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STATE OF TEXAS

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COUNTY OF BEXAR

BYLAWS OF

SAN ANTONIO
HARMONY HILLS HOME OWNERS ASSOCIATION

The administration of Harmony Hills Condominiums and the San Antonio Harmony Hills Home Owners Association, a Texas Non-Profit Corporation, ("Association") shall be governed by the Texas Condominium Act, Article 1301a, Revised Civil Statutes of Texas (the "Act"), the Declaration of Condominium of Harmony Hills Condominiums (the "Declaration") and these Bylaws.

1. APPLICATION OF BYLAWS.

1.1 All present and future apartment owners, mortgagees, lessees and occupants of apartments and their employees, and any other persons who may use the facilities of the property described in Exhibit "A" attached hereto (the "Property") in any manner are subject to the Declaration, these Bylaws and all rules made pursuant hereto and any amendments hereof. The acceptance of a deed or conveyance or the entering into of a lease or the act of occupancy of an apartment shall constitute an agreement that the provisions of the Declaration and these Bylaws and any rules and regulations made pursuant hereto, as they may be amended from time to time, are accepted, ratified and will be complied with.

1.2 During the development period, as that term is defined in the Declaration, these Bylaws shall be effective only for the purpose of defining the rights, duties and responsibilities of Empire Real Estate Development Company, the "Declarant."

2. MEETINGS OF THE ASSOCIATION.

2.1 The first regular meeting of the Association shall be held within one hundred twenty (120) days after the expiration of the development period. Thereafter there shall be an annual meeting of the Association on the first Tuesday of April of each year at 7:00 P.M. at the Property or at such other reasonable place or time not more than sixty (60) days before or after such date as may be designated by written notice of the Board of Directors of the Association ("Board") delivered to the apartment owners not more than thirty (30) days, nor less than fifteen (15) days, prior to the date set for said meeting. At or prior to each annual meeting, the Board shall furnish to the apartment owners (i) a list of names of the nominees for the positions on the Board to be filled at the meeting, (ii) a budget for the coming fiscal year which shall itemize the estimated common expenses for the coming fiscal year with the allocation of such estimated expenses to each apartment owner, and (iii) a statement of the common expenses, itemizing receipts and disbursements, for the previous and current fiscal year, together with the allocation thereof to each apartment owner. Within ten (10) days after the annual meeting, the budget and the statement of common expenses shall be delivered to all apartment owners who were not present at the annual meeting.

W 5 483
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2.2 Special meetings of the Association may be held at any time at the Property, or at such other place as determined reasonable by the Board, to consider matters which, by the terms of the Declaration, require the approval of all or some of the apartment owners or for any other reasonable purpose. Special meetings shall be called by written notice signed by a majority of the members of the Board or by apartment owners having at least one third of the total votes of all apartment owners, which shall be delivered to all apartment owners and all mortgagees listed on the mortgagee roster not less than fifteen (15) days prior to the date fixed for said meeting. Such notice shall specify the date, time and place of the meeting, and the matters to be considered. All mortgagees shall be permitted to designate a representative to attend all such meetings.

2.3 The presence in person of apartment owners having ten percent (10%) of the votes of all apartment owners entitled to vote at any meeting of the Association held in response to notice to all apartment owners of record properly given shall constitute a quorum. In the event that a quorum is not present, the meeting shall be adjourned for twenty-four (24) hours, after which time, without further notice, it shall be reconvened and those apartment owners present at such subsequent meeting shall constitute a quorum. Unless otherwise expressly provided in the Act, the Declaration or these Bylaws, any action may be taken at any meeting of the Association by a majority vote.

2.4 Robert's Rules of Order (latest edition) shall govern the conduct of the Association's meetings when not in conflict with the Declaration or these Bylaws.

3. BOARD OF DIRECTORS.

3.1 The management and maintenance of the Property and the administration of the affairs of the Association shall be managed by a Board of Directors consisting of three natural persons each of whom must be an apartment owner. The rights, duties and functions of the Board may be exercised by Declarant, its agents, officers and employees during the development period. Declarant may, however, at its sole option, turn over such rights, duties and functions to the Board prior to the expiration of the development period.

3.2 Beginning with the first meeting of the Association and at every annual meeting thereafter, the Association shall elect the members of the Board to fill those positions becoming vacant at such meeting. At least thirty (30) days prior to any annual meeting of the Association, the Board shall elect from the apartment owners a nominating committee of not less than three (3) members, none of whom shall be members of the then Board. At least ten (10) days prior to the meeting the nominating committee shall recommend to the Association at least one nominee for each position on the Board to be filled at that particular annual meeting. Nominations for positions on the Board may also be made by petition filed with the secretary of the Association at least five (5) days prior to such meeting, which petition shall be signed by three (3) or more apartment owners and acknowledged by the nominee named therein indicating his willingness to serve as a member of the Board, if elected.

Vol. 5 PAGE 484

VOL 1674 PAGE 752

3.3 Members of the Board shall serve for terms of one (1) year beginning immediately upon their election by the Association. The members of the Board shall serve until their respective successors are elected, or until death, resignation or removal. Any member of the Board who, without approval of the Board, fails to attend three (3) consecutive Board meetings or fails to attend at least 25% of the Board meetings held during any fiscal year shall be deemed to have tendered his resignation and, upon acceptance by the Board, his position shall be vacant.

3.4 Any member of the Board may resign at any time by giving written notice to the president of the Board or remaining Board members. Any member of the Board may be removed from membership on the Board by a two-thirds majority vote of the Association. Whenever there shall occur a vacancy on the Board due to death, resignation, removal or any other cause, the remaining Board members shall elect a successor member to serve until the next annual meeting of the Association.

3.5 The members of the Board shall receive no compensation for their services unless expressly approved by a two-thirds majority of the Association; provided, however, that any member of the Board may be employed by the Association in another capacity and receive compensation for such employment; provided further, that such employment shall be approved by vote or in writing by two members of the Board not including the member to be employed.

3.6 The Board, for the benefit of the Property and the Association, shall manage the business, property and affairs of the Property and the Association and enforce the provisions of the Declaration, these Bylaws, the house rules and the administrative rules and regulations governing the Property. The Board shall have the powers, duties and responsibilities with respect to the Property as contained in the Act, the Declaration and these Bylaws.

3.7 A regular meeting of the Board shall be held without other notice than these Bylaws immediately after, and at the same place as, the annual meeting of members. The Board may provide by resolution the time and place within San Antonio, Texas, for the holding of additional regular meetings without other notice than such resolution. Two members of the Board shall constitute a quorum, and, if a quorum is present, the decision of a majority of those present shall be the act of the Board. The Board shall elect a president who shall preside over both its meetings and those of the Association. In case of a tie vote at a Board meeting, the president of the Board shall cast the deciding vote. Meetings of the Board may be called, held and conducted in accordance with such regulations as the Board may adopt. The Board may also act without a meeting by unanimous written consent of its members.

3.8 Special meetings of the Board of Directors may be called by or at the request of the president or any two (2) Directors. The person or persons authorized to call special meetings of the Board may fix any place within the City of San Antonio, Texas as the place for holding any special meeting of the Board of Directors called by them.

3.9 Regular meetings of the Board may be held without call or notice provided the time and place for such meetings has been duly adopted by the Board or otherwise provided by these Bylaws.

WOL
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PAGE 485

WOL
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3.10 Any member of the Board may, at any time, waive notice of any meeting of the Board in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board at a meeting shall constitute a waiver of notice to him of such meeting unless such Board member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the members of the Board are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

3.11 After the election of the members of the Board at the first meeting of the Association, Declarant shall execute, acknowledge and record an affidavit stating the names of the members of the newly elected Board. Thereafter, any two (2) persons who are designated of record as being members of the most recent Board, whether or not they shall still be members, may execute, acknowledge and record an affidavit stating the names of all of the members of the then current Board. The most recently recorded of such affidavits shall be prima facie evidence that the persons named therein are all of the incumbent members of the Board and shall be conclusive evidence thereof in favor of all persons who rely thereon in good faith.

3.12 The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board.

4. OFFICERS.

4.1 The officers of the Association shall be a president, vice-president, secretary-treasurer. No two offices may be held by the same person. The Board may appoint such other assistant officers as the Board may deem necessary. The president and vice-president must be members of the Board. No officer shall receive compensation for serving as such. Officers shall be annually elected by the Board and may be removed and replaced by the Board.

4.2 The president shall be the chief executive of the Association and shall preside at all meetings of the Association and of the Board and may exercise the powers ordinarily conferred upon the presiding officer of an Association, including the appointment of committees. The president shall exercise general supervision over the Property and its affairs. He shall sign on behalf of the Association any conveyances, mortgages and contracts of material importance to its business. He shall do and perform all acts which the Board may, from time to time, direct.

4.3 The vice-president shall, in the absence or unavailability of the president, perform each of the duties and functions of the president.

4.4 The secretary-treasurer shall keep minutes of all proceedings of the Board and of the meetings of the Association and shall keep the books and records of the Association and shall be responsible for the fiscal affairs of the Association, but may delegate, with the Board's concurrence, the daily handling of funds and the keeping of records to a manager or managing company.

5. COMMON EXPENSES: ASSESSMENTS.

5.1 All assessments shall be made in accordance with the provisions hereof and the general provisions of Section 21 of the Declaration.

5.2 Within thirty (30) days prior to the annual meeting of the Association, the Board shall estimate the common expenses and capital contributions for the coming fiscal year. Subject to the provisions of the Declaration, the estimated capital contributions shall include such amounts as the Board may deem proper for general working capital, for the general operating reserve, for a reserve fund for replacements and major maintenance; and shall take into account an expected income, surplus or deficit in the common expenses for any prior year. These estimated capital contributions and common expenses shall be presented at the annual meeting and thereafter shall be assessed on a monthly basis to the apartment owners in proportion to their percentage of undivided interest in the common elements as set forth in Exhibit "C" of the Declaration. If the estimated common expenses prove inadequate for any reason, including nonpayment of any apartment owner's assessments, the Board may, by resolution duly adopted, make additional assessments, which shall be assessed to the apartment owners in the same manner as the estimated common expenses. Each apartment owner shall be obligated to pay the assessments made pursuant to this paragraph on or before the first day of each month, or in such other reasonable manner as the Board shall designate. The funds received by the Association from assessments for common expenses and capital contributions shall be kept in either capital accounts or in the common expense fund and shall be expended only in accordance with the provisions of the Act, the Declaration and these Bylaws.

5.3 The failure by the Board before the expiration of any fiscal year to estimate the common expenses as required herein shall not be deemed a waiver or modification in any respect of the provisions of the Declaration or these Bylaws or a release of the apartment owner from the obligation to pay any past or future assessments, and the estimated common expenses and capital contributions fixed for the previous and current year shall continue until a new estimate is made.

5.4 No apartment owner may exempt himself from liability for common expenses by waiver of the use or enjoyment of any of the common elements or by abandonment of his apartment.

5.5 The treasurer shall keep detailed records of all receipts and expenditures, including expenditures affecting the common elements, specifying and itemizing the maintenance, repair and replacement of expenses of the common elements and any other expenses incurred. Such records shall be available for examination by the apartment owners and all mortgagees during regular business hours. In accordance with the actions of the Board assessing common expenses against the apartments and apartment owners, the treasurer shall keep an accurate record of such assessments and payments thereof by each apartment owner.

5.6 All assessments shall be a separate, distinct and personal liability of the owner of the apartment at the time each assessment is made. The Association shall have the rights and remedies contained in the Act and in the Declaration to enforce the collection of such assessments.

VOL 5 PAGE 487 VOL 1b/4 PAGE 33

WOL 5 PAGE 488

5.7 Any person who shall have entered into a written agreement to purchase an apartment shall be entitled to obtain a written statement from the treasurer setting forth the amount of unpaid assessments charged against the apartment and its owners, and if such statement does not reveal the full amount of the unpaid assessments as of the date it is rendered, neither the purchaser nor the apartment shall be liable for the payment of an amount in excess of the unpaid assessments shown thereon, provided that the former apartment owner shall remain so liable. Any such excess which cannot be promptly collected from the former apartment owner/grantor shall be reassessed by the Board as a common expense to be collected from all apartment owners, including, without limitation, the purchaser of the apartment, his successors and assigns. The new apartment owner shall, and the former apartment owner shall not, be liable for any assessments made after the date of transfer of title of an apartment, even though the common expenses and such other expenses incurred or the advances made by the Board for which the assessment is made relate in whole or in part to any period prior to that date.

5.8 In addition to the statements issuable to purchasers of apartments, the Board shall provide to the apartment owner, to any person who shall have entered into a binding agreement to purchase the apartment and to any mortgagee, on request, at reasonable intervals a current statement of unpaid assessments for common expenses and for any expenses of and advances authorized by the Board with respect to the apartment.

5.9 In all cases where all or part of any assessments for common expenses and for any expenses of and advances by the Board on behalf of the Association cannot be promptly collected from the persons or entities liable therefor under the Act, the Declaration or these Bylaws, the Association, acting solely through the Board, shall reassess the same as a common expense without prejudice to its rights of collection against such persons or entities and without prejudice to its lien for such assessments.

5.10 Notwithstanding any provision contained herein or in the Declaration to the contrary, Declarant, during the development period, shall not pay assessments for common charges but shall be responsible for the payment of the difference between the income for all assessments charged to apartment owners and the actual common expenses; provided that all times during the development period a working capital fund equal to at least two months' estimated common assessments for each apartment sold by Declarant shall be maintained.

The provisions of this paragraph 5.10 shall not apply in the case of damage to the property by fire or other casualty.

5.11 Amendments to this Section 5 shall be effective only upon unanimous written consent of the apartment owners and their mortgagees. However, the provisions of the Declaration relating to this Section 5 may be amended as provided by the Declaration.

6. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY APARTMENT OWNERS.

6.1 The violation of any house rules or administrative rules or regulations adopted by the Board, the breach of any provision contained herein or the Articles of Incorporation or the breach of any provision of the Declaration shall give

WOL 1074 PAGE 756

the Board, on behalf of the Association, the right, in addition to any other rights set forth in these Bylaws and the Declaration:

6.1.1 To enter the apartment in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting apartment owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and neither the Association nor the Board shall thereby be deemed guilty in any manner of trespass; and/or

6.1.2 To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

6.2 These remedies are cumulative to other remedies provided in the Act, the Declaration and these Bylaws or any other applicable laws.

7. ACCOUNTING.

7.1 The books and accounts of the Association shall be kept in accordance with generally accepted accounting procedures under the direction of the treasurer.

7.2 At the close of each fiscal year, the books and records of the Association shall be audited by an auditor outside the Association. Such audit shall, upon request, be furnished to each holder of a first mortgage on any apartment on the property within 90 days following the end of any fiscal year.

7.3 The books and accounts of the Association may be inspected by any apartment owner or his authorized representative during regular business hours.

7.4 All contracts entered into by the Association including, but not limited to, any contract for professional management of the project, or any contract providing for services of the Declarant, shall provide for termination by either party with or without cause and without payment of a termination fee on thirty (30) days written notice.

8. SPECIAL COMMITTEES.

The Board by resolution may designate one or more special committees, each committee to consist of two (2) or more apartment owners, which to the extent provided in said resolution, shall have and may exercise the powers set forth in said resolution. Such special committee or committees shall have such name or names as may be determined from time to time by the Board. Such special committees shall keep regular minutes of their proceedings and report the same to the Board when required. The members of such special committee or committees designated shall be appointed by the Board or the president. The Board or the president may appoint apartment owners to fill vacancies on each of said special committees occasioned by death, resignation, removal or inability to act for any extended period of time.

9. AMENDMENT OF BYLAWS.

Except as otherwise provided in the Act, the Declaration or these Bylaws, these Bylaws may be amended by majority vote of those present at any duly convened meeting of the Association called for such purpose. Upon such an

BOOK 5 PAGE 489
VOL 1674 PAGE 151

affirmative vote, the Board shall acknowledge the amended Bylaws setting forth the fact of the required affirmative vote of the apartment owners and the amendment shall be effective upon recording; provided, however, no material amendment to these Bylaws shall be effective without the prior written consent of each institutional holder of a first mortgage on apartments on the Property.

Notwithstanding anything herein contained, or contained in the Declaration, to the contrary, Declarant may amend these Bylaws in order to conform with the requirements of the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association with respect to condominium documentation by written instrument to such effect executed by Declarant only duly recorded in the Condominium Records of Bexar County, Texas; provided such amendment, if material, is approved by each institutional holder of a first mortgage on apartments on the Property.

10. SEVERABILITY.

The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion hereof shall not affect the validity or enforceability of any other provision hereof.

11. OFFICES AND AGENT.

The principal office of the Association in the State of Texas shall be located in the County of Bexar. The office of the Association to be maintained in the State of Texas may be, but need not be, identical with the principal office in the State of Texas, and the address of the office may be changed from time to time by the Board. The registered agent of the Association may be changed from time to time by the Board.

12. DISSOLUTION.

In the event the property is removed from the provisions of the Act pursuant to Sections 12, 13 or 14 of the Declaration, the San Antonio Harmony Hills Home Owners Association shall immediately be dissolved as provided by law and these Bylaws. Prior to such dissolution, the assets of the Association, after the payment of all debts including mortgages and other encumbrances of property owned by the Association, shall be distributed to the apartment owners in accordance with their percentage of undivided interests in the common elements.

13. CAPTIONS.

The captions herein are inserted only as a matter of convenience and for reference and in no way to define, limit or describe the scope of these Bylaws nor the intent of any provision hereof.

CERTIFICATION

I, David Gruber, President of the SAN ANTONIO HARMONY HILLS HOME OWNERS ASSOCIATION, do hereby certify that the foregoing is a true and correct copy of the Bylaws of the SAN ANTONIO HARMONY HILLS HOME OWNERS ASSOCIATION, a Texas Non-Profit Corporation, adopted at a meeting of the members held on the 22nd day of August, 1979, which adoption appears of record in the minutes of said meeting.

David Gruber

President of the San Antonio
Harmony Hills Home Owners
Association

ATTEST:

Phyllis Sanders
Secretary

STATE OF TEXAS §

COUNTY OF BEXAR §

BEFORE ME, the undersigned authority on this day personally appeared David Gruber, president of the San Antonio Harmony Hills Home Owners Association, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said San Antonio Harmony Hills Home Owners Association.

Given under my hand and seal of office on this the 27 day of August, A.D., 1979.



[Signature]
Notary Public in and for
Bexar County, Texas

STATE OF TEXAS §

COUNTY OF BEXAR §

BEFORE ME, the undersigned authority on this day personally appeared Phyllis Sanders, secretary-treasurer of the San Antonio Harmony Hills Home Owners Association, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said San Antonio Harmony Hills Home Owners Association.

Given under my hand and seal of office on this the 27 day of August, A.D., 1979.



[Signature]
Notary Public in and for
Bexar County, Texas

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5 PAGE 491

FILE 1674 PAGE 759

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

CONSENT OF MORTGAGEE

Medina Savings Association, being the owner and holder of an existing mortgage lien upon and against the land and property described as the Property in the foregoing Bylaws of the San Antonio Harmony Hills Home Owners Association, does hereby consent to said Bylaws and to the recording of same in the condominium records of Bexar County, Texas.

This consent shall not be construed or operate as a release of said mortgage or liens owned and held by the undersigned.

Signed by the undersigned officer of said Medina Savings Association this 4 day of SEPTEMBER, 1979.

Medina Savings Association

By: C. R. Haddad, Sr. Vice Pres.
C. R. Haddad

ACKNOWLEDGMENT

STATE OF TEXAS §
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COUNTY OF BEXAR §

BEFORE ME, the undersigned authority on this day personally appeared C. R. Haddad, Sr. Vice President of Medina Savings Association, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said Medina Savings Association.

4th Given under my hand and seal of office on this the day of September, A.D., 1979.



Charles E. Finney
Notary Public in and for
Bexar County, Texas

VOL. 5 PAGE 492

VOL. 16 / 4 PAGE 60

