

EXHIBIT 1 TO THE BYLAWS
RULES
OF
TRADE WINDS/THE BEACH CLUB CONDOMINIUM ASSOCIATION, INC.

These Rules have been adopted by the Board of Directors of Trade Winds/The Beach Club Condominium Association, Inc., a Texas nonprofit corporation and condominium association (the "**Association**"), in accordance with the provisions of Section 8F of the Declaration of Condominium for the Trade Winds/The Beach Club Condominium at Palisade Palms (the "**Declaration**"), and the Bylaws of the Association, to be recorded in the Real Property Records of Galveston County, Texas.

These Rules apply to the Units and Common Elements of the Trade Winds/The Beach Club Condominium at Palisade Palms (the "**Condominium**"). By owning or occupying a Unit in the Condominium, each Owner and Resident agrees to abide by these Rules, as well as the obligations of Owners and Residents provided in the Declaration and Bylaws.

For the convenience of Owners and Residents of the Condominium, these Rules restate some of the rules and covenants contained in the Declaration. Most of these Rules, however, are in addition to the restrictions found in the Declaration. Words and phrases defined in the Declaration shall have the same meaning when used in these Rules. In the event of a conflict between Condominium Documents (as defined herein), the hierarchy of authority shall be as follows: Declaration (highest), Articles of Incorporation, Bylaws, these Rules, the community policies promulgated by the Board (lowest).

A. COMPLIANCE

- A-1. *Compliance.* Each Owner shall comply with the provisions of these Rules, the Declaration, the Bylaws, and community policies promulgated by the Board of Directors to supplement these Rules, as any of these may be revised from time to time (collectively, the "**Condominium Documents**"). Each Owner, additionally, shall be responsible for compliance with the Condominium Documents by the occupants of his or her Unit, and his or her or their respective families, invitees, tenants, agents, employees, or contractors. Use of "Owner" or "Resident" in these Rules shall be deemed to include and apply to the Owner of a Unit in the Condominium and to all persons for whom the owner is responsible. An Owner should contact the Board of Directors if he or she has a question about these Rules.

- A-2. *Additional Rules.* Each Resident shall comply with all rules and signs posted from time to time on the Condominium by the Association, any recreational facilities, and the Common Elements. Such posted rules are incorporated in these Rules by reference. Each Resident shall comply with notices communicated by the Association, from time to time, in the nature of seasonal or temporary rules, or notice of a change affecting use of the Condominium. Such temporary rules are incorporated in these Rules by reference.
- A-3. *Waiver.* Certain circumstances may warrant waiver or variance of these Rules. An Owner must make written application to the Board of Directors for such waiver or variance. If the Board of Directors deems the waiver or variance warranted, the Board of Directors may condition its approval, which must be in writing to be effective. Any consent or approval given under these Rules by the Board of Directors shall be revocable at any time.
- A-4. *Fines.* The Association may levy a fine, not to exceed One Hundred and No/100 Dollars (\$100.00) per occurrence or per day (as the case may be), for violations of these Rules.

B. OBLIGATIONS OF OWNERS AND RESIDENTS

- B-1. *Safety.* Each Resident is solely responsible for his or her own safety and for the safety, well-being and supervision of his or her guests and any person on the Condominium to whom the Resident has a duty of care, control, or custody.
- B-2. *Damage.* Each Owner is responsible for any loss or damage to his or her Unit, other Units, the personal property of other Residents or their guests, or to the Common Elements and improvements, if such loss or damage is caused by the Owner or by any person for whom the Owner is responsible. Each Owner shall close all exterior windows and doors when necessary to avoid possible damage from storms or the elements. All damage to the Condominium caused by construction or repair activities within an Owner's Unit, or by the moving of any article therefrom or by the carrying of any article thereto, shall be paid for by the Owner responsible for such construction or repair activities or the presence of such article.
- B-3. *Association Does Not Insure.* Each Resident is solely responsible for insuring his or her personal property in the Unit and on the Condominium and/or property not covered by the Association's insurance, including his or her furnishings, automobile, and items kept in storage areas. Personal property placed in or on the Condominium shall be solely at the risk of the owner of such personal property. Each Resident is also solely responsible for such Resident's liability to third parties for occurrences within the Resident's Unit. **The Association urges Owners and Residents to purchase property insurance on their personal belongings and liability insurance for occurrences within their Units and incidental damage resulting therefrom.**

- B-4. *Risk Management.* No Resident shall permit anything to be done or kept in his or her Unit or the Common Elements which will result in the cancellation of insurance on any Unit, or any part of the Common Elements, or which may be in violation of any law.
- B-5. *Reimbursement for Enforcement.* An Owner shall promptly reimburse the Association for any expenses incurred by the Association in enforcing the Condominium Documents against the Owner, his or her Unit, or persons for whom the Owner is responsible.
- B-6. *Reimbursement for Damage.* An Owner shall promptly reimburse the Association for the cost of damage to the Condominium caused by the negligent or willful conduct of the Owner or the persons for whom the Owner is responsible.

C. OCCUPANCY STANDARDS

- C-1. *Numbers.* A Residential Unit may be occupied by no more than two (2) persons per bedroom, unless higher occupancy is mandated by public agencies that enforce compliance with the familial status protection of the Fair Housing Act.
- C-2. *Danger.* The Association may prohibit occupancy by a person who constitutes a direct threat to the health or safety of other persons, or whose occupancy would result in substantial physical damage to the property of others, pursuant to the Fair Housing Act.
- C-3. *Occupancy Defined.* Occupancy of a Residential Unit for purposes of these Rules, shall mean occupancy of at least seven (7) continuous days or 30 noncontinuous days in any 12 month period.
- C-4. *Term of Lease.* A Residential Unit may not be leased for hotel purposes or for a term of less than one (1) week. Less than the entire Residential Unit may not be leased.
- C-5. *Leases.* As to the Residential Units: Each lease must be in writing for a minimum of a one (1) week, and shall be subject in all respects to the provisions of the Condominium Documents, as amended from time to time, these Rules and Regulations, as amended from time to time, and all instruments affecting title to the condominium property. Any failure by a tenant to comply with the terms of any such documents shall constitute a default under such lease enforceable by the Association as the intended third-party beneficiary of the same. Prior to occupancy by a tenant ("Tenant"), each Owner shall provide each Tenant with a copy of the Rules and Regulations ("Rules") applicable to the Condominium, Unit and occupants. An Owner shall provide the Management with a copy of each lease of that Owner's Unit prior to occupancy by the Tenant. Units participating in the Condominium Association's ("Association") rental program are excluded from the prior two requirements. The board reserves the right to deny access to unregistered tenants and to set up access points to attempt to ensure the integrity of the building and the Owners and residents.

Pets are not allowed in rental units.

- C-6. *No Rental Pool.* Neither a Unit Owner nor the Association may be a party to any agreement with the Declarant or any third party in which the Unit Owner receives a share of income from the aggregate net income produced from rental of other Units or from other commercial activities in the Condominium (a so called "rental pool").
- C-7. *Sales.* The Association may not act as listing or selling agent for any Unit sales in the condominium; provided, however, the Association may operate or manage a program for Unit rentals, subject to Rule C-6 above. The Declarant or an affiliate of Declarant shall have the exclusive right to establish a sales office on the Condominium premises for either original sales or resales. Any listing agent or broker must accompany all prospective buyers during any Unit tours or showings and must register with the Association's management agent to conduct such tours or showings.

D. GENERAL USE AND MAINTENANCE OF RESIDENTIAL UNITS

- D-1. *Residential Use.* Each Unit must be used solely for Residential use, and may not be used for commercial or business purposes. This restriction shall not prohibit a Resident from using his or her Unit for a limited business purpose, provided that: (i) such use is incidental to the Unit's Residential use; (ii) such use conforms to all applicable laws and ordinances; and (iii) there is no external evidence of such use. In no event shall such limited business use unreasonably interfere with the quiet enjoyment of the other Owners of their Unit or involve the sale of goods or merchandise to the public. In addition, consultation with clients or customers at a Unit shall not be permitted. Notwithstanding the foregoing, the use of a Unit for the maintenance of a personal or professional library; for the keeping of personal, business or professional records of accounts; or for the handling of personal business or professional telephone calls or correspondence shall not be deemed to be a violation of these provisions.
- D-2. *Annoyance.* No Unit may be used in any way that: (i) may reasonably be considered annoying to occupants of neighboring Units; (ii) may be calculated to reduce the desirability of the Condominium as a residential community; (iii) may endanger the health or safety of other Residents; or (iv) may violate any law or any provision of the Condominium Documents.
- D-3. *Maintenance.* Each Owner, at his or her sole cost and expense, shall maintain his or her Unit and any Limited Common Elements appurtenant thereto in a clean, safe and sanitary condition. Each Owner shall also use due care to avoid damaging any of the Common Elements, including, but not limited to, telephone, water, gas, cable, television, plumbing, power or other utility systems throughout the Condominium and each Owner shall be responsible for his or her negligence or misuse of any of the Common Elements or his or her

own facilities resulting in damage to the Common Elements.

- D-4. *Flooring.* No Owner may alter the floor assembly, which is designed to mitigate sound transmission, without approval of the Board and, in the Board's sole discretion, certification by a qualified engineer that such alternative floor system has equal or greater sound transmission mitigation properties (as measured by the STC Rating of the alternative floor system) as that originally installed by the Declarant. Any wood, tile or other hard surface flooring within a Unit shall have such sub-flooring as the Association may require to insure that such wood, tile or other hard surface flooring shall not create a nuisance or disturbance to other Owners.
- D-5. *Patio/Balcony/Terrace.* Each Resident shall keep his or her Unit and patio, balcony, or terrace in a good state of cleanliness, taking care that the cleaning of his or her patio, balcony, or terrace does not annoy or inconvenience other Residents. No plants shall be watered on a patio, balcony, or terrace such that water overflows onto any other patio, balcony, terrace, or the exterior surface of the Building. No animal shall be fed on or from any patio, balcony, or terrace. Each Owner shall be responsible and liable for any item which falls or is thrown from such Owner's patio, balcony, or terrace by any person for whom the Owner is responsible. A patio/balcony/terrace may not be enclosed or used for storage purposes. If the Board of Directors determines that a patio/balcony/terrace is unsightly, the Owner shall be given notice by the Board of Directors to correct the problem within 5 days, after which the Board of Directors may take corrective action at the Owner's expense.
- D-6. *Water Closets.* Water closets and other water apparatus in the Units shall not be used for any purposes other than those for which they were constructed nor shall any sweepings, rubbish, rags, paper, ashes, or any other article be thrown into the same. Any damage resulting from misuse or clogging of any water closet or other apparatus shall be paid for by the Owner in whose Unit it shall have been caused. All clothes washers shall use a low sudsing detergent.
- D-7. *Glass.* Each Owner, at his or her sole cost and expense, shall promptly repair and replace any broken or cracked glass in his or her Unit's windows and doors.
- D-8. *Air Conditioning Equipment.* Each Owner, at his or her sole cost and expense, shall maintain, repair, and replace the heating and cooling equipment/system serving his Unit.
- D-9. *Combustibles.* No Owner shall use or permit to be brought into or stored in the Condominium (including within a Unit) any flammable oils or fluids such as gasoline, kerosene, naphtha, benzene, or other explosives or articles deemed extra hazardous to life, limb, or property without in each case obtaining the prior written consent of the Board of Directors or the Condominium manager.
- D-10. *Barbecue Grills/fires on Balcony/Terrace.* The use of outside grills on Patio(s) and Terrace(s) and/or the placement of any fixture, item, or apparatus for the

containment of fires (i.e. fireplace, "chiminea", etc.) shall be governed by this paragraph. The use of any outside/outdoor grills on any Balcony or Terrace shall be expressly limited to electric grills of the type, and having the specifications approved by the Declarant during the Declarant Control Period, and after the expiration of the Declarant Control Period, by the Association, acting by and through its Board of Directors. The use of gas, propane, charcoal or open fires for grilling on Balcony(ies) or Terrace(s) shall be expressly prohibited. Permitted electrical grills must be supervised at all times during use, may not be used near combustible materials, and must be in full compliance with all applicable governmental codes (including the City of Galveston fire code). No open fires or contained fires (whether in fireplaces, "chimineas", or the like) shall be permitted on any Patio or Balcony.

- D-11. *Obligation to Report Malfunctions.* A Resident shall immediately report to the Board of Directors his or her discovery of any leak, break, or malfunction in any portion of his or her Unit or the adjacent Common Elements for which the Association has a maintenance responsibility. The failure to report promptly a problem may be deemed negligence by the Resident, who may be liable for any additional damage caused by the delay.
- D-12. *Utilities.* Each Resident shall endeavor to conserve the use of utilities furnished through the Association, including water consumption within his or her Unit.
- D-13. *Frozen Water Pipes.* Because the Condominium is constructed with water lines in exterior walls, it is the duty of every Owner and Resident to protect such water lines from freezing during winter months. Between November 1 and March 25 of any year, no Unit may be left unheated. During periods of anticipated below-freezing temperatures, water lines in exterior walls should be allowed to drip continuously, and cabinets enclosing plumbing lines should be left ajar. Dishwashers on exterior walls should not be used during and immediately after periods of extreme cold. Failure by an Owner or Resident to monitor the local weather and take appropriate precautions shall be deemed negligence.
- D-14. *Moving.* Trunks, furniture, appliances and heavy baggage shall be taken in or out of the Condominium by the designated route to and through the designated elevator and at the time designated by the Board of Directors for that purpose, and through the designated entrance only. All moving shall require prior reservation of the elevator with the Condominium manager. Access is limited to Mon – Fri (excluding Holidays) 9:00AM- 5:00 PM. UNDER SPECIAL CIRCUMSTANCES ARRANGEMENTS CAN BE MADE WITH THE MANAGEMENT TO MOVE ON A HOLIDAY.
- D-15. *Unit Warranties.* All warranties associated with the Owner's Units must be handled directly between the Owner and the developer or the appropriate manufacturer. The developer has a special manual that they presented to all the Owners at closing which outlines all the Warranty procedures. The primary responsibility regarding warranties is the Owner and not the Association.

- D-16. *Common Area Warranties.* All warranties associated with the Common Areas, including balconies and sliding balcony doors, are handled directly between the Association and the Developer or the appropriate manufacturer.
- D-17. *Unit Maintenance.* Each Owner is responsible for the maintenance of his or her Unit and Limited Common Elements. The Association maintenance personnel will provide minor maintenance services to Owners upon written request (work order), and all such services will be billed to the Owner as an assessment on their monthly bill. The exception to this is the complimentary services provided by the Association. Complimentary Services will not be provided to any Unit owners in arrears with respect to any amount owed to the Association (assessments, fees, work orders, etc.)
- D-18. *Common Area Maintenance.* The Association is responsible for all maintenance, decorations and accessories in the Common Areas, and sliding balcony doors and exterior windows in all Units.

E. COMMUNITY ETIQUETTE

- E-1. *Courtesy.* Each Resident shall endeavor to use his or her Unit and the Common Elements in a manner calculated to respect the rights and privileges of other Residents.
- E-2. *Annoyance.* No unlawful, noxious or offensive activity shall be conducted or carried on in any Unit, or upon the Common Elements or anywhere else in the Condominium, nor shall anything be done therein or thereon which may be or become an annoyance or a nuisance to other Owners or the neighborhood or cause unreasonable noise or disturbance to others, or which shall interfere in any manner with any Owner's quiet enjoyment of his or her Unit.
- E-3. *Noise and Odors.* Each Resident shall exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb Residents of other Units. The use or discharge of firearms, firecrackers or fireworks is expressly prohibited within or from the Condominium.
- E-4. *Reception Interference.* Each Resident shall avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, or electronic reception on the Condominium.
- E-5. *No Personal Service.* The Association's employees and agents are not permitted or authorized to render personal services to Residents. Each Resident agrees that the Association is not responsible for any item or article left with or delivered to the Association's employees or agents on behalf of such Resident.

- E-6. *Compliance with Law.* Residents may not use the Condominium for unlawful activities. Residents shall comply with applicable laws and regulations of the United States and of the State of Texas, and with ordinances, rules, and regulations of the City of Galveston, Texas. A Resident who violates this provision shall hold the Association and other Owners and Residents harmless from all fines, penalties, costs, and prosecutions for the Resident's violation or noncompliance.
- E-7. *Dress Code for Indoor Common Areas.* (Coffee area, Party room, Elevators, Game room, Hallways, Kids room, Lanai area, Library and Lobby) Footwear must be worn at all times. Women are required to wear cover-ups; men are required to wear shirts. Proper attire should be worn in the Exercise room so that injury to all is mitigated.
- E-8. *Dress Code for Pool and Spa Areas.* No nude swimming or sunbathing is allowed.
- E-9. *Smoking* is forbidden in all Indoor Common Areas (Coffee area, Party room, Elevators, Game room, Hallways, Kids room, Exercise room, Library and Lobby) and within 25 ft of all entrances. Smoking is also not allowed on the Pool Deck and Lanai area.

F. ARCHITECTURAL CONTROL AS TO RESIDENTIAL UNITS

- F-1. *Alterations, Additions and Improvements.*

There is hereby established an Architectural Control Committee (sometimes referred to as the "ACC"). For so long as the Declarant owns any Unit in the Condominium, the Declarant shall act as the Committee, and shall appoint one (1) or more committee member(s) to serve in such capacity at the direction and pleasure of the Declarant. The Declarant shall have the right, at any time, to transfer control of the ACC to the Board of Directors of the Association by an instrument in writing; however, such control shall automatically be transferred to the Board of Directors of the Association at such time that the Declarant does not own any Units in the Condominium. When ACC control is assigned to the Board of Directors of the Association, the Board shall appoint a committee of not less than three (3) members, all of which shall be members of the Association, to act as the ACC. Members of the ACC so approved by the Board shall serve for such periods as directed by the Board at the pleasure of the Board. Any members of the ACC may be removed by the Board within or without cause and the Board shall approve a successor.

When the ACC is controlled or constituted by the Declarant or the Board of Directors, the ACC shall act as the decision making body concerning any matter set forth in this Section. Decisions of the ACC shall be enforced by the Association, acting through the Board. Provided however, that decisions of the

Declarant controlled ACC may be enforced by the Declarant if the Association fails or refuses to enforce same.

No alterations of any portion of the Common Elements or additions or improvements thereon shall be made by any Owner without the prior written approval of the ACC. No alteration of any portion of the Common Elements or any additions or improvements therein which are visible from the exterior of the building shall be made by any Owner without the prior written approval of the Master Association. No Owner shall make any structural modification or substantial improvement to or alteration of or to his or her Unit or the Common Elements, including any alteration or modification involving plumbing, electricity, fire protection and security systems, heating, ventilating, air conditioning systems or any mechanical or structural systems, except in a manner authorized in writing by the ACC. To the extent deemed necessary by the ACC, all payment and performance bonds required by the ACC, names of all contractors, subcontractors and other parties which will be involved therewith, plans, specifications, mechanical and engineering drawings and renderings for any proposed structural modification or substantial alteration, improvement to or modification of a Unit must be submitted, no less than thirty (30) days prior to the date of commencement of such work, by such Owner to the ACC for review and approval. The ACC may impose such specifications and requirements as it may reasonably deem necessary in connection therewith, including, without limitation, the right to require (but having no duty to so require) that the Owner provide assurances that the alterations, additions, improvements, and modifications comply with all applicable governmental requirements. Further, the ACC has the right to approve or deny any of such alterations, additions, modifications or improvements, or the contractors, subcontractors or other personnel performing same, so that, among other reasons, the quality, integrity and safety of the Condominium can be promoted and in order to ensure that the alterations, additions, improvements and modifications (i) are consistent and compatible with the existing Building, and (ii) do not encourage or involve a violation of the Condominium Documents. In the event any Owner constructs or causes to be constructed any alteration, addition, improvement or other modification to his or her Unit which encroaches on any Common Element or any other Unit, the ACC may require such Owner, at his or her sole cost and expense, to remove such encroachment and to restore and repair any damage caused by same or attributable thereto. No approval by the ACC of any such alterations, additions, modifications or improvements, or the plans, specifications, mechanical and engineering drawings and renderings, or the contractors, subcontractors or other personnel performing same, will be or constitute any representation or warranty by the ACC as to the adequacy or sufficiency thereof, or of the compliance of same with any applicable laws, codes or ordinances. All alterations, additions, modifications or improvements must be performed in a prompt, diligent and professional manner, must comply with the plans, specifications, mechanical and engineering drawings and renderings submitted to the ACC (with any requisite changes, additions, modifications or alterations thereto which may be imposed by the ACC), and must comply with all applicable codes, ordinances, laws and regulations applicable thereto.

The foregoing provisions may not be amended or modified without the consent and joinder of the Declarant for so long as the Declarant owns any Unit in the Condominium.

F-2. *Prohibited Acts.* No person may:

- a. Post or inscribe signs, notices, or advertisements on the Common Elements or in a Unit if visible from outside his Unit, including "For Sale" signs.
- b. Place or hang an object in, on, from, or above any window, interior window sill, balcony, terrace, or patio that, in the opinion of the Board of Directors, detracts from the appearance of the Condominium.
- c. Hang, shake, or otherwise display linens, clothing, towels, rugs, shoes, mops, bedding or other similar items from windows, doors, balconies, patios, or passageways.
- d. Erect or install exterior horns, lights, speakers, aerials, antennas, or other transmitting or receiving equipment, or cause anything to protrude through an exterior wall or roof.
- e. Place decorations on exterior walls, windows, or doors, or on the General Common Elements.

F-3. *Window Treatments and Exterior Shutters.* An Owner may install window treatments inside his or her Unit, at his or her sole expense, provided:

- a. Any window treatment, including drapes, blinds, shades, or shutters, must be clear or white when viewed from outside the Unit;
- b. Aluminum foil and reflective window treatments are expressly prohibited; and
- c. Window treatments must be maintained in good condition, and must be removed or replaced if they become stained, torn, damaged, or otherwise unsightly in the opinion of the Board of Directors.

An Owner may install exterior shutters (roll up/down type, sliding, etc.) on the exterior windows and doors provided that (i) same are installed in accordance with the then applicable rules and regulations of the Master Association, and approved in writing by the ACC, (ii) that same are installed so as to not damage any part of the common elements or adversely affect the common elements (including causing or permitting water penetration), (iii) that the Association shall not have the responsibility to maintain or repair same; and (iv) to maintain uniformity of appearance, the shutters are kept open at all times except within three days prior to any announced storm warnings or watches (affecting the City of Galveston) and during any such storm.

- F-4. *Board of Directors Approval.* To obtain the Board of Directors' written consent for a modification, an Owner must submit to the Board of Directors complete plans and specifications showing the nature, kind, shape, size, materials, colors, and location for all proposed work, and any other information reasonably requested by the Board of Directors. The Board of Directors' failure to respond to the Owner's written request within 45 days after it receives the Owner's request shall be construed as no objection to the proposed changes.

G. TRASH DISPOSAL

- G-1. *General Duty.* Resident shall not litter Common Elements, shall endeavor to keep the Condominium clean, and shall dispose of all refuse in receptacles provided specifically by the Association for that purpose. No garbage, trash, rubbish, waste, or waste bins or receptacles therefore shall be permitted to remain on any portion of the Common Elements, except on those days specifically scheduled for collection thereof and in areas specifically designated therefore. All garbage, trash, rubbish, and other waste shall be kept only in sanitary containers.
- G-2. *Hazards.* Resident may not store trash inside or outside his or her Unit in a manner that encourages vermin, causes odors, or may permit the spread of fire. Before discarding coals, ashes, logs, or other materials used in barbecue grills or fireplaces, Resident shall ensure that the debris is thoroughly cold.
- G-3. *Excess Trash.* Resident shall place trash entirely within a trash container within the designated trash room, and may not place trash outside, next to, or on top of trash container. If a trash container is full, Resident should locate another trash container or hold his or her trash. Boxes and large objects should be crushed or broken down before placed in trash container. Trash container doors are to be closed at all times when not in use. Resident shall arrange privately for removal of discarded furnishings or any unusually large volume of debris. Owner and Owner's contractors, subcontractors, agents, employees and other parties involved in any construction to or on such Owner's Unit shall confirm that any and all refuse, waste, trash, garbage, rubbish, remains, scraps, and other materials and supplies which are brought onto the Condominium by such parties, or any of them, is removed, at such Owner's expense, at such times, manners and locations as may be required by the Association or the Managing Agent (if any).

H. PETS

- H-1 *Conditional Permission To Keep Or Maintain Pets.* Pet(s) shall be conditionally permitted in accordance with the provisions of this paragraph H. Provided that, and as conditions precedent, all of the following rules are met and maintained at all times, each resident shall be permitted, on a conditional basis, to keep or maintain pet(s) in compliance with the following rules (conditional permission). If any of the following rules are violated, the conditional permission to keep or maintain any pet in violation of such rules shall be subject to being revoked by

the Board in the Boards' sole and absolute discretion.

H-2. *Restrictions As To Pet(s)*. The following rules shall apply to all residents and their pet(s). Violation of any of the following rules may be the basis for revocation of the conditional permission to keep such pet(s).

- a. No animals shall be kept except normal and customary household domestic pets (i.e. dogs, cats, fish, birds, etc.). Reptiles, exotic species, and endangered species are expressly prohibited.
- b. A resident may keep up to two (2) animals within a Unit. There shall be no restriction on the number of fish within the Unit.

Permitted pets may also include specifically trained animals that serve as physical aids to handicapped residents.

- c. All residents shall provide the Association with a list of the household pets kept or maintained in their unit (i.e. number, species, breed, etc.) and/or otherwise register their household pets with the Association on such forms, and provide such information, as the Association shall reasonably require. The Association shall be authorized to collect or levy a registration fee in connection with such registry.
- d. No pets may be kept or bred for any commercial purpose.
- e. No pet shall be kenneled or tethered unattended for any period of time on any balcony, patio, or any part of the limited or general common elements of the property.
- f. ALL PETS MUST BE ON A LEASH OR CONTAINED AND MAINTAINED UNDER THE CONTROL OF THEIR OWNER WHILE ON THE COMMON AREA. THERE SHALL BE NO EXCEPTIONS (the City of Galveston leash law also mandates this). No pet shall be allowed to run loose within the property. Animals being transported from a unit to an automobile or another unit must be on a leash, securely carried, or carried within a pet carrier.
- g. No savage or dangerous animal shall be kept, or any animal deemed by the Board of Directors to be a potential threat to the well being of other Residents or visitors or animals.
- h. Each resident who maintains a pet shall be responsible to pick up and dispose of any defecation by such pet on the property.

- i. Except as provided herein, PETS ARE NOT ALLOWED IN THE SWIMMING POOL OR IN THE POOL ENCLOSURE AREA AT ANY TIME. PETS ARE NOT ALLOWED IN COMMON AREAS WHERE AND WHEN FOOD IS SERVED.
- j. Residents are not permitted to bathe dogs and/or cats outside or in the common area. All animals must be bathed inside the resident's unit.
- K. Cats are not allowed to roam on or about the property. Cat traps may be set out periodically and any stray cat caught in any such trap will be turned over to the City of Galveston department of Animal Registration and Care (or its then existing equivalent).
- l. Residents who keep or maintain pet(s) in accordance with these rules must be responsible pet owners and not allow their pet(s) to unreasonably interfere with the rights of the other residents or disturb another resident's rest or quiet and peaceful enjoyment of his or her Unit or the common elements.
- m. All pet(s) shall have such care and restraint so or not to be obnoxious or offensive on account of noise, odor, or unsanitary condition. No pet shall be permitted to bark, howl, whine, screech or make other loud noises for extended or repeated percent of time.

H-3 *Violation Of Rules, Revocation Of Conditional Permission.* In the event that any resident violates any of the foregoing rules, or fails or refuses to maintain and care for his/her/their pets, or allows their pets to unreasonably interfere with the rights of the other residents, or such pets are determined to be offensive on account of noise, odor, or pose a threat to other residents, the Board, in its sole discretion, shall have the right to revoke the permission to keep any pet in violation of the rules and these provisions, and the resident shall be obligated to promptly remove and relocate any such animal determined by the Board to be in violation of these provisions. The Association shall have the right to pursue all available legal remedies to cause the owner/resident to remove any such pet, including, without limitation, a mandatory injunction.

H-4 *Damage/Indemnity.* Each Resident shall be responsible for any property damage, injury, or disturbance his or her pet may cause or inflict. Each Resident shall compensate any person injured by his/her pet. Any resident who causes any animal to be brought or kept upon the premises of the condominium property shall indemnify and hold harmless the Association for any loss, damage, cost or liability which the Association may sustain as a result of the presence of such animal on the premises.

I. SATELLITE DISH(ES)

I-1. *Covered Antennas.* These rules shall cover the installation of any device used for the transmission and receipt of video or audio services, including direct broadcast satellite (DBS), telecommunication broadcast and multipoint distribution service (MDS), including conduits and wiring and other accessories necessary for the proper installation, maintenance, and use, all as covered by the Telecommunications Act of 1996 (the "FCC Rules"), and which includes the following:

- a) Antennas designed to receive Direct Broadcast Satellite (DBS) Service that are 39.4 inches (1 meter) or less in diameter; and
- b) Antennas designed to receive multipoint Distribution Service (MDS) Service that are 39.4 inches (1 meter) or less in diameter.

(collectively, the "Covered Antennas")

All other antennas, satellite dishes, receiving or transmitting devices shall be expressly prohibited unless wholly within a Unit or not visible to the exterior of the building.

These Rules shall not apply to the Roof-top Commercial Unit.

I-2 *Installation Rules*

- a) Owners may install Covered Antennas according to the following Guidelines provided that these Guidelines do not unreasonably delay the installation, maintenance or use of such Covered Antenna; do not unreasonably increase the cost of installation, maintenance or use of such Covered Antenna; or preclude reception of acceptable quality signals from Covered Antennas.
- b) No Antenna of any kind shall be permitted or installed on the exterior of any unit or building or that protrudes from the walls or out of the windows of the building save as are expressly in writing previously approved by the Association.
- c) Notwithstanding the foregoing general prohibition as to Antennas provided, Covered Antennas may be installed in accordance with these Rules. Satellite dishes which are designed to receive satellite signals which are larger than one meter (39 inches) are prohibited.
- d) The following provisions shall be applicable to a Covered Antennas:

- (i) *Location.* Covered Antennas may only be installed (i) wholly within a condominium unit, or (ii) wholly within the patio or balcony appurtenant to such condominium unit, which may be sometimes referred to as the "exclusive use area" for such respective unit. Limited Common Elements are defined in the Declaration. Installation of a Covered Antenna on a limited common element which is exclusively used by the owner does not convert such limited common element to individual property. Except as set forth above, installation of a Covered Antenna is never permitted on any common element (other than those portions of such common elements constituting a limited common element balcony or patio for the exclusive use of a respective unit), including, without limitation, any parking area, roof, exterior wall, or fence.
- e) Antennas shall not encroach upon any of the common elements of the Condominium, the common area air space, on the individually owned property of other Owners, or the airspace of another Owner's individually owned property. No Covered Antenna may protrude beyond the vertical or horizontal space forming the perimeter of the limited common element balcony or patio for the exclusive use of a respective unit. Due to, among other considerations, safety concerns, no Covered Antenna may be attached or affixed in any way to the balcony railings.
- f) If Antennas can receive acceptable quality signals from more than one location, then Antennas must be located in the least visible preferred location. This section does not permit installation on the common elements.
- g) Covered Antennas shall be neither larger nor installed higher than is absolutely necessary for reception of an acceptable quality signal.
- h) All installations shall be completed so that same do not damage any common elements, limited common elements, or void any warranties of the Association or in any way impair the integrity of any building.
- i) All cable/conduit must be hidden and located in those areas as designated by the Board of Directors as the area where wiring and conduits are to be located.
- j) Any installer of an Antenna, including an Owners, shall provide the Association with an insurance certificate listing the Association as a named insured prior to installation. Insurance shall meet the following minimum limits:
 - (i) Contractor's General Commercial Liability (including completed operations): \$1,000,000.00.
 - (ii) Worker's Compensation: Statutory limits.

The purpose of this rule is to ensure that Antennas are installed in a manner that complies with all applicable building and safety codes and manufacturer's instructions. Improper installation could cause damage to structures, posing a potential safety hazard to residents at the Condominium.

- k) No liens in connection with the installation or maintenance of any Covered Antenna shall be filed against the common elements of the Condominium.
- l) Antennas must be secured so they do not jeopardize the soundness or safety of any structure or the safety of any person at or near antennas, including but not limited to, damage from wind velocity. A Covered Antenna must be securely mounted to a base so as to be able to withstand the effects of high winds or other extraordinary weather conditions. No guy wires or similar mounting apparatus will be allowed. No Covered Antennas may be attached to a balcony railing.
- m) Only one Covered Antenna per unit may be installed by an Owner.
- n) Installation of Antennas shall only occur between the hours of 8:00 a.m. and 6:00 p.m.

I-3 *Maintenance*

- (a) Owners who install or maintain Antennas are responsible for all associated costs, including but not limited to costs to:
 - (i) Install, repair, maintain, replace, move or remove Antennas;
 - (ii) Repair damage to any property caused by Antennas installation, maintenance or use;
 - (iii) Pay medical expenses incurred by person injured by Antenna installation, maintenance or use;
 - (iv) Reimburse other Owners and residents of the Association for damage caused by Antenna installation, maintenance or use; and
 - (v) Restore Antenna installation sites to their original condition.
- b) Owners shall not permit their Antennas to fall into disrepair or to become a safety hazard. Owners shall be responsible for Antenna maintenance repair and replacement and the correction of any safety hazard.
- c) If Antennas become detached, Owners shall repair such detachment or remove the Antenna within 72 hours of the detachment. If the detachment threatens safety, the Association may remove the Antenna

without liability and at the sole cost and expense of the Owner. The Association is not liable for any damage to the Antenna caused by the Association's removal.

I-4 *Safety*

- a) Antennas shall be installed and secured in a manner that complies with all applicable state and local laws, ordinances and regulations, and manufacturer's instructions. Prior to installation, Owners shall provide the Association with a copy of any applicable government permit if required for safety reasons.
- b) Antennas shall not obstruct access to or exit from any condominium unit, walkway, ingress or egress from an area, electrical service equipment or any other areas necessary for the safe operation of the Condominium. The purpose of this requirement is to ensure the safety of the Association residents, personnel and safe and easy access to the Condominium.
- c) Installation must comply with all applicable codes, take aesthetic conditions into account and minimize the impact to the exterior and structure of the Owner's condominium unit.
- d) To prevent electrical and fire damaged, Antennas shall be permanently grounded.
- e) Exterior wiring shall not be installed so as to hang in mid air. The purpose of this requirement is to protect persons near and around the Antennas and such exterior wiring from injury.

I-5 *Antenna Camouflaging*

- a) Antennas shall be painted to match to color of the structure to which they are installed or attached, provided that such painting does not interfere with reception or impair the ability to receive a signal.
- b) If Antennas are visible from the street or other condominium units, camouflaging said Antennas through inexpensive screening is required, provided that such screening does not interfere with reception or impair the ability to receive a signal; provided however, that said screening must be approved in accordance with the architectural control provisions of the Declaration.
- c) Exterior wiring shall be installed so as to be minimally visible and meet the requirements of set forth in Section 2, Paragraph (i) and Section 4, Paragraph (e) herein above.

I-6 *Antenna Removal*

- a) Covered Antennas removal requires restoration of the installation location to its original condition. Owners shall be responsible for all costs relating to the restoration of this location.

I-7 *Association Maintenance of Locations upon which Antennas are Installed*

- a) If Antennas are installed on limited common elements which are maintained by the Association the Owner(s) retain responsibility for maintenance of the Covered Antenna. Covered Antennas must not be installed in a manner which will result in increased maintenance costs for the Association or for other residents. If increased maintenance or damage occurs, the Owners are responsible for all such costs.
- b) If maintenance requires the temporary removal of the Covered Antenna, the Association shall provide Owners with reasonable written notice. Owners shall be responsible for removing or relocating Covered Antennas before maintenance begins and replacing Covered Antennas afterwards, if an Owner so desires. If the Covered Antennas is not removed in the required time, then the Association may do so at the Owner's expense. The Association is not liable for any damage to the Covered Antennas caused by Association removal.

I-8 *Notification Procedures*

- a) Prior to the installation of any Covered Antenna, the Owner or resident must have executed an agreement, whereby such Owner or resident shall expressly agree to: (i) be responsible for all damages or loss caused by the installation or use of the Covered Antenna, (ii) indemnify and hold harmless the Association for all such damage or loss, and (iii) provide the Association with a certificate of insurance showing that the Owner or resident has the appropriate amount of liability insurance to cover any such damage or loss.

I-9 *Enforcement*

- a) If these Guidelines are violated or if Antenna installation poses a serious, immediate safety hazard, the Association, after ten (10) days written notice to the Owner, may bring action for declaratory judgment and/or injunctive relief with any court of competent jurisdiction or the Federal Communication Commission. The Association shall be entitled to recover reasonable attorneys' fees, costs and expenses incurred in the enforcement of these Guidelines. In addition, the Association may levy and enforce the collection of fines pursuant to the then existing policy for fines of the Association, if any, if these Guidelines are violated. **In any event, the Association shall be entitled to seek and collect reasonable attorney fees, costs, and expenses incurred in the enforcement of this policy.**

I-10 *General*

- a) No advertising slogans, logos, banners, signs, or other printing or illustration whatsoever shall be permitted upon or be attached to any Antenna.
- b) No Antenna shall ever be used for the transmission of any signal whatsoever and same Antenna shall be for the purpose of necessary only normal signals through airwaves for television viewing purposes only.
- c) No Antenna shall be permitted to cause any distortion or interference whatsoever with respect to any other electronic device on the condominium property.

I-11 *Severability*

- a) If any of these Guidelines are determined to be invalid, the remainder of these Guidelines shall remain in full force and effect.

J. MISCELLANEOUS

- J-1. *Security.* The Association may, but shall not be obligated to, maintain or support certain activities within the Condominium designed to make the Condominium less attractive to intruders than it otherwise might be. The Association, its directors, committees, members, agents, and employees, shall not in any way be considered an insurer or guarantor of security within the Condominium, and shall not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. Each Owner, Resident, guest, and invitee on the Condominium assumes all risk for loss or damage to his or her person, to his or her Unit, to the contents of his or her Unit, and to any other of his or her property on the Condominium. The Association expressly disclaims and disavows any and all representations or warranties, expressed or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any security systems, equipment or measures recommended, installed or undertaken within the Condominium.
- J-2. *Right to Hearing.* An Owner may request in writing a hearing by the Board of Directors regarding an alleged breach of these Rules by the Owner or a Resident of the Owner's Unit. The Board of Directors will schedule a hearing within 30 days of receiving the Owner's written request. At the hearing, the Board of Directors will consider the facts and circumstances surrounding the alleged violation. The Owner may attend the hearing in person, or may be represented by another person or written communication.
- J-3. *Mailing Address.* An Owner who receives mail at any address other than the address of his or her Unit shall be responsible for maintaining with the Association his or her current mailing address. Notifications of change of name or change of address should be clearly marked as such. All notices required to be sent to Owners by the Condominium Documents shall be sent to an Owner's most recent address as shown on the records of the Association. If an Owner

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- J-5. *Revision.* These Rules are subject to being revised, replaced, or supplemented. Owners and Residents are urged to contact the management office to verify the rules currently in effect on any matter of interest. These Rules shall remain effective until 10 days after the Association mails notice of an amendment or revocation of these Rules to an Owner of each Unit. Provided, however, that after the termination of the period of Declarant Control, no amendment to these Rules may materially or adversely affect the rights or obligations of the Owner of the Commercial Unit shall be valid unless such amendment is also approved by the Owner of the Commercial Unit.
- J-6. *Other Rights.* These Rules are in addition to and shall in no way whatsoever detract from the rights of the Association under the Declaration, Bylaws, Articles of Incorporation, and the laws of the State of Texas.
- J-7. *Effective Date.* These Rules are Rules of the Trade Winds/The Beach Club Condominium Association, Inc. and shall become effective the First of March, 2010.

CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true, complete, and correct copy of the Rules of the Trade Winds/The Beach Club Condominium Association, Inc., a Texas nonprofit corporation and condominium association, as adopted by the Board of Directors at its organization meeting on the Twenty-Fifth day of February, 2010.

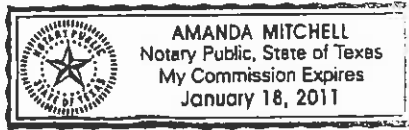
IN WITNESS WHEREOF, I hereunto set my hand this the Twenty-Fifth day of February, 2010.

TRADE WINDS/THE BEACH CLUB
CONDOMINIUM ASSOCIATION, INC.

By: Meherwan P. Boyce

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

Before me, the undersigned authority, on this Twenty-Fifth day of 2010, personally appeared Meherwan P. Boyce, President of the Trade Winds/The Beach Club Condominium Association, Inc., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same on behalf of the Association.



Amanda Mitchell
Notary Public, The State of Texas

EXHIBIT "D"
(to the Condominium Information Statement)
BYLAWS

BYLAWS
OF
TRADE WINDS/THE BEACH CLUB CONDOMINIUM ASSOCIATION, INC.
(a Texas nonprofit corporation)

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BYLAWS
OF
TRADE WINDS/THE BEACH CLUB CONDOMINIUM ASSOCIATION, INC.
(a Texas nonprofit corporation)

ARTICLE I

Purposes; Defined Terms

Section 1.1 *Purposes of Association.* The Trade Winds/The Beach Club Condominium Association, Inc., a Texas nonprofit corporation and condominium association (the "**Association**"), is organized exclusively to exercise the rights and powers and to perform the duties and obligations of the Association in accordance with the Declaration of Condominium for The Trade Winds/The Beach Club Condominium at Palisade Palms, to be recorded in the Real Property Records of Galveston County, Texas (the "**Declaration**"), the Articles of Incorporation of the Association (the "**Articles**"), these bylaws (these "Bylaws"), and the laws of the State of Texas, as each may be amended from time to time.

Section 1.2 *Purpose of Bylaws.* These Bylaws provide for the governance of the Condominium known as TRADE WINDS/THE BEACH CLUB CONDOMINIUM AT PALISADE PALMS located in the City of Galveston, Galveston County, Texas, subject to and more fully described in the Declaration.

Section 1.3 *Offices.* The principal office of the Association shall be located at 5225 Katy Freeway, Suite 530, Houston, Texas 77007. The Association shall have and continuously maintain in the State of Texas a registered office, and a registered agent whose office is identical with such registered office, as required by the Texas Non-Profit Corporation Act. The registered office may, but need not, be identical with the principal office of the Association in the State of Texas, and the registered office and registered agent may be changed from time to time by the Board of Directors. The Association may have such other offices, either within or outside of the State of Texas, as the Board of Directors may determine or as the affairs of the Association may require from time to time. The Board of Directors may change the location of any office of the Association.

Section 1.4 *Definitions.* Capitalized terms not defined herein or in the Declaration shall have the meaning specified or used in the Uniform Condominium Act (Texas Property Code, Chapter 82) (the "Act").

ARTICLE II

Members

Section 2.1 *Membership.* Upon becoming an Owner, each Owner shall automatically become a member ("Member") of the Association, and shall remain a Member thereof until such time as his or her ownership ceases for any reason, at which time his or her membership in the Association shall also automatically cease, and no other person or entity shall be entitled to membership in the Association, except as expressly provided herein or in the Declaration. No Owner shall be required to pay any consideration whatsoever solely for his or her membership in the Association. Upon any transfer of ownership of any Unit, the new Owner acquiring or succeeding to such ownership interest shall likewise automatically succeed to such membership in the Association.

Section 2.2 *Annual Meeting.* An annual meeting of the Members of the Association shall be held at a location designated by the Board of Directors during the month of January of each year, or at such other time and place as the Board of Directors of the Association shall determine. At the annual meeting of the Members, the following shall be the order of business:

- a) Determine member present by roll call or check-in procedure;
- b) Announcement of Quorum;
- c) Proof of Notice of Meeting;
- d) Reading and Approval (or correction) of the minutes from the last annual meeting of the Members;
- e) President's report;
- f) Report from the Board of Directors containing, but not limited to, a summary of the principal activities and actions of the Board of Directors since the last annual meeting of Members, including any urgent issues before the Board of Directors;
- g) Summarized report from the Treasurer, including a Board of Directors approved, detailed budget for the upcoming fiscal year;
- h) Introduction of the newly elected directors of the Association for the ensuing year to replace directors whose terms have expired;
- i) Other business that may be properly brought before the meeting; and
- j) Adjournment

Section 2.3 Limitation as to Voting at Annual Meeting of Members. The only matters which are authorized to be voted on at any annual meeting of the Members shall be the following: (i) the matter of Members approving (and/or correcting) the minutes of the last prior annual meeting of the Members; (ii) the matter of Members voting on any proposed amendment to the Articles of Incorporation (as currently referred to in Article 1396-4.02 of the Texas Non-Profit Corporation Act [hereafter referred to in this paragraph as the "Act"]); (iii) the matter of Members voting on any amended or supplemented restated Articles of Incorporation (as currently referred to in Article 1396-4.06 of the Act); (iv) the matter of Members voting on any proposed merger or consolidation of the corporation with some other domestic corporation (as currently referred to in Article 1396-5.03 of the Act); (v) the matter of Members voting on any proposed merger or consolidation of the corporation with any foreign corporation (as currently referred to in Article 1396-5.07 of the Act); (vi) the matter of Members voting on any proposed sale, lease or exchange of all, or substantially all, the property and assets of the corporation (as currently provided for in Article 1396-5.09 of the Act); (vii) the matter of Members voting on any proposed voluntary dissolution of the corporation (as currently provided for in Article 1396-6.01. of the Act); (viii) the matter of Members voting on any proposed adoption of a plan providing for the distribution of assets of the corporation if the corporation is in the process of dissolution (as currently provided for in Article 1396-6.03 of the Act); (ix) the matter of Members voting on any proposed revocation of voluntary dissolution proceedings of the corporation (as currently provided for in Article 1396-6.04 of the Act); or (x) any matter which the current Declaration provides may or shall be voted on by Members at a meeting of Members. Except as stated in the preceding sentence, no other matter (including, without limitation, unfinished business and new business) may validly be voted on at any annual meeting of the Members. No matter is authorized to be voted on at any special meeting of the Members except such matters as are described in Items (ii) through (x) of the first sentence of this paragraph.

Matters of business (other than the matter of approval and/or correction of the minutes of an annual meeting of the Members as referred to in Item (i) of the first sentence of the preceding paragraph and other than such other matters as are described in Items (ii) through (x) of the first sentence of the preceding paragraph) may validly be voted on only by written ballot of the Members (under the provisions of Article III [entitled "Elections and Balloting"] of these By-Laws) without an annual meeting of the Members and without a special meeting of the Members.

Section 2.4 Special Meetings. Except as otherwise provided by law or the Declaration, a special meeting of the Association may be called by the President, by a majority of the members of the Board of Directors, or by Owners having in the aggregate at least twenty percent (20%) of the Percentages of Common Interest Ownership entitled to be cast at such meeting. Such meeting shall be held within 30 days after being called. No more than one special meetings may be held during any 90-day period. Business transacted at any special meeting of Members shall be limited to the purposes stated in the notice of the meeting given in accordance with the terms of Section 2.5.

Section 2.5 *Order of Business at Special Meetings.* Unless the notice of meeting states otherwise, the order of business at special meetings of the Association shall be as follows:

- (1) Determine members present by roll call or check-in procedure
- (2) Announcement of quorum
- (3) Proof of notice of meeting
- (4) Reading and approval of minutes of preceding meeting
- (5) Reports
- (6) New business
- (7) Special Business (if any)
- (8) Adjournment

Section 2.6 *Open Meetings, Place of Meetings.* All meetings of the Members shall be open to all Owners, and shall be held at the Condominium or at a suitable place convenient to the Members, as determined by the Board of Directors.

Section 2.7 *Notice of Meetings; Waiver.* Except as otherwise provided herein, notice of each meeting of Members, stating the place, day, and hour of any meeting and, in case of a special meeting of Members, the purpose or purposes for which the meeting is called, shall be given at least ten (10) days but not more than 60 days prior to such meeting. Notices shall also set forth any other items of information deemed appropriate by the Board of Directors. If a Unit is owned by more than one person, notice to one Co-Owner shall be deemed notice to all co-Owners. Notice may be given either personally, by facsimile transmission, electronically by "E-Mail", or by mail, by or at the direction of the persons calling the meeting, to each Member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the Member at the address shown on the Association's records. If transmitted by facsimile, notice shall be deemed delivered on successful transmission of the facsimile or e-mail. Whenever any notice is required to be given to a Member, a written waiver of the notice, signed by the person or persons entitled to such notice, whether before or after the time stated in the notice, shall be equivalent to the giving of such notice. Attendance by a Member, whether in person or by proxy, at any meeting of the Association shall constitute a waiver of notice by such Member of the time, place, and purpose of such meeting. If all Members are present at any meeting of the Association, no notice shall be required and any business may be transacted at such meeting.

Section 2.8 *Ineligibility.* The Board of Directors may determine that no Member may (i) vote at meetings of the Association or (ii) be elected to serve as a Director if the Member's financial account with the Association is in arrears on the record dates provided below, provided each ineligible Member shall be given notice of the arrearage and an opportunity to become eligible. The Board of Directors may specify the manner, place, and time for payment for purposes of restoring eligibility.

Section 2.9 *Record Dates.*

(a) *Determining Voting Eligibility.* The Board of Directors shall fix a date as

the record date for determining the Members entitled to vote at a meeting of the Association. The record date may not be more than sixty (60) days before the date of a meeting of the Association at which Members will vote.

- (b) *Determining Rights Eligibility.* The Board of Directors shall fix a date as the record date for determining the Members entitled to exercise any rights other than those described in the preceding paragraph. The record date may not be more than sixty (60) days before the date of the action for which eligibility is required, such as nomination to the Board of Directors.
- (c) *Adjournments.* A determination of Members entitled to notice of or to vote at a meeting of the Association is effective for any adjournment of the meeting unless the Board of Directors fixes a new date for determining the right to notice or the right to vote. The Board of Directors must fix a new date for determining the right to notice or the right to vote if the meeting is adjourned to a date more than 90 days after the record date for determining Members entitled to notice of the original meeting.

Section 2.10 *Voting Members List.* The Board of Directors shall prepare and make available a list of the Association's voting Members in accordance with Art. 1396-2.1 1B of the Texas Non-Profit Corporation Act.

Section 2.11 *Quorum.* At any meeting of the Association, the presence in person or by proxy of Members entitled to cast and eligible to vote at least ten percent of the Percentages of Common Interest Ownership that may be cast shall constitute a quorum. Members present at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal, during the course of the meeting, of Members constituting a quorum.

Section 2. 12 *Votes.* Each Member shall be entitled to a vote, the value of which shall equal the total of the Percentages of Common Interest Ownership assigned to the Units owned by such Owner as set forth in Part IV of Exhibit B of the Declaration; *provided, however,* that a Member shall not be entitled to a vote if such Member is determined to be ineligible to vote by the Board of Directors pursuant to Section 2.6 of these Bylaws. The vote of a majority of the Percentages of Common Interest Ownership entitled to be cast by Members present, whether in person or by proxy, at a meeting at which a quorum is present shall be binding upon all Members for all purposes, unless the vote of a greater number is required by the Declaration, these Bylaws or by law. The right of a Member to vote at any meeting of the Association is subject to the following limitations:

- (a) *Co-Owned Units.* If only one of the multiple Owners of a Unit is present at a meeting of the Association, that person may cast the vote or votes allocated to that Unit, and such vote shall be binding on such Owners who are not present at such meeting unless written notice to the contrary has been received by the Association in which case the unanimous action of

all such Owners (in person or by written proxy) shall be required to cast their vote as Owners. If more than one of the multiple Owners is present, the vote or votes allocated to that Unit may be cast only in accordance with the Owners' unanimous agreement. Multiple Owners are in unanimous agreement if one of the multiple Owners casts the votes allocated to a Unit and none of the other Owners of the Unit makes prompt protest to the person presiding over the meeting.

- (b) *Corporation-Owned Units.* If a Unit is owned by a corporation, the vote appurtenant to that Unit may be cast by any officer of the corporation in the absence of express notice of the designation of a specific person by the board of directors or bylaws of the owning corporation. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The person presiding over a meeting or vote may require reasonable evidence that a person voting on behalf of a corporation or partnership is qualified to vote.
- (c) *Association-Owned Units.* Votes allocated to a Unit owned by the Association may not be cast.

Section 2.13 *Proxies.* Votes allocated to a Unit may be cast in person or by written proxy. To be valid, each proxy shall (i) be signed and dated by a Member or his or her attorney-in-fact; (ii) identify the Unit to which the vote is appurtenant; (iii) name the person in favor of whom the proxy is granted, such person having agreed to exercise the proxy; (iv) identify the purpose or meeting for which the proxy is given; (v) not purport to be revocable without notice; and (vi) the original (or, an original delivered by legible facsimile transmission) must be delivered to the Secretary or to the person presiding over the Association meeting for which the proxy is designated. Unless the proxy specifies a shorter or longer time, it shall terminate one year after its date. To revoke a proxy, the granting Member must give actual notice of revocation to the person presiding over the Association meeting for which the proxy is designated. A proxy bearing a later date shall be deemed to be a revocation of any prior proxy. Unless revoked, any proxy designated for a meeting which is adjourned, recessed, or rescheduled shall be valid when such meeting reconvenes.

Section 2.14 *Conduct of Meetings.* The President, or any person designated by the Board of Directors, shall preside over meetings of the Association. The Secretary shall keep, or cause to be kept, the minutes of the meeting which shall record all resolutions adopted and all transactions occurring at the meeting, as well as a record of any votes taken at the meeting. The person presiding over the meeting may appoint a parliamentarian. The then-current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Condominium Documents. Votes shall be tallied by tellers appointed by the person presiding over the meeting.

Section 2.15 *Adjournment of Meeting.* At any meeting of the Association, the vote of a majority of the Percentages of Common Interest Ownership entitled to be

cast by Members present, whether in person or by proxy, at a meeting at which a quorum is present, may adjourn the meeting to another time.

ARTICLE III

Elections and Balloting

Section 3.1 *Nomination of Candidates for the Board of Directors.* Within a reasonable time prior to each annual meeting of the Members, the Board of Directors will announce by written notice (given in the matter subsequently stated in this sentence) that nominations of candidates for the Board of Directors will be accepted during a specific time period prior to the annual meeting (such written notice previously referred to in this sentence to be given to the Members by means of any one or more newsletters, bulletins posted on or about the building, written notice mailed or delivered to each Unit Owner, by facsimile, by e-mail, or in any other reasonable manner). Nominations of candidates for the Board of Directors are required to be made within the time period set forth by the Board by submitting in writing the name of the candidate. Candidates may nominate themselves or be nominated by the Nominating Committee.

In addition, it is recommended, but not mandatory, that the candidate submit a short autobiography to the Association, in care of its managing agent. By resolution of the Board of Directors, the Board of Directors may designate a mandatory cut-off date for submission of such autobiography by each candidate for the Board of Directors.

Section 3.2 *Presentation of Candidates for the Board of Directors.* Nominated candidates for the Board of Directors (whose nominations shall have been submitted in accordance with the requirements of these By-Laws) will be presented to the Owners in such manner determined by the Board of Directors prior to the annual meeting of the Association. The Board of Directors shall determine the general format of such presentation(s), and shall cause written notice of the date, time and place of each of such presentation(s) to be given to the Members by such means determined by the Board.

Section 3.3 *Advance Submission of Election/Balloting Materials.* Not later than fourteen (14) days prior to the annual meeting of the Association, the Board of Directors shall cause ballots, envelopes (as more particularly described in Section 4 below), proxies and other election materials to be distributed to all Members of the Association eligible to vote. Such other election materials shall include (but are not necessarily limited to) the names of those directors whose terms are expiring, the names of all candidates for the Board of Directors, information as to the number of positions on the Board of Directors to be filled, a copy of any proposed amendments to the Declaration or proposed amendments to the By-Laws or rules and regulations and a copy of the text of any other proposal or other matter being voted on by ballot accompanied, in each such case, by some related explanatory material, information as

to possible issues expected to be discussed and considered at the annual meeting and information as to the time and place at which ballots which are cast for the election of directors (as well as ballots which are cast with respect to any other matters being voted on in such balloting) are to be deposited. For purposes of providing for the security and authenticity of ballots and proxies, the Board of Directors is authorized to use special stationery, rubber stamps and/or other reasonable means.

Section 3.4. Method of Election of Directors by Ballot and Method of Voting on Other Matters by Ballot. Voting on candidates for the Board of Directors and voting on other matters by ballot (not at any annual meeting or special meeting of the Members) shall be by secret written ballot of each Member voting personally or through a proxy.

For purposes of these By-Laws, the phrase "secret written ballot" means a written ballot on which there is marked the Member's (or proxy's) preference as to the candidates being voted on and the Member's (or proxy's) preference as to any other matters being voted on and which is not signed by the Member voting (personally or through a proxy) by means of such ballot and does not otherwise identify the Member (or proxy) voting or the Residence Unit owned by such Member (and which is not read by any counter of votes in the election or party other than the voter himself or herself prior to the time that all votes in the election are counted as hereafter provided).

Each of such secret written ballots is to be delivered (by the Member voting personally or through proxy or is to be delivered by such proxy) to the place designated by the Board of Directors (in the notice referred to in Section 3 of the Article not later than the time indicated by the Board of Directors in the information distributed to Members by the Board of Directors pursuant to preceding Section 3 of this Article; and, in the case of ballots pertaining to the election of directors (irrespective of whether any other matter is then being voted on), such required time of delivery of such ballots is to be not less than the scheduled time of the relevant annual meeting.

Each of such ballots being cast shall be contained in an inner envelope (distributed pursuant to preceding Section 3) which does not identify the name of the Member (or proxy) voting and does not identify the Residence Unit owned by such Member and which is sealed when delivered to the place designated by the Board of Directors. Each of the sealed inner envelopes containing such ballot shall itself be contained in an outer envelope which identifies the Residence Unit number of the Owner casting such ballot (personally or by proxy) and, in those circumstances where any matter being voted on requires for its adoption the approval of a particular percentage of the Percentage Ownership Interests, each such outer envelope shall also contain a statement of such Owner's Percentage Ownership Interest associated with such Residence Unit; and each such outer envelope shall contain, in addition to such sealed inner envelope (containing such ballot), the written proxy, if any, granted by such Owner; and such outer envelope shall also be sealed at the time of delivery to the place designated by the Board of Directors. Promptly following receipt of such sealed outer envelope, the Managing Agent (or other representative of the Board of Directors) shall check each such sealed outer envelope against the list of Members and other

pertinent records of the Association for the purpose of determining that the party casting such ballot (or for whom such ballot is being cast by a proxy) is eligible to vote as a Member and shall check each such proxy, if any, to determine that such proxy complies with these By-Laws and the current Declaration. In cases of ineligibility of a Member to vote (or non-compliance of a proxy), the Managing Agent or Secretary (or other party appointed by the Board of Directors) shall give prompt written notice to the owner of the applicable Residence Unit that, according to the records of the Association, such owner is not eligible to vote (and/or that any such proxy does not comply with these By-Laws and/or the current Declaration).

In the case of ballots submitted by Members (or proxies) who are eligible to vote, the Managing Agent (or other party appointed by the Board of Directors) shall open the outer envelope and dispose of it and then place the inner sealed envelope with the other inner sealed envelopes and deliver all of such inner sealed envelopes to the Managing Agent (or other party appointed by the Board of Directors) prior to or at the annual meeting at which the ballots are to be counted.

In order for the results of an election of directors or vote on any other matter to be valid, ballots must be cast by Members (or proxies) having at least fifty-one percent (51%) of the total number of votes of all Members eligible to vote in such election.

Expiring terms on the Board of Directors will be filled by the candidates receiving the highest number of votes, regardless of percentage, provided that Members (or proxies) having at least fifty-one percent (51%) of the total number of votes of all Members eligible to vote in such election have, in fact, voted.

Section 3.5 *Counting of Ballots.* Ballots shall be opened and counted during the annual meeting of the Members, and such process shall be monitored by an attorney for the Association. The Board of Directors, by resolution, may also require that one or more other parties monitor and assist with such process.

Section 3.6 *Adoption and Implementation of Rules* The Board of Directors may adopt and implement reasonable rules, policies, or procedures from time to time to implement the election and balloting procedures authorized above.

ARTICLE IV

Board of Directors

Section 4.1 *Powers and Duties.* The Board of Directors shall have all the powers and duties necessary for the administration of the Association and for the operation and maintenance of the Condominium. The Board of Directors may do all such acts and things except those which, by law or the Condominium Documents, are reserved to the Members and may not be delegated to the Board of Directors.

Section 4.2 *Number and Term of Office.* During the period of Declarant Control,

as set forth in Article XII hereof, the number of directors shall be three (3) and shall serve at the pleasure of the Declarant. At the First Meeting of Owners after the expiration of the Declarant Control Period, the Owners shall elect the Board of Directors consisting of five (5) members as follows: Two (2) Directors shall be elected for a term of three (3) years, two (2) Directors shall be elected for a term of two (2) years, and one (1) director shall be elected for a term of one (1) year, respectively. Such three (3) year term, two (2) year term, and one (1) year term shall be determined based upon the Director receiving, the highest number of votes (3 year term), second highest number of votes (2 year term), and third highest number of votes (1 year term). However, these initial staggered terms shall not be deemed to commence until the first annual meeting of the owners following the date of such First Meeting. Thereafter, at the annual meeting of Owners, the Owners shall elect a Director to serve a term of three (3) years to fill the position of the Directors whose terms have expired at the time of the annual meeting. A Director takes office upon the adjournment of the meeting or balloting at which he or she is duly elected or appointed and, absent death, ineligibility, resignation, or removal, will hold office until his or her successor is duly elected or appointed. The number of Directors may be changed by amendment of these Bylaws, but shall not be less than three.

Section 4.3 *Qualification.* No person shall be eligible for election or appointment to the Board of Directors unless such person is a Member. If any Unit is owned by a partnership, corporation, limited liability company, or trust, any officer, partner, trustee, or employee of that Owner shall be eligible to serve as a Director and shall be deemed to be an Owner for purposes of the preceding sentence. Co-Owners of a single Unit may not serve on the Board of Directors at the same time. Co-Owners of more than one Unit may serve on the Board of Directors at the same time, provided the number of co-Owners serving at one time does not exceed the number of Units they co-own. No Member may be elected or appointed as a Director if any assessment against the Member or such Member's Unit is delinquent at the time of election or appointment. No Member may continue to serve as a Director if any assessment against the Member or such Member's Unit is delinquent more than sixty (60) days.

Section 4.4 *Vacancies.* Vacancies on the Board of Directors caused by any reason, except the removal of a Director by a vote of the Association, shall be filled by a vote of the remaining Directors, even though less than a quorum, at any meeting of the Board of Directors. Each Director so elected shall serve out the remaining term of his or her predecessor.

Section 4.5 *Removal of Directors.* At any special meeting of the Association, any one or more of the Directors may be removed with or without cause by the vote of at least seventy-five percent (75%) of the Percentages of Common Interest Ownership (set forth in Part IV B of Exhibit B to the Declaration) entitled to be cast by Members present, whether in person or by proxy, at such meeting at which a quorum is present, and a successor shall immediately be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

Section 4.6 *Annual Organizational Meeting of the Board Of Directors.* An annual

organizational meeting of the Board of Directors shall be held each year following the annual meeting of the Members, including following the first such annual meeting, at the place of such annual meeting of Members, for the purpose of electing officers and the transaction of such business as may be properly be brought before it. No notice of an annual meeting need be given to either old or new members of the Board of Directors.

Section 4.7 Regular Meetings of the Board of Directors. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by the Board of Directors; however, such meetings shall be held at least quarterly. No notice of regular meetings of the Board of Directors is required other than a resolution of the Board of Directors adopted at a duly called meeting of the Board of Directors stating the time and place of the regular meetings.

Section 4.8 Special Meetings of the Board of Directors. Special meetings of the Board of Directors may be called by the President or, if he or she is absent or refuses to act, the Secretary, or by any Director. At least three days' notice shall be given to each Director, personally or by telephone or written communication, which notice shall state the place, time, and purpose of such meeting.

Section 4.9 Conduct of Meetings. The Board of Directors, at each organizational meeting, shall appoint one of their number as Chairperson of the Board of Directors and President of the Association. The Chairperson of the Board of Directors shall preside over all meetings of the Board of Directors and the Secretary shall keep, or cause to be kept, a record of all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. When not in conflict with law or the Condominium Documents, the then-current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors.

Section 4.10 Quorum. At all meetings of the Board of Directors, a majority of Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. The President may not vote at any meeting of the Board of Directors, except to make or break a tie pursuant to Roberts Rules of Order. The Directors present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough Directors leave the meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of Directors required to constitute a quorum. If less than a quorum is present at any meeting of the Board of Directors, the majority of those present may adjourn the meeting from time to time. At any such reconvened 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. Directors may not designate a proxy to attend and participate in their respective behalf at board meetings.

Section 4.11 Presumption of Assent. Any Director of the Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her

dissent shall be entered in the minutes of the meeting and unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 4.12 *Open Meetings.* Regular and special meetings of the Board of Directors shall be open to Members of the Association, but Members who are not Directors may not participate in any deliberations or discussions unless the Board of Directors expressly so authorizes such participation at the meeting. The Board of Directors may adjourn any meeting and reconvene in closed executive session to discuss and vote upon actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, matters involving the invasion of privacy of individual Owners, or matters that are to remain confidential by request of the affected parties and agreement of the Board of Directors. The nature of any and all business to be considered in closed executive session shall first be announced in open session.

Section 4.13 *Ex-officio Directors.* The Board of Directors may designate anyone or more persons as ex-officio members of the Board of Directors. A person designated as an ex-officio member of the Board of Directors shall be entitled to notice of and to attend meetings of the Board of Directors. The ex-officio member shall not be entitled to vote unless otherwise provided in the Declaration or these Bylaws.

Section 4.14 *Void or Voidable Contracts.* No contract or other transaction between the Association and any Director, or between the Association and any corporation, firm or Association (including Developer) in which any Director is peculiarly or otherwise interested (including, without limitation, any management contract), is either void or voidable because any such Director is present at the meeting of the Board of Directors which authorizes or approves the contract or transaction, or because his or her vote is counted for such purpose, if (i) the fact of the common interest is disclosed or known to a majority of the Board of Directors or noted in the minutes and the Board of Directors authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; (ii) the fact of the common interest is disclosed to at least a majority of the Members and the Members approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or (iii) the contract or transaction is commercially reasonable to the Association at the time it is authorized, approved, ratified, or executed. Any interested Director may be counted in determining the presence of a quorum of any meeting of the Board of Directors which authorizes, approves, or ratifies any contract or transaction and may vote with like force and effect as if such Director was not so interested.

Section 4.15 *Master Association Directors.* The Directors who are elected or appointed (as the case may be) to serve on the Board of Directors of the Association shall also serve on the Board of Directors of The Palisades Master Association, a Texas non-profit Corporation, "Master Association" named in that certain "Declaration of Covenants, Conditions, Restrictions and Easements for The Palisades", reference

thereto being hereby made for all purposes.

ARTICLE V

Committees

Section 5.1 *Appointment of Committees.* The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, establish one or more committees, delegate specified authority to a committee, and appoint or remove members of a committee. Unless otherwise provided in the Declaration, each committee of the Association shall consist of one (1) or more Directors, and such other persons appointed from among the Owners as the Board of Directors may determine. The establishment of a committee or the delegation of authority to it shall not relieve the Board of Directors, or any individual Director, of any responsibility imposed by these Bylaws or otherwise imposed by law. Any such committee shall have and may exercise all of the delegated authority of the Board in the management of the business and affairs of the Association, except where action of the full Board is required by statute or by the Condominium Documents. All committees shall keep regular minutes of their proceedings and shall report the same to the Board when requested to do so.

Section 5.2 *Nominating Committee.* One of the three standing committees of the Association shall be the Nominating Committee. The Nominating Committee shall consist of three (3) or more Directors of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall have the duties and functions described in these Bylaws.

Section 5.3 *Residential Committee.* One of the three (3) standing Committees shall be the Residential Committee. The Residential Committee shall consist of three (3) members, two (2) of which shall be directors of the Association elected from Owners of Units used for residential purposes and one (1) of which shall be a non-director member appointed from among the Owners of Units used for residential purposes and shall be appointed by the Board of Directors at its first regular meeting after the annual meeting. Generally, the Residential Committee shall be responsible for providing input to the Board on matters primarily affecting the Owners of Units used for residential purposes (e.g. budgets, rules, assessments, enforcement) by way of recommending resolutions regarding same which shall then be considered for adoption by the Board of Directors; provided however, any such matters materially affecting both Units used for residential purposes and the Commercial Unit, shall be decided by the Board of Directors.

Section 5.4 *Commercial Committee.* One of the three (3) standing Committees shall be the Commercial Committee. The Commercial Committee shall consist of three (3) members, one (1) of which shall be a director of the Association or appointed from Owner of one of the Commercial Units and two (2) of which shall be non-director members appointed by the Owner of one of the Commercial Units and shall be

appointed by the Board of Directors at its first regular meeting after the annual meeting. Generally, the Commercial Committee shall be responsible for providing input to the Board on matters primarily affecting the Owners of the Commercial Units (e.g. rules, assessments, enforcement) by way of recommending resolutions regarding same which shall then be considered for adoption by the Board of Directors; provided however, any such matters materially affecting both Units used for residential purposes and the Commercial Units, shall be decided by the Board of Directors.

ARTICLE VI

Officers

Section 6.1 *Designation.* The principal officers of the Association shall be the President, the Secretary, and the Treasurer. The Board of Directors may appoint one or more Vice Presidents and such other officers and assistant officers as it deems necessary. All officers shall be Members. Any two offices may be held by the same person, except the offices of President and Secretary. If an officer is absent or unable to act, the Board of Directors may appoint a Director to perform the duties of that officer and to act in place of that officer, on an interim basis.

Section 6.2 *Election of Officers.* The officers shall be elected no less than annually by the Directors and shall hold office at the pleasure of the Board of Directors. The President shall be elected from among the members of the Board of Directors.

Except for resignation or removal, officers shall hold office until their respective successors have been designated by the Board of Directors.

Section 6.3 *Removal and Resignation of Officers.* A majority of Directors may remove any officer, with or without cause, at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for that purpose. A successor may be elected at any regular or special meeting of the Board of Directors called for that purpose. An officer may resign at any time by giving written notice to the Board of Directors. Unless the notice of resignation states otherwise, it is effective when received by the Board of Directors and does not require acceptance by the Board of Directors. The resignation or removal of an officer who is also a Director does not constitute resignation or removal from the Board of Directors.

Section 6.4 *President.* As the chief executive officer of the Association, the President shall: (i) preside at all meetings of the Association; (ii) have all the general powers and duties which are usually vested in the office of President of a corporation organized under the laws of the State of Texas; (iii) have general supervision, direction, and control of the business of the Association, subject to the control of the Board of Directors; (iv) be an *ex-officio* member of all standing committees; and (v) see that all orders and resolutions of the Board of Directors are carried into effect.

Section 6.5 *Vice President*. In the absence of the President, or in the event of his or her inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any action taken by a Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability of the President to act at the time such action was taken. Any Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

Section 6.6 *Secretary*. The Secretary shall: (i) keep or cause to be kept, the minutes of all meetings of the Board of Directors and of the Association; (ii) have charge of such books, papers, and records as the Board of Directors may direct; (iii) maintain or cause to be maintained, a record of the names and addresses of the Members for the mailing of notices; and (iv) in general, perform all duties incident to the office of Secretary.

Section 6.7 *Treasurer*. The Treasurer shall: (i) be responsible for Association funds; (ii) keep or cause to be kept, full and accurate financial records and books of account showing all receipts and disbursements; (iii) cause an annual audit of the Association's books to be made by a certified public accountant; (iv) prepare or cause to be prepared all required financial data and tax returns; (v) deposit all monies or other valuable effects in the name of the Association in such depositories as may from time to time be designated by the Board of Directors; (vi) prepare or cause to be prepared the annual and supplemental budgets of the Association; (vii) review the accounts of the managing agent on a monthly basis in the event such managing agent is responsible for collecting and disbursing Association funds; and (viii) perform all the duties incident to the office of Treasurer.

Section 6.8 *Authorized Agents*. Except when the Condominium Documents require execution of certain instruments by certain individuals, the Board of Directors may authorize any person to execute instruments on behalf of the Association. In the absence of Board of Directors designation, the President and the Secretary shall be the only persons authorized to execute instruments on behalf of the Association.

ARTICLE VII

Rules

Section 7.1 *Rules*. The Board of Directors (based upon resolutions recommended by the Commercial and Residential Committees, if applicable) shall have the right to establish and amend, from time to time, reasonable rules and regulations for: (i) the administration of the Association and the Condominium Documents; (ii) the maintenance, management, operation, use, conservation, and beautification of the Condominium; and (iii) the health, comfort, and general welfare of the occupants of Units, whether or not any such occupant is an Owner (each such occupant, a "Resident"); *provided, however*, that such rules may not be in conflict with law or the

Condominium Documents. The Board of Directors shall, at all times, maintain the then-current and complete rules in a written form which can be copied and distributed to the Members. Unless required by applicable law, Rules need not be recorded in the county's real property records.

Section 7.2 *Adoption and Amendment.* The initial Rules as adopted by the initial Board are attached to these Bylaws as Exhibit "1". Any rule may be adopted, amended, or terminated by the Board of Directors, provided that the rule and the requisite Board of Directors approval are properly recorded as a resolution in the minutes of the meeting of the Board of Directors.

Section 7.3 *Notice and Comment.* The Board of Directors shall give written notice to an Owner of each Unit of any amendment, termination, or adoption of a rule as required by § 82.070 of the Texas Property Code, as may be amended from time to time. The Board of Directors may, but shall not be required, to give similar notice to Residents who are not Members.

Section 7.4 *Distribution.* Upon request from any Member or Resident, the Board of Directors shall provide a current and complete copy of rules at the cost of the requesting party. Additionally, the Board of Directors shall, from time to time, distribute copies of the current and complete rules to an Owner of each Unit and, if the Board of Directors so chooses, to non-Member Residents.

ARTICLE VIII

Enforcement

Section 8.1 *Enforcement.* The violation of any provision of the Condominium Documents shall give the Board of Directors the right, after notice and hearing, except in case of an emergency, In addition to any other rights set forth in the Condominium Documents:

- (a) to enter the Unit or Limited Common Element in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing, or condition (except for additions or alterations of a permanent nature that may exist in that Unit) that is existing and creating a danger to the Common Elements contrary to the intent and meaning of the provisions of the Condominium Documents. The Board of Directors shall not be deemed liable for any manner of trespass by this action;
- (b) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach; or
- (c) to impose fines after notice and hearing.

ARTICLE IX

Obligations of the Owners

Section 9.1 *Proof of Ownership.* Except for those Owners who initially purchase a Unit from Declarant, any person, on becoming an Owner of a Unit, shall furnish to the Board of Directors evidence of ownership in the Unit, in form and substance as may be required by the Board of Directors from time to time and acceptable to the Board of Directors, which evidence shall remain in the files of the Association. A Member shall not be deemed to be in good standing nor be entitled to vote at any annual or special meeting of the Association unless this requirement is first met.

Section 9.2 *Owners' Addresses.* Not later than the 30th day after the date of acquiring an interest in a Unit, the Owner shall provide the Association with: (i) the Owner's mailing address, telephone number, and driver's license number, if any; (ii) the name and address of the holder of any lien against the Unit, and any loan number; (iii) the name and telephone number of any person occupying the Unit other than the Owner; and (iv) the name, address, and telephone number of any person managing the Unit as agent of the Owner. An Owner shall notify the Association not later than the 30th day after the date the Owner has notice of a change in any of the foregoing information, and shall provide the information on request by the Association from time to time. If an Owner fails to maintain a current mailing address with the Association, the address of that Owner's Unit shall be deemed to be his or her mailing address.

Section 9.3 *Registration of Mortgagees.* An Owner who mortgages his or her Unit shall furnish the Board of Directors with the name and mailing address of his or her mortgagee.

Section 9.4 *Assessments.* Each Member is obligated to pay to the Association and/or Master Association Regular Assessments and Special Assessments. A Member shall be deemed to be in good standing and entitled to vote at any meeting of the Association if he or she is current in the Assessments made or levied against him or her and his or her Unit.

Section 9.5 *Compliance With Condominium Documents.* Each Owner shall comply with the provisions and terms of the Condominium Documents, and any amendments thereto. Further, each Owner shall always endeavor to observe and promote the cooperative purposes for which the Condominium was established.

ARTICLE X

Association Records

Section 10.1 *Records.* The Association shall use its best efforts to keep the following records:

- (a) Minutes or a similar record of the proceedings of meetings of the Association.
- (b) Minutes or a similar record of the proceedings of meetings of the Board of

Directors.

- (c) The name and mailing address of each Member, the currency and accuracy of the information being the responsibility of the Members.
- (d) The name and mailing address of each mortgagee, the supply of, and the currency and accuracy of, the information being the responsibility of each Member and such Member's mortgagee.
- (e) Financial records and books of account for the Association that comply with generally accepted accounting principles and that are sufficiently detailed to enable the Association to prepare a resale certificate as provided for in the Act. Such financial records and books of account shall specify the maintenance and repair expenses of the Common Elements and any other expenses incurred by or on behalf of the Association and Owners.
- (f) The plans and specifications used to renovate the Condominium.
- (g) The plans and specifications acquired by the Association over time for improvements to the Condominium as provided to the Association by the Declarant or the Owners.
- (h) The Condominium Information Statement and any amendments thereto.
- (i) Copies of income tax returns prepared for the Internal Revenue Service,
- (j) Copies of the Condominium Documents and all amendments to any of these. Also, for at least four (4) years, all voting records, proxies, and correspondence by which amendments to the Condominium Documents were approved.

Section 10.2 *Inspection of Books and Records*. An Owner, on written demand stating the purpose of the demand, has the right to examine and copy, in person or by agent, accountant, or attorney, at any reasonable time, for any proper purpose, the books and records of the Association relevant to that purpose, at the expense of the Owner. The Board of Directors shall have the authority to determine, in their reasonable discretion, a "proper purpose". Provided, however, and without limitation, the following books and records shall not be made available for inspection: books and records or other information involving personnel matter, pending litigation matters, matters involving invasion of privacy of individual unit owners, or matters that are to remain confidential by request of the affected parties and agreement of the board.

Section 10.3 *Annual Audit*. The books and records of the Association shall be audited annually by qualified independent auditors in accordance with generally accepted accounting principals within ninety (90) days after the end of the fiscal year of the Association, or as soon thereafter as practicable. The cost of such audit shall be a Common Expense, and copies of any such audit shall be made available to all

Owners.

Section 10.4 *Resale Certificates*. The Managing Agent, if any, or any officer of the Association may prepare, or cause to be prepared, certify, and execute resale certificates in accordance with Section 82.157 of the Act. The Association may charge a reasonable fee for preparing a resale certificate. The Association may refuse to finish a resale certificate until the fee is paid. Any unpaid fees may be assessed against the Unit for which the resale certificate is furnished.

ARTICLE XI

Indemnification and Insurance

Section 11.1 *Indemnification*. Each person who is or was a Director, officer, or committee member of the Association, or any person who, while a Director, officer, or committee member of the Association, is or was serving at the request of the Association as a Director, officer, committee member, partner, venturer, proprietor, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, and the heirs, executors, or administrators or estate of such person, shall be indemnified by the Association to the fullest extent permitted or authorized by the Act or any successor provision, as amended from time to time, against any liability, cost, or expense incurred by such person in his or her capacity as a Director, officer, or committee member, or arising out of his or her status as a Director, officer, or committee member. Provided, however, that the foregoing indemnity obligations shall not apply to acts or omission of a Director which are deemed criminal, as a result of willful misconduct, or outside the scope or capacity of his or her duties and/or office. The rights granted pursuant to this Article XI shall be deemed contract rights, and no repeal or amendment of this Article XI shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment or repeal.

Section 11.2 *Advance Payments*. The Association may, but shall not be obligated to, pay expenses incurred in defending a civil or criminal act, suit or proceeding arising out of a Director's, officer's, or committee member's capacity or status as Director, officer, or committee member in advance of the final disposition of such action, suit, or proceeding, without any determination as to the person's ultimate entitlement to indemnification; *provided, however*, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding shall be made only upon delivery to the Association of both a written affirmation by such person of his or her good-faith belief that he or she has met the standard of conduct necessary for indemnification under this Article XI and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it is ultimately determined that such person is not entitled to be indemnified under this Article XI or otherwise.

Section 11.3 *Appearance as a Witness*. Notwithstanding any other provision of this Article XI, the Association may, but shall not be obligated to, pay or reimburse expenses incurred by a Director, officer or committee member in connection with his or

her appearance as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent In the proceeding.

Section 11.4 *Indemnification of Employees and Agents.* The Association, by adoption of a resolution of the Board of Directors, may, but shall not be obligated to, indemnify and advance expenses to an employee or agent of the Association to the same extent and subject to the same conditions under which the Association may indemnify and advance expenses to Directors, officers and committee members under this Article XI

Section 11.5 *Non-Exclusive.* The indemnification provided by this Article XI shall not be exclusive of any other rights to which those seeking indemnification may be entitled as a matter of law or under any agreement or otherwise.

Section 11.6 *Insurance.* The Association may, but shall not be obligated to, maintain Insurance at its expense, to protect itself and any person who is or was a Director, officer, committee member, employee, or agent of the Association or is or was serving at the request of the Association as a Director, officer, committee member, partner, venturer, proprietor, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise against any liability asserted against him or her and any liability, cost, or expense incurred by him or her in such capacity or arising out of his or her status as such a person, whether or not the Association would have the power to indemnify such person against that liability under this Article XI or the Act.

ARTICLE XII

Declarant Provisions

Section 12.1 *Conflict.* The provisions of this Article XII shall control over any provision to the contrary elsewhere in these Bylaws.

Section 12.2 *Board of Directors.* During the period of Declarant control, Section 10 of the Declaration shall govern the number, qualification, and appointment of Directors. The initial Directors shall be appointed by Declarant and need not be Owners or Residents. Directors appointed by Declarant may not be removed by the Owners and may be removed by Declarant only. Declarant has the right to fill vacancies in any directorship vacated by a Declarant appointee.

Section 12.3 *Declarant Control; First Meeting of Owners.* The first meeting of Owners shall be held not later than (i) one hundred twenty (120) days following the conveyance by Declarant of more than seventy-five percent (75%) of the Units or (ii) three (3) years after the first Unit is conveyed by Declarant. Until the first meeting of Owners, the affairs of the Association shall be managed by the first Board of Directors named in the Articles or their successors, and during such period it shall have the right to exclusively represent, act as and constitute the Board of Directors, shall have the protection referenced under Article XI hereof and shall have the right to exclusively

exercise and perform all of the rights, powers, authority, functions and duties herein or in the Act or these Bylaws given to the Association or the Board of Directors; *provided, however,* not later than one hundred twenty (120) days following the conveyance by Declarant of more than fifty percent (50%) of the Units, not less than one-third of the members of the Board of Directors shall be elected by Owners other than the Declarant.

ARTICLE XIII

Amendment of Bylaws

Section 13.1 *Proposals.* The Association shall provide an Owner of each Unit with any proposed amendment of these Bylaws in accordance with the requirements of .82.070 of the Texas Property Code, as same may be amended from time to time. Such description shall be included in the notice of any annual or special meeting of the Association if such proposed amendment is to be considered at said meeting.

Section 13.2 *Consents.* Except as otherwise provided by law or the Declaration, an amendment shall be adopted by the affirmative vote of at least fifty-one percent (51%) of the Percentages of Common Interest Ownership entitled to be cast by the Members.

Section 13.3 *Effective.* To be effective, each amendment must be in writing, reference the names of the Condominium and the Association, be signed by at least two officers acknowledging the requisite approval of Members, and be delivered to an Owner of each Unit at least 10 days before the amendment's effective date. Further, if these Bylaws are publicly recorded, the amendment must recite the recording data for the Bylaws, be in a form suitable for recording as a real property record, and be delivered to the county clerk for recordation.

Section 13.4 *Declarant Protection.* As long as the Declarant owns a Unit in the Condominium, no amendment of these Bylaws may affect the Declarant's rights herein without the Declarant's written and acknowledged consent. Specifically, this Section 12.4 may not be amended without prior written approval of the Declarant. The Declarant's written consent shall be part of the amendment instrument.

Section 13.5 *Commercial Units Owner Protection.* After the termination of the period of Declarant Control, no amendment to the Declaration, these Bylaws or the Rules materially adversely affecting the rights or obligations of the Owners of the Commercial Units (including the Roof-top Commercial Units) shall be valid unless such amendment is also approved by the Owners of the Commercial Units (including the Roof-top Commercial Units).

ARTICLE XIV

Dissolution

Section 14.1 *Dissolution.* The Association may be dissolved with the consent

given in writing and signed by Members entitled to cast at least ninety percent (90%) of the Percentages of Common Interest Ownership; *provided, however*, that no such agreement to dissolve shall be effective unless made at least 120 days in advance of the effective date of such dissolution, and unless written notice of the proposed dissolution is sent to every Member at least thirty (30) days in advance of any action taken. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE XV

General Provisions

Section 15.1 *Contracts*. The President shall have the power and authority to execute, on behalf of the Association, contracts or instruments in the usual and regular course of business, and in addition the Board of Directors may authorize any officer or officers, agent or agents, of the Association to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or these Bylaws, no officer, agent, or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit or to render it peculiarly liable for any purpose or in any amount.

Section 15.2 *Checks, Drafts, etc.* All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association shall be signed by such officers, employees or agents of the Association as shall from time to time be authorized pursuant to these Bylaws or by resolution of the Board of Directors.

Section 15.3 *Depositories*. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks or other depositories as the Board of Directors may from time to time designate, and upon such terms and conditions as shall be fixed by the Board of Directors. The Board of Directors may from time to time authorize the opening and maintaining within any such depository as it may designate, of general and special accounts, and may make such special rules and regulations with respect thereto as it may deem expedient.

Section 15.4 *Corporate Seal*. The corporate seal, if any, shall be in such form as the Board of Directors shall approve, and such seal, or a facsimile thereof, may be impressed on, affixed to, or in any manner reproduced upon, instruments of any nature required to be executed by officers of the Association.

Section 15.5 *Compensation*. A Director, officer, Member, or Resident shall not be entitled to receive any pecuniary profit from the operation of the Association, and no funds or assets of the Association may be paid as a salary or as compensation to, or

be distributed to, or inure to the benefit of, a Director, officer, Member, or Resident; *provided, however, that:*

- (a) reasonable compensation may be paid to a Director, officer, Member, or Resident for services rendered to the Association;
- (b) a Director, officer, Member, or Resident may, from time to time, be reimbursed for his or her actual and reasonable expenses incurred on behalf of the Association in connection with the administration of the affairs of the Association, provided such expense has been approved by the Board of Directors; and this provision does not apply to distributions to Owners permitted or required by the Declaration or the Act.

Section 15.6 Delegation of Responsibilities. Except as otherwise provided by the Declaration, the Articles, these Bylaws, or the laws of the State of Texas, the Board of Directors may delegate certain of its responsibilities or the responsibilities of Officers of the Association to a manager or to a managing agent.

Section 15.7 Action by Non-Unanimous Written Consent. Unless otherwise restricted by law, the Articles or these Bylaws, any action required or permitted to be taken at any meeting of the Members, members of the Board of Directors, or members of any committee of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action to be so taken, is signed by a sufficient number of Members, members of the Board of Directors, or committee members as would be necessary to take that action at a meeting at which all of the Members, members of the Board of Directors, or committee members were present and voted. Such written consent shall bear the date of the signature of each Member, member of the Board of Directors, or committee member who signs the consent, and such written consent shall not be effective unless, within sixty (60) days after the date of the earliest dated consent, a consent or consents signed by the required number of Members, members of the Board of Directors, or committee is delivered to the Association. Delivery shall be by hand or certified or registered mail, return receipt requested. Prompt notice of the taking of any action by Members, members of the Board of Directors, or committee members without a meeting by less than unanimous written consent shall be given to all Members, members of the Board of Directors or committee members who did not consent in writing to the action. This Section may not be used to avoid the requirement of an annual meeting.

Section 15.8 Meetings by Conference Telephone. The Members, members of the Board of Directors, or members of any committee of the Board of Directors may participate in and hold a meeting of the Members, members of the Board of Directors, or committee members by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute presence in person at such meeting, except where a person participates in the 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.

Section 15.9 *Conflicting Provisions*. If any provision of these Bylaws conflicts with any provision of the laws of the State of Texas, such conflicting Bylaws provision shall be null and void, but all other provisions of these Bylaws shall remain in full force and effect. In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between, the Declaration and these Bylaws, the Declaration shall control.

Section 15.10 *Severability*. Invalidation of any provision of these Bylaws, by judgment or court order, shall in no wise affect any other provision which shall remain in full force and effect. The effect of a general statement shall not be limited by the enumerations of specific matters similar to the general.

Section 15.11 *Fiscal Year*. The fiscal year of the Association shall be set by resolution of the Board of Directors, and is subject to change from time to time as the Board of Directors shall determine. In the absence of a resolution by the Board of Directors, the fiscal year shall be the calendar year.

Section 15.12 *Waiver*. No restriction, condition, obligation, or covenant contained in these Bylaws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

Section 15.13. *Use of Names, Proprietary Information*. The names "Palisade Palms" "Trade Winds", and "The Beach Club" as used within this document and related documents referenced herein which relate to the Palisade Palms Subdivision and the Trade Winds/The Beach Club Condominium at Palisade Palms located in Galveston, Galveston County, Texas are proprietary to Declarant and may not be used by any person or entity for any commercial use, pecuniary gain, or profit; and may not be used for any personal use whatsoever, including, without limitation, the creation, publication, or distribution of newsletters, publications, internet websites, or other methods or manner of communication without the prior written consent or authorization of the Declarant. The violation of the foregoing provisions shall be subject to injunctive relief. Similarly, the use of the names Trade Winds/The Beach Club Condominium Association, and Palisade Palms Master Association shall be proprietary to the respective associations and may not be used by any person or entity for any commercial use whatsoever, including, without limitation, the creation, publication, or distribution of newsletters, publications, internet websites or other methods or manner of communication without the prior consent of or authority of the respective Association. The violation of the foregoing shall be subject to injunctive relief.

