing contained in this Article XIII shall be deemed to obligate the Association to indemnify any member or Owner of a Unit, who is or has been an Officer or Director of the Association, with respect to any duties or obligation assumed or liabilities incurred by him under and by virtue of the Declaration of Covenants, Conditions and Restrictions as a member or Owner of a Unit covered thereby.

#### ARTICLE XIV

##### Mortgages

SECTION 1. Any Owner who mortgages his interest in a Unit shall within ten (10) days after the execution of such mortgage, give notice to the Association in writing of the name and address of his mortgagee and the amount secured by said mortgage, and the Association shall maintain such information in a book entitled "Mortgages of Units". Said written

notice shall be separately maintained by the Association or by the Secretary of the Association. Such Owner shall, in the same manner, notify the Association as to the release or discharge of any such mortgagee.

SECTION 2. The Association shall, at the request of any mortgagee of any Unit, report to such mortgagee any unpaid assessments due from the Owner of such Unit to the Association.

SECTION 3. The Association shall notify each mortgagee appearing in the hereinbefore above described book of the name of each company insuring the Project under the Declaration of Covenants, Conditions and Restrictions and the amounts of the coverage thereunder.

SECTION 4. The Association shall notify each mortgagee appearing in the hereinabove described book of any default by any Owner in the performance of such Owner's obligations which is not cured within thirty (30) days from the date of such default.

#### ARTICLE XV

##### Taxation

Each Unit shall be assessed and taxed for all purposes as a separate parcel of real estate entirely independent of the building of which such Unit is a part, and independent of the Project or Common Elements thereof, and each Owner shall be solely responsible for the payment of all taxes, municipal claims, charges and assessments of any nature whatsoever assessed against such Unit. Such payment shall be made prior to the due date of such taxes, municipal claims, charges and assessments.

#### ARTICLE XVI

##### Amendment

*member*  
These Bylaws (as opposed to the Declaration of Covenants, Conditions and Restrictions of which they are a part) may be amended by the number of the Association from time to time by approval of a majority of the Owners, unless otherwise provided herein, or in the Act. Any such amendment may be evidenced by an instrument in writing signed and acknowledged by the President and Secretary of the Association certifying that such amendment has been approved by the vote or written consent of a majority of the Owners in the Project.

#### ARTICLE XVII

##### Default

SECTION 1. Failure to comply with the Declaration of Covenants, Conditions and Restrictions, these Bylaws, the Articles of Incorporation or duly adopted rules and regulations of the Association shall constitute and event of default

and shall be grounds for relief, which may include, without intending to limit the same, and action to recover sums due for damages and injunctive relief, or any combination thereof.

SECTION 2. In any proceeding arising because of an alleged default by any Owner, the Association, if successful, shall be entitled to recover the costs of the proceedings including without limitation reasonable attorney's fees.