

TERRACES ON MEMORIAL HOMEOWNERS ASSOCIATION, INC.

BYLAWS

ARTICLE I

Name and Address

Section 1.1 Name. The name of this Master Association shall be **TERRACES ON MEMORIAL HOMEOWNERS ASSOCIATION, INC.**

Section 1.2 Address. The office of the Master Association shall be at the place to be designated by the Board of Directors, subject to change upon notice to the Members of the Master Association.

Section 1.3 Registered Agent. The Master 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 Master Association. In accordance with the terms of the Master Declaration, all Members 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 of any Lot, or rental or occupancy of any portion of a Lot shall be conclusively deemed to mean that the Lot Owner, Tenant or occupant has accepted, ratified and will comply with the Governing Documents.

ARTICLE III

Purpose

The purpose of the Master Association is 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 Master Association does not contemplate pecuniary gain or profit to its Members as a result of membership in the Master Association.

ARTICLE IV

Definitions and Interpretation

Section 4.1 Definitions. The following terms shall have the meanings set forth below: Any capitalized terms not expressly defined herein shall have the same meaning as defined in the Master Declaration.

"Board of Directors." Those individuals serving as Directors pursuant to Article VII of these Bylaws and their successors as duly elected and qualified from time to time.

"Code." The Internal Revenue Code of 1986, as amended.

"Common Expenses." Expenses for which the Master Association is responsible, including those related to: (i) maintenance and repair of the Common Elements (including those expenses set forth on the Allocation Document); (ii) insurance coverages on the Common Elements required or permitted to be maintained by the Master Association pursuant to the Governing Documents; (iii) Governmental Impositions levied and assessed against the Common Elements; (iv) utilities relating to the Common Elements; (v) professional services for the Master Association, such as management, accounting and legal services and (vi) such other costs and expenses as may be reasonably related to the proper maintenance, care, operation and management of the Common Elements and the administration of the Master Association.

"County." Harris County, Texas.

"Director." A member of the Board of Directors, and for the purposes of Article IX of these Bylaws, any individual who is or was a director of the Master Association and any individual who, while a director of the Master Association, is or was serving at the request of the Master Association as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic Master Association, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise.

"GAAP." Generally accepted accounting principles, as promulgated by the Financial Accounting Standards Board.

"Improvements." The pavement, fencing, landscaping, facilities, Systems, and man-made objects of every type, existing or in the future placed on the Property.

"Manager." Any experienced and professional manager or management company with whom the Master Association contracts for the day-to-day management or administration of the Property.

"Master Association." Terraces on Memorial Homeowners Association, Inc., a Texas non-profit corporation for the purposes of Section 9.1 of these Bylaws, including any domestic or foreign successor entity of the Master Association in a merger, consolidation, or other transaction in which the liabilities of the predecessor are transferred to the Master Association by operation of law and in any other transaction in which the Master Association assumes the liabilities of the predecessor but does not specifically exclude liabilities that are the subject matter of Article IX of these Bylaws.

"Master Declaration." The Master Declaration for Terraces on Memorial, and all recorded amendments thereto, which shall be recorded in the real property records of the County.

"Minute Book." The minute book of the Master Association, which shall contain the minutes of all annual and special meetings of the Members of the Master Association and the Board of Directors and all resolutions of the Board of Directors.

"Members." All present and future Owners of any Lot on Terraces on Memorial.

"Member in Good Standing." Has the meaning set forth in the Articles.

"Mortgagee." Any Person, including Declarant's Mortgagee, who is the holder, insurer or guarantor of Priority Lien Indebtedness which is a first lien on a Lot and who has provided the Master Association with written notice of its name, address and a description of the Lot encumbered by such Priority Lien Indebtedness.

"Official Capacity." (i) when used with respect to a Director, the office of director in the Master Association, and (ii) when used with respect to a individual other than a Director, the elective or appointive office in the Master Association held by the officer or the employment or agency relationship undertaken by the employee or agent on behalf of the Master Association, but (iii) both (i) and (ii) above do not include service for any other foreign or domestic Master Association or any partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise.

"Owner." Any Person (including Declarant) owning fee title to a Lot, but excluding (a) any Person having an interest in a Lot solely as security for an obligation.

"Person." Any individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, estate, trust, unincorporated association, any other legal entity, including any public or governmental body, agency or instrumentality and any fiduciary acting in such capacity on behalf of any of the foregoing.

"President." The officer of the Master Association having the duties described in Section 8.4 of these Bylaws.

"Priority Lien Indebtedness." Any bona fide indebtedness which is the result of an arm's length negotiation that is secured by a first lien or encumbrance upon the Property and/or a Lot.

"Proceeding." Any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitative or investigative, any appeal in such an action, suit, or proceeding and any inquiry or investigation that could lead to such an action, suit or proceeding.

"Property." The Site and the Improvements.

"Regulations." The rules and regulations of the Master Association initially adopted by the Board of Directors and as amended from time to time relating to the appearance, use, and occupancy of the Lots and certain construction on the Property.

"Reserve Fund." A fund to be maintained by the Master Association to meet unforeseen expenditures of the Master Association or to purchase any additional equipment or services deemed necessary by the Master Association for operation of the Condominium subject to the provisions of the Master Declaration.

"Secretary." The officer of the Master Association having the duties described in Section 8.6 of these Bylaws.

"Treasurer." The officer of the Master Association having the duties described in Section 8.7 of these Bylaws.

"Vice President." The officer of the Master Association having the duties described in Section 8.5 of these Bylaws.

Section 4.2 Interpretation. In the event of a conflict of interpretation between the provisions set forth in these Bylaws and the Master Declaration, the Master Declaration shall govern. If the Code is hereafter amended or changed, both the Master Declaration and these Bylaws shall be interpreted in a manner which conforms to the provisions of the Code with respect to non-profit entities, it being the intention to preserve the status of the Master Association as a *bona fide* non-profit entity.

ARTICLE V Member

Section 5.1 Membership.

(a) Each Owner shall automatically be a Member of the Master Association. The classes of the Members and the voting rights and procedures are set forth in the Master Declaration.

(b) In cases where more than one Person owns an interest in a Lot, all such Persons shall arrange among themselves for one of their number to exercise the voting rights herein established. In no event shall there be more than one vote for any Lot. If only one of the Persons is present at a meeting of the Members of the Master Association, that Person may cast that Lot'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 Lot may vote or register protest to the casting of votes by the other Persons owning portions of the fee interest in the same Lot through a proxy duly executed by such Member. A Member may not revoke a proxy except by giving actual written notice of revocation to the Person presiding over the meeting.

Section 5.2 Membership List. The Secretary shall be responsible for maintaining, at the principal office of the Master 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 Lot owned. The list shall be revised by the Secretary to reflect changes in the ownership of the Lots 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. Membership of a Member in the Master Association shall automatically terminate when such Member ceases to be an Owner; provided, however, that such termination shall not release or relieve such Member from any liability or obligation under the Master Declaration that was incurred during such Member's period of ownership of a Lot.

Section 5.3 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 Master Association, delivered directly to the Secretary or delivered in such other manner as directed by the Master 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 as the Board of Directors or the specific Director sees fit. A proxy shall be valid for the meeting specified in the proxy or any valid continuation of such meeting. Each proxy shall be revocable unless otherwise expressly provided therein to be irrevocable. No proxy will be valid after 11 months from the date of its execution unless otherwise provided therein.

ARTICLE VI

Meetings of the Members of the Master Association

Section 6.1 Place of Annual and Special Meetings. All annual and special meetings of the Members of the Master Association shall be held at the principal office of the Master 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 6.2 Date of Annual Meetings. The first annual meeting of the Members of the Master Association shall be held within one year of its formation. Thereafter, annual meetings of the Members of the Master Association shall be held in January each year on a date as shall be fixed by the Board of Directors by written notice to the Members. The Members may transact any business that may properly come before the meeting.

Section 6.3 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 Master Association by such Member, as shown on the records of the Master Association, by regular mail, postage prepaid. This notice shall be mailed not less than ten or more than 40 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 Governing Documents.

Section 6.4 Special Meeting. A special meeting of the Members of the Master 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 one Member.

Section 6.5 Notice of Special Meetings. The Secretary shall mail notice of any special meeting of the Members of the Master Association to each Member in the manner provided in Section 6.3 of these Bylaws. The notice shall state the same items required by Section 6.3 of these Bylaws for notices of annual meetings. No business shall be transacted at any special meeting except as stated in the notice thereof.

Section 6.6 Quorum; Affirmative Vote. Members in Good Standing holding 10% of the aggregate votes entitled to be cast by the Members, represented at a meeting of the Members

in person or by a legitimate proxy in a form approved by the Board of Directors, shall constitute a quorum for voting on matters brought before the Members at meetings called by the Board of Directors or special meetings. If any Member fails to attend a properly-noticed meeting and thereby prevents the assembly of a quorum, the subject matter of the meeting shall constitute a Dispute which shall be settled in accordance with Article X of the Master Declaration. The vote of Members in Good Standing holding, in the aggregate, a majority of the votes entitled to be cast by the Members in Good Standing present or voting by legitimate proxy, shall be the act of the Members. A vote may be cast either in person or by proxy, by Members in Good Standing. Cumulative voting shall not be permitted.

Section 6.7 Agenda. The agenda at all meetings of the Members of the Master 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; (e) election of Directors, if applicable; (f) unfinished business; (g) new business; (h) adjournment.

Section 6.8 Election of Directors. Any voting for Directors at a meeting of the Members shall be as follows: (i) a majority of the Single Home Lot Owners present or voting by proxy shall elect the person to fill the Single Home Seat; (ii) a majority of the Patio Home Lot Owners present or voting by proxy shall fill the Patio Home Seat; (iii) a majority of the Town Home Lot Owners present or voting by proxy shall fill the Town Home Seat; and (iv) a majority of all Members voting in person or by proxy shall fill the At-Large Seats.

Section 6.9 Action without Meeting by Written Ballot. Any action which may be taken by the vote of the Members at a regular or special meeting, may be taken without a meeting if done in compliance with relevant provisions of the Texas Non-Profit Corporation Act. 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 Master 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 6.10 Administration of Affairs. Subject to the provisions of the Governing Documents the Board of Directors shall govern the Master Association.

ARTICLE VII The Board of Directors

Section 7.1 Authority; Number of Directors.

(a) Except as otherwise provided in the Governing Documents, the Association shall act through a Board of Directors which will manage the affairs of the Association as specified in these Bylaws. The five (5) member Board of Directors (who need not be Members) shall serve for the term specified in these Bylaws. The initial Board of Directors shall be those individuals

named in the Articles of Incorporation, who shall serve until their successors are elected and qualified. Thereafter, one (1) seat on the Board of Directors shall be designated for Single Home Lots (the "Single Home Seat"); one (1) seat on the Board of Directors shall be designated for Patio Home Lots (the "Patio Home Seat"); one (1) seat on the Board of Directors shall be designated for Town Home Lots (the "Town Home Seat"); and two (2) remaining seats on the Board of Directors shall be elected by the Subdivision at large (the "At Large Seats").

Section 7.2 Term of Directors and Compensation. Except as otherwise set forth herein, each Director shall serve for a term of two years and may serve an unlimited number of 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. Provided, however, that at the first election of Directors, the terms may be staggered so that two (2) of the seats shall be for a one (1) year term and three (3) of the seats shall be for a two (2) year term, as determined by the then existing Board of Directors. Thereafter, all terms shall be for two (2) years. At any time at a duly called meeting of the Board of Directors, eighty percent (80%) or more of the Members of the Board of Directors may increase the Board by adding up to two (2) additional At Large Seats.

Section 7.3 Vacancies on the Board of Directors. If the office of any elected Director shall become vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise prior to the expiration of his or her term, a majority of the remaining Directors shall fill the unexpired term of the directorship being vacated.

Section 7.4 Removal of Directors by Members. Elected Directors may be removed, with or without cause, at any time by a majority of the Owners of the applicable Lots (i.e., Single Family Homes, Patio Homes or Town Homes) which elected the Director; provided notice of the removal has been given to the entire Board of Directors.

Section 7.5 Organizational Meeting of the Board of Directors. No later than 20 days following each of (a) the establishment of the Master Association, and (b) each annual meeting of the Members of the Master 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 7.8 of these Bylaws, except for the initial meeting, which shall be called by Declarant.

Section 7.6 Place of Meetings. All meetings of the Board of Directors shall be held at the principal office of the Master 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 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.

Section 7.7 Regular Board of Directors Meetings. Regular meetings of the Board of Directors may be held at any time and place permitted by law as from time to time may be determined by the Board of Directors. Notice of regular meetings of the Board of Directors shall be given to each Director personally; by telegram, telephone, electronic mail, or facsimile; or by United States mail, with postage prepaid, directed to him at his last known post office address, as the applicable notice information appears on the records of the Master Association, at least ten but not more than 40 days before the date of the meeting. This notice shall state the date, time, place and purpose of the meeting. Special meetings of the Board of Directors may be held by conference telephone; provided, however, at any regular meeting of the Board of Directors, not more than one Director may participate by telephone.

Section 7.8 Special Meetings of the Board of Directors. 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 one Director, on three days' prior notice to each Director.

Section 7.9 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 Master 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. 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 7.10 Directors Quorum. At all duly convened meetings of the Board of Directors, a majority of the then acting Directors must be present to constitute a quorum for the transaction of business, except as otherwise expressly provided in these Bylaws subject to the limitations set forth in the Master Declaration. If any Director fails to attend a properly-noticed meeting and thereby prevents the assembly of a quorum, the subject matter of the meeting shall constitute a Dispute which shall be settled in accordance with Article X of the Master Declaration. 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. Any matter which constitutes a Major Decision (as defined in the Master Declaration) shall be voted upon by the Members, and any action by the Board of Directors with respect to a Major Decision prior to the vote of the Members and without the authorization of the Members shall be void *ab initio*.

Section 7.11 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 7.12 Records. The Board of Directors shall cause a complete record of all of its acts and the corporate affairs of the Master Association to be kept and to present a general

report thereof to the Members at each annual meeting of the Members of the Master Association or at any special meeting of the Members of the Master Association where a general report is requested in writing by a Member in Good Standing entitled to vote.

Section 7.13 Powers and Duties. Subject to the Governing Documents, the Board of Directors shall have and exercise all powers and duties necessary for the proper administration of the affairs of the Master Association, and shall have the powers and duties including, but not limited to, those enumerated below. Each Director individually and the Board of Directors collectively shall perform the duties and powers of the Board of Directors in good faith as a fiduciary of the Master Association, in a manner which the Director believes to be in the best interest of the Master Association and with the care of a person of ordinary prudence under similar circumstances, including, but not limited to, reasonable inquiry, skill and diligence.

(a) Duties:

(i) 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 Master Association;

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

(iii) 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 subject to the limitations specified in the Master Declaration;

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

(v) maintain the Common Elements;

(vi) maintain the Reserve Fund out of Monthly Assessments;

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

(viii) collect delinquent Assessments against any Lot and the Owner thereof, whether by suit or otherwise and to abate any nuisance and enforce the terms of the Master 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;

(ix) establish operating, escrow and other accounts in the name of the Master Association as the Board of Directors may deem appropriate from time to time and as may be consistent with GAAP;

(x) adopt a budget for each fiscal year which shall contain estimates of the costs and expenses of the Master Association and the proposed Monthly Assessments which initial budget and certain increases shall be approved by Owners as required in the Master Declaration;

(xi) cause a complete review of the books and accounts of the Master 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;

(xii) maintain accounting records in accordance with GAAP and

(xiii) 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 Master Declaration 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 Lots, 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 Lot promptly upon the adoption thereof.

(b) Powers:

(i) employ and dismiss personnel of the Master 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 7.16 of these Bylaws, enter into contracts for professional management of the Property and the Master 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 Master 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 Master 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 Master Association, the Master Association's authorized representative, including any trustee with which the Master 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 Master Association or any Insurance Trustee or substitute Insurance Trustee designated by the Master 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 Master 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 Master 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 Master Association;

(vi) invest monies of the Master 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 interests;

(x) establish a form of estoppel certificate acceptable to the Master 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, eliminate or expand any duties or powers of the Board of Directors

without the affirmative vote of 100% of the votes of the Members voting at the meeting called to consider such amendment.

Section 7.14 Conduct of Directors and Officers. No Member, Director, officer or representative of the Master Association shall be personally liable for debts or liabilities of the Master Association. The Directors and officers of the Master Association shall not be liable for any mistake of judgment, whether negligent or otherwise, except for their own individual willful misfeasance or malfeasance, misconduct, bad faith, intentional wrongful acts or as otherwise provided in the Master Declaration. Such Directors and officers shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Master Association, and the Master Association.

Section 7.15 Annual Budget and Assessments. Copies of the Master Budget for the next fiscal year of the Master Association shall be prepared by the Board of Directors and shall be available to all Members for inspection during regular business hours at the Master Association's office. If the Master Budget is subsequently amended before the Assessments are made, a copy of the amended Master Budget shall also be distributed and made available for inspection. Reserves shall include reasonable amounts to be credited, allocated or accumulated for replacement of those Common Area improvements or facilities that require replacement, renovation or rehabilitation periodically. Subject to the provisions of the Master Declaration, 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.

Section 7.16 Management Certificate. If the Board of Directors determine that it is in the best interest of the Master Association to hire a Manager for the Property in accordance with Section 7.16 of these Bylaws, the Master Association shall record in the County a certificate, signed and acknowledged by an officer of the Master Association stating:

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

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

Section 7.17 Manager. To facilitate management of the Property and the administration of the Master Association, the Board of Directors may delegate to a Manager

responsibility for matters of a routine nature, renewable by agreement of the parties thereto for successive one year periods only, and shall be subject to termination by either party with or without cause and without payment of a termination fee upon not more than 30 days' prior written notice. After a Manager has been appointed, no decision by the Master 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 100% of the votes allocated by the Master Declaration.

Section 7.18 Open Meeting. Meetings of the Members of the Master 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, or enforcement actions, 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 8.1 Officers. The officers of the Master Association shall be a President, one or more Vice Presidents, a Secretary and Treasurer. The President and Treasurer must also be Directors. The Secretary need not be a Director.

Section 8.2 Election. Except as set forth herein, the officers of the Master Association shall be elected annually by the Board of Directors at the organizational meeting held pursuant to Section 7.5 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 Master Association, and his successor elected by the affirmative vote of a majority of the Directors at any annual or special meeting of the Board of Directors called for that purpose. The President and Secretary shall each serve for a term of two years and the remaining officers shall serve for a term of one year. 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 Master 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 8.3 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 8.4 President. The President shall be the chief executive officer of the Master Association and shall preside at all meetings of the Members of the Master 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 Master 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 Master 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 Master Association.

Section 8.5 Vice President. In the absence of the President or in the event of the President's inability or refusal to act, a Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all of the restrictions upon the President. Any Vice President shall have only such powers and perform only such duties as the Board of Directors may from time to time prescribe or as the officers may from time to time delegate.

Section 8.6 Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the Members of the Master Association 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 and custody of the Minute Book, the records of the Master 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 Master 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 Lot that is owned by each Member and (d) the vote of each Member. The Secretary shall prepare, execute and cause the recordation of amendments to the Master Declaration on behalf of the Master Association except when the preparation, execution and recordation thereof shall be delegated by the Board of Directors to another officer or agent of the Master Association. Nothing shall prohibit the functions of the Secretary to be delegated to an agent of the Master 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 8.7 Treasurer. The Treasurer shall have the responsibility for the Master Association's funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Master Association, and shall deposit all monies, checks and other valuable effects in the name of and to the credit of the Master 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 Master 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 Master Association. Nothing shall prohibit the functions of the Treasurer to be delegated to an agent of the Master 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 8.8 Compensation. The officers of the Master 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 and Other Authorized Representatives

Section 9.1 General Indemnification. The Master Association shall indemnify an individual who was, is or is threatened to be made a named defendant or respondent in a Proceeding because the individual is or was a Director only if it is determined in accordance with Section 9.5 of these Bylaws that the individual: (1) conducted himself or herself in good faith; (2) reasonably believed: (a) in the case of conduct in such individual's Official Capacity as a Director of the Master Association, that his conduct was in the Master Association's best interests, and (b) in all other cases, that his conduct was at least not opposed to the Master Association's best interests; and (3) in the case of any criminal Proceeding, had no reasonable cause to believe that his conduct was unlawful.

Section 9.2 Personal Interest or Liability. A Director shall not be indemnified by the Master Association as provided in Section 9.1 of these Bylaws for obligations resulting from a Proceeding: (1) in which the Director is found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in the individual's Official Capacity; or (2) in which the individual is found liable to the Master Association, except to the extent permitted in Section 9.4 of these Bylaws.

Section 9.3 Final Judgment Required. The termination of a Proceeding by judgment, order, settlement, or conviction or on a plea of nolo contendere or its equivalent is not of itself determinative that the individual did not meet the requirement set forth in Section 9.1 of these Bylaws. An individual shall be deemed to have been found liable in respect of any claim, issue or matter only after the individual shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom or after such judgment becomes final and non-appealable.

Section 9.4 Limited Indemnification. An individual may be indemnified by the Master Association as provided in Section 9.1 of this Article IX against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses, including court costs and attorneys fees actually incurred by the individual in connection with a Proceeding; but if the individual is found liable to the Master Association or is found liable on the basis that personal benefit was improperly received by the individual, the indemnification (1) is limited to reasonable expenses actually incurred by the individual in connection with the Proceeding including court costs and attorneys fees and (2) shall not be made in respect of any Proceeding in

which the person shall have been found liable for willful or intentional misconduct in the performance of his or her duty to the Master Association.

Section 9.5 Determination of Indemnification. A determination of indemnification under Section 9.1 of these Bylaws must be made: (1) by a majority vote of a quorum of Directors who at the time of the vote are not named defendants or respondents in the Proceeding; (2) if such a quorum cannot be obtained, by a majority vote of a committee of the Board of Directors, designated to act in the matter by a majority vote of all Directors, consisting solely of two or more Directors who at the time of the vote are not named defendants or respondents in the Proceeding; or (3) by special legal counsel selected by the Board of Directors or a committee of the Board of Directors by vote as set forth in subsection (1) or (2) of this Section 9.5 or, if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all Directors.

Section 9.6 Authorization and Determination of Reasonableness of Expenses. Authorization of indemnification and determination as to reasonableness of expenses (including court costs and attorneys fees) must be made in the same manner as the determination that indemnification is permissible, except that if the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification, and determination as to reasonableness of expenses (including court costs and attorneys fees) must be made in the manner specified by subsection (3) of Section 9.5 of these Bylaws for the selection of special legal counsel. A provision contained in the Articles, the Bylaws, a resolution of the Board of Directors or an agreement that makes mandatory the indemnification described in Section 9.1 of these Bylaws shall be deemed to constitute authorization of indemnification in the manner required herein, even though such provision may not have been adopted or authorized in the same manner as the determination that indemnification is permissible.

Section 9.7 Success in a Proceeding. The Master Association shall indemnify a Director against reasonable expenses (including court costs and attorneys fees) incurred by him in connection with a Proceeding in which he is a named defendant or respondent because he is or was a Director if he has been wholly successful on the merits or otherwise, in the defense of the Proceeding.

Section 9.8 Court Determination of Indemnification. If, upon application of a Director, a court of competent jurisdiction determines, after giving any notice the court considers necessary, that the Director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not he has met the requirements set forth in Section 9.1 of these Bylaws or has been found liable in the circumstances described in Section 9.2 of these Bylaws, the Master Association shall indemnify the Director to such further extent as the court shall determine; but if the individual is found liable to the Master Association or is found liable on the basis that personal benefit was improperly received by the individual, the indemnification shall be limited to reasonable expenses (including court costs and attorneys fees) actually incurred by the individual in connection with the Proceeding.

Section 9.9 Advancing Director Expenses. Reasonable expenses (including court costs and attorneys fees) incurred by a Director who was, is, or is threatened to be made a named defendant or respondent in a Proceeding may be paid or reimbursed by the Master Association in

advance of the final disposition of the Proceeding and without the determination specified in Section 9.5 of these Bylaws or the authorization or determination specified in Section 9.6 of these Bylaws after the Master Association receives a written affirmation by the Director of his good faith belief that he has met the standard of conduct necessary for indemnification under this Article IX and a written undertaking by or on behalf of the Director to repay the amount paid or reimbursed if it is ultimately determined that he has not met that standard or it is ultimately determined that indemnification of the Director against expenses (including court costs and attorneys fees) incurred by him in connection with that Proceeding is prohibited by Section 9.4 of these Bylaws. A provision contained in the Articles, these Bylaws, a resolution of the Board of Directors, or an agreement that makes mandatory the payment or reimbursement permitted under this Section 9.9 shall be deemed to constitute authorization of that payment or reimbursement.

Section 9.10 Repayment of Expenses by Director. The written undertaking required by Section 9.9 of these Bylaws must be an unlimited general obligation of the Director but need not be secured. It may be accepted without reference to financial ability to make repayment.

Section 9.11 Witness Expenses. Notwithstanding any other provision of this article, the Master Association may pay or reimburse expenses (including attorneys fees) incurred by a Director in connection with his appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

Section 9.12 Officer Indemnification. An officer of the Master Association shall be indemnified by the Master Association as and to the same extent provided for a Director by Sections 9.1, 9.6, 9.7 and 9.8 of these Bylaws and is entitled to seek indemnification under those Sections to the same extent as a Director. The Master Association may indemnify and advance expenses (including court costs and attorneys fees) to an officer, employee or agent of the Master Association to the same extent that it may indemnify and advance expenses (including court costs and attorneys fees) to directors under this Article IX.

Section 9.13 Indemnification of Others. The Master Association may indemnify and advance expenses (including court costs and attorneys fees) to individuals who are not or were not officers, employees, or agents of the Master Association but who are or were serving at the request of the Master Association as a Director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic Master Association, partnership, joint venture, sole proprietorship, trust or other enterprise to the same extent that it may indemnify and advance expenses (including court costs and attorneys fees) to Directors under this Article IX.

Section 9.14 Advancing Expenses for Others. The Master Association may indemnify and advance expenses (including court costs and attorneys fees) to an officer, employee, agent, or individual identified in Section 9.13 of these Bylaws and who is not a Director to such further extent, consistent with law, as may be provided by the Articles, these Bylaws, general or specific action of the Board of Directors or contract or as permitted or required by common law.

Section 9.15 Insurance Authorized. The Master Association may purchase and maintain insurance or another arrangement on behalf of any individual who is or was a Director, officer, employee or agent of the Master Association or who is or was serving at the request of the Master Association as a Director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic Master Association, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a Person, whether or not the Master Association would have the power to indemnify him against that liability under this Article IX. Without limiting the power of the Master Association to procure or maintain any kind of insurance or other arrangement, the Master Association may, for the benefit of individuals indemnified by the Master Association: (1) create a trust fund; (2) establish any form of self-insurance; (3) secure its indemnity obligations by grant of a security interest or other lien on the assets of the Master Association; or (4) establish a letter of credit, guaranty or surety agreement. The insurance or other arrangement may be procured, maintained or established within the Master Association or with any insurer or other individual deemed appropriate by the Board of Directors, regardless of whether all or part of the stock or other securities of the insurer or other Person are owned in whole or part by the Master Association. In the absence of fraud, the judgment of the Board of Directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other Person participating in an arrangement shall be conclusive, and the insurance or arrangement shall not be voidable and shall not subject the Directors approving the insurance or arrangement to liability, on any ground, regardless of whether Directors participating in the approval are beneficiaries of the insurance or arrangement. Notwithstanding the provisions of this Section 9.15 in the event of any conflict between the provisions of this Section 9.15 and the provisions of the Master Declaration, the provisions of the Master Declaration shall control.

Section 9.16 Indemnification Prohibited by the Master Declaration. Notwithstanding any provision of this Article IX to the contrary, no indemnification shall be authorized by or provided under this Article IX for any act in violation of any Legal Requirements.

ARTICLE X Master Association Books and Records

The Master Association shall keep or cause to be kept (a) detailed financial records of the Master Association in sufficient detail to enable the Master 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 name and mailing address of each Owner of a Lot; (d) voting records, proxies and correspondence relating to all amendments to the Master Declaration and (e) the minutes of all meetings of the Members of the Master Association and the Board of Directors. All books and records of the Master Association shall be available for inspection by the Owners, Mortgagees, and their respective agents and representatives, during normal business hours. All books and records of the Master Association shall be kept in accordance with GAAP, consistently applied, and shall be audited at least once a year by an independent certified public accountant. If requested in writing by a Member or Mortgagee, the Master Association shall furnish such requesting Member or Mortgagee copies of the audited financial statements of the Master Association within 90 days following the end of each fiscal

year of the Master Association. The Board of Directors shall further make available for the inspection by Members, Mortgagees, and their respective agents and representatives, during normal business hours, the current version of the Governing Documents and all other documents affecting the Master Association, the Owners, or the Property, as well as all amendments thereto and revisions thereof. Declarant shall furnish copies of the information set forth in this Section to the Master Association on the date the first Lot is conveyed to an Owner. For purposes of this paragraph, "available" shall mean available for inspection, upon reasonable advance request of not less than 24 hours, during regular business hours at the office of the Master Association or the office of a Manager of the Master Association. The cost of any copies shall be reimbursed to the Master Association at a rate set by the Board of Directors.

ARTICLE XI Dissolution and Termination

Upon dissolution of the Master Association, the real and personal property of the Master 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 Miscellaneous

Section 12.1 Fiscal Year. The fiscal year of the Master Association shall be the calendar year unless the Board of Directors shall determine otherwise.

Section 12.2 Amendments to Bylaws.

(a) These Bylaws may be amended from time to time by the affirmative vote in person or by proxy of 10% of all of the Members voting at a meeting called to consider such amendment.

(b) Members must be given notice of the meeting required by Section 12.2(a) of these Bylaws not less than ten or more than 20 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.

Section 12.3 Inspection of Bylaws. The Master 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 12.4 Membership Minutes. The membership register and the Minute Book shall be open to inspection within one business day of demand of any Member during the normal business hours of the Master Association, for purposes reasonably related to the interests of such Member.

Section 12.5 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.

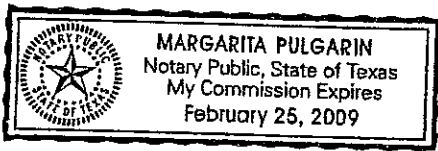
Adopted as of October 9th, 2005.

Arden

Secretary of the Master Association

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 4th day of OCTOBER, 2005, by ANTONIO MARWALE, Secretary of Terraces on Memorial Homeowners Association, Inc., a Texas Non-Profit Corporation, on behalf of said corporation.



Margarita Pulgarin
Notary Public in and for the State of Texas

RECORDER'S MEMORANDUM:
At the time of recordation, this instrument was found to be inadequate for the best photographic reproduction because of illegibility, carbon or photo copy, discolored paper, etc. All blockouts, additions and changes were present at the time the instrument was filed and recorded

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.
THE STATE OF TEXAS
COUNTY OF HARRIS
I hereby certify that this instrument was FILED in File Number Sequence on the date and at the time stamped hereon by me; and was duly RECORDED in the Official Public Records of Real Property of Harris County, Texas on

MAR 31 2006



Doreely B. Kaufman
COUNTY CLERK
HARRIS COUNTY, TEXAS

FILED FOR RECORD
8:00 AM

MAR 31 2006

Doreely B. Kaufman
County Clerk, Harris County, Texas