

EXHIBIT "C"

BY-LAWS

OF

THE SUGAR HILL TOWNHOMES ASSOCIATION, INC.

The name of the organization shall be THE SUGAR HILL TOWNHOMES ASSOCIATION, INC.

ARTICLE I

OBJECT

(Plan of Apartment Ownership)

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

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

ARTICLE II

MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES.

1. Membership. Any person on becoming an owner of a condominium unit shall automatically become a member of this Association and be subject to these By-Laws. Such membership shall terminate without any formal Association action whenever such person ceases to own a condominium unit, but such termination shall not relieve or release any such former owner from any liability or obligation incurred under or in any way connected with THE SUGAR HILL during the period of such ownership and membership in this Association, or impair any rights or remedies which the Board of Managers of the Association or others may have against such former owner and member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Association, but the Board of Managers, may, if it so elects, issue one membership card to the owner(s) of a condominium unit. Such membership card shall be surrendered to the Secretary whenever ownership of the condominium unit designated thereon shall terminate.

2. Voting. Voting shall be based upon the undivided interest of each unit owner in the general common elements. An owner of an undivided interest in and to a condominium unit shall be entitled to a vote equal to his ownership interest in such unit. Cumulative voting is prohibited.

3. Majority of Unit Owners. As used in these By-Laws the term "majority of unit owners" shall mean those owners of more than fifty per cent (50%) of the aggregate interest of the undivided ownership of the general common elements.

4. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of a "majority of unit owners" as defined in paragraph 3 of this Article shall constitute a quorum. Except as otherwise provided in the Declaration or these By-Laws, when a quorum of owners is present at any meeting, a majority vote of the owners present, either in person or by proxy, shall be sufficient to either defeat or approve any proposed action.

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

ARTICLE III

ADMINISTRATION

1. Association Responsibilities. The owners of the units will constitute the Association of Unit Owners, hereinafter referred to as "Association", who will have the responsibility of administering the project through a Board of Managers.

2. Place of Meetings. Meetings of the Association shall be held at such place as the Board of Managers may determine.

3. Annual Meetings. The first annual meeting of the Association shall be held one (1) month after the expiration of the sale and development period as defined in Article 14 of the Declaration. Thereafter, the annual meetings of the Association shall be held on the first Monday of December of each succeeding year. At such meetings there shall be elected by ballot of the owners a Board of Managers in accordance with the requirements of paragraph 5 of Article IV of these By-Laws. The owners may also transact such other business of the Association as may properly come before them.

4. Special Meetings. It shall be the duty of the President to call a special meeting of the owners as directed by resolution of the Board of Managers or upon a petition signed by a majority of the owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of two-thirds (2/3) of the owners present, either in person or by proxy.

5. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each owner of record, at least five (5) but not more than twenty (20) days prior to such meeting. The mailing of a notice in the manner provided in this paragraph shall be considered notice served.

6. Adjourned Meeting. If any meeting of owners cannot be organized because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting from time to time, until a quorum is obtained.

7. Order of Business. The order of business at all meetings of the owners of units shall be as follows:

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

ARTICLE IV

BOARD OF MANAGERS

1. Number and Qualification. The affairs of this Association shall be governed by a Board of Managers composed of three (3) persons. The following persons shall act in such capacity and shall manage the affairs of the Association until the expiration of two (2) years from the date the Declaration is filed for record; or until their successors are elected, to-wit: Alfred C. Herrmann, Ronald W. Rausin and Randall J. Davis.

2. Powers and Duties. The Board of Managers shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of a first class residential condominium project. The Board of Managers may do all such acts and things as are not by these By-Laws, the Articles of Incorporation or by the Condominium Declaration for THE SUGAR HILL directed to be exercised and done by the owners.

3. Other Powers and Duties. The Board of Managers shall be empowered and shall have the duties as follows:

(a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations, and all other provisions set forth in the Condominium Declaration submitting the property to the provisions of the Condominium Ownership Act of the State of Texas.

(b) To establish, make and enforce compliance with such reasonable house rules as may be necessary for the operation, use and occupancy of this condominium project with the right to amend same from time to time. A copy of such rules and regulations shall be delivered or mailed to each member promptly upon the adoption thereof.

(c) To keep in good order, condition and repair all of the general and limited common elements and all items of personal property used in the enjoyment of the entire premises.

(d) To insure and keep insured all of the insurable general common elements of the property in an amount equal to their maximum replacement value as provided in the Declaration. Maximum replacement value shall be determined annually by one or more written appraisals. Further, to obtain and maintain comprehensive liability insurance covering the entire premises in amounts not less than \$200,000.00 per person and \$1,000,000.00 per accident and \$200,000.00 property damages. To insure and keep insured all of the fixtures, equipment and personal property acquired by the Association for the benefit of the Association and the owners of the condominium units and their mortgagees. The limits and coverage shall be reviewed at intervals of not less than three (3) years and adjusted, if necessary to provide such coverage and protection as the Association may deem prudent. So long as the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), or Governmental National Mortgage Association (GNMA) is a mortgagee of a condominium unit in the Project, or owns a unit therein, the Association shall maintain in effect at least such casualty, flood and liability insurance and a fidelity bond, meeting standards established by FNMA, FHLMC and GNMA for planned developments, as published in the FNMA, FHLMC and GNMA "Servicer's Guide, or otherwise, except to the extent such requirements shall have been waived in writing by FNMA, FHLMC or GNMA. Workmen's compensation insurance shall at all times be carried to the extent required to comply with any applicable law with respect to the employees, if any, of the Association.

(e) To fix, determine, levy and collect the monthly prorated assessments to be paid by each of the owners towards the gross expenses of the entire premises and by majority vote of the Board to adjust, decrease or increase the amount of the monthly assessments. To levy and collect special assessments whenever in the opinion of the Board it is necessary to so do in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies. All monthly or other assessments shall be in itemized statement form and shall set forth the detail of the various expenses for which the assessments are being made.

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

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

(h) To borrow funds in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the recorded Declaration, the Articles of Incorporation and these By-Laws, and to execute all such instruments evidencing such indebtedness as this Board of Managers may deem necessary. Such indebtedness shall be the several obligation of all of the owners in the same proportion as their interest in the general common elements.

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

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

(k) To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the owners, and to cause a complete audit of the books and accounts by a competent certified public accountant, once each year.

(l) To prepare and deliver annually to each owner a statement showing all receipts, expenses or disbursements since the last such statement.

(m) To meet at least once each quarter.

(n) To designate the personnel necessary for the maintenance and operation of the general and limited common elements.

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

4. Managing Agent. The Managing Agent shall be RONALD W. RAUSIN, whose address is 2444 Timms Boulevard, Houston, Texas, 77005, and who, notwithstanding the provisions of paragraph 1 of Article III, shall have all the powers and shall perform all the duties of the Board of Managers until the expiration of the sale and development period as defined in Article 14 of the Declaration; or until such earlier time as said Managing Agent, at its option, may relinquish control of the management and administration of the Association to the Board of Managers. Thereafter, the Board of Managers may employ for the Association a Managing Agent at a compensation to be established by the Board to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in paragraph 3 of this Article.

5. Election and Term of Office. At the first annual meeting of the Association the term of office of one Manager shall be fixed for three (3) years, the term of office of one Manager shall be fixed at two (2) years, and the term of office of one Manager shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Manager, his successor shall be elected to serve a term of three (3) years. The three (3) persons acting as Managers shall hold office until their successors have been elected and hold their first meeting.

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

7. Removal of Managers. At any regular or special meeting duly called, any one or more of the Managers may be removed with or without cause by a majority of the owners, and a successor may then and there be elected to fill the vacancy thus created. Any Manager whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

8. Organization Meeting. The first meeting of a newly elected Board of Managers shall be held within ten (10) days of election at such place as shall be fixed by the

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

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

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

11. Waiver of Notice. Before or at any meeting of the Board of Managers, any Manager may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Manager at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Managers are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

12. Board of Managers' Quorum. At all meetings of the Board of Managers, a majority of the Managers shall constitute a quorum for the transaction of business and the acts of the majority of the Managers present at a meeting at which a quorum is present shall be the acts of the Board of Managers. If, at any meeting of the Board of Managers, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

13. Fidelity Bonds. The Board of Managers shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

14. Compensation. No member of the Board of Managers shall receive any compensation for acting as such.

ARTICLE V

OFFICERS

1. Designation. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Managers.

2. Election of Officers. The officers of the Association shall be elected annually by the Board of Managers at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Managers, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Managers, or at any special meeting of the Board called for such purpose.

4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Managers. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5. **Vice-President.** The Vice-President shall have all the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his inability for any reason to exercise such powers and functions or perform such duties, and also perform any duties he is directed to perform by the President.

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

The Secretary shall compile and keep up to date at the principal office of the Association a complete list of members and their last known addresses as shown on the records of the Association. Such list shall also show opposite each member's name the number or other appropriate designation of the apartment unit owned by such members and parking space, if any, assigned for use in connection with such apartment unit. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

7. **Treasurer.** The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Managers.

ARTICLE VI

INDEMNIFICATION OF OFFICERS AND MANAGERS

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

ARTICLE VII

OBLIGATIONS OF THE OWNERS

1. **Assessments.** All owners shall be obligated to pay the monthly assessments imposed by the Association to meet the common expenses. The assessments shall be made pro-rata according to undivided interest in and to the general common elements and shall be due monthly in advance. A member shall be deemed to be in good standing and entitled to vote at any annual or at a special meeting of members, within the meaning of these By-Laws, if and only if he shall have fully paid all assessments made or levied against him and the condominium unit owned by him.

2. Maintenance and Repair.

(a) Every owner must perform promptly at his own expense all maintenance and repair work within his own apartment unit, which if omitted would affect the project in its entirety or in part belonging to other owners.

(b) All the repairs of internal installations of the unit such as water, light, gas power, sewage, telephone, air conditioners, sanitary installations, doors, windows, glass, electrical fixtures, floor and wall coverings and all other accessories, equipment and fixtures belonging to the unit area shall be at the owner's expense.

(c) An owner shall be obligated to reimburse the Association promptly upon receipt of its statement for any expenditures incurred by it in repairing or replacing any general or limited common element damaged by his negligence or by the negligence of his tenants or agents.

3. Mechanic's Lien. Each owner agrees to indemnify and to hold each of the other owners harmless from any and all claims of mechanic's lien filed against other condominium units and the appurtenant general common elements for labor, materials, services or other products incorporated in the owner's apartment unit. In the event suit for foreclosure is commenced, then within ten (10) days thereafter such owner shall be required to deposit with the Association cash or negotiable securities equal to double the amount of such claim plus interest at the rate of 10% for one year together with a sum equal to ten percent (10%) of the amount of such claim but not less than One Hundred Fifty and No/100 (\$150.00) Dollars, which latter sum may be used by the Association for any costs and expenses incurred, including attorney's fees. Except as is otherwise provided, such sum or securities shall be held by the Association pending final adjudication or settlement of the litigation. Disbursement of such funds or proceeds shall be made to insure payment of or on account of such final judgment or settlement. Any deficiency, including attorney's fees, shall be paid forthwith by the subject owner, and his failure to so pay shall entitle the Association to make such payment, and the amount thereof shall be a debt of the owner and a lien against his condominium unit which may be foreclosed as is provided in Article 24 of the Declaration. Such owner shall be liable to the Association for payment of interest at the rate of 10% on all such sums paid by the Association until the date of repayment by such owner.

4. General.

(a) Each owner shall comply strictly with the provisions of the Condominium Declaration for THE SUGAR HILL, the Articles of Incorporation and these By-Laws and amendments and supplements thereto.

(b) Each owner shall always endeavor to observe and promote the co-operative purposes for the accomplishment of which THE SUGAR HILL CONDOMINIUM project was established.

5. Use of Units - Internal Changes.

(a) All units shall be utilized for residential purposes only.

(b) An owner shall not make structural modifications or alterations to his unit or installations located therein without previously notifying the Association in writing through the Managing Agent, or if no Managing Agent is employed, then through the President of the Association. The Association shall have the obligation to answer within five (5) days after such notice, and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

6. Use of General Common Elements and Limited Common Elements. Each owner may use the general common elements and the limited common elements in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful rights of the other owners.

7. Right of Entry.

(a) An owner shall grant the right of entry to the Managing Agent or to any other person authorized by the Board of Managers in case of any emergency originating in or threatening his unit, whether the owner is present at the time or not.

(b) An owner shall permit other owners, or their representatives, when so required, to enter his unit for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner. In case of an emergency, such right of entry shall be immediate.

8. Rules and Regulations.

(a) All owners shall promptly and completely comply with each of the rules and regulations herein contained or hereafter properly adopted for the utilization of any recreational facilities afforded, in order that all owners and their guests shall achieve maximum utilization of such facilities consonant with the rights of each of the other owners thereto.

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

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

(d) The common area is intended for use for the purpose of affording vehicular and pedestrian movement within the condominium, and of providing access to the units; those portions thereof adapted therefor, for recreational use by the owners and occupants of units; and all thereof for the beautification of the condominium and for providing privacy for the residents thereof through landscaping and such other means as shall be deemed appropriate. No part of the common area shall be obstructed so as to interfere with its use for the purposes hereinabove recited, nor shall any part of the common area (common elements) be used for general storage purposes after the completion of the construction of the units by developer, except maintenance storage room, nor anything done thereon in any manner which shall increase the rate for hazard and liability insurance covering said area and improvements situated thereon. Not more than two small dogs, cats, or other usual small household pets may be kept in any unit, provided always that such household pets shall be allowed on the common areas only as may be specified under reasonable rules therefor promulgated by the Board of Managers. Except as hereinabove stated, no animal, livestock, birds or poultry shall be brought within the condominium or kept in or around any unit thereof. Notwithstanding the foregoing, no pets may be kept on the property which result in an annoyance or are obnoxious to other Owners.

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

(f) Parking of automobiles shall be only in the spaces designated as parking for each unit; no unattended vehicle shall at any time be left in the alley ways or streets in such manner as to impede the passage of traffic or to impair property access to parking area. No storage

of any objects shall be permitted in the parking area and the same shall at all times be kept free of unreasonable accumulation of debris or rubbish of any kind. Guest parking areas are not intended for use by owners for parking or storing boats, trailers, camping units or any personal vehicles, and the Board may insure the proper use of said areas in such manner as it deems necessary.

(g) Each owner shall keep clean and in good condition and repair the windows and interior of his condominium unit and shall not permit garments, rugs, laundry or other unsightly items to extend from or be placed outside of his condominium unit, including but not limited to over windows or the balcony. No aluminum foil or similar reflective material shall be used or placed over doors or windows of any condominium unit. All draperies or curtains shall be fully lined with an off-white fabric of sufficient thickness to provide exterior harmony with surrounding condominium units.

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

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

(j) No owner, resident or lessee shall install wiring for electrical or telephone installation; radio and television antennae, machines or air conditioning units or any other devices whatsoever on the exterior of the project or that protrude through the walls or out of the windows, or on the roof of the project save as are expressly in writing previously approved by the Association.

(k) No owner or other occupant of any condominium unit shall make any alteration, modification or improvement, nor add any awnings, patio covers or other devices to the common elements of the condominium or remove or add to any planting, structure, furnishings or other equipment or object therefrom except with the written consent of the Association. No unsightly objects which may reasonably be considered to give annoyance to neighbors of ordinary sensibilities shall be placed or allowed to remain on any patio or balcony of a condominium unit. The Board of Managers shall have the sole and exclusive discretion to determine what constitutes an unsightly object.

(l) Reasonable and customary regulations for the use of the swimming pool and recreation areas will be promulgated hereafter and publicly posted at such places. Owners and all occupants of units shall, at all times, comply with such regulations.

(m) No drilling, digging, quarrying or mining operation of any sort shall be permitted on the Property.

(n) Motorcycles, motorbikes, motor scooters or other similar vehicles shall not be operated within the Property except for the purpose of transportation directly from a parking area to a point outside the Property, or from a point outside the Property directly to a parking space.

(o) Children under the age of 16 years are not permitted to reside at THE SUGAR HILL on a full time basis. Temporary visits of such age children are permitted. Any owner who subsequent to the purchase of a condominium unit has a child born to her must vacate the condominium prior to the child's second birthday.

(p) Without limiting any other rule-making authority it may have under the Declaration or these By-Laws, the Board of Managers is specifically

authorized, in its sole discretion, to promulgate and enact rules and regulations limiting the number of persons which may become residents in or occupants of an apartment, provided that at no time shall there be more than two permanent residents per bedroom within an apartment unit.

9. Destruction or Obsolescence. Each owner shall, upon request therefor, execute a power of attorney in favor of the Association, irrevocably appointing the Association his attorney-in-fact to deal with the owners' condominium unit upon its destruction or obsolescence as is provided in paragraph 27 of the Condominium Declaration for THE SUGAR HILL.

ARTICLE VIII

AMENDMENTS TO PLAN OF APARTMENT OWNERSHIP

1. By-Laws. These By-Laws may be amended by the Association at a duly constituted meeting for such purpose, and no amendment shall take effect unless approved by owners representing at least 70% of the aggregate interest of the undivided ownership of the general common elements.

ARTICLE IX

MORTGAGES

1. Notice to Association. An owner who mortgages his unit, shall notify the Association through the Managing Agent, if any, or the President of the Board of Managers, giving the name and address of his mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Townhomes".

2. Notice of Unpaid Assessments. The Association shall at the request of a mortgagee of a unit report any unpaid assessments due from the owner of such unit.

ARTICLE X

COMPLIANCE

These By-Laws and the Condominium Declaration for THE SUGAR HILL are set forth to comply with requirements of the State of Texas Condominium Ownership Act. If any of these By-Laws or the Condominium Declaration conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

ARTICLE XI

NON-PROFIT ASSOCIATION

This Association is not organized for profit. No member, member of the Board of Managers or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any member of the Board of Managers; provided, however, always (1) that reasonable compensation may be paid to any member while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) that any member of the Board of Managers may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XII

REGISTERED OFFICE

The Registered office and the principal office for the transaction of business of this Association shall be 2444 Times Boulevard, Houston, Texas 77005, and the Registered Agent shall be RONALD W. RAUSIN, at the same address.

ARTICLE XIII

EXECUTION OF DOCUMENTS

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

ARTICLE XIV

ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS

The violation of any rule or regulation promulgated by the Board of Managers, or the breach of any By-Law, or the breach of any provision of the Declaration, shall give the Board of Managers or the Managing Agent, the right, in addition to any other rights set forth therein, (a) to enter the unit in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting unit owner, any person, structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions thereof; and the Board of Managers or Managing Agent shall not be deemed guilty in any manner of trespass, and to expel, remove and put out same, using such force as may be necessary in so doing, without being liable to prosecution or in damages therefor; and (b) to enjoin, abate, or remedy by appropriate legal proceedings; either at law or in equity, the continuance of any breach.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals at Houston, Texas, this the 24 day of June, A. D., 1977.

BOARD OF MANAGERS

BY:

ALFRED C. HERRMANN

BY:

RONALD W. RAUSIN

BY:

RANDALL J. DAVIS

AMENDED
BY-LAWS
OF
SUGAR HILL TOWNHOMES ASSOCIATION, INC.

The name of the organization shall be SUGAR HILL TOWNHOMES ASSOCIATION, INC.

ARTICLE I

OBJECT

(Plan of Apartment Ownership)

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

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

ARTICLE II

MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

1. Membership. Any person on becoming an owner of a condominium unit shall automatically become a member of this Association and be subject to these By-Laws. Such membership shall terminate without any formal Association action whenever such person ceases to own a condominium unit, but such termination shall not relieve or release any such former owner from any liability or obligation incurred under or in any way connected with SUGAR HILL during the period of such ownership and membership in this Association, or impair any rights or remedies which the Board of Managers of the Association or others may have against such former owner and member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereto.

2. Voting. Voting shall be based upon the undivided interest of each unit owner in the general common elements. An owner of an undivided interest in and to a condominium unit shall be entitled to a vote equal to his ownership interest in such unit. Cumulative voting is prohibited.

3. Majority of Unit Owners. As used in these By-Laws the term "majority of unit owners" shall mean those owners of more than fifty percent (50%) of the aggregate interest of the undivided ownership of the general common elements.

4. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of "thirty-three percent (33%) of unit owners" as defined in paragraph 3 of this Article shall constitute a quorum. Except as otherwise provided in the Declaration or these By-Laws, when a quorum of owners is present at any meeting, a majority vote of the owners present, either in person or by proxy, shall be sufficient to either defeat or approve any proposed action.

5. Proxies. Votes may be cast in person or by proxy. Proxies may be filed with the Secretary before the appointed time of each meeting. Proxies must be revocable and be for a period of not more than eleven (11) months. Only the most currently dated proxy shall be considered. The proxy holder must be present at the meeting when votes are taken for the vote to be counted. Proxies received after appointed time will not be counted.

6. Good Standing. Only members in good standing are permitted to vote. To be in good standing, a member must not be delinquent in any money owing to the Association, and must not be in violation of any by-law, rule or provision of the Condominium Declaration of the Association and received notice of said violation.

ARTICLE III

ADMINISTRATION

1. Association Responsibilities. The owners of the units will constitute the Association of Unit Owners, herein referred to as "Association", who will have the responsibility of administering the project through a Board of Managers.

2. Place of Meetings. Meetings of the Association shall be held at such place as the Board of Managers may determine.

3. Annual Meetings. The annual meeting of the Association shall be held during the month of April at a date, time and location designated by the Board of Managers. At such meetings there shall be elected by ballot of the owners a Board of Managers in accordance with the requirements of paragraph 5 of Article IV of these By-Laws. At the annual meeting, matters set out in the agenda shall be considered for action by the membership. Any other items may be discussed but no votes may be taken on items which were not placed on the agenda prior to the meeting. Items shall be placed on the agenda at request of any owner in good standing at least thirty (30) days prior to date of an annual meeting.

4. Special Meetings. It shall be the duty of the President to call a special meeting of the owners as directed by resolution of the Board of Managers or upon a petition signed by twenty percent (20%) of the owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

5. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each owner of record, at least five (5) but not more than twenty (20) days prior to such meeting. The mailing of a notice in the manner provided in this paragraph shall be considered notice served.

6. Adjourned Meeting. If any meeting of owners cannot be organized because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting from time to time, until a quorum is obtained. No further notice shall be required.

7. Order of Business. The order of business at all meetings of the owners of units shall be as set out on the agenda approved by the resolution of the Board of Managers.

ARTICLE IV

BOARD OF MANAGERS

1. Number and Qualification. The affairs of this Association shall be governed by a Board of Managers composed of not less than three (3) persons or more than five (5) persons as set from time to time by resolution of the Board of Managers. There shall be five (5) Board of Managers as of the effective date of these Amended By-Laws. All members of the Board of Managers must be a current owner of a unit.

2. Powers and Duties. The Board of Managers shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the residential condominium project. The Board of Managers may do all such acts and things as are not specifically disallowed by these By-Laws, the Articles of Incorporation or by the Condominium Declaration for SUGAR HILL directed to be exercised and done by the owners.

3. Other Powers and Duties. The Board of Managers shall be empowered and shall have the duties as follows:

(a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations, and all other provisions set forth in the Condominium Declaration submitting the property to the provisions of the Condominium Ownership Act of the State of Texas, the By-Laws and Rules and Regulations, and to collect all costs of administration and enforcement from the unit owner who violated the By-Laws, Rules and Regulations and Condominium Declaration.

(b) To establish, make and enforce compliance with such reasonable rules and regulations as may be necessary for the operation, use and occupancy of this condominium project with the right to amend same from time to time. A copy of such Rules and Regulations shall be delivered or mailed to each member promptly upon the adoption thereof.

(c) To keep in good order, condition and repair all of the general and limited common elements and all items of personal property used in the enjoyment of the entire premises, subject to available funds.

(d) To insure and keep insured all of the insurable general common elements of the property in an amount equal to their maximum replacement value as provided in the Declaration.

Maximum replacement value shall be determined annually by the Board of Managers. Further, to obtain and maintain comprehensive liability insurance covering the entire premises in amounts not less than \$200,000.00 per person and \$1,000,000.00 per accident and \$200,000.00 property damages. To insure and keep insured all of the fixtures, equipment and personal property acquired by the Association for the benefit of the Association and the owners of the condominium units and their mortgagees. The Board of Managers shall obtain a Directors and Officers Liability Insurance policy in amounts necessary to obtain the protection of the Association and its officers and directors as set forth in the Charitable Immunity and Liability Act. Workmen's compensation insurance shall at all times be carried to the extent required to comply with any applicable law with respect to the employees, if any, of the Association. The limits and coverage shall be reviewed at intervals of not less than three (3) years and adjusted, if necessary to provide such coverage and protection as the Association may deem prudent. The Board of Managers may purchase such other insurance as they may, in their discretion, determine to be in the best interest of the Association. Additionally, the Board of Managers shall have the power and authority to set the amount of the deductibles for all insurance policies. The deductibles and any amounts not paid by insurance shall be the responsibility and obligation of the unit owner where the casualty loss originated regardless of the negligence of the unit owner.

(e) To fix, determine, levy and collect the monthly prorated assessments to be paid by each of the owners towards the gross expenses of the entire premises and by majority vote of the Board to adjust, decrease or increase the amount of the monthly assessments. To levy and collect special assessments whenever in the opinion of the Board it is necessary to so do in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies. All monthly or other assessments shall be in itemized statement form and shall set forth the details of the various expenses for which the assessments are being made.

(f) To collect delinquent assessments by judicial or non-judicial methods, or otherwise and to enjoin or seek damages from an owner as is provided in the Declaration and these By-Laws. To collect interest, late fees, returned check charges, partial payment fees, attorneys fees and all other costs incurred by the Association in the collection of delinquent assessments.

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

(h) To borrow funds in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the recorded Declaration, the Articles of Incorporation and these By-Laws, and to execute all such instruments evidencing such indebtedness as this Board of Managers may deem necessary. Such indebtedness shall be the several obligation of all of the owners in the same proportion as their interest in the general common elements.

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

(j) To establish one or more bank accounts for the common treasury and for all separate funds which are required or may be deemed advisable by the Board of Managers.

(k) To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the owners for any reasonable purpose, and to cause a complete audit of the books and accounts

by a competent certified public accountant, once each year. Copies to be provided upon payment of the charge as set by the Board of Managers.

(l) To prepare and deliver annually to each owner an income statement and balance sheet.

(m) To meet at least once each quarter.

(n) To designate the personnel necessary for the maintenance and operation of the general and limited common elements.

(o) The Board of Managers shall have the power and authority to promulgate reasonable fines for violation of these By-Laws, the Rules and Regulations of the Association and the Condominium Declaration. The amounts of the fine may vary depending upon the violation and the number of occasions the unit owner or their tenant, guest, or visitor has violated the By-Laws, Rules and Regulations and Condominium Declaration.

(p) In general, to carry on the administration of this Association and to do all of those things, necessary and reasonable, in order to carry out the communal aspect of condominium ownership. Exercise any other powers necessary and proper for the operation of the Association.

4. Managing Agent. The Board of Managers may employ for the Association a Managing Agent at a compensation to be established by the Board to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in paragraph 3 of this Article.

5. Election and Term of Office. At each annual meeting of the Association in even numbered years a majority of the Board of Managers shall be elected to serve a term of two (2) years. In odd numbered years the remaining Board of Managers shall be elected to serve a term of two (2) years. The Managers shall hold office until their successors have been elected and hold their first meeting. It is the intention of these By-Laws to maintain staggered terms of office for the Board of Managers.

6. Vacancies. Vacancies on the Board of Managers caused by any reason other than the removal of a Manager by a vote of the Association shall be filled by vote of the majority of the remaining Managers, even though they may constitute less than a quorum and they shall serve the balance of the unexpired term of the Manager replaced.

7. Removal of Managers. At any regular or special meeting duly called, any one or more of the Managers may be removed with or without cause by a majority of the owners, and a successor may then and there be elected to fill the vacancy thus created for the balance of the unexpired term. Any Manager whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

8. Organization Meeting. The first meeting of a newly elected Board of Managers shall be held within thirty (30) days of election at such place as shall be fixed by the Managers at the meeting at which such Managers were elected, and no notice shall be necessary to the newly elected Managers in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

9. Regular Meetings. Regular meetings of the Board of Managers may be held at such time and place as shall be determined, from time to time, by a majority of the Managers, but at least four (4) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of

- Managers shall be given to each Manager, personally or by mail, hand delivery, telephone or facsimile, at least three (3) days prior to the day named for such meeting.

10. Special Meetings. Special meetings of the Board of Managers may be called by the President on three (3) days notice to each Manager, given personally, or by mail, hand delivery, telephone or facsimile, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Managers shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Managers.

11. Waiver of Notice. Before or at any meeting of the Board of Managers, any Manager may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Manager at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Managers are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

12. Board of Managers' Quorum. At all meetings of the Board of Managers, a majority of the Managers shall constitute a quorum for the transaction of business and the acts of the majority of the Managers present at a meeting at which a quorum is present shall be the acts of the Board of Managers. If, at any meeting of the Board of Managers, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

13. Fidelity Bonds. The Board of Managers shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

14. Compensation. No member of the Board of Managers shall receive any compensation for acting as such.

ARTICLE V

OFFICERS

1. Designation. The officers of the Association shall be a President, a Vice-President, one or more Secretaries and a Treasurer, all of whom shall be elected by the Board of Managers.

2. Election of Officers. The officers of the Association shall be elected annually by the Board of Managers at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Managers, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Managers, or at any special meeting of the Board called for such purpose.

4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Managers. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including but not

limited to the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President of the Association shall be required to be a member of the Board of Managers.

5. Vice-President. The Vice-President shall have all the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his inability for any reason to exercise such powers and functions or perform such duties, and also perform any duties he is directed to perform by the President.

6. Secretary. There shall be one or more Secretaries as designated by the Board of Managers from time to time. The Secretary shall keep (or direct to be kept at the option of the Board of Managers) all the minutes of all meetings of the Board of Managers and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Managers may direct; and he shall, in general, perform all the duties incident to the office of Secretary. The Secretary shall also at the request of the Board of Managers prepare and forward all requested correspondence.

The Secretary shall compile and keep up to date at the principal office of the Association a complete list of members and their last known addresses as shown on the records of the Association. Such list shall also show opposite each member's name the number or other appropriate designation of the apartment unit owned by such members and parking space, if any, assigned for use in connection with such apartment unit. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

7. Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for overseeing that full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Managers. He shall oversee and assist in the preparation of the annual budget and insure that the annual audit is performed.

8. Compensation. No officer shall receive any compensation for acting as such.

ARTICLE VI

INDEMNIFICATION OF OFFICERS AND MANAGERS

The Association shall indemnify every manager or officer, his heirs, executors and administrators, against all loss, costs and expense, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a manager or officer of the Association, except as to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such manager or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such manager or officer may be entitled. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as Common

Expenses; provided, however, that nothing in this Article VI contained shall be deemed to obligate the Association to indemnify any member or owner of a condominium unit, who is or has been a manager or officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Condominium Declaration for SUGAR HILL as a member or owner of a condominium unit covered thereby.

ARTICLE VII

OBLIGATIONS OF THE OWNERS

1. Assessments. All owners shall be obligated to pay the monthly assessments imposed by the Association to meet the common expenses. The assessments shall be made pro-rata according to undivided interest in and to the general common elements and shall be due monthly in advance.

2. Maintenance and Repair.

(a) Every owner must perform promptly at his own expense all maintenance and repair work within his own apartment unit, which if omitted, would affect the project in its entirety or in part belonging to other owners.

(b) All the repairs of internal installations of the unit such as water, light, gas power, sewage, telephone, air conditioners, sanitary installations, doors, windows, glass, electrical fixtures, floor and wall coverings and all other accessories, equipment and fixtures belonging to the unit area shall be at the owner's expense.

(c) An owner shall be obligated to reimburse the Association promptly upon receipt of its statement for any expenditures incurred by it in repairing or replacing any general or limited common element damaged by his negligence or by the negligence of his tenants or agents.

3. Mechanic's Lien. Each owner agrees to indemnify and to hold each of the other owners harmless from any and all claims of mechanic's lien filed against other condominium units and the appurtenant general common elements for labor, materials, services or other products incorporated in the owner's apartment unit. In the event a lien is filed or a suit for foreclosure is commenced, then within ten (10) days thereafter such owner shall be required to deposit with the Association cash or negotiable securities equal to double the amount of such claim plus interest at the rate of ten percent (10%) for one year together with a sum equal to ten percent (10%) of the amount of such claim but not less than One Hundred Fifty and No/100 Dollars (\$150.00), which latter sum may be used by the Association for any costs and expenses incurred, including attorney's fees. Except as is otherwise provided, such sum or securities shall be held by the Association pending final adjudication or settlement of the litigation. Disbursement of such funds or proceeds shall be made to insure payment of or on account of such final judgment or settlement. Any deficiency, including attorney's fees, shall be paid forthwith by the subject owner, and his failure to so pay shall entitle the Association to make such payment, and the amount thereof shall be a debt of the owner and a lien against his condominium unit which may be foreclosed as is provided in Article 24 of the Declaration. Such owner shall be liable to the Association for payment of interest at the rate of ten percent (10%) on all such sums paid by the Association until the date of repayment by such owner.

4. General.

(a) Each owner shall comply strictly with the provisions of the Condominium Declaration for SUGAR HILL, the Articles of Incorporation, the By-Laws and amendments and supplements thereto and the Rules and Regulations of the Association.

(b) Each owner shall provide in writing their address for purposes of notice and their phone numbers for emergency purposes. If an address is not provided, the unit address shall be used for all notices sent by or at the direction of the Association.

(c) Each owner shall always endeavor to observe and promote the cooperative purposes for the accomplishment of which SUGAR HILL CONDOMINIUM project was established.

5. Use of Units - Internal Changes.

(a) All units shall be utilized for residential purposes only.

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

6. Use of General Common Elements and Limited Common Elements. Each owner may use the general common elements and the limited common elements in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful rights of the other owners and subject to the Condominium Declaration, By-Laws and Rules and Regulations.

7. Right of Entry.

(a) An owner shall grant the right of entry to the Managing Agent or to any other person authorized by the Board of Managers in case of any emergency originating in or threatening his unit, whether the owner is present at the time or not.

(b) An owner (or his tenant or other resident) shall permit other owners, or their representatives, when so required, to enter his unit for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner. In case of an emergency, such right of entry shall be immediate.

8. Rules and Regulations.

(a) All owners shall promptly and completely comply with each of the rules and regulations in these By-Laws or any others promulgated by the Board of Managers.

(b) Nothing shall be done in any residential unit, nor shall same be occupied or used for any purpose, nor shall any commodity, product or personal property be kept therein or thereon, which shall cause such improvements to be uninsurable against loss by fire or the perils included in an

extended coverage endorsement under the rules of the State of Texas Insurance Commission or which might cause or warrant any policy or policies covering said premises to be cancelled or suspended by the issuing company or cause said insurance premiums to increase.

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

(d) The common area is intended for the purpose of providing access to the units and for recreational use by the owners and occupants of units. No part of the common area shall be obstructed, nor shall any part of the common area (common elements) be used for general storage purposes except maintenance storage room, nor anything done thereon in any manner which shall increase the rate for hazard and liability insurance covering said area and improvements situated thereon. Portions of the common area may be used for the benefit of the Association in order to make repairs or otherwise maintain the common areas.

(e) Not more than two dogs, cats, or other usual small household pets may be kept in any unit, provided always that such household pets shall be allowed on the common areas only as may be specified under reasonable rules therefore promulgated by the Board of Managers. Except as hereinabove stated, no animal, livestock, swine, birds or poultry shall be brought within the condominium or kept in or around any unit thereof. Notwithstanding the foregoing, no pets may be kept on the property which result in an annoyance or are obnoxious to other Owners.

(f) No resident of the condominium shall post any advertisements, signs, or posters, of any kind in or on the project except as authorized by the Association.

(g) Parking of automobiles shall be only in the spaces designated as parking for each unit; no unattended vehicle shall at any time be left in the alley ways or streets in such manner as to impede the passage of traffic or to impair property access to parking area. No storage of any objects shall be permitted in the parking area and the same shall at all times be kept free of unreasonable accumulation of debris or rubbish of any kind. Guest parking areas are not intended for use by owners for parking or storing boats, trailers, camping units or any personal vehicles, and the Board may insure the proper use of said areas in such manner as it deems necessary. Any vehicle with an expired inspection sticker, expired vehicle registration, wrecked or inoperable vehicle shall be considered stored and not permitted upon the property.

(h) Each owner shall keep clean and in good condition and repair the windows and interior of his condominium unit and shall not permit garments, rugs, laundry or other unsightly items to extend from or be placed outside of his condominium unit, including but not limited to over windows or the balcony. No aluminum foil or similar reflective material shall be used or placed over doors or windows of any condominium unit. All draperies or curtains shall be fully lined with an off-white fabric of sufficient thickness to provide exterior harmony with surrounding condominium units.

- (i) It is prohibited to dust rugs or other materials from the windows, or to clean rugs by beating on the exterior part of the condominium units, or to throw any dust, trash or garbage out of any of the windows of any of the units.
- (j) It is prohibited to throw garbage or trash outside the disposal areas provided for such purposes.
- (k) No owner, resident or lessee shall install wiring for electrical or telephone installation, radio and television antennae, machines or air-conditioning units or any other devices whatsoever on the exterior of the project or that protrude through the walls or out of the windows, or on the roof of the project save as are expressly in writing previously approved by the Association.
- (l) No owner or other occupant of any condominium unit shall make any alteration, modification or improvement, nor add any awnings, patio covers or other devices to the common elements of the condominium or remove or add to any planting, structure, furnishings or other equipment or object therefrom except with the written consent of the Association. No unsightly objects which may reasonably be considered to give annoyance to neighbors of ordinary sensibilities shall be placed or allowed to remain on any patio or balcony of a condominium unit. The Board of Managers shall have the sole and exclusive discretion to determine what constitutes an unsightly object.
- (m) Reasonable and customary regulations for the use of the swimming pool and recreation areas will be promulgated hereafter and publicly posted at such places. Owners and all occupants of units shall, at all times, comply with such regulations.
- (n) No drilling, digging, quarrying or mining operation of any sort shall be permitted on the Property.
- (o) Motorcycles, motorbikes, motor scooters, or other similar vehicles shall not be operated within the Property except for the purpose of transportation directly from a parking area to a point outside the Property, or from a point outside the Property directly to a parking space.
- (p) No waterbeds shall be permitted in any unit except on the ground floor of the building.
- (q) Without limiting any other rule-making authority it may have under the Declaration or these By-Laws, the Board of Managers is specifically authorized, in its sole discretion, to promulgate and enact rules and regulations limiting the number of persons which may become residents in or occupants of an apartment, provided that at no time shall there be more than two permanent residents per bedroom within an apartment unit.

9. Destruction or Obsolescence. Each owner shall, upon request therefore, execute a power of attorney in favor of the Association, irrevocably appointing the Association his attorney-in-fact to deal with the owners' condominium unit upon its destruction or obsolescence as is provided in paragraph 27 of the Condominium Declaration for SUGAR HILL.

ARTICLE VIII

AMENDMENTS TO PLAN OF APARTMENT OWNERSHIP

1. By-Laws. These By-Laws may be amended by the Association at a duly constituted meeting for such purpose, and no amendment shall take effect unless approved by at least a majority of those present at a duly constituted meeting at which a quorum is present.

ARTICLE IX

MORTGAGES

1. Notice to Association. An owner who mortgages his unit, shall notify the Association through the Managing Agent, giving the name and address of his mortgagee. The Association shall maintain such information in its books and records, if provided by an owner. The Association shall have no duty to inquire regarding mortgages.

2. Notice of Unpaid Assessments. The Association shall at the request of a mortgagee of a unit and upon payment of the appropriate fees report any unpaid assessments due from the owner of such unit.

ARTICLE X

COMPLIANCE

These By-Laws, the Rules and Regulations and the Condominium Declaration for SUGAR HILL are set forth to comply with requirements of Texas Uniform Condominium Act. If any of these By-Laws, the Rules and Regulations or the Condominium Declaration conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

ARTICLE XI

NON-PROFIT ASSOCIATION

This Association is not organized for profit. No member, or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part or the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any member of the Board of Managers or officers; provided, however, always (1) that reasonable compensation may be paid to any member while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) that any member of the Board of Managers may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

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ARTICLE XII

REGISTERED OFFICE

The Registered office and the principal office for the transaction of business of this Association shall be as designated by the Board of Managers from time to time.

ARTICLE XIII

EXECUTION OF DOCUMENTS

The persons who shall be authorized to execute any and all contracts, documents, instruments of conveyance or encumbrances, including promissory notes, shall be the President and Secretary of the Association, or other officer designated by the Board of Managers.

ARTICLE XIV

ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS

The violation of any rule or regulation promulgated by the Board of Managers, or the breach of any By-Law, or the breach of any provision of the Declaration, shall give the Board of Managers or the Managing Agent, the right, in addition to any other rights set forth therein, (a) to enter the unit in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting unit owner, any person, structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions thereof, and the Board of Managers or Managing Agent shall not be deemed guilty in any manner of trespass, and to expel, remove and put out same, using such force as may be necessary in so doing, without being liable to prosecution or in damages therefore; and (b) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals at Houston, Texas, this the 29th day of April, A.D., 1995.

BOARD OF MANAGERS

BY: Vasant Hariani

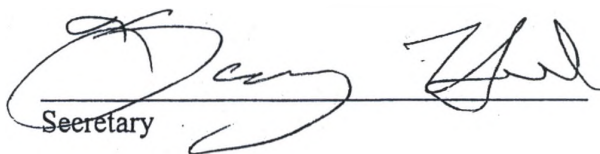
BY: [Signature]

BY: _____

594-22-2532

CERTIFICATE OF SECRETARY

I, Gary Herd, Secretary of the Board of Managers of the Sugar Hill Townhomes Association, Inc., hereby certify that the foregoing Amended By-Laws of the Sugar Hill Townhomes Association, Inc. were approved by the Board of Managers at the meeting held on the 29th day of April, 1995 at which a quorum was present, and subsequently ratified at a meeting of the members held on the 29th day of April, 1995 at which a quorum was present.


Secretary

Gary Herd
Printed Name

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