

PRIVATE RESIDENCES CONDOMINIUM ASSOCIATION, INC.

BYLAWS

ARTICLE I

Name and Address

Section 1.01 Name. The name of this association shall be PRIVATE RESIDENCES CONDOMINIUM ASSOCIATION, INC. (the "Association").

Section 1.02 Address. The office of the Association shall be at the place to be designated by the Board of Directors, subject to transfer upon notice to the Members of the Association.

Section 1.03 Registered Agent. The Association shall have and continuously maintain in the State of Texas a registered agent whose office is identical with such registered office, as required by the Texas Non-Profit Corporation Act. The registered office may be, but need not be, identical to the principal office in the State of Texas, and the registered office may be changed from time to time by the Board of Directors.

ARTICLE II

Applicability

These Bylaws shall be applicable to the Association. In accordance with the terms of the Declaration, Declarant (for such time as Declarant is the owner of any portion of the Property), and all present and future Owners shall be Members of the Association and all Owners and any other persons permitted to use the Common Elements shall be subject to these Bylaws and to any rules and regulations adopted from time to time by the Board of Directors. Ownership, rental or occupancy of any Unit in the Property shall be conclusively deemed to mean that the Owner, tenant or occupant has accepted, ratified and will comply with these Bylaws, the Declaration and the Regulations.

ARTICLE III

Purpose

The purpose of the Association is to manage, or cause the management of, the Condominium as set forth in the Declaration and to protect and enhance the value of the Property, including, without limitation, providing for the management, maintenance, repair and replacement of the Common Elements. The Association does not contemplate any pecuniary gain or profit to its Members as a result of membership in the Association.

ARTICLE IV
Definitions and Interpretation

Section 4.01 Definitions. The following terms shall have the meanings set forth below:

“Act” means the Uniform Condominium Act, Texas Property Code, Chapter 82, as amended from time to time.

“Board of Directors” means those persons serving as Directors pursuant to Article VII of these Bylaws and their successors as duly elected and qualified from time to time.

“Code” means the Internal Revenue Code of 1986, as amended.

“Common Expenses” means all costs, expenses and financial obligations of the Association, together with any allocations to reserves made pursuant to the provisions of the Declaration, these Bylaws or a resolution duly adopted by the Board of Directors.

“County” means Harris County, Texas.

“Declaration” means the Condominium Declaration for Private Residences Condominium, and all recorded amendments thereto.

“Director” means a member of the Board of Directors.

“First Lien Loan” means any indebtedness secured by a first and prior lien or encumbrance upon a Unit.

“First Mortgagee” means any Person which is the holder, insurer or guarantor of First Lien Loan and which has provided the Association with written notice of its name, address and the description of the Owner’s Unit on which it holds the First Lien Loan.

“Land” means that certain lot, tract or parcel of land located in the County, and more particularly described in the Declaration together with any and all rights and appurtenances pertaining thereto.

“Manager” means any Person with whom Declarant or the Association contracts for the management of the Property and/or the administration of the Association and the Condominium. The ability of the Association and the Board of Directors to terminate any management agreement and/or to enter into any new management agreement is restricted as provided herein and in the Declaration.

“Member” means each Owner and Declarant (while Declarant owns any Unit).

“Minute Book” means the minute book of the Association, which shall contain the minutes of all annual and special meetings of the Association and the Board of Directors and all resolutions of the Board of Directors and the Members.

“Owner” means any Person (including Declarant) owning fee title to a Unit, but does not include any Person having an interest in a Unit solely as security for an obligation.

“Owner’s Unit” means, collectively, each Unit owned by an Owner, together with the unrestricted right of ingress and egress thereto.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association and any fiduciary acting in such capacity on behalf of any of the foregoing.

“Regulations” means the rules and regulations of the Association initially adopted by the Board of Directors and relating to the appearance, use, and occupancy of the Property, including exterior appearance, use and occupancy of the Units, as amended from time to time.

“Systems” includes, but is not limited to, all fixtures, equipment, pipes, lines, wires, computer cables, conduits and other systems used in the production, heating, cooling and/or transmission of air, water, gas, electricity, communications, waste water, sewage, and audio, video and other electronic medium signals.

“Unit” means a physical portion of the Condominium that is designated for separate ownership or occupancy (the boundaries of which are depicted on the Map), and includes (i) all Systems which exclusively serve such Unit, whether within the Unit’s boundaries or not, and (ii) the finish materials, fixtures and appliances contained within the Unit, but excludes (x) any of the structural components of the Building located in such Unit and (y) Systems which serve more than one Unit, all as subject to and further described in Section 82.052 of the Act. “Unit” also means either a Residential Unit or Commercial Unit, as the case may be, together with an undivided ownership percentage interest, appurtenant to such Residential Unit or Commercial Unit, as the case may be, in and to the Common Elements.

Any capitalized term that is not defined in this Section shall have the meaning set forth in the Declaration.

Section 4.02 Interpretation. In the event of a conflict of interpretation between the provisions set forth in these Bylaws and the Declaration, the Declaration shall govern, and in the event of a conflict of interpretation between the provisions set forth in these Bylaws and the Articles, the Articles shall govern. In the event that the Code is hereafter amended or changed, both the Declaration and these Bylaws shall be interpreted in a manner which conforms to the provisions of the Code with respect to nonprofit entities, it being the intention to preserve the status of the Association as a bona fide nonprofit entity.

ARTICLE V
Member

Section 5.01 Membership.

(a) Each Owner shall automatically be a Member of the Association, and shall possess a vote with respect to each Unit owned by such Owner equal in weight to such Owner's undivided interest in and to the Common Elements as set forth as each Unit's Percentage Building Ownership in the Declaration. All voting rights of an Owner may be suspended during any period that such Owner is delinquent in the payment of any Assessment duly established pursuant to the Declaration, or otherwise in default under the terms of the Declaration, the Articles, these Bylaws or the Regulations. Any matter described herein as requiring approval by a stated percentage or a majority of the Owners shall mean a stated percentage or a majority of the allocated vote held by those Owners who are then eligible to vote.

(b) In cases where more than one Person owns an interest in a Unit, all such Persons shall arrange among themselves for one of their number to exercise the voting rights herein established. In no event shall the vote exercised on behalf of a Unit exceed the undivided interest in and to the Common Elements allocated to such Unit pursuant to the Declaration, such allocated interest being set forth as the Percentage Building Ownership in the Declaration. If only one of the Persons is present at a meeting of the Association, that Person may cast that Unit's vote. If more than one of the Persons is present and after one Person casts the vote, another Person present makes prompt protest to the person presiding over the meeting, such vote shall not be counted unless such Persons can unanimously agree on such vote by the end of the meeting. Each Person owning a portion of the fee interest in a Unit may vote or register protest to the casting of votes by the other Persons owning portions of the fee interest in the same Unit through a proxy duly executed by such Person. If no protest is made immediately following the vote, the Association shall deem the vote to be valid and the person exercising the vote to be duly authorized.

Section 5.02 Affirmative Vote. Except as otherwise provided herein or in the Declaration, the Members shall be entitled to vote upon any decision or resolution and the majority of votes cast shall determine the passage of any decision or resolution. A vote may be cast either in person or by proxy, by Members of record who are entitled to vote. Notice and quorum requirements shall be as set forth herein. Cumulative voting shall not be permitted. Any Member whose voting rights have been suspended under any provision of the Declaration shall not be entitled to vote.

Section 5.03 Membership List. The Secretary shall be responsible for maintaining, at the principal office of the Association, an updated list of Members and their last known addresses as provided by each Member. The list shall also show opposite each Member's name the address of the Unit(s) owned, the Percentage Building Ownership interest allocated to such Unit pursuant to the Declaration, and the Percentage Residential Condominium Ownership of each Residential Unit pursuant to the Declaration. The list shall be revised by the Secretary to reflect changes in the ownership of Units occurring prior to the date of the annual or special

meeting. The list shall be open to inspection by all Members and other persons lawfully entitled to inspect the list during regular business hours up to the date of the annual or special meeting. The Secretary shall also keep current and retain custody of the Minute Book.

Section 5.04 Proxies. Votes may be cast by written proxy or by ballot. Written proxies may be submitted by United States mail, delivered to the office of the Association, delivered directly to the Secretary or delivered in such other manner as directed by the Association. A proxy vote shall be defined as a written vote submitted by a Member which either states the specific vote of the Member with respect to the issues, resolutions or election being voted on by the Members at the annual or special meeting or which is written permission for the Board of Directors or a specific Director to exercise the Member's vote(s) as the Board of Directors or the specific Director sees fit. An Owner may not revoke a proxy except by giving actual notice of revocation to the person presiding over the meeting.

ARTICLE VI

Meetings of the Association

Section 6.01 Place of Annual and Special Meetings. All annual and special meetings of the Association shall be held at the principal office of the Association or at another suitable and convenient place permitted by law and fixed by the Board of Directors from time to time and designated in the notices of the meetings.

Section 6.02 Date of Annual Meetings. Annual meetings of the Association shall be held within 120 days of the fiscal year-end of the Association on a date as shall be fixed by the Board of Directors by written notice to the Members. The Members may transact any business which may properly come before the meeting and has been included in the notice of the meeting.

Section 6.03 Notice of Annual Meetings. The Secretary shall mail notices of annual meetings to each Member directed to the most recent post office address provided to the Association by such Member, as shown on the records of the Association, by regular mail, postage prepaid. This notice shall be mailed not less than ten (10) or more than sixty (60) days before the date of the meeting and shall state the date, time and place of the meeting, the purpose or purposes thereof and the items on the agenda, including the specific nature of any proposed amendment or change to the Declaration, the Articles or these Bylaws.

Section 6.04 Special Meeting. A special meeting of the Association may be called by the President, a majority of the Directors, or upon presentation to the Secretary of a petition stating the specific purpose of the special meeting, which petition has been signed by Members having not less than ten percent (10%) of the votes entitled to be cast at such meeting.

Section 6.05 Notice of Special Meetings. The Secretary shall mail notice of any special meeting of the Association to each Member in the manner provided in Section 6.03 of these Bylaws. The notice shall state the same items required by Section 6.03 of these Bylaws for notices of annual meetings. No business shall be transacted at any special meeting except as stated in the notice thereof unless consented to by two-thirds (2/3) of the Members entitled to vote at the special meeting, present in person or by proxy.

Section 6.06 Member Quorum. At any duly convened meeting of the Association, a quorum shall be present if Persons entitled to cast at least twenty percent (20%) of the votes that may be cast for election of the Board of Directors are present in person or proxy at the beginning of the meeting.

Section 6.07 Agenda. The agenda at all meetings of the Association shall include: (a) roll call; (b) proof of notice of meeting or waiver of notice; (c) approval of the minutes of the preceding meeting; (d) reports of officers and committees, if applicable; (e) election of Directors, if applicable; (f) unfinished business, if applicable; (g) new business; (h) adjournment.

Section 6.08 Action Without Meeting by Written Ballot. Any action which may be taken by the vote of the Members at a regular meeting or special meeting, may be taken without a meeting if done in compliance with relevant provisions of the Texas Business Corporation Act, the Texas Non-Profit Corporation Act and the Miscellaneous Corporate Statutes. If an action is taken without a meeting, the Board of Directors shall distribute a written ballot to every Member entitled to vote on the matter. The ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the proposal at a regular or special meeting authorizing the action.

Section 6.09 Administration of Affairs. Subject to the provisions of the Act, the Texas Non-Profit Corporation Act, the Declaration and these Bylaws, the Association shall be governed by the Board of Directors.

Section 6.10 Effective Control of the Association. Each Member acknowledges and agrees, by its acceptance of a Deed to its Unit, that the Owner of the Commercial Unit possesses a majority of the Percentage Building Owners interest and will, therefore, be able to control, through the voting process, the election of Directors and many other matters coming before the Association for a vote, subject to the requirements of the Declaration.

ARTICLE VII Board of Directors

Section 7.01 Authority; Number of Directors.

(a) The affairs of the Association shall be governed by a Board of Directors. The number of Directors shall be fixed by the Board of Directors from time to time. The initial Directors shall be three (3) in number and shall be those Directors named in the Articles. The initial Directors shall serve until their successors are elected and qualified. Except as is provided in Sections 7.01(b) and 7.01(c) hereinbelow, Declarant shall have the right to appoint and remove members of the Board of Directors until the termination of the Declarant Control Period. If Declarant voluntarily surrenders control prior to the termination of the Declarant Control Period, Declarant may require that specified actions

of the Board of Directors be subject to Declarant approval until the expiration of the Declarant Control Period.

(b) Not later than one hundred twenty (120) days after Declarant has conveyed to Owners other than Declarant title to fifty percent (50%) of the Units, not less than one member of the Board of Directors (or such other number as represents not less than one-third (1/3) of the total membership of the Board of Directors) must be elected by Members other than Declarant.

(c) Not later than the termination of the Declarant Control Period, the Association shall elect at least three (3) Directors pursuant to these Bylaws of which one will be elected for a three year term, one will be elected for a two year term and one will be elected for a one year term.

(d) Each Director, other than Directors appointed by Declarant, shall be a Member and resident, or in the case of corporate or partnership ownership of a Unit, a duly authorized agent or representative of the corporate or partnership Owner. The corporate or partnership Owner shall be designated as the Director in all correspondence or other documentation setting forth the names of the Directors. In any election of Directors, the nominees receiving the highest number of votes, either in person or by proxy, based on the votes allocated to the Units as provided in the Declaration and herein, shall be the Members elected to the Board of Directors.

Section 7.02 Term of Directors and Compensation. Except as otherwise set forth herein, each Director elected by the Members shall serve for a term of three (3) years and may serve only two (2) consecutive terms. Each Director shall continue to hold office until his successor is elected and qualified. The Directors shall serve without compensation for such service, except that they shall be entitled to reimbursement for all expenses reasonably incurred in the discharge of their duties.

Section 7.03 Nominations to Board of Directors. Members may be nominated for election to the Board of Directors in either of the following ways:

(a) A Member who is not a Director and who desires to run for election to that position shall be deemed to have been nominated for election upon his filing with the Board of Directors a written petition of nomination bearing the genuine signatures of at least two (2) other Members; or

(b) A Director who is eligible to be re-elected shall be deemed to have been nominated for re-election to the position he holds by signifying his intention to seek re-election in a writing addressed to the Board of Directors.

Section 7.04 Removal of Directors for Cause. If a Director breaches such Director's duties hereunder or violates the terms of the Declaration, the Articles, the Regulations or these Bylaws, such Director may be removed by Declarant during the Declarant Control Period and by a majority vote of the remaining Directors following the expiration of the Declarant Control Period. No Director shall have any voting rights nor may such Director participate in any meeting of the Board of Directors at any time that such Director is delinquent in the payment of

any Assessments or other charges owed to the Association. Any Director that is ninety (90) days delinquent in the payment of Assessments or other charges more than three (3) consecutive times or fails to attend three (3) consecutive meetings of the Board shall be removed as a Director.

Section 7.05 Vacancies on Board of Directors. After the Declarant Control Period, if the office of any elected Director shall become vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, the remaining Directors, at a special meeting duly called for this purpose, shall choose a successor who shall fill the unexpired term of the directorship being vacated. If there is a deadlock in the voting for a successor by the remaining Directors, the one Director with the longest continuous term on the Board shall select the successor. At the expiration of the term of his position on the Board of Directors, the successor Director shall be re-elected or his successor shall be elected in accordance with these Bylaws.

Section 7.06 Removal of Directors by Members. Subject to the right of Declarant to nominate and appoint Directors as set forth in Section 7.01 of these Bylaws, elected Directors may be removed, with or without cause, by a majority vote of the Members at any special meeting of the Members of which notice has been properly given as provided in these Bylaws; provided the same notice of this special meeting has also been given to the entire Board of Directors, including the individual Director whose removal is to be considered at this special meeting.

Section 7.07 Organizational Meeting of the Board of Directors. No later than twenty (20) days following each of (a) the establishment of the Association, (b) the termination of the Declarant Control Period and (c) each annual meeting of the Members of the Association, the Board of Directors shall hold a regular meeting for the purposes of organization, election of officers and transaction of other business. Notice of this meeting shall be given to all Directors in accordance with Section 7.09 of these Bylaws, except for the initial meeting, which shall be called by Declarant.

Section 7.08 Place of Meetings. All meetings of the Board of Directors shall be held at the principal office of the Association or at any other place or places designated at any time by resolution of the Board of Directors or by written consent of all of the Directors. A special meeting of the Board of Directors may be held by any method of communication, including electronic and telephonic, by which each Director may hear and be heard by every other Director, and any such meeting may involve consideration of any action, including any action involving a vote on a fine, damage assessment, appeal from a denial of architectural control, or suspension of a right of a particular Member before the Member has an opportunity to attend a meeting of the Board of Directors to present the Member's position on the issue.

Section 7.09 Regular Board of Directors Meetings. Regular meetings of the Board of Directors may be held upon such notice, or without notice, and at such time and place permitted by law as from time to time may be determined by the Board of Directors. Meetings of the Board of Directors may be held by conference telephone, subject to the provisions of the Texas Non-Profit Corporation Act.

Section 7.10 Special Board of Directors Meetings. Special meetings of the Board of Directors may be called by the President on his own accord or by the President or the Secretary upon the written request of any two (2) Directors, on three (3) days' prior notice to each Director.

Section 7.11 Waiver of Notice. Before any meeting of the Board of Directors, whether regular or special, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to giving the required notice. All written waivers shall be filed in the Minute Book of the Association or made a part of the minutes of the meeting. Attendance by a Director at any meeting of the Board of Directors shall likewise constitute a waiver by him of the required notice, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. If all Directors are present at any meeting of the Board of Directors, no notice of the meeting shall be required and any business may be transacted at the meeting except as prohibited by law or these Bylaws.

Section 7.12 Directors Quorum. At all duly convened meetings of the Board of Directors, a majority of the Directors present in person (not by proxy) shall constitute a quorum for the transaction of business, except as otherwise expressly provided in these Bylaws. The acts of a majority of the directors present at the 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 shall be less than a quorum present, the Directors present may adjourn the meeting from time to time and, at the adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted without further notice to any Director.

Section 7.13 Consent in Writing. Any action by the Board of Directors, including any action involving a vote on a fine, damage assessment, appeal from a denial of architectural control approval, or suspension of a right of a particular Member before the Member has an opportunity to attend a meeting of the Board of Directors to present the Member's position on the issue, may be taken without a meeting if all of the Directors shall unanimously consent in writing to the action. Such written consent shall be filed in the Minute Book. Any action taken by such written consent shall have the same force and effect as a unanimous vote of the Directors.

Section 7.14 Records. The Board of Directors shall cause a complete record of all of its acts and the corporate affairs of the Association to be kept and to present a general report thereof to the Members at each annual meeting of the Association or at any special meeting where a general report is requested in writing by one-third (1/3) of the Members entitled to vote.

Section 7.15 Powers and Duties. Subject to the Act, the Board of Directors shall have and exercise all powers and duties necessary for the proper administration of the affairs of the Association. In the performance of its duties as the governing body of the Association, the Board of Directors shall have all powers enumerated in Section 82.102 of the Act, and in addition to those powers and duties set forth in the Act and the Declaration, the Board of Directors shall have the powers and duties including, but not limited to, the following:

- (a) Duties:

(i) each Director individually and the Board of Directors collectively shall perform the duties of the Board of Directors in good faith as a fiduciary of the Association, in a manner which the Director believes to be in the best interest of the Association and with the care of a person of ordinary prudence under similar circumstances including, but not limited to, reasonable inquiry, skill and diligence;

(ii) provide for the operation, maintenance, management, insurance, cleaning, sanitation, renewal, replacement, care and upkeep of the Common Elements and all property, real or personal, of the Association;

(iii) determine the Common Expenses and any other charges comprising the operating expenses of the Association, establish the amount of Monthly Assessments, as the same may increase or decrease, and assess the same against the Owners in accordance with the provisions of the Declaration and these Bylaws;

(iv) levy and collect, in addition to Monthly Assessments, Special Assessments in amounts which the Board of Directors deems proper, whenever the Board of Directors is of the opinion it is necessary to do so in order to meet increased operating or maintenance costs or additional capital expenses or because of emergencies;

(v) use and expend any sums collected from Monthly Assessments and Special Assessments for the operation, maintenance, renewal, care and upkeep of the Common Elements;

(vi) maintain the Common Elements;

(vii) maintain a reserve fund out of Monthly Assessments adequate for the periodic maintenance, repair and replacement of the Common Elements;

(viii) maintain the capital improvement reserve established under the Declaration and funded from Capital Reserve Contributions and portions of Monthly Assessments;

(ix) pay all taxes and assessments levied or assessed against any property that may be owned by the Association, exclusive of any taxes or assessments levied against Owners or otherwise properly chargeable to the Owners;

(x) collect delinquent Assessments against any Owner's Unit and the Owner thereof, whether by suit or otherwise and to abate any nuisance and enforce the terms of the Declaration and the observance of the Regulations by injunction or other legal action or means which the Board of Directors may deem necessary or appropriate;

(xi) establish operating, escrow and other accounts in the name of the Association as the Board of Directors may deem appropriate from time to time and as may be consistent with generally accepted accounting principles;

(xii) adopt a budget for each fiscal year which shall contain estimates of the costs and expenses of the Association and the proposed Monthly Assessments;

(xiii) cause a complete review of the books and accounts of the Association to be made by a competent independent public accountant at the end of each fiscal year and at any other time or times deemed necessary;

(xiv) maintain accounting records in accordance with generally accepted accounting principles; and

(xv) make and enforce compliance with the Regulations relative to the operation, use and occupancy of the Property, including, but not limited to, penalties to be levied for violations of these Bylaws, the Declaration, the Articles and the Regulations which the Board of Directors shall adopt, and to amend the same from time to time as and when approved by appropriate resolutions which shall be binding on the Owners, tenants and occupants of the Units, their successors in title and assigns. A copy of the Regulations and copies of any amendments thereto shall be delivered or mailed to each Owner and any tenant or occupant of an Owner's Unit promptly upon the adoption thereof.

(b) Powers.

(i) employ and dismiss personnel of the Association, and purchase or arrange for those 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 operation and maintenance of the Common Elements;

(ii) subject to Section 7.18 of these Bylaws, enter into contracts for professional management of the Property and the Association, at such prices and upon such terms as may be determined by the Board of Directors, to perform those duties and services which the Board of Directors may lawfully delegate;

(iii) employ or retain and receive advice from professional counsel and consultants, including, but not limited to, landscape architects, architects, engineers, planners, biologists, lawyers and accountants, which the Board of Directors may deem necessary for any proper purposes of the Association, and fix the compensation for professional advice or services, including, but not limited to, those hereinbefore or hereinafter referred to in these Bylaws. The Board of Directors shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following: (A) one or more officers or employees of the Association whom the Board of Directors reasonably believes to be reliable and competent in the matter presented; (B) counsel, public accountants or other persons as to the matters which the Board of Directors reasonably

believes to be within the professional or expert competence of this person; and (C) a committee of the Board of Directors duly designated in accordance with law, as to matters within its designated authority, which committee the Board of Directors reasonably believes to merit confidence. The Board of Directors shall not be considered to be acting in good faith if it has knowledge concerning the matter in question that would cause this reliance to be unwarranted;

(iv) name as an insured, on behalf of the Association, the Association's authorized representative, including any trustee with which the Association may enter into any insurance trust agreement or any successor to this trustee (each of which shall be referred to herein as the "Insurance Trustee"), to be given exclusive authority to negotiate losses under any policy providing property or liability insurance coverage. The Association or any Insurance Trustee or substitute Insurance Trustee designated by the Association shall have the exclusive power to act as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including the collection and appropriate disposition of the proceeds thereof, the negotiation of losses, execution of releases of liability and the execution of all documents and the performance of all other acts necessary to accomplish these purposes;

(v) establish depositories for the funds of the Association with the bank or banks as shall be designated from time to time by the Board of Directors and in which monies of the Association shall be deposited. Withdrawal of monies shall be only by check signed by those persons who are authorized by the Board of Directors to sign checks on behalf of the Association;

(vi) invest monies of the Association in any investments which the Board of Directors deems to be reasonably prudent;

(vii) borrow and repay monies and give notes, mortgages or other security upon the terms which are deemed reasonable by the Board of Directors;

(viii) acquire by purchase, gift, annexation or lease, real or personal property, if, at any time in the future, the Board of Directors deems it to be proper and not inconsistent with the terms hereof to do so;

(ix) grant and reserve easements, leases, licenses or concessions where necessary or desirable for utilities, routes of ingress and egress, or any other purpose, over the Common Elements and to amend the Map to show such interest;

(x) establish a form of estoppel certificate acceptable to the Association for delivery to prospective purchasers and lenders and an appropriate charge for furnishing such certificate; and

(xi) do all things incidental and necessary to the accomplishment of the foregoing.

The duties and powers imposed on the Board of Directors by this Section shall not be amended so as to reduce or eliminate any duties or powers of the Board of Directors without the affirmative vote of at least fifty-one percent (51%) of the votes of Members.

Section 7.16 Annual Budget and Assessments. Copies of the proposed budget setting forth the proposed annual Common Expenses, proposed reserves and proposed Assessments for the next fiscal year of the Association shall be prepared by the Board of Directors and distributed to all Members at least forty-five (45) days prior to the beginning of each fiscal year of the Association and shall be available to all Members for inspection during regular business hours at the Association's office. If the proposed budget is subsequently amended before the Assessments are made, a copy of the amended budget shall also be distributed and made available for inspection. If the Contract Expenses in any proposed budget for a fiscal year would result in Contract Expenses increasing at a cumulative basis of more than five percent (5%) annually from the first annual budget, such budget must be approved by the affirmative vote of the Members owning Residential Units. Annual Common Expenses shall include, without limiting the generality of the foregoing, the estimated amounts necessary for the maintenance and operation of the Common Elements and any and all other expenses related to the operation thereof and the cost of all social activities, events and other programs of the Association, including, but not limited to, the cost of common utility services, casualty and liability insurance, professional management fees and expenses, administrative and office expenses, reserves and the costs associated with the administration of the Association. Reserves shall include reasonable amounts to be credited, allocated or accumulated for replacement of those Common Element improvements or facilities that require replacement, renovation or rehabilitation periodically. Subject to the provisions of Section 7.15(a)(iv), nothing herein contained shall be construed as restricting the right of the Board of Directors, at any time and in its sole discretion, to levy a Special Assessment in the event that the budget as originally adopted shall appear to be insufficient to pay the cost of the operation or management of the Property or in the event of emergencies. Notwithstanding the foregoing, certain of the Common Expenses will benefit less than all of the Owners and will therefore be allocated among some, but not all, of the Owners, all as more particularly set forth in the Declaration.

Section 7.17 Management Certificate. The Association shall record in the County a certificate, signed and acknowledged by an officer of the Association stating:

- (a) the name of the Condominium;
- (b) the name of the Association;
- (c) the location of the Condominium;
- (d) the recording data for the Declaration;
- (e) the mailing address of the Association, or the name and mailing address of the person or entity managing the Association; and
- (f) other information the Association considers appropriate.

Such certificate shall be recorded within thirty (30) days after the Association receives notice of a change in any of the information listed in (a) through (e) herein.

Section 7.18 Manager. To facilitate management of the Property and the administration of the Association and the Property, the Board of Directors may delegate to a Manager responsibility for the day-to-day management of the Property and/or the administration of the Association and the Property. After a Manager has been appointed, no decision by the Association to manage its own affairs without a manager shall be effective unless and until approved by an affirmative vote of the Members holding not less than sixty-seven percent (67%) of the votes allocated by the Declaration and unless approved by the Owner of the Commercial Unit. In addition, except as expressly provided by applicable law, neither the Association nor the Board of Directors may terminate any management agreement or enter into a management agreement with any other Person as Manager without the approval of the Owner of the Commercial Unit.

Section 7.19 Open Meeting. Meetings of the Association and the Board of Directors shall be open to all Members. Subject to applicable law, the Board of Directors shall have the right to adjourn a meeting and reconvene in private, closed executive session to consider any actions involving personnel, pending litigation, contract negotiations, enforcement actions or the invasion of privacy of individual Owners, or upon the request of an affected party, or to consider matters that are confidential in the opinion of the Board of Directors; provided, however, the Board of Directors shall announce the general nature of the business to be considered in such executive session prior to adjourning the meeting.

ARTICLE VIII Officers

Section 8.01 Officers. The officers of the Association shall be a President, Secretary and Treasurer. The offices of President and Secretary may not be held by the same person. The Secretary may be eligible to hold the office of Treasurer. The President and Treasurer must also be Directors. The Secretary need not be a Director.

Section 8.02 Election. Except as set forth herein, the officers of the Association shall be elected annually by the Board of Directors at the organizational meeting held pursuant to Section 7.09 of these Bylaws and shall hold office until their successors are elected or appointed by the Board of Directors; provided that each officer may be removed, either with or without cause whenever in the best interest of the Association, and his successor elected by the affirmative vote of a majority of the Directors at any regular or special meeting of the Board of Directors called for that purpose. The Board of Directors may, from time to time, appoint other officers who, in its judgment, are necessary. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or Secretary of the Association. Any resignation shall take effect as of the date of the receipt of this notice or any later time specified therein; unless specified therein, the acceptance of a written resignation shall not be necessary to make it effective.

Section 8.03 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

Section 8.04 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and the Board of Directors. The President shall have the general powers and duties usually vested in the office of the president of a community association, including, but not limited to, the power to appoint committees from the Members from time to time as he may deem appropriate to assist in the conduct of the affairs of the Association; provided, however, no such committee shall have the right to exercise the full authority of the Board of Directors. The President shall be an ex-officio member of all standing committees, if any. The President shall execute deeds, contracts and other instruments, in the name and on behalf of the Association and under its corporate seal when a seal is required, except when these documents are required or permitted by law to be otherwise executed, and except when the signing and execution thereof shall be delegated by the Board of Directors to another officer or agent of the Association.

Section 8.05 Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the Members and record all votes and the minutes of all meetings and proceedings, including resolutions, in the Minute Book. The Secretary shall perform the same duties for any committees when required. The Secretary shall have charge of the Minute Book, the records of the Association and any papers which the Board of Directors shall direct the Secretary to keep; shall perform all duties incident to the office of Secretary, including, but not limited to, the sending of notice of meetings to the Members, the Directors and members of any committees, and shall perform any other duties which may be prescribed by these Bylaws or by the Board of Directors or the President. The Secretary shall also have custody of the corporate seal and shall affix the same to any instrument requiring it when authorized by the Board of Directors and shall attest or certify the same when appropriate. The Secretary shall keep, or cause to be kept, at the principal office of the Association, a membership register showing the following: (a) the names and addresses of all Directors; (b) the names and addresses of all Members as provided by the Members; (c) the Unit that is owned by each Member; (d) the vote of each Member (based on such Member's Percentage Building Ownership as set forth in the Declaration); and (e) such Members Percentage Residential Condominium Ownership if a Member owns a Residential Unit. The Secretary shall prepare, execute and cause the recordation of amendments to the Declaration on behalf of the Association except when the preparation, execution and recordation thereof shall be delegated by the Board of Directors to another officer or agent of the Association. Nothing shall prohibit the functions of the Secretary to be delegated to an agent of the Association provided this delegation is approved by resolution of the Board of Directors. The delegation of the duties of the Secretary shall not relieve the Secretary from any responsibility related to overseeing and reviewing any duties performed by the agent.

Section 8.06 Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities, shall keep full and accurate accounts of receipts and disbursement sin books belonging to the Association, and shall deposit all monies, checks and other valuable effects in the name of and to the credit of the Association in those depositories which may be designated from time to time by the Board of Directors. The Treasurer shall disburse the funds of the Association, as the Treasurer may be ordered to do from time to time by

the Board of Directors or by the President, and shall render to the President and the Directors at the regular meetings of the Board of Directors, or whenever they or either of them shall require, an account of his transactions as Treasurer and of the financial condition of the Association. Nothing shall prohibit the functions of the Treasurer to be delegated to an agent of the Association provided this delegation is approved by resolution of the Board of Directors. The delegation of the duties of the Treasurer shall not relieve the Treasurer from any responsibility related to overseeing and reviewing any duties performed by the agent.

Section 8.07 Compensation. The officers of the Association shall serve without compensation except that they shall be entitled to reimbursement for all expenses reasonably incurred in the discharge of their duties.

ARTICLE IX Indemnification of Directors, Officers

The Association shall indemnify every Director and Officer of the Association against, and reimburse and advance to every Director and Officer for, all liabilities, costs and expenses incurred in connection with such directorship or office and any actions taken or omitted in such capacity to the greatest extent permitted under the Texas Non-Profit Corporation Act and all other applicable laws at the time of such indemnification, reimbursement or advance payment; provided, however, no Director or Officer shall be indemnified for: (a) a breach of duty of loyalty to the Association or its Members; (b) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (c) a transaction from which such Director or Officer received an improper benefit, whether or not the benefit resulted from an action taken within the scope of directorship or office; or (d) an act or omission for which the liability of such Director or Officer is expressly provided for by statute.

ARTICLE X Association Books and Records

The Association shall keep or cause to be kept (a) detailed financial records of the Association in sufficient detail to enable the Association to prepare a resale certificate in accordance with the provisions of Section 82.157 of the Act, (b) the plans and specifications used to construct the Condominium, (c) the Condominium Information Statement and any amendments thereto, (d) the name and mailing address of each Owner of a Unit; (e) voting records, proxies and correspondence relating to all amendments to the Declaration, and (f) the minutes of all meetings of the Association and the Board of Directors. All books and records of the Association shall be available for inspection by the Owners, the First Mortgagees, and their respective agents and representatives, during normal business hours. All books and records of the Association shall be kept in accordance with generally accepted accounting principles, consistently applied, and shall be audited at least once a year by an independent certified public accountant. If requested in writing by an Owner or First Mortgagee, the Association shall furnish such requesting Owner or First Mortgagee copies of the audited financial statements of the Association within ninety (90) days following the end of each fiscal year of the Association. The Board of Directors shall further make available for the inspection by Owners, the First Mortgagees, and their respective agents and representatives, during normal business hours, the current version of the Declaration, these Bylaws, the Articles, the Regulations and all other documents affecting the Association, as

well as all amendments thereto and revisions thereof. Declarant shall furnish copies of the information set forth in this Section to the Association on the date the first Unit is conveyed to an Owner. For purposes of this paragraph, "available" shall mean available for inspection, upon reasonable advance request of not less than twenty-four (24) hours, during regular business hours at the office of the Association or the office of the Manager of the Association. The cost of any copies shall be reimbursed to the Association at a rate set by the Board of Directors.

ARTICLE XI Dissolution and Termination

Upon dissolution of the Association, the real and personal property of the Association shall be distributed pursuant to the provision of the Articles or, if no such provision is made, distributed to one or more organizations which are exempt from taxation under Section 501(c)(3) of the Code.

ARTICLE XII Insurance

Section 12.01 Types of Insurance. Commencing upon the first conveyance of any Unit to an Owner other than Declarant, the Association shall obtain and maintain, as a Common Expense, the following described insurance coverages:

(a) A "master" or "blanket" policy of property insurance insuring against all risks of direct physical loss commonly insured against including fire and extended coverage, covering all Common Elements (excluding the Land, foundation and other items normally excluded from coverage) including Systems which constitute a part of the Common Elements as well as any personal property belonging to the Association. Since the Building contains Units having horizontal boundaries, the foregoing insurance, to the extent reasonably available, will include the Units, but need not include improvements and betterments installed therein by Owners. Such policy shall also cover, to the extent such coverage is available, Systems which comprise a part of each Unit. Such "blanket" or "master" policy shall insure, for one hundred percent (100%) of the full replacement value of the items covered, against loss or damage by fire or other perils normally covered by the standard extended coverage endorsement available in the State of Texas and against all other perils customarily covered with respect to condominium projects which are similar to the Property in construction, location, and use, including all perils normally covered by the standard "all risk" endorsement.

(b) A commercial general liability insurance policy covering all Common Elements. Such coverage shall not be for less than \$2,000,000 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Such coverage shall be for all occurrences commonly insured against and shall include, without limitation, legal liability of the insureds for property damage, bodily injuries, medical payments, and deaths of persons arising out of or in connection with the use, ownership or maintenance of the Common Elements. The Association shall also obtain and maintain umbrella/excess liability insurance with a per occurrence limit of not less

than \$8,000,000, following the terms and conditions of the commercial general liability insurance policy required herein.

(c) Blanket fidelity bonds or insurance policies for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association. Fidelity bonds or insurance policies will be maintained on such terms and with such surety or sureties, insurer or insurers, conditions, penalties or securities as shall be deemed proper by the Board of Directors; provided, however, (i) that no such bond or policy shall be written in an amount which is less than the estimated maximum of funds including reserve funds, in the custody of the Association or Manager at any given time during the term of each or less than a sum equal to three (3) months' aggregate Monthly Assessments on all Units plus reserve funds, (ii) such bonds or policies shall name the Association as the obligee, (iii) the premiums for such bonds or policies shall be paid by the Association, (iv) such bonds or policies shall contain waivers by the issuers of the bonds or policies of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions, (v) all such bonds or policies shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to the Association, or to any insurance trustee with whom the Association has entered into a written insurance trust agreement and to any First Mortgagee (or servicer for a holder of First Lien Loan). In addition to the foregoing notice in the event of cancellation or substantial modification, a similar notice to the same recipients shall be provided for in such bonds or policies to be given at least ten (10) days prior to the lapse of any such bonds or policies.

Section 12.02 Named Insured. The name of the insured under the foregoing described policies shall be set forth substantially as follows:

"Private Residences Condominium Association, Inc. for the use and benefit of the individual owners (which owners may be designated by name if required by law)."

Notwithstanding the foregoing, the policies may be issued in the name of an authorized representative of the Association, including any Insurance Trustee with which the Association has entered into an insurance trust agreement for the use and benefit of the Owners. Loss payable provisions shall be in favor of the Association (or such Insurance Trustee) as a trustee for each Owner and each such Owner's First Mortgagee. Each Owner and such Owner's First Mortgagee, if any, shall be beneficiaries of such policies in the percentage set forth as such Owner's Unit's Percentage Building Ownership interest on Exhibit "C" of the Declaration.

Section 12.03 Mortgagee Coverage. Insurance policies shall contain such mortgagee protection clauses as may be required by the First Mortgagees. No such policies or the constituent documents of the company issuing them shall contain any provisions requiring contributions or making assessments against the Association, the Owners, or any First Mortgagee (or any successor or assign of any First Mortgagee) and none of such policies or such constituent documents shall provide that loss payments are contingent upon any action by such company's board of directors, policy holders or members. None of such policies shall contain any limiting

clauses (other than insurance conditions) which could prevent any Owner or First Mortgagee from collecting insurance proceeds.

Section 12.04 Waiver of Subrogation. The Association and each Owner by his possession or acceptance of title to a Unit hereby waives any and every claim which arises or may arise in its or his favor against any other Owner or the Association for any and all loss of, or damage to, its or his property located within or upon, or constituting a part of, the Condominium, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, to the extent such loss or damage is recoverable thereunder. Inasmuch as the foregoing mutual waivers will preclude the assignment of any of such claim by way of subrogation (or otherwise) to an insurance company (or any other party), the Association and each Owner immediately shall give to each insurance company which has issued policies of insurance to such Owners, written notice of the terms of this mutual waiver and cause such policies to be endorsed, if necessary, to prevent the invalidation of such coverages by reason hereof.

Section 12.05 FNMA Requirements. Notwithstanding the requirements contained in Section 12.01 above, if the Condominium is accepted by Federal National Mortgage Association ("FNMA"), the Association shall, at a minimum, satisfy the insurance requirements specified in Part VIII, Chapter 7 of the FNMA Selling Guide (or as otherwise required by FNMA for condominium projects).

ARTICLE XIII Miscellaneous

Section 13.01 Fiscal Year. The fiscal year of the Association shall be the calendar year unless the Board of Directors shall determine otherwise.

Section 13.02 Amendments to Bylaws.

(a) These Bylaws may be amended from time to time by the affirmative vote of the majority of the Directors or by the affirmative vote, in person or by proxy, of at least fifty-one percent (51%) of the votes of the Members.

(b) Members must be given notice of the meeting required by Section 13.02(a) above not less than ten (10) or more than sixty (60) days preceding the date of the meeting. Any such notice shall include the specific amendment or other change proposed to be made to these Bylaws.

(c) Notwithstanding any other provision of these Bylaws, at no time shall any amendment be made to these Bylaws so as to affect or change any power granted to Declarant without the prior written consent of Declarant.

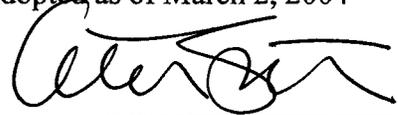
Section 13.03 Inspection of Bylaws. The Association shall keep in its principal office the original or a copy of these Bylaws, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members during normal business hours.

Section 13.04 Membership Minutes. The membership register and the Minute book shall be open to inspection within one (1) business day of demand of any Member during the

normal business hours of the Association, for purposes reasonably related to his interest as a Member.

Section 13.05 Construction. Number and gender as used in these Bylaws shall extend to and include both singular and plural and all genders as the context and construction require.

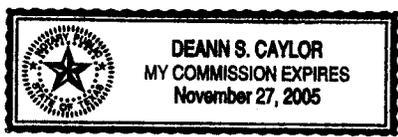
Adopted as of March 2, 2004



Secretary of the Association

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 2nd day of March, 2004, by Arthur Carpenter, Secretary of Private Residences Condominium Association, Inc., a Texas nonprofit corporation, on behalf of said corporation.


Notary Public – State of Texas

My Commission Expires:

November 27, 2005