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FOR BY-LAWS OF
THE TERRACE OWNERS ASSOCIATION, INC.
(A Texas Non-Profit Corporation)

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BY-LAWS
OF
THE TERRACE OWNERS ASSOCIATION, INC.
(A Texas Non-Profit Corporation)

ARTICLE I

NAME

1.1 NAME. The name of the organization shall be THE TERRACE OWNERS ASSOCIATION, INC.

ARTICLE II

PURPOSE AND OWNER OBLIGATION

2.1 PURPOSE. The purpose for which this non-profit Association is formed is to govern the Condominium Property situated in the County of Harris, State of Texas which Property is described on the attached Exhibit "A", which by this reference is made a part hereof, and which Property has been submitted to a Regime according to the provisions of the Condominium Act of the State of Texas.

2.2 OWNER OBLIGATION. All present or future owners, tenants, future tenants or any other person that might use the facilities of the Project in any manner, are subject to the regulations set forth in these By-Laws. The mere acquisition or rental of any of the Condominium Units (hereinafter referred to as "Units") of the Project or the mere act of occupancy of any of said Units will signify that these By-Laws are accepted, ratified and will be complied with.

ARTICLE III

DEFINITIONS AND TERMS

3.1 MEMBERSHIP. Any person on becoming an Owner of a Condominium Unit shall automatically become a Member of this Association and be subject to these By-Laws. Such Membership shall terminate without any formal Association action whenever such person ceases to own a Condominium Unit. Such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with THE TERRACE CONDOMINIUM during the period of such Ownership and Membership in this Association, or impair any rights or remedies which the Board of Directors of the Association or others may have against such former Owner and Member arising out of or in any way connected with such Ownership and Membership and the covenants and obligations

incident thereto. No certificate of stock shall be issued by the Association but the Board of Directors, if it so elects, may issue one (1) Membership Card to the Owner(s) of a Condominium Unit. Such Membership Card shall be surrendered to the Secretary whenever Ownership of the Condominium Unit designated thereon is terminated.

3.2 VOTING. Voting shall be based on the number of Units owned, including subsequent annexations, if any. The number of Units in the First Phase is sixty-eight (68), weighted in accordance with Exhibit "C" of the Declaration to total one hundred percent (100%), and each Unit Owner or Owners are entitled to one (1) common vote.

3.3 MAJORITY OF UNIT OWNERS. As used in these By-Laws the term "majority of Unit Owners" shall mean those Owners with fifty-one percent (51%) of the votes entitled to be cast.

3.4 QUORUM. Except as otherwise provided in these By-Laws, the presence in person or by proxy of a "majority of Unit Owners" as defined in Paragraph 3.3 of this Article shall constitute a quorum.

3.5 PROXIES. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

ARTICLE IV

ADMINISTRATION

4.1 DEVELOPER CONTROL. Notwithstanding any other provisions herein to the contrary, and in accordance with Paragraphs 4.2 and 4.3 of the Condominium Declaration for THE TERRACE CONDOMINIUM, the Declarant, U.S. HOME CORPORATION, a Delaware corporation, shall retain control over management of the affairs of the Association. This retention of control shall be for the benefit of the Unit Owners and any First Mortgagees of Record and for the purpose of insuring both a complete and orderly buildout and a timely sellout of the Project Units, including and annexations. This control shall last no longer than four (4) years from the recordation of the Condominium Declaration or when in the sole opinion of the Declarant the Project is viable, self-supporting and operational, including subsequent annexations, or upon sale of seventy-five percent (75%) of Units or July 1, 1983, whichever occurs first. At the end of the Declarant Control Period, the Declarant, through the Board of Directors, shall call the first annual meeting of the Association.

4.2 ASSOCIATION RESPONSIBILITIES. The Owners of the Units will constitute the Association of Unit Owners, hereinafter referred to as "Association", who will have the responsibility of administering the Project through a Board of Directors.

4.3 PLACE OF MEETINGS. All annual and special meetings of the Asso-

ciation shall be held at the principal office of the Association or at such other suitable and convenient place as may be permitted by law and from time to time fixed by the Directors and designated in the notices of such meetings.

4.4 ANNUAL MEETINGS. Annual meetings shall be held the fourth (4th) Tuesday of January each year.

4.5 SPECIAL MEETINGS. It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by a majority of the Owners and presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths (4/5) of the Owners present, either in person or by proxy.

4.6 NOTICE OF MEETINGS. The Secretary shall mail notices of annual and special meetings to each Member of the Association, directed to his last known post office address, as shown on the records of the Association, by uncertified mail, postage prepaid. Such notice shall be mailed not less than ten (10) days nor more than twenty (20) days before the date of such meeting and shall state the date, time and place of the meeting and the purpose or purposes thereof. In lieu of mailing notice as herein provided, such notice may be delivered by hand or left at their residence in their absence. If requested, any Mortgagee of Record or its designee may be entitled to receive similar notice.

4.7 ADJOURNED MEETING. If any meeting of Owners cannot be organized because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is attained.

4.8 ORDER OF BUSINESS. The order of business at all meetings of the Owners of Units shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of directors.
- (g) Unfinished business.
- (h) New business.

ARTICLE V

BOARD OF DIRECTORS

5.1 NUMBER AND QUALIFICATION. The affairs of this Association shall

be governed by a Board of Directors composed of five (5) persons. The following persons shall act in such capacity and shall manage the affairs of the Association until their successors are elected, to-wit:

<u>NAME</u>	<u>ADDRESS</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

5.2 POWERS AND DUTIES. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of a residential Condominium Project. The Board of Directors may do all such acts and things that are not by these By-Laws or by the Condominium Declaration for THE TERRACE CONDOMINIUM directed to be exercised and done by the Owners.

5.3 OTHER POWERS AND DUTIES. The Board of Directors shall have the following duties:

(a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations and all other provisions set forth in the Condominium Declaration.

(b) To establish, make and enforce compliance with rules necessary for the orderly operation, use and occupancy of this Condominium Project. (A copy of such rules and regulations shall be delivered or mailed to each Member promptly upon the adoption thereof.)

(c) To keep in good order, condition and repair all of the General and Limited Common Elements and all items of personal property used in the enjoyment of the entire Premises.

(d) To insure and keep insured all of the insurable General Common Elements of the Property in an amount equal to their maximum replacement value, as provided in the Declaration. Further to obtain and maintain comprehensive liability

Insurance covering the entire Premises in amounts not less than One Hundred Thousand (\$100,000.00) Dollars per person, Three Hundred Thousand (\$300,000.00) Dollars per accident and Fifty Thousand (\$50,000.00) Dollars property damages. To insure and keep insured all the fixtures, equipment and personal property acquired by the Association for the benefit of the Association, the Owners of the Condominium Units and their First Mortgagees.

(e) To fix, determine, levy and collect the monthly prorated assessments to be paid by each of the Owners; and by majority vote of the Board to adjust, decrease or increase the amount of the monthly assessments subject to the provisions of the Declaration; to levy and collect special assessments in order to meet increased operating or maintenance expenses or costs, and additional capital expenses. All monthly or other assessments shall be in itemized statement form and shall set forth in detail the various expenses for which the assessments are being made.

(f) To collect delinquent assessments by suit or otherwise and to enjoin or seek damages from an Owner as provided in the Declaration and these By-Laws.

(g) To protect and defend the entire Premises from loss and damage by suit or otherwise.

(h) To borrow funds in order to pay for any expenditure or outlay required; to execute all such instruments evidencing such indebtedness which shall be the several obligations of all of the Owners in the same proportion as their interest in the General Common Elements.

(i) To enter into contracts within the scope of their duties and power.

(j) To establish a bank account for the common treasury and for all separate funds which are required or may be deemed advisable by the Board of Directors.

(k) To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the Owners and any First Mortgagee of a

Unit, and to cause a complete audit of the books and accounts by a competent accountant, once each year. The Association shall cause to be prepared and delivered annually to each Owner an audited statement showing all receipts, expenses or disbursements since the last such statement. Such audited financial statements shall be available to any First Mortgagee of a Unit, on request, within ninety (90) days following the fiscal year end of the Project.

(l) To meet at least once each quarter.

(m) To designate the personnel necessary for the maintenance and operation of the General and Limited Common Elements.

(n) In general, to carry on the administration of this Association and to do all of those things, necessary and reasonable, in order to carry out the communal aspect of Condominium Ownership.

5.4 ELECTION AND TERM OF OFFICE. At the first annual meeting of the Association the term of office of three (3) Directors shall be fixed for one (1) year and the term of office of two (2) Directors shall be fixed at two (2) years. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. The five (5) persons acting as Directors shall hold office until their successors have been elected and hold their first meeting.

5.5 VACANCIES. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association.

5.6 REMOVAL OF DIRECTORS. At any regular or special meeting duly called, any one (1) or more of the Directors may be removed with or without cause by a majority of the Owners, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting.

5.7 ORGANIZATION MEETING. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors

were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

5.8 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least four (4) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

5.9 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President or Secretary on three (3) days' notice to each Director, given personally, by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Directors.

5.10 WAIVER OF NOTICE. Before or at any meeting of the Board of Directors, any Director may in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

5.11 BOARD OF DIRECTOR'S QUORUM. At all meetings of the Board of Directors, a majority of Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without additional notice.

5.12 FIDELITY BONDS. The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association.

ARTICLE VI

OFFICERS

6.1 DESIGNATION. The officers of the Association shall be a President, Vice President, Secretary and Treasurer, all of whom shall be elected by and from the Board of Directors.

6.2 ELECTION OF OFFICERS. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

6.3 REMOVAL OF OFFICERS. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board called for such purpose.

6.4 PRESIDENT. The President shall be the chief executive officer of the Association. He shall preside at all meetings of both the Association and the Board of Directors. He shall have all the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the Owners to assist in the administration of the affairs of the Association. The President, or his designated alternate, shall represent the Association at all meetings of the THE TERRACE OWNERS ASSOCIATION, INC.

6.5 VICE PRESIDENT. The Vice President shall perform all of the duties of the President in his absence and such other duties as may be required of him from time to time by the Board of Directors.

6.6 SECRETARY. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association. He shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of the Secretary.

The Secretary shall compile and keep up to date at the principal offices of the Association a complete list of Members and their last known addresses as shown on the records of the Association. Such list shall show opposite each Member's name, the number of Members and the garage or parking space and storage space assigned for use in connection with such Unit. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

6.7 TREASURER. The Treasurer shall receive and deposit in appropriate bank accounts all money of the Association and shall disburse such as directed by resolution of the Board of Directors; provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board of Directors, including authority to: sign all checks and promissory notes of the Association; keep proper books of account; cause an annual statement of the Association's books to be made at the completion of each fiscal year; prepare an annual budget and a statement of income expenditures to be presented to the Membership at its regular annual meeting, and deliver a copy of each to the Members; and perform all other duties assigned to him by the Board of Directors.

ARTICLE VII

MANAGEMENT CONTRACT

7.1 MANAGEMENT COMPANY. The Board of Directors shall contract with a management company, at a rate of compensation agreed upon by the Board of Directors, for the management company to have, without limitations, the following functions, duties and responsibilities:

1. Fiscal Management.

(a) Prepare annual operating budget detailed to reflect expected operation for each month. This budget is established to show expected recurring receipts and operating disbursements; it is further used for comparison with actual monthly income and expenditures.

(b) Prepare five (5)-year sinking fund reserve budget projection for capital expenditures on items recurring only periodically, i. e., painting, etc., for Common Elements.

(c) Prepare monthly operating and cash position statements and statements concerning sinking fund reserve accounts.

(d) Analyze and compare operating receipts and disbursements against the Board-approved budget. Where a significant variation is shown (10%) above or below the budgeted amount, prepare explanations of variations from budgeted figures. Suggest corrective recommendations if applicable.

(e) Collect maintenance fees and special assessments; deposit them in checking, savings or other income producing accounts on behalf of the Board and maintain comprehensive records thereof. Establish individual checking and sinking fund reserve accounts, as directed by the Board.

(f) Mail notices of delinquency to any Owner in arrears, and exert reasonable effort to collect delinquent accounts.

(g) Examine all expense invoices for accuracy and pay all bills in accordance with the terms of the property management agreement.

(h) Prepare year-end statement of operations for Owners.

2. Physical Management.

(a) Assume full responsibility for maintenance and control of Common Area improvements and equipment. Maintain the Property in constant repair to reflect Owner pride and to insure high property values in accordance with the provisions of the operating budget as approved by the Board of Directors.

(b) Enter into contracts and supervise services for lawn care, refuse hauling, pump maintenance, etc., as approved operating budgets.

(c) Select, train and supervise competent personnel, as directed by the Board.

(d) Compile, assemble and analyze data; and prepare specifications and call for bids for major improvement projects. Analyze and compare bids, issue contracts and coordinate the work; maintain close and constant inspection to insure that work is performed according to specifications.

(e) Perform any other projects with diligence and economy in the Board's best interests.

3. Administrative Management.

(a) Inspect contractual services for satisfactory performance. Prepare any necessary compliance letters to Vendors.

(b) Obtain and analyze bids for insurance coverage specified in By-Laws, recommend modifications or additional

coverages. Prepare claims when required and follow up on payment; act as Board's representative in negotiating settlement.

(c) Exercise close liaison and supervision over all personnel to insure proper operational maintenance and to promote good Management-Resident-Owner relationships.

(d) Act as liaison for the Association in any negotiations or disputes with local, federal or state taxing agencies or regulatory bodies.

(e) Exercise close supervision over hours and working conditions of employed personnel to insure compliance with Wage and Hour and Workman's Compensation Laws.

(f) Assist in resolving individual Owner's problems as they pertain to the Association, Common Elements and governing rules and regulations.

(g) Represent an absentee Owner when requested.

(h) Administer the development in such a way as to promote a pleasant and harmonious relationship within the complex for all Owners, Residents and Tenants alike.

ARTICLE VIII

INDEMNIFICATION OF OFFICERS AND MANAGERS

8.1 INDEMNIFICATION. The Association shall indemnify every manager or officer, 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 a manager or officer of the Association, except in matters of gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters in 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 manager or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such manager or officer may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the Association in connection with the foregoing indemnification provision shall be treated and handled by the Association as common expenses; provided, however, nothing contained in this Article VIII shall be deemed to

obligate the Association to indemnify any Member or Owner of a Condominium Unit, who is or has been a director or officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Condominium Declaration for THE TERRACE CONDOMINIUM as a Member or Owner of a Condominium Unit covered thereby.

ARTICLE IX

OBLIGATIONS OF THE OWNERS

9.1 ASSESSMENTS. All Owners shall be obligated to pay the monthly assessments imposed by the Association to meet the common expenses. The assessments shall be made pro rata according to percentage interest in and to the General Common Elements and shall be due monthly in advance. A Member shall be deemed to be in good standing and entitled to vote at any annual or a special meeting of Members, within the meaning of these By-laws, only if he is current in the assessments made or levied against him and the Condominium Unit owned by him.

9.2 MAINTENANCE AND REPAIR.

(a) Every Owner must perform promptly at his own expense all maintenance and repair work within his own Unit.

(b) All the repairs of internal installations of the Unit such as patio planting, water, light, gas power, sewage, telephone, air conditioning, sanitary installations, doors, windows, glass, electrical fixtures and all other accessories, equipment and fixtures belonging to the Unit area shall be at the Owner's expense.

(c) An Owner shall be obligated to promptly reimburse the Association upon receipt of its statement for any expenditures incurred by it in repairing or replacing any General or Limited Common Element damaged by his negligence or by the negligence of his tenants or agents.

9.3 MECHANIC'S LIEN. Each Owner agrees to indemnify and to hold each of the other Owners harmless from any and all claims of mechanic's lien filed against other Units and the appurtenant General Common Elements for labor, materials, services or other products incorporated in the Owner's Unit. In the event suit for foreclosure is commenced, then within ninety (90) days thereafter such Owner shall be required to deposit with the Association cash or negotiable securities equal to the amount of such claim plus interest for one (1)

year together with the sum of One Hundred (\$100.00) Dollars. Such sum or securities shall be held by the Association pending final adjudication or settlement of the litigation. Disbursement of such funds or proceeds shall be made to insure payment of or on account of such final judgment or settlement. Any deficiency shall be paid forthwith by the subject Owner, and his failure to pay shall entitle the Association to make such payment; and the amount thereof shall be a debt of the Owner and a lien against his Condominium Unit which may be foreclosed as is provided in Paragraph 5.9 of the Condominium Declaration.

9.4 GENERAL.

(a) Each Owner shall comply strictly with the provisions of the Condominium Declaration for THE TERRACE CONDOMINIUM.

(b) Each Owner shall always endeavor to observe -- and promote the cooperative purposes for which the Project was built.

9.5 USE OF UNITS - INTERNAL CHANGES.

(a) All Units shall be utilized for single-family residential purposes only.

(b) An Owner shall not make structural modifications or alterations to his Unit or installations located therein without previously notifying the Association in writing through the President of the Association. The Association shall have the obligation to answer within thirty (30) days after such notice, and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

9.6 USE OF GENERAL COMMON ELEMENTS AND LIMITED COMMON ELEMENTS.

Each Owner may use the General Common Elements and the Limited Common Elements in accordance with the purpose for which they were intended.

9.7 RIGHT OF ENTRY.

(a) An Owner shall grant the right of entry to any person authorized by the Board of Directors in case of any emergency originating in or threatening his Unit, whether the Owner is present at the time or not.

(b) An Owner shall permit other Owners, or their representatives, when so required, to enter his Unit for the purpose of performing installations, alterations or

repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the Owner. In case of an emergency, such right of entry shall be immediate.

9.8 RULES AND REGULATIONS.

(a) All Owners shall promptly and completely comply with each of the rules and regulations herein contained or hereafter properly adopted for the utilization of the General Common Elements in order for all Owners and their guests to achieve maximum utilization of such facilities consonant with the rights of each of the other Owners thereto.

(b) Nothing shall be done in any Unit, nor shall same be occupied or used for any purpose, nor shall any commodity, product or personal property be kept therein or thereon, which shall cause such improvements to be uninsurable against loss by fire or the perils included in an extended coverage endorsement under the rules of the State of Texas Insurance Commission or which might cause or warrant any policy or policies covering said Premises to be canceled or suspended by the insuring company.

(c) Owners and occupants of Units shall at all times exercise extreme care to avoid making or permitting to be made loud or objectionable noises, and in using or playing or permitting to be used or played musical instruments, radios, phonographs, television sets, amplifiers and any other instruments or devices in such manner as may disturb or tend to disturb Owners, tenants or occupants of Condominium Units of THE TERRACE CONDOMINIUM. No Unit shall be used or occupied in such manner as to obstruct or interfere with the enjoyment of occupants or other residents of adjoining Units, nor shall any nuisance or immoral or illegal activity be committed or permitted to occur in or on any Unit or upon any part of the Common Elements.

(d) The Common Area (Common Elements) is used for the purpose of affording vehicular and pedestrian movements within the Condominium, for providing access to the Units, for recreational use by the Owners and occupants of Units

and for providing privacy for the residents thereof through landscaping and such other means as shall be deemed appropriate. No part of the Common Area shall be obstructed so as to interfere with its use for the purposes hereinabove cited, nor shall any part of the Common Area be used in any manner which causes an increase in the premium rate for hazard and liability insurance coverage. No animals, livestock or poultry of any kind shall be raised, bred or kept on any lot, except dogs, cats or other common household pets, as provided in the Declaration.

(e) No resident of the Condominium shall post any advertisements, signs or posters of any kind in or on the Project except as authorized by the Association.

(f) Parking of automobiles shall be in the spaces designated as parking for each Unit; no unattended vehicle shall at any time be left in the alleyways or streets in such manner as to impede the passage of traffic or to impair proper access to parking area. The carport area shall at all times be kept free of unreasonable accumulation of debris or rubbish of any kind.

(g) It is prohibited to hang garments, rugs and/or other materials from the windows or from any of the facades of the Project.

(h) It is prohibited to dust rugs or other materials from the windows or to clean rugs by beating on the exterior part of the Condominium Units, or to throw any dust, trash or garbage out any windows.

(i) It is prohibited to throw garbage or trash outside the disposal areas provided for such purposes.

(j) No Owner, resident or lessee shall install wiring for electrical or telephone installation television antennas, machines or air conditioning units or any other devices whatsoever on the exterior of the Project or that protrude through the interior walls, without prior written approval from the Association.

(k) No Owner or other occupant of any Condominium Unit shall make any alteration, modification or improvement

to the Common Elements of the Condominium without the written consent of the Association.

(1) Reasonable and customary regulations for the use of the General Common Elements will be promulgated hereafter and publicly posted. Owners and all occupants of Units shall, at all times, comply with such regulations.

9.9 DESTRUCTION OR OBSOLESCENCE. Each Owner shall, if necessary, execute a power of attorney in favor of the Association, irrevocably appointing the Association his Attorney-in-fact to deal with the Owner's Condominium Unit upon its destruction or obsolescence as is provided in Paragraph 6.1 of the Condominium Declaration.

ARTICLE X

AMENDMENTS TO PLAN OF CONDOMINIUM OWNERSHIP

10.1 BY-LAWS. After relinquishment of Declarant control of the Association as set forth in Article IV, these By-Laws may be amended by the Association at a duly constituted meeting for such purpose, and no amendment shall take effect unless approved by Owners representing at least sixty-six and two-thirds percent (66-2/3%) of the aggregate interest of the undivided Ownership of the General Common Elements. In no event shall the By-Laws be amended to conflict with the Declaration. In the event of a conflict between the two (2) documents, the Declaration shall control.

ARTICLE XI

MORTGAGES

11.1 NOTICE TO ASSOCIATION. An Owner who mortgages his Unit shall notify the Association through the President of the Association giving the name and address of his Mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Condominium Units".

11.2 NOTICE OF UNPAID ASSESSMENTS. The Association shall, at the request of a Mortgagee of a Unit, report any unpaid assessments due from the Owner of such Unit.

ARTICLE XII

COMPLIANCE

12.1 LEGAL REQUIREMENTS. These By-Laws are set forth to comply with the requirements of the State of Texas Condominium Act. If any of these By-Laws conflict with the provisions of said statute, it is hereby agreed and

accepted that the provisions of the statute will apply.

ARTICLE XIII

NON-PROFIT ASSOCIATION

13.1 NON-PROFIT PURPOSE. This Association is a non-profit corporation. No Unit Owner, Member of the Board of Directors or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as a salary or as compensation to, or distributed to or inure to the benefit of any Member of the Board of Directors; provided, however, always (1) that reasonable compensation may be paid to any Member while acting as an agent or employee of the Association for services rendered in effecting one (1) or more of the purposes of the Association and (2) that any Member of the Board of Directors may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XIV

PRINCIPAL OFFICE

14.1 LOCATION. The principal office of the Association shall be located at 13600 Murphy Road, Stafford, Texas 77477, but may be located at such other suitable and convenient place or places as shall be permitted by law and designated by the Directors.

ARTICLE XV

EXECUTION OF INSTRUMENTS

15.1 AUTHORIZED AGENTS. The persons who shall be authorized to execute any and all instruments of conveyance or encumbrances, including promissory notes, shall be the President and the Secretary of the Association.

ARTICLE XVI

CORPORATE SEAL

16.1 CORPORATE SEAL. The directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation, year of incorporation and the words, "Corporate Seal".

CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true, complete and correct copy of the By-Laws of THE TERRACE OWNERS ASSOCIATION, INC., a Texas non-profit

corporation, as adopted by the initial Board of Directors at its organization meeting on the _____ day of _____, A. D., 1979.

IN WITNESS WHEREOF, I hereunto set my hand and affix the Seal of the Corporation, this the _____ day of _____, A. D., 1979.


Secretary