

ARTICLES OF INCORPORATION
OF
PURDUE COURT TOWNHOMES CO-OWNERS, INC.

We, the undersigned natural persons of the age of twenty-one or more, at least two or more whom are citizens of the State of Texas, acting as incorporators of a corporation under the Texas Non-profit Corporation Act, do hereby adopt the following Articles of Incorporation for a non-profit corporation:

ARTICLE ONE

Definitions

The following words, when used in these Articles of Incorporation, shall have the following meanings:

(a) "Apartment" shall mean an enclosed space consisting of one (1) or more rooms occupying all or a part of a floor in a building of one (1) or more floors of stories, regardless of whether it is designed for a residence or for any other type of independent use, provided it has a direct exit to a thoroughfare or to a common space leading to a thoroughfare. Each Apartment shall be the element of a Condominium which is not owned in common with the Owners of other Condominiums in the Project. Each Apartment shall consist of a fee simple interest bounded by the interior surfaces of a perimeter walls, floors, ceilings, windows and doors thereof (including any covered parking space allocated to any Apartment), and an Apartment includes both the portions of the building so described and the airspace so encompassed. Heating or air

conditioning equipment serving an Apartment exclusively shall be a part of such Apartment.

(b) "Association" shall mean and refer to the corporation incorporated hereunder.

(c) "Common Elements" shall mean both the General Common Elements, as hereinafter defined, and the Limited Common Elements, as hereinafter defined.

(d) "Condominium" shall mean the entire estate in the real property owned by any Owner, consisting of an undivided interest in the General Common Elements, any Limited Common Elements allocated to his Apartment, and ownership of a separate interest in an Apartment.

(e) "Declaration" shall mean and refer to that certain Declaration and Master Deed for Purdue Court Townhomes applicable to the Property and to be recorded in the Condominium Records of Harris County, Texas, and as the same may be amended or supplemented from time to time as therein provided.

(f) "Developer" shall mean K-L Developers, Inc., a Texas corporation, its successors and any assignee, other than an Owner, who shall receive by assignment from the said K-L Developers, Inc. all or a portion or its rights hereunder as such Developer, by any instrument expressly assigning such rights of Developer to such assignee.

(g) "General Common Elements" shall mean and include the following:

- (i) the Land, as hereinafter defined;
- (ii) The foundations, bearing walls, perimeter walls and columns;
- (iii) roofs, halls, lobbies, stairways, and entrances and exits or communication ways;

(iv) the compartments and installations of central services, such as central air conditioning and heating, power, light, electricity, telephone, gas, cold and hot water, plumbing, reservoirs, water tanks and pumps, incinerators and the like, and all similar devices and installations existing for common use;

(b) "Owner" shall mean and refer to every person or entity who is a record owner of a fee or an undivided fee interest in any Condominium, including contract sellers. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

(i) "Plan" shall mean the Condominium Plan of the Project filed for record by Developer and any amendments thereto.

(j) "Project" shall mean the Property and all structures and improvements now or hereafter erected thereon, together with all additions which may hereinafter be made thereto as provided in Article II of the Declaration.

(k) "Property" shall mean and refer to the Land, together with the easements appurtenant thereto.

ARTICLE TWO

Name

The name of the Association is Purdue Court Townhomes Co-Owners, Inc.

ARTICLE THREE

Term

The period of duration of the Association is perpetual.

ARTICLE FOUR

Purposes and Powers

The Association is a non-profit corporation and does not contemplate pecuniary gain or profit to the Members hereof. The specific purposes for which it is formed are to provide a governing body for all the Owners for the acquisition, construction, management, maintenance, repair, replacement and care of the Common Elements, and to preserve the beautification of the Common Elements pursuant to Article III of the Declaration, and for these purposes:

(a) To borrow money and to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;

(b) To maintain the Common Elements;

(c) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, and reference to the Declaration is hereby made for all purposes;

(d) To fix, levy, collect and enforce payment by any lawful means, all charges or assessments provided for by the terms of the Declaration and to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including any licenses, taxes of governmental charges which may be levied or imposed against the Common Elements or any other property owned by the Association;

(e) Insofar as permitted by law, to do any other thing that, in the opinion of the Board of Directors, will promote the common benefit and enjoyment of the resident of the Project; provided that no part of the net earnings of the Association shall inure to the benefit of or be distributable to any Member, Director or officer of the Association, or any private individual (except that reasonable compensation may be paid for services rendered to or for the Association effecting one or more of its purposes), and no Member, Director or officer of the Association, or any private individual, shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Association; and provided further, that no part of the activities of the Association shall be carrying on propaganda, or otherwise attempting to influence legislation, or participating in, or intervening in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office.

ARTICLE FIVE

Place of Business; Registered Office

The principal place of business of the Association will be at 2020 Haddon, Houston, Texas 77019. The post office address of the initial registered office of the Association is 2020 Haddon, Houston, Texas 77019, and the name of its initial registered agent at such address is Melvin B. Kling, Jr.

ARTICLE SIX

Directors

The business affairs of the Association shall be managed by a Board of Directors consisting of the number of directors determined from time to time as provided in the Bylaws of the Association. The number of directors may be changed by amendment of the Bylaws of the Association, but shall in no event be less than three (3) nor more than seven (7). The initial Board of Directors of the Association shall consist of five (5) directors. Directors need not be members of the Association. Directors shall be elected by the Members in the manner determined by the Bylaws, and may be removed and vacancies on the Board of Directors shall be filled in the manner provided for in the Bylaws.

The names and addresses of the persons who are to act initially in the capacity of directors until the selection of their successors are:

Melvin B. Kling, Jr.	2020 Haddon Houston, Texas 77019
Michael J. Lallinger	2020 Haddon Houston, Texas 77019
Barbara W. Lallinger	2020 Haddon Houston, Texas 77019
Joseph E. Russell	2020 Haddon Houston, Texas 77019
Cyril J. Smith	2020 Haddon Houston, Texas 77019

ARTICLE SEVEN

Incorporators

The name and street address of each of the incorporators is:

Melvin B. Kling, Jr.	2020 Haddon Houston, Texas 77019
----------------------	-------------------------------------

Michael J. Lallinger

2020 Haddon
Houston, Texas 77019

Barbara W. Lallinger

2020 Haddon
Houston, Texas 77019

ARTICLE EIGHT

Members

Every person or entity who is now or hereinafter becomes an Owner shall automatically be a member of the Association, and membership in the Association shall be appurtenant to and may be separated from ownership of any Condominium. Change of membership in the Association shall be established only when the following have been accomplished:

(a) An Assignment or other instrument of transfer establishing a change in the record title to a Condominium shall have duly executed and recorded in the office of the County Clerk of Harris County, Texas; and

(b) The Owner transferring the Condominium shall have notified the Board of Directors in writing of the name and address of the transferee and the nature of the transfer and the Apartment transferred, as well as such other information relative to the transfer and transferee as the Board of Directors may reasonably request. Such notice shall also contain an executed or certified copy of the instrument of transfer.

The provisions of this paragraph shall not apply to sales of Condominium by Developer.

The interest and proportionate share of each Member in the Association shall be assigned, hypothecated or transferred in any manner whatsoever except as an appurtenant to a Condominium.

ARTICLE NINE

Voting Rights of Member

The Association shall have two classes of voting memberships:

CLASS A: Class A Members shall be all Members with the exception of Developer. Class A Members shall be entitled to one (1) vote for each Condominium in which they hold the interest required for membership. When more than one person holds such interest or interests in any Condominium, all such persons shall be Members, and the vote for such Condominium shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any such Condominium.

CLASS B: The Class B Member(s) shall be the Developer. The Class B Member(s) shall have a total of votes equal to one more than the total number of votes of the Class A Members. However, at such time as the total number of Condominiums owned by the Class A Members equals or exceeds three (3) times the total number of Condominiums owned by the Class B Member(s), the Class B Member(s) shall, during the time such equality or excess continues, be entitled to only one (1) vote for each Condominium owned by it. Control of the Association shall become vested in the Class A Members not later than the earlier of (i) 120 days after completion of transfer to such Class A Members of title to Condominiums representing seventy-five percent (75%) of the Condominiums in the Project, or (ii) _____.

ARTICLE TEN

Merger and Consolidation

To the extent permitted by law, the Association may participate in mergers and consolidations only with other non-profit corporations for the same general purpose as the Association.

ARTICLE ELEVEN

Indemnification of Directors and Others

The Members of the Board of Directors and officers of the Association shall not be personally liable to the Association, Owners or others for any mistake of judgment or for any acts or omissions made in good faith acting as such Board members or officers individually or collectively. Each member of the Board of Directors and each officer shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, or any settlement thereof, by reason of his being or having been a member of the Board of Directors or an officer of the Association, whether or not he is a member of the Board of Directors or an officer at the time such expenses are incurred, except in such cases wherein the member of the Board of Directors or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in event of a settlement, the indemnification shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interests of the Association.

ARTICLE TWELVE

Amendments

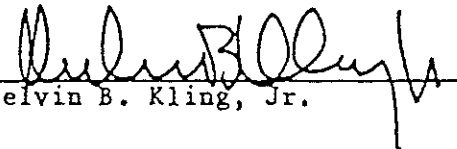
Amendment of these Articles shall require the assent of the Members entitled to cast two-thirds (2/3) of the votes of the Association; provided that no amendment shall be made which would cause these Articles to be in conflict with the terms or provisions of the Declaration or which would change the status and purpose of the Association as a non-profit corporation.

ARTICLE THIRTEEN

Distribution of Assets Upon Dissolution

Upon dissolution of the Association, the assets both real and personal of the Association shall be (i) granted, conveyed and assigned to any non-profit corporation, association, trust or other organization engaged in activities substantially similar to those of the Association and which are qualified as exempt organizations under the Internal Revenue Code of 1954, or the corresponding provisions of any future United States Internal Revenue Law, or (ii) dedicated to an appropriate public agency to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association.


IN WITNESS WHEREOF, we have hereunto set our hands this 28th day of September, 1984.



Melvin B. Kling, Jr.



Michael J. Lallinger



Barbara W. Lallinger

K-L Developers Inc.

DECLARATION AND MASTER DEED

FOR

PURDUE COURT TOWNHOMES

DATED: September 28, 1984

THIS IS A TRUE AND CORRECT COPY
OF THE ORIGINAL INSTRUMENT AS
RECORDED FOR RECORD IN THE OFFICE
OF THE COUNTY CLERK.

Volume 149 Page 58

NOTICE - SECTION 8.01 (c) OF THIS INSTRUMENT IS SUBJECT TO ARBITRATION
UNDER THE TEXAS GENERAL ARBITRATION ACT, ARTICLES 224 THROUGH 238-b, TEXAS
REVISED CIVIL STATUTES ANNOTATED, AS AMENDED.

TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS	2
ARTICLE II	PROPERTY SUBJECT TO THIS DECLARATION	6
2.01	Description and Ownership of Project and Apartments	6
2.02	Parking Spaces	7
2.03	Balconies and Patios	7
2.04	Ownership of Common Elements	7
2.05	Alteration of Apartments	8
2.06	Easements	8
2.07	Encroachments	9
2.08	Sale of Interest in Common Elements	9
ARTICLE III	ORGANIZATION AND MANAGEMENT	10
3.01	The Board of Directors	10
3.02	Voting	10
3.03	Election, Tenure and Proceedings of Board of Directors	11
3.04	Consent of Owners in Lieu of Meeting	11
3.05	Delegation	11
3.06	Powers and Duties of Board of Directors	13
3.07	Additional Rights, Powers and Duties of the Board	15
3.08	Board Powers, Exclusive	18
3.09	Membership in the Association	18
3.10	Limited Liability of the Board and the Owners	18
3.11	Availability of Records	19
ARTICLE IV	ASSESSMENTS - MAINTENANCE FUND	19
4.01	Estimated Cash Requirements; Assessments	19
4.02	Omission of Assessments	20
4.03	Detailed Records	21
4.04	Commencement of Payment of Assessments; Taxes	21
4.05	Maintenance Fund; Working Capital Fund	21
4.06	No Exemption from Liability	22
4.07	Default in Payment of Assessments	22
4.08	Payment of Assessments Upon Sale or Conveyance of an Apartment	26

ARTICLE V	PROVISIONS WITH RESPECT TO THE APARTMENTS, THE COMMON ELEMENTS AND MORTGAGES	27
5.01	Each Owner's Obligation to Repair	27
5.02	Alterations, Additions and Improvements	28
5.03	Restrictions on Use of Apartments and Common Elements	29
5.04	Liability of Owners for Negligence	30
5.05	Rules of the Board	31
5.06	Abatement of Violations	31
5.07	Advances, Powers to Enforce Declaration of Owners and Mortgagees	32
5.08	Failure of the Board to Insist on Strict Performance No Waiver	32
5.09	Mortgagee Protection Provisions	33
5.10	Right of Access	36
5.11	Use by Developer	36
5.12	Transfers	37
5.13	Right of Ingress and Egress	37
ARTICLE VI	INSURANCE	38
6.01	Maintenance of Hazard Insurance	38
6.02	Insurance Trustee	40
6.03	Maintenance of Liability Insurance	42
6.04	Flood Insurance	43
6.05	Fidelity Bonds	43
6.06	Governing Provisions	44
6.07	Premiums	46
6.08	Distribution of Proceeds	46
6.09	Responsibility of Each Owner	47
ARTICLE VII	DAMAGE AND DESTRUCTION	47
7.01	Reconstruction or Repair	47
7.02	Insufficiency of Proceeds	47
ARTICLE VIII	MISCELLANEOUS	49
8.01	Eminent Domain	49
8.02	Audit	52
8.03	Personal Property	52
8.04	No Partition	52
8.05	Effect and Interpretation	53
8.06	Amendment	54
8.07	Severability	56
8.08	Power of Attorney	56

CORRECTED

DECLARATION AND MASTER DEED
FOR
PURDUE COURT TOWNHOMES
(with Deed of Trust to Secure Assessments)

THIS DECLARATION AND MASTER DEED made this 29th day of Sept. 1984 by K-L Developers, Inc., a Texas corporation ("Developer"), pursuant to the provisions of the Texas Condominium Act, Article 1301a of the Texas Revised Civil Statutes (the "Act"), for the purpose of submitting the hereinafter described real property and the improvements located thereon to a condominium regime:

W I T N E S S E T H:

WHEREAS, Developer is the owner of a certain real property locally known as Purdue Court Townhomes consisting of approximately 20,365 square feet of land (the "Land") located in Harris County, Texas, as more particularly described on Exhibit "A" attached hereto and made a part hereof for all purposes, together with four (4) residential buildings (the "Buildings") containing a total of fourteen (14) apartment units, uncovered parking areas, and certain other improvements located thereon (such real property and improvements located thereon being sometimes hereinafter called the "Project"); and

WHEREAS, it is the desire and intention of Developer, by recording this Declaration and Master Deed, to establish a Condominium Project (as defined in the Act) to be known as Purdue Court Townhomes under the provisions of the Act and to impose upon the Project mutually beneficial restrictions under a general plan for the benefit of all of the condominium apartments contained therein and the owners thereof; and

NOW, THEREFORE, Developer does, upon the recording hereof, establish the Project as a Condominium Project under the Act and does hereby declare that the Project shall, after such establishment, be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied, and improved and in any manner utilized, subject to the provisions of the Act and to the covenants, conditions, restrictions, uses, limitations and affirmative obligations set forth in this corrected Declaration and Master Deed, all of which are declared and agreed to be in furtherance of a plan for the improvement of said property and the division thereof into CONDOMINIUMS, and all of which shall run with the land and shall be binding on all parties (including Owners, as hereafter defined) having or acquiring any right, title, or interest in the Project or any part thereof, and shall be for the benefit of each Owner of any portion of the Project, or any interest therein, and shall inure to the benefit of and be binding upon each successor in interest of the Owners thereof.

ARTICLE I

DEFINITIONS

Certain terms as used in this Declaration shall be defined as follows, unless the context clearly indicates a different meaning therefore:

(a) "Act" shall mean the Texas Condominium Act, Article 1301a of the Texas Revised Civil Statutes, and as the same may be amended from time to time.

(b) "Apartment" shall mean an enclosed space consisting of one (1) or more rooms occupying all or part of a floor in a building of one (1) or more floors or stories regardless of whether it is designed for a residence or for any other type of independent use, provided it has a

direct exit to a thoroughfare or to common space leading to a thoroughfare. Each Apartment shall be the element of a Condominium which is not owned in common with the Owners of other Condominiums in the Project. Each Apartment is identified in a diagramatic floor plan of the building in which it is situated as shown on the Plan and shall consist of a fee simple interest bounded by the interior surfaces of the perimeter walls, floors, ceilings, windows, and doors thereof and an Apartment includes both the portions of the building so described and the air space so encompassed. Heating or air conditioning equipment serving an Apartment exclusively shall be part of such Apartment.

(c) "Association" shall mean the Purdue Court Townhomes Co-Owners, Inc., a non-profit corporation organized pursuant to the Texas Non-Profit Corporation Act, of which all Owners shall be members and through which the Owners shall act as a council of co-owners (as defined in the Act), which corporation shall administer the operation and management of the Project as a Condominium Project.

(d) "Board of Directors" or "Board" shall mean the governing body of the Association, elected pursuant to the Bylaws of the Association.

(e) "Bylaws" shall mean such Bylaws of the Association adopted by the Board, and as the same may be amended from time to time.

(f) "Common Elements" shall mean both the General Common Elements and the Limited Common Elements.

(g) "Condominium" shall mean the entire estate in the real property owned by any Owner, consisting of an undivided interest in the General Common Elements, any Limited Common Elements allocated to his Apartment, and ownership of a separate interest in an Apartment.

(h) "Declaration" shall mean this instrument.

(i) "Developer" shall mean K-L Developers, Inc., its successor and any assignee, other than an Owner, who shall receive by assignment from the said K-L Developers, Inc. all, or a portion, of its rights hereunder as such Developer, by an instrument expressly assigning such rights as Developer to such assignee.

(j) "Eligible Holder" shall mean and include the following:

(i) any Mortgagee;

(ii) FNMA or FHLMC to the extent either shall hold any Mortgage; and;

(iii) FHA or VA to the extent either shall insure or guarantee any Mortgage.

(k) "FHA" shall mean the Federal Housing Administration.

(l) "FHLMC" shall mean the Federal Home Loan Mortgage Corporation.

(m) "FNMA" shall mean the Federal National Mortgage Association.

(n) "General Common Elements" shall mean and include the following:

(i) the Land;

(ii) the foundations, bearing walls, perimeter walls and columns;

(iii) roofs, halls, lobbies, stairways, and entrances and exits or communication ways;

(iv) the compartments or installations of central services such as central air-conditioning and heating, power, light, electricity, telephone, gas, cold and hot water, plumbing, reservoirs, water tanks and pumps, incinerators and the like, and all similar devices and installations existing for common use;

(v) the premises and facilities, if any, used for the maintenance or repair of the Condominium Project;

- (vi) all common recreational facilities such as the swimming pool and the grounds, yards and walkways;
- (vii) greens, gardens, balconies and patios (subject to the provisions of Section 2.03 hereof), storage sheds, service streets and parking areas (subject to the provisions of Section 2.02 hereof); and
- (viii) all other elements desirable or rationally of common use or necessary to the existence, up keep and safety of the Condominium Project.

(o) "Limited Common Elements" shall mean and include those items which would otherwise be considered General Common Elements which are reserved by the Developer for the use of Owners of specific Apartments to the exclusion of other Owners, such as entry halls, stairways, balconies, patios areas, storage buildings, and parking spaces, both open and covered. The Limited Common Elements shall either be designated by Developer on the Plan or in each Condominium deed with both an address and a letter corresponding to an Apartment address and letter as set forth in the Plan, and such Limited Common Elements shall be appurtenant to each such Apartment.

(p) "Managing Agent" or "Manager" shall mean the person or firm designated by the Developer or the Board of Directors as hereafter provided to manage the affairs of the Project.

(q) "Mortgage" shall mean a first lien deed of trust as well as a first lien mortgage on one or more Condominiums.

(r) "Mortgagee" shall mean a beneficiary under or holder of a Mortgage. Each Mortgagee shall give to the Association written notice that it is the beneficiary under or holder of a Mortgage affecting all or any part of the Project, as hereinafter defined.

(s) "Owner" shall mean and refer to every person or entity who is a record owner of a fee or an undivided fee interest in any Condominium, including contract sellers. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

(t) "Plan" shall mean the Condominium Plan of the Project attached hereto as Exhibit "C" and made a part hereof for all purposes.

(u) "Project" shall mean the Property and all structures and improvements now or hereafter erected thereon, together with all additions which may hereafter be made thereto as provided in Article II.

(v) "Property" shall mean the Land together with the easements appurtenant thereto.

(w) "VA" shall mean the Veterans Administration.

ARTICLE II

:PROPERTY SUBJECT TO THIS DECLARATION

2.01. Description and Ownership of Project and Apartments. The Project covered by this Declaration is called Purdue Court Townhomes. The Project consists of four (4) buildings, containing a total of fourteen (14) Apartments, twenty-four (24) parking spaces, and Common Elements. Each Owner shall be entitled to exclusive ownership and possession of his Apartment. The legal estate of each Owner of a Condominium shall be fee simple. The percentage undivided interest of each Owner in the Common Element shall not be separated from the Apartment to which it appertains and shall be deemed to be conveyed or encumbered or released from liens with the Apartment even though such interest is not expressly

mentioned or described in the document of conveyance or other instrument.

2.02. Parking Spaces. The Project will contain sufficient parking space to accommodate at least one automobile for each Apartment. Each Owner shall have the right to use of such space for at least one automobile, i.e., each Owner shall, in addition to owning a fee simple interest in his Apartment, have an exclusive easement, appurtenant to his Apartment for the use of one parking space, and may be granted an exclusive easement for the use of one or more additional parking spaces, as designated in the Plan or granted in the Condominiums deed to the Owner. Such easement shall not entitle the Owner to (i) construct any garage, carport, or other structure upon the parking space or spaces, or (ii) alter or remove any existing garage, carport or other structure upon the parking space or spaces. The Board shall have the right to grant an Owner the exclusive use of any unassigned parking space.

2.03. Balconies and Patios. The balconies and patios, if any, shown and graphically described in the floor plan attached to the Plan are Limited Common Elements. Each Owner whose Apartment has sole access to a balcony or patio shall have an exclusive easement for the use thereof, but such easement shall not entitle an Owner to construct anything thereon or to change any structural part thereof.

2.04. Ownership of Common Elements. Each Owner shall own an undivided interest in the Common Elements as a tenant in common with all other Owners of the Project, and except as otherwise limited in this Declaration, shall have the right to use the General Common Elements for all purposes incidental to the use and occupancy of his Apartment as a place of residence, and such other incidental uses permitted by this Declaration, without hindering or be appurtenant to and run with the Apartment. The extent or amount of such

encroaching upon the lawful rights of the other Owners, which right shall be ownership shall be expressed by a percentage relating to each Apartment and shall remain constant, unless changed by the unanimous approval of all Owners and Mortgagees. The percentage ownership in the Common Elements relating to each Apartment is as set forth on Exhibit "D" attached hereto. None of the Common Elements, recreational facilities, parking spaces or other amenities contemplated as a part of the Project shall be leased to the Owners or to the Association; nor shall the same be subject to any other restriction in favor of Developer or any affiliate of Developer except as provided in Section 5.11 hereof.

2.05. Alteration of Apartments. Developer reserves the right to change the interior design and arrangement of all Apartments and to alter the boundaries between Apartments so long as Developer owns the Apartments so altered. No such change shall increase the number of Apartments nor alter any boundaries of the Common Elements without an amendment of this Declaration approved by the Owners and Mortgagees in the manner elsewhere herein provided. Changes in the boundaries between Apartments, as hereinbefore provided shall be reflected by an amendment of the Plan and, if necessary, of this Declaration.

2.06. Easements.

A. The Board, on behalf of the Association, shall have the right to grant utility easements under, through, or over the Common Elements, which are reasonably necessary to the ongoing development and operations of the Project; provided, however, that easements of such nature through an Apartment shall only be such as are shown in the plans for the building to be constructed, or as the building shall be constructed, unless approved in writing by the Owner and Mortgagee of the servient Apartment.

B. There are appurtenant to the Apartments air conditioning compressors which are located in the General Common Elements appurtenant to such Apartments. An easement is hereby reserved in favor of each Apartment for the purpose of placement, maintenance, repair and replacement of the said air conditioning compressors by Developer and the respective Owners; provided that no air conditioning compressor shall be placed in any part of the General Common Elements other than the present location unless the written approval of the Board shall have been first obtained.

2.07. Encroachments. The existing physical boundaries of an Apartment reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries rather than any metes and bounds description expressed in the Plan or in an instrument conveying, granting or transferring an Apartment, regardless of settling or lateral movement and regardless of minor variances between boundaries shown on the Plan or reflected in the instrument of grant, assignment or conveyance and those existing from time to time. In the event any portion of the Common Elements encroaches upon any Apartment or any Apartment encroaches upon the Common Elements or another Apartment, as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the Project, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

2.08. Sale of Interest in Common Elements. No Owner shall be entitled to sell, lease or otherwise convey his interest in any of the Common Elements, or in any element of the component interests which comprise his Condominium, except in conjunction with a conveyance of his Condominium, and any attempted or purported transaction in violation of this provision shall be void.

ARTICLE III

ORGANIZATION AND MANAGEMENT

3.01. The Board of Directors. The Project shall be organized and operated as a condominium residential development. The Owners shall operate the Project as provided herein through the Association. The Board of Directors of the Association shall consist of not less than three (3) nor more than seven (7) members, the exact number to be fixed from time to time by the Owners of a majority of the Apartments. The initial Board of Directors shall consist of five (5) members.

3.02. Voting. The Association shall have two classes of voting membership:

CLASS A: Class A Members shall be all Owners with the exception of Developer. Class A Members shall be entitled to one (1) vote for each Condominium in which they hold the interest required for membership. When more than one person holds such interest or interests in any Condominium, all such persons shall be Members, and the vote for such Condominium shall be exercised as they, among themselves, determine but in no event shall more than one vote be cast with respect to any such Condominium.

CLASS B: The Class B Member(s) shall be Developer. The Class B Member(s) shall have a total number of votes equal to one (1) more than the total number of votes of the Class A Members. However, at such times as the total number of Condominiums owned by the Class A Members equals or exceeds three (3) times the total number of Condominiums owned by the Class B Member(s), the Class B Member(s) shall, during the time such equality or excess continues, be entitled to only one (1) vote for every Condominium owned by it. Control of the Association shall become vested in the Class A Members not later than

the earlier of (i) 120 days after completion of transfer to such Class A Members of title to Condominiums representing seventy-five percent (75%) of the Condominiums in the Project, or (ii) January 31, 1987.

3.03. Election, Tenure and Proceedings of the Board of Directors.

A. At the organizational meeting of the Association, as provided in the Bylaws, the Owners shall elect a new Board of Directors and at each annual meeting the Owners shall elect members of the Board to replace the members whose terms have expired, as provided in the Bylaws. Members of the Board (other than the initial Board of Directors as specified in the Articles of Incorporation) shall be Owners or spouses of Owners. If an Owner is a partnership or corporation, any partner or officer thereof shall qualify as an Owner and may be a member of the Board. A majority of the total number of members on the Board shall constitute a quorum. Members of the Board elected at the organization meeting shall serve until the first annual meeting. At the first annual meeting, five (5) Board members shall be elected.

B. At the organization meeting, each member of the Board shall be elected for a term of one (1) year. Thereafter, members of the Board shall serve for a term of two (2) years and until their respective successors are elected, or until their death, resignation or removal; provided, that if any member ceases to be an Owner, or the spouse of an Owner, his membership on the Board shall thereupon terminate. Any member of the Board may resign at any time by giving written notice to the other members of the Board, and any member of the Board may be removed from membership on the Board by the vote of the Owners of a majority of the Condominiums. Any vacancy in the Board shall be filled by the other members of the Board, provided that the Owners, acting at a meeting called within ten (10) days after the occurrence of the vacancy, may fill the vacancy.

C. The Board may act (i) by majority vote at a meeting at which a majority of its members are present and of which notice has been given or for which notice has been waived, or (ii) by the unanimous written consent of its members without meeting. The Board shall by resolution establish the required notice of meetings and other regulations for the conduct of meetings.

3.04. Consent of Owners in Lieu of Meeting.

A. Any action, except election of the Board, which may be taken by the vote of the Owners at a meeting, may be taken without a meeting if authorized by the written consent of the Owners owning at least a majority of the Condominiums; provided that if any greater proportion of voting power is required for such action at a meeting, then such greater proportion of written consents shall be required; and provided further, however, that no amendment to this declaration shall be effected except pursuant to a meeting of the owners, as required by Section 8.06 A and the Act.

B. In no instance where action is authorized by written consent need a meeting of Owners be called or noticed.

3.05. Delegation. The Board shall elect (i) a President of the Association who shall preside over both its meetings and those of the Owners, and who shall be the chief executive officer of the Association, (ii) a Secretary who shall keep the minutes of all meetings of the Board and of the Owners and who shall in general perform all the duties incident to the office of Secretary, (iii) a Treasurer to keep the financial records and books of account, and (iv) such additional officers as shall be authorized by the Bylaws of the Association. The Board may delegate any of its duties, power or functions, including, but not limited to, the authority to give the certificates provided for in Article IV hereof, to any person or firm, to act as a Manager of the Project or any

separate portion thereof, provided that any such delegation shall be revocable upon not more than thirty (30) days written notice by the Board. The members of the Board shall not be liable for any omission or improper exercise by the Manager of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

3.06. Powers and Duties of Board of Directors. The Board, for the benefit of the Condominiums and the Owners, shall provide, and shall pay for out of the maintenance fund hereinafter provided, the following:

(a) Taxes and assessments, and other liens and encumbrances, which shall properly be assessed or charged against the Project or the Common Elements rather than against the individual Owners and individual Apartments. The Board will endeavor to have each Condominium separately assessed and each Owner shall execute such instruments and take such action as may reasonable be required by the Board to obtain such separate assessment;

(b) Exterior maintenance, painting, gardening, care, preservation and any desired minor improvements for each Apartment and the Common Elements, and full maintenance of an utility services for the Common Elements, including the parking spaces and streets, and all other improvements to the Project except for those items specifically required to be maintained by each Owner hereunder, and including furnishing and upkeep of any desired personal property for use in the Common elements;

(c) Maintenance of utility systems in the Common Elements, and any required structural repairs. The Owner of each Condominium shall pay for maintenance and repair of heating, plumbing and air conditioning systems which service only his Condominium, and shall pay for any repairs

resulting from his fault or neglect or that of any of his guests or any occupant of his condominium;

(d) Maintenance and repair of any Apartment of a type normally the sole responsibility of the Owner of the Apartment if such maintenance or repair is reasonably necessary in the discretion of the Board to protect the interest of Owners generally and if the Owner of the Apartment has failed or refused to perform such maintenance or repair; provided, however, that the Board shall levy a special assessment against the Condominium of which the Apartment is a part for repayment of the cost of such maintenance or repair;

(e) Legal and accounting services;

(f) A multi-peril policy or policies of insurance insuring the Project (including Common Elements and the Apartments) against loss or damage by the perils of fire, lightning and those contained in the extended coverage, vandalism and malicious mischief endorsements, as required by Section 6.01 hereof;

(g) A policy or policies of insurance insuring the Board, the Association, the Owners, and the Managing Agent against any liability to the public or to the Owners (and their invitees or tenants), incident to the ownership or use of the Project, as required by Section 6.03 hereof;

(h) Workmen's compensation insurance to the extent necessary to this Declaration;

(j) Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments (including taxes or assessments assessed against an individual Owner) which the Board is required to obtain or pay for pursuant to

the terms of this Declaration or by law or which in its opinion shall be necessary or proper for the operation or protection of the project or for the enforcement of this Declaration; provided that if any such materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments are determined by the Board to be for the special benefit of particular Apartments, the cost thereof shall be specially assessed to the Owners of the Condominiums of which such is Apartments are a part.

3.07. Additional Rights, Powers and Duties of the Board. The Board shall have the following additional rights, powers, and duties:

(a) To execute all declarations of ownership for tax assessment purposes with regard to the Common Elements, on behalf of all Owners;

(b) To borrow funds to pay costs of operation, secured by assignment or pledge of rights against delinquent Owners, if the Board sees fit;

(c) To enter into contracts, maintain one or more blank accounts (granting authority as the Board shall desire to one or more persons to sign checks), and generally, to have all the powers of an apartment house manager;

(d) To protect or defend the Project from loss or damage by suit or otherwise, and to provide adequate reserves for replacements;

(e) To make reasonable rules and regulations for the operation of the Project and to amend them from time to time, provided that any rule or regulation may be amended or repealed by an instrument in writing signed by the Owners of a majority of the Condominiums or, with respect to a rule applicable to less than all of the Project, by the Owners of a majority of the Condominiums in the portions affected (without limiting the general-

ity of the foregoing language, the rules and regulations must provide that any pet deemed a nuisance by the Board shall be removed from the premises and may provide for limitations on use of the swimming pool, tennis courts or other common recreational areas during certain periods by youthful persons, visitors or otherwise);

(f) To make available to each Owner within sixty (60) days after the end of each year an annual report and, upon the written request of the Owners of one-third (1/3rd) of the Condominiums, to have such report audited by an independent certified public accountant, which audited report shall be made available to each Owner within thirty (30) days after completion;

(g) To adjust the amount, collect, and use any insurance proceeds to repair damage or replace lost property; and if proceeds are insufficient to repair damage or replace lost property, to assess all Condominiums in proportionate amounts to cover the deficiency;

(h) To sell the entire Project for the benefit of the Owners when Partition of the Project may be had under Section 8.04 hereafter;

(i) To enforce the provisions of the Bylaws, this Declaration, and any rules made hereunder and to enjoin and seek damages from any Owner for violation of such provisions or rules;

(j) The Board or its agents upon reasonable notice may enter any apartment when necessary in connection with any maintenance or construction for which the Board is responsible. The Board or its agents may likewise enter any balcony or stairway for maintenance, repairs, construction or painting. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board at the expense of the maintenance fund;

(k) The Board's power hereinabove enumerated shall be limited in that the Board shall have no authority to acquire and pay for out of the maintenance fund any structural alterations, captial additions to, or capital improvements of the Common Elements (other than for purposes of replacing or restoring portions of the Common Elements, subject to all the provisions of this Declaration) requiring an expenditure in excess of Ten Thousand Dollars (10,000) [exclusive of any insurance proceeds applied to such alterations, additions, improvements, or repair of damages], without in each case the prior approval of the Owners holding a majority of the total votes of the Association. Expenditures for such purposes shall be made from the maintenance fund;

(1) All agreements, contracts, deeds, leases, vouchers for payment of expenditures and other instruments shall be signed by such officer or officers, agent or agents of the Association and in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by the Treasurer and countersigned by the President of the Association;

(m) The Board shall engage an experienced, professional person or firm as the Managing Agent. Any management agreement for the Project shall be terminable by the Association for cause upon 30 days' written notice thereof and shall be subject to the provisions of Section 3.07(n) hereof.

(n) The Board shall have the authority to enter into contracts, leases, or to grant licenses or concessions with respect to any part of the Common Elements, subject to the terms of this Declaration. All such contracts (including a management agreement), leases, licenses, and con-

cessions shall provide that the Association shall have the right of termination of any such contract, lease, license, or concession, without cause, which is exercisable without penalty at any time after transfer of control to Class A Members pursuant to Section 3.02 hereof, upon not more than ninety (90) days' notice to the other party thereto. Nothing hereinabove contained shall be construed to give the Board authority to conduct an active business for profit on behalf of the Association or the Owners.

3.08. Board Powers, Exclusive. The Board, on behalf of the Association, shall have the exclusive right to contract for all goods, services, and insurance, payment for which is to be made from the maintenance fund and the exclusive right and obligation to perform the functions of the Board, except as otherwise provided herein.

3.09. Membership in the Association. Every Owner shall be a member of the Association, entitled to vote as herein provided, but such membership and voting rights shall automatically terminate upon the sale, transfer or other disposition by such member of his Condominium, at which time the new Owner shall automatically become a member of the Association. The Association may issue nontransferable certificates evidencing membership therein.

3.10. Limited Liability of the Board and the Owners. The members of the Board shall not be personally liable to the Owners or others for any mistake of judgment or for any acts or omissions made in good faith as such Board member, or acting as the Board. Each member of the Board shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with

any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a member of the Board, or any settlement thereof, whether or not he is a member of the Board at the time such expenses are incurred, except in such cases wherein the member of the Board is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that, in the event of a settlement and reimbursement as being for the best interests of the Association. Every agreement made by the Board, Developer or by the Managing Agent on behalf of the Association shall provide that the members of the Board, Developer or the Managing Agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder.

3.11. Availability of Records. The Association shall make available to Owners, Eligible Holders and Mortgagees, during normal business hours or under other reasonable circumstances, current copies of this Declaration, the Bylaws and other rules governing the Project, and other books, records and financial statements of the Association. The Association shall make available to prospective purchasers of Condominiums current copies of the Declaration, Bylaws, other rules governing the Project, and the most recent annual audited financial statement, if such is prepared.

ARTICLE IV

ASSESSMENTS - MAINTENANCE FUND

4.01. Estimated Cash Requirements; Assessments.

A. Commencing upon the conveyance of the first Condominium and, thereafter, within thirty (30) days prior to the beginning of each succeeding

calendar year, the Board shall estimate the net charges to be paid during such year (including a reasonable provision for contingencies, replacements and such amounts as are necessary to fund the amounts required by Section 4.05 hereof, and less any expected income and any surplus from the prior year's fund). Such "estimated cash requirement" shall be assessed to the Owners according to the percentage interest of each in the Common Elements. If the said estimated sum proves inadequate for any reason, including nonpayment of an Owner's assessment, the Board may at any time levy a further assessment, which shall be assessed to the Owners in like proportions, unless otherwise provided herein. Each Owner, including Developer, who shall pay 25% of the assessment shall be obligated to pay assessments made pursuant to this paragraph to the Association in equal monthly installments on or before the first (1st) day of each month during such year, or in such other reasonable manner as the Board shall designate.

B. Subject to the provisions of Section 3.02 hereof, the rights, duties and functions of the Board set forth in this Article IV may, at the election of Developer, be exercised by Developer for the period commencing on the date hereof and ending on Jan 31, 1987.

C. All funds collected hereunder shall be expended for the purposes designated herein.

4.02. Omission of Assessments. The omission by the Board, before the expiration of any year, to fix the assessments hereunder for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of any Owner from the obligation to pay the assessments or any installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed.

4.03. Detailed Records. The Board shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Elements, specifying and itemizing the maintenance and repair expenses authorizing the payments involved shall be available for examination by any Owner at convenient hours of weekdays.

4.04. Commencement of Payment of Assessments; Taxes. Each owner shall pay monthly assessments as above specified commencing with the close of the purchase of the Condominium owned by the Owner. In addition, each Owner shall pay, within ten (10) days after notice by Developer or the Board as to the amount due, which notice shall be given at least fifteen (15) days prior to delinquency of the taxes, an amount equal to the portion of real property taxes and utility bills attributable to his Condominium which are assessed or charged against the project rather than against the Condominiums.

4.05. Maintenance Fund; Working Capital Fund.

A. The Association shall establish and maintain an adequate maintenance fund for the periodic maintenance, repair and replacement of improvements to the General Common Elements and those Limited Common Elements which the Association may be obligated to maintain. The monthly assessments collected by the association shall constitute the maintenance fund for the Project. The Board may at any time ratably increase or decrease the amounts of monthly assessments to such level as shall be reasonably necessary in the judgment of the Board to cover obligations of the Association under this Declaration, including provisions of reasonable reserves for replacements. Except as otherwise provided herein, during any one fiscal year, the total increases in the amounts of monthly assessments shall not exceed twenty percent (20%) of the total assessments for the preceding fiscal year. The Board is obligated to

maintain assessments at a level sufficient to enable payment of all costs of operation of the Project.

B. The Association shall establish a working capital fund for the initial months of the Project operation equal to a least two months' estimated Common Element charges for each Condominium. Each Owner's share of the working capital shall (i) be collected and transferred to the Association at the time of closing of the sales of each Condominium and (ii) be maintained in a segregated account for the use and benefit of the Association. The contribution to the working capital fund for each unsold Condominium shall be paid to the Association within sixty (60) days after the date of conveyance of the first Condominium in the Project.

4.06. No Exemption from Liability. No Owner may exempt himself from liability for his assessment by any waiver of the use or enjoyment of the Common Elements, or by the abandonment of his Condominium, but an Owner shall not be liable for assessments accruing after consummation of a transfer of his Condominium accomplished in accordance herewith, or after he has executed and delivered to the Board a recordable instrument conveying to the Association his interest in his Condominium free and clear of all liens and encumbrances other than a Mortgage held by an Eligible Holder, a bank, savings and loan association, insurance company or similar institutional lender and/or a mortgage held by Developer and/or the lien for unpaid assessments.

4.07. Default in Payment of Assessments. There is hereby created a present deed of Trust lien upon each Condominium to secure the payment of all assessments, whether regular or special, levied by the Board pursuant to the terms hereof. In connection therewith, and for the purpose of securing the payment of the aforesaid assessments, Developer hereby grants, sells and

conveys to the Association, as Trustee, the Condominiums, IN TRUST, upon the terms and conditions herein set forth, and for such purposes this Section 4.07 shall constitute a deed of trust under the laws of the State of Texas. The deed of trust lien to secure the payment of assessments granted in this Section 4.07 and other lien which the Association may have on any Condominium for (i) common expense charges and assessments becoming payable on or after the date of recordation of the first Mortgage on any Condominium or (ii) any fees, late charges, fines or interest that may be levied by the Association in connection with unpaid assessments shall be subordinate to the lien or equivalent security interest of any Mortgage on any Condominium. Each assessment shall be a separate, distinct and personal debt and obligation of the Owner against whom the same is assessed. The personal obligations for assessments described in the preceding sentence shall not pass to successors in title to the Owner unless assumed by them, or required by applicable law. Any delinquent assessment shall, after thirty (30) days' delinquency, bear interest from the original due date at the highest lawful rate. In the event of a default or defaults in payment of any assessment or assessments, and in addition to any other remedies herein or by law provided, the Board may enforce each such obligation as follows:

(a) By suit or suits at law to enforce each such assessment obligation. Each such action must be authorized by a majority of the Board, and any such suit may be instituted on behalf of the Association by any one (1) member of the Board or by the Manager, if the latter is so authorized in writing. Each such action shall be brought in the name of the Association and the Association shall be deemed to be acting on behalf of all the Owners. Any judgment rendered in any such action shall include,

where permissible under any law, a sum for reasonable attorneys' fees in such amount as the court may adjudge against such defaulting Owner. Upon full satisfaction of any such judgment, it shall be the duty of the President of the Association, acting in the name of the Association, to execute and deliver to the judgment debtor an appropriate satisfaction thereof.

(b) At any time within ninety (90) days after the occurrence of any such default, the Board may give a notice to the defaulting Owner, which notice shall state the date of the delinquency and the amount of the delinquency, and make a demand for payment thereof. If such delinquency is not paid within ten (10) days after delivery of such notice, the Board may elect to record a notice of assessment against the Condominium of such delinquent Owner. Such notice of assessment shall state (1) the name of the record Owner, (2) a description of the Condominium against which the assessment is made, (3) the amount claimed to be due and owing, (4) that the notice of assessment is made by the Board pursuant to the terms of this Declaration (giving the date of execution and the date, book and page references of the recording hereof in the Office of the Clerk of the County of Harris, Texas), and (5) that a lien is claimed against the described Condominium in an amount equal to the amount of the stated delinquency. Any such notice of assessment shall be signed and acknowledged by any member of the Board. Upon recordation of a duly executed original or duly executed copy of such notice of assessment by the Clerk of the County of Harris, the Deed of Trust lien herein created shall immediately become subject to foreclosure, subject only to the limitations hereinafter set forth. Each default shall constitute a separate basis for a notice of assessment or a lien. If any

Owner shall continue to default in the payment of any assessment payable hereunder for a period of ten (10) days after the delivery and said notice of assessment, the Association, as Trustee acting through any authorized officer or by any agent or attorney-in-fact properly authorized by any such officer, may, when authorized so to do by a majority of the Board, sell the Condominium owned by the delinquent owner at public auction to the highest bidder for cash pursuant to the provisions of Article 3810 of the Texas Revised Civil Statutes as in force and effect on January 1, 1976, or in accordance with the prescribed manner for foreclosure of Deed of Trust liens provided by any future amendment to such Article 3810 or any other statute or article enacted in substitution therefore. In lieu of the foregoing, the Board may enforce any such lien as a mortgage lien in accordance with the provisions of the laws of the State of Texas, now or hereafter in effect, which provisions (including matters incorporated therein by reference) are hereby incorporated herein by reference. In the event such foreclosure is by action in court, reasonable attorneys' fees shall be allowed to the extent permitted by law. In the event the foreclosure is as in the case of a deed of trust under power of sale, the Board, or any person designated by it in writing, shall be deemed to be acting as the agent of the lien claimant and shall be entitled to actual expenses and such fees as may be allowed by law or as may be prevailing at the time the sale is conducted. The deed upon foreclosure shall be executed and acknowledged by any member of the Board or by the person conducting the sale.

(c) For the purposes of this Section 4.07, a deed upon foreclosure executed and acknowledged by any member of the Board shall be conclusive upon the Board and the Owners in favor of any and all persons who rely thereon in good faith as to the matters therein contained. In the event any notices of assessment have been recorded as herein provided, and thereafter the Board shall receive payment in full of the amount claimed to be due and owing, then upon demand of the Owner or his successor, and payment of a reasonable fee, not to exceed Twenty-Five Dollars (\$25.00), the Board, acting by any member, shall execute and acknowledge (in the manner above provided) a release of such notice, stating the date of the original notice of assessment, the amount claimed, the date, and County Clerk's File Number under which the notice of assessment was recorded, and the fact that the assessment has been fully satisfied.

4.08. Payment of Assessments Upon Sale or Conveyance of a Condominium.

A. Upon the sale or conveyance of a Condominium, all unpaid assessments against an Owner levied by the Board pursuant to the terms hereof shall first be paid out of the sale price paid by the purchaser in preference over any other assessments or charges of whatever nature, except the following:

- (i) Assessments, liens, and charges in favor of the State of Texas and any political subdivision thereof for taxes past due and unpaid on the Apartment; and
- (ii) Amounts due under mortgage instruments duly recorded.

B. The lien or liens described in Section 4.07 hereof shall not be affected by any sale or transfer of a Condominium except that a sale or transfer of a Condominium pursuant to a foreclosure of a Mortgage shall extinguish a subordinate lien for common expense charges and assessments which became pay-

able prior to such sale or transfer. Any such sale or transfer pursuant to a foreclosure shall not relieve the purchaser or transferee of a Condominium from liability for, nor the Condominium so sold or transferred from the lien of, any expense charges or assessments thereafter becoming due.

ARTICLE V

PROVISIONS WITH RESPECT TO THE
APARTMENTS, THE COMMON ELEMENTS AND MORTGAGES

5.01. Each Owner's Obligation to Repair.

A. Except for those portions which the Association is required to maintain and repair hereunder (if any), each Owner shall at such Owner's expense keep the interior of his Apartment and its equipment and appurtenances in good order, condition and repair in a clean and sanitary condition, and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his apartment. In addition to decorating and keeping the interior of his Apartment in good repair, each Owner shall be responsible for the maintenance, repair or replacement of any plumbing fixtures, water heaters, furnances, lighting fixtures, refrigerators, air conditioning equipment, dishwashers, disposals or ranges that may be in, or connect exclusively with, his Apartment.

B. Each Owner shall also, at such Owner's own expense, keep the balcony and the interior of the patio area (if any) and carport or other covered parking area (if any) which have been assigned to his Apartment in a clean and sanitary condition. The Association shall not be responsible to any Owner for loss or damage by theft or otherwise of articles which may be stored by the Owner in any Common Elements or his Apartment.

5.02. Alterations, Additions and Improvements.

A. No Owner shall make any alterations, repairs of or additions to his Apartment which would substantially affect the exterior appearance thereof, or erect a radio or television antenna upon the Building of which his Apartment is a part, or paint any part of the exterior of his Apartment, without the prior written approval of the plans and specifications therefore, and the color, by the Board. The Board shall grant its approval only in the event that the proposed work will benefit and enhance the Project in a manner generally consistent with the plan of development thereof. The Board's approval or disapproval shall be in writing. In the event that the Board fails to approve or disapprove within thirty (30) days after the appropriate plans and specifications have been submitted to it, or in any event, if no suit to enjoin such work has been commenced before thirty (30) days after commencement thereof, approval will be deemed given and compliance with the terms of this paragraph conclusively presumed.

B. The Board may delegate its' powers under this Section to an Architectural Committee appointed by the Board, which need not consist in part or in whole of Owners.

C. Nothing shall be done in or to any part of the Project which will impair the structural integrity of any part of the Project except in connection with alterations or repairs specifically permitted or required hereunder.

D. Notwithstanding anything to the contrary herein contained, there shall be no impairment of the structural integrity of, or any plumbing or electrical work within, any common wall without the prior consent of all Owners of

the affected Apartments. Each Owner shall have the right to paint, wallpaper, or otherwise furnish the interior surfaces of his Apartment as he sees fit.

5.03. Restrictions on Use of Apartments and Common Elements. The Project shall be occupied and used as follows:

A. Each Apartment shall be used exclusively for residential purposes, and carports and parking spaces shall be used exclusively for the parking of passenger automobiles.

B. There shall be no obstruction of the Common Elements, nor shall anything be kept or stored in the Common Elements, nor shall anything be altered, or constructed or planted in, or removed from the Common elements, without the written consent of the Board.

C. No Owner shall permit anything to be done or kept in his Apartment or in the Common Elements which will result in any increase of fire insurance premiums or the cancellation of insurance on any part of the Project, or which would be in violation of any law. No waste shall be committed in the Common Elements.

D. No sign of any kind shall be displayed to the public view on or from any part of the Project, without the prior consent of the Board, except signs temporarily used by Developer in the original sale or in leasing of Condominiums.

E. No noxious or offensive activity shall be carried on, nor shall any outside lighting or loudspeakers or other sound-producing devices be used, nor shall anything be done, in any part of the Project, which, in the judgment of the Board, may be or become an unreasonable annoyance or nuisance to the other Owners.

F. No Owner shall cause or permit anything to be placed on the outside walls of his Apartment, and no sign, awning, canopy, window air conditioning unit, shutter, or other fixture shall be affixed to or placed upon the exterior walls or roof of any building or any part thereof, without the prior consent of the Board.

G. No clothes, sheets, blankets, laundry of any kind or other articles shall be hung out or exposed on any part of the Common Elements. The Common Elements shall be kept clear of rubbish, debris and other unsightly materials.

H. No Owner shall lease his Condominium for an initial term of less than six (6) months nor for subsequent terms of less than thirty (30) days. Any lease agreement shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the Bylaws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All leases shall be required to be in writing. Other than the foregoing, there is no restriction on the right of any Owner to lease his unit.

5.04. Liability of Owners for Negligence. Each Owner shall be liable to the Board for any damage to the Common Elements caused by the negligence or willful misconduct of the Owner or his family, guests, or invitees, to the extent (i) permitted under the laws of the State of Texas, and (ii) that the damage shall not be covered by insurance. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring within the Apartment of the indemnifying Owner, provided that this protection shall not extend to any Owner whose

negligence or willful misconduct caused or contributed to the cause of the injury or damage.

5.05. Rules of the Board. All Owners and occupants shall abide by any rules and regulations adopted by the Board. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner determined by judicial action to have violated said rules and regulations shall be liable to the Association for all damages and costs, including attorneys' fees.

5.06. Abatement of Violations; Powers to Enforce Declaration of Owners.

A. The violation of any rule or regulation adopted by the Board, or the breach of this Declaration, or of any other declaration of covenants, conditions or restrictions to which a Condominium may, be subject, shall give the Board the right, in addition to any other right or remedy elsewhere available to it:

- (i) to enter into an Apartment in which, or as to which, such violation or breach exists, and to summarily abate and remove, at the expense of its Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions of any of the foregoing documents, and the Board shall not be deemed to have trespassed; or
- (ii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach. The failure of any Owner to comply with the provisions of the Declaration, Bylaws or Articles of Incorporation of the Association will give rise to a cause of action in the Association and any aggrieved Owner of the recovery of damages, or for injunctive relief, or both, to the extent permitted under the laws of the State of Texas. All expenses of the Board in connection with such actions or proceedings, including court costs and attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon at the highest lawful rate until paid, shall be charged to and assessed against such defaulting Owner, and the Board shall have a lien for all of the same upon the Condominium of such defaulting Owner, upon all of

his additions and improvements thereto, and a security interest under the Texas Uniform Commercial Code upon all of his personal property in his Apartment or located elsewhere on the Project; such lien and security interest shall be subordinate to the lien of any Mortgage affecting any such Apartment. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Board.

B. If the Board has failed to act to enforce any provision of this Declaration, the Bylaws or decisions made by the Association pursuant thereto, for thirty (30) days after written demand by an Owner, then any such Owner shall be entitled to prosecute, on behalf of the Association and all the Owners, any action authorized hereunder to be prosecuted by the Board, and shall be entitled to any other appropriate equitable relief. Each Owner shall have similar rights of action against the Association.

5.07. Advances. Should any Owner or any Mortgagee of any Condominium advance any sum toward discharge of any obligation of the Board on behalf of the Association in order to protect the Project against the consequences of a delinquency in discharging such obligation, such Owner or Mortgagee, in connection with such advance, shall be subrogated to all rights of the Board, including the right to collect interest, against those Owners whose defaults have made necessary the advance concerned, until such advance shall have been repaid together with interest thereon at the highest lawful rate plus any reasonable attorneys' fees or other reasonable costs incurred in collection.

5.08. Failure of the Board to Insist on Strict Performance; No Waiver.

The failure of the Board to insist in any one or more instances upon the strict performance of any of the terms, covenants, conditions or restrictions of this Declaration, or to exercise any right or option herein contained, or to serve any notice or to institute any action shall not be construed as a

waiver or a relinquishment for the future of such term, covenant, condition or restriction but such term, covenant, condition or restriction shall remain in full force and effect. The receipt by the Board or Manager of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board or the Manager.

5.09. Mortgagee Protection Provisions.

A. Any Mortgagee, upon written request, shall be given written notification by the Association of any default by the Owner of the Condominium covered by such Mortgage in the performance of such Owner's obligations hereunder which is not cured within sixty (60) days. An Eligible Holder upon written request to the Association (such request to state the name and address of such Eligible Holder and the Apartment number), shall be entitled to timely written notice of:

- (i) Any proposed amendment of this Declaration affecting a change in (a) the boundaries of any Apartment or the exclusive easement rights appertaining thereto, (b) the interests in the general or limited Common Elements appertaining to any Condominium or the liability for common expenses appertaining there to, (c) the number of votes in the Association appertaining to any Condominium or (d) the purposes to which any Condominium or (e) the purposes to which any Condominium or the Common Elements are restricted;
- (ii) Any proposed termination of the Project;
- (iii) Any condemnation loss or any casualty loss which affects a material portion of the Project or which affects any Condominium on which there is a Mortgage held, insured or guaranteed by such Eligible Holder;
- (iv) Any delinquency in the payment of assessments or charges owed by an Owner of a Condominium subject to the Mortgage of such Eligible Holder where such delinquency has continued for a period of sixty (60) days;

(v) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association pursuant to the requirements of any such Eligible Holder; and

(vi) Any proposed action which would require the consent of a specified percentage of Eligible Holders as specified in Section 5.09 or Section 8.06 hereof.

B. Any restoration or repair of the Project, after a partial condemnation or damage due to an insurable hazard, shall be substantially in accordance with the Declaration and the original plans and specifications unless the approval of the Eligible Holders of Mortgages on Condominiums to which at least fifty-one percent (51%) of the votes of Condominiums subject to Mortgages held by such Eligible Holders are allocated, is obtained; provided, however, nothing contained in this Section 5.09 shall abrogate the requirement for affected Mortgagee's consent where required pursuant to the further provisions of this Declaration or the Act.

C. Any election to terminate the Condominium regime after substantial destruction or a substantial taking in condemnation of the Project shall require the approval of the Eligible Holders of Mortgages on Condominiums to which at least fifty-one percent (51%) of the votes of Condominiums subject to Mortgages held by such Eligible Holders are allocated.

D. No reallocation of interests in the Common Elements resulting from a partial condemnation or partial destruction of the Project may be effected without the prior approval of the Eligible Holders holding Mortgages on all remaining Condominiums whether existing in whole or in part and which have at least fifty-one percent (51%) of the votes of such remaining Condominiums subject to Mortgages held by such Eligible Holders.

E. Any decision to establish self management by the Association shall require the prior consent of Owners of Condominiums to which at least

sixty-seven percent (67%) of the votes in the Association are allocated and the approval of Eligible Holders holding Mortgages on Condominiums which have at least fifty-one percent (51%) of the votes of Condominiums subject to Eligible Holder Mortgages.

F. Any Eligible Holder shall, upon written request, be entitled to receive an audited financial statement of the Association for the immediately preceding fiscal year, free of charge to the party so requesting within a reasonable time following such request.

G. Any Mortgagee who obtains title to a Condominium pursuant to the remedies provided in a Mortgage or foreclosure of a Mortgage shall not be liable for such Condominium's unpaid dues or charges which accrue prior to the acquisition of title to such Condominiums by the Mortgagee; any such unpaid dues or charges may be reallocated and assessed to all Condominiums as a common expense.

H. Except as provided by statute in case of condemnation or substantial loss to the Condominiums and/or Common Elements of the Project, unless at least sixty-seven percent (67%) of the Mortgagees (based upon one vote for each Mortgage owned), and sixty-seven percent (67%) of the Owners (other than the Developer) of the Condominiums have given their prior written approval, the Association shall not be entitled to:

- (i) Be act or omission, seek to abandon or terminate the Project;
- (ii) Change the pro rata interest or obligations of any Condominium for the purpose of:
 - (a) Levying assessments or changes or allocating distributions of hazard insurance proceeds or condemnation awards; or
 - (b) Determining the pro rata shares of ownership of each Condominium in the Common Elements.

(iii) Partition or subdivide any Condominium;

(iv) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Project shall not be deemed a transfer within the meaning of this clause); or

(v) Use hazard insurance proceeds for losses to any Condominium property (whether to Apartments or Common Elements) for other than the repair, replacement or reconstruction of such Condominium property.

I. No provision of this Declaration, the Bylaws, the Articles of Incorporation, or other Condominium constituent document shall entitle any Owner of a Condominium, or any other party, to priority over any rights of the Mortgagee of the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of Condominiums and/or Common Elements.

5.10. Right of Access. The Association shall have a reasonable right of entry into each Apartment to effect emergency repairs or other work reasonably necessary for the proper maintenance or operation of the Project.

5.11. Use by Developer. Subject to the rights of the Mortgagees hereunder, until Developer has completed all of Developer's contemplated improvements and closed the sales of all of the Condominiums, neither the Owners nor the Board nor the use of the Project nor the application of this Declaration shall interfere with the completion of the contemplated improvements and the sale of the Condominiums. Subject to the rights of the Mortgagees hereunder, Developer may make such use of the unsold Apartments and of the Common Elements as may facilitate such completion and sale, including, but not limited to, maintenance of a sales office, the showing of the Project and the Apartments therein, and the display of signs thereon and therein. Developer shall have an

easement over the Common Elements (i) for completion of the improvements for which provision is made in this Declaration, but only if access thereto is not otherwise available, and (ii) for making repairs to improvements to the Project. Developer shall have the right to maintain facilities on the Project which are reasonably necessary to market the Condominium, including but not limited to, sales and management offices, model apartments, parking areas, and advertising signs.

5.12. Transfers.

A. No transfer of a Condominium shall be of any force or effect for any purpose until an Owner who transfers the Condominium shall notify the Board in writing of the name and address of the transferee, the nature of the transfer and the Condominium involved, as well as such other information relative to the transfer and the transferee as the Board may reasonably request. Such notice shall also contain an executed copy of the instrument of transfer. The provision hereof shall apply by way of illustration and not in limitation of a transfer occurring by reason of a sales, gift, devise or inheritance, or by lease or by any other manner not heretofore considered. The provisions of this Section 5.12A shall not apply to Developer.

B. The right of an Owner to sell, transfer, or otherwise convey a Condominium shall not be subject to any right of first refusal or similar restriction.

5.13. Right of Ingress and Egress. Each Owner shall have the right of ingress to and egress from his Apartment, which right shall be perpetual and appurtenant to the respective Condominium of which the Apartment is a part.

intended to denote single entity condominium insurance coverage. In addition, any fixtures, equipment or other property within the Apartments which are to be financed by a Mortgage to be purchased by FNMA or FHLMC (regardless of whether or not such property is a part of the Common Elements) shall be covered in such "master" or "blanket" policy or policies. Such policy or policies must be consistent with the insurance laws of the State of Texas, including any political subdivision thereof having jurisdiction over the Project, and the coverage of such policy or policies shall be at least equal to such coverage as is commonly required by prudent institutional mortgage investing in the area in which the Project is located. Prior to the renewal of any such policy or policies of insurance, the Board shall obtain an appraiser for the purpose of determining the full replacement cost of the Common Elements and the Apartments for the amount of insurance to be effected pursuant hereto. The cost of any and all such appraisals shall be maintenance fund expenses. All such policies of insurance shall comply with the provisions of Section 6.02 hereof and shall (i) contain standard mortgagee clause endorsement, or equivalent institutional mortgage investors in the area in which the Project is located in favor of the Mortgagee or Mortgagees of each Apartment, if any, as their respective interests may appear, and which appropriately names FNMA and FHLMC if such corporations are Eligible Holders; (ii) provide that the insurance shall not be prejudiced by any act or neglect of any Owner which is not in the control of the Owners collectively; (iii) contain an endorsement to the effect that such policy shall not be terminated for nonpayment of premiums, cancelled or substantially modified, without at least ten (10) days' prior written notice to the Mortgagee which is listed as a scheduled holder of a Mortgage in such policy or policies; (iv) contain a Replacement Cost Endorsement and an Agreed Amount and

Inflation Guard Endorsement, if available; (v) contain a recognition of any insurance trust agreement created pursuant to Section 6.02 of this Declaration; (vi) contain a waiver of the right of subrogation against Owners individually; and (vii) provide that such policy or policies shall be primary in the event an Owner has other insurance covering the same loss. All such policies shall afford, as a minimum, protection against the following:

- (a) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement;
- (b) in the event the Project contains a steam boiler, loss or damage resulting from steam boiler equipment accidents in an amount not less than \$50,000.00 per accident per location (or greater amount as deemed prudent based on the nature of the property); and
- (c) all other perils which are customarily covered with the respect to Projects similar in construction, location and use, including all perils normally covered by the standard "all-risk" endorsement, which such is available.

6.02. Insurance Trustee. The Board may engage the services of a bank or trust company authorized to do trust business in the State of Texas and having capital and surplus of not less than Fifty Million Dollars (\$50,000,000) to act as insurance trustee (the "Insurance Trustee") and to receive and disburse the insurance proceeds resulting from any loss upon such terms as the Board shall determine consistent with the provisions of this Declaration. The Insurance Trustee, on behalf of the Association, may be named as an insured under any policy or policies required by this Declaration. The Insurance Trustee, if any, shall have exclusive authority to negotiate losses under any such policy or policies. In the event the lowest of two (2) bids from reputable contractors for making all repairs required by any such loss shall exceed Twenty Thousand Dollars (\$20,000), the Board upon written demand of the Mortgagee of any Apartment shall engage the services

the negotiation of losses and execution or releases of liability; (iii) the execution of all documents and the performance of all other acts necessary to accomplish such purpose. The Association or any Insurance Trustee shall receive, hold or otherwise properly dispose of any proceeds of insurance in the trust for Owners and their Mortgagees, as their interests may appear.

6.03. Maintenance of Liability Insurance.

A. The Board, on behalf of the Association, shall obtain and maintain at all times a policy or policies of comprehensive general liability insurance insuring the Association, the Board, the Owners, and the Managing Agent against any liability to the public or to the Owners (and their families, invitees, and tenants), incident to the ownership or use of and covering the Project, the Common Elements and individual Condominiums, which insurance shall contain endorsements providing that the rights of the named insured shall not be prejudiced with respect to actions against other named insureds.

B. Coverage limits of such liability insurance policy or policies shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location and use to the Project. However, such coverage shall be for at least \$1,000,000.00 for bodily injury including deaths of persons and property damage arising out of a single occurrence. Coverage under such policy or policies shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the Common Elements, and legal liability arising out of lawsuits related to employment contracts of the Association.

C. Such policy or policies shall provide that they may not be cancelled or substantially modified, by any party, without ten (10) days' prior

written notice to the Association and each Mortgagee which is listed as a scheduled holder of a Mortgage in such policy or policies.

6.04. Flood Insurance. To the extent the Project is located within an area having special flood hazards and for which flood insurance had been made available under the National Flood Insurance Program ("NFIP"), the Association shall, as a common expense, obtain and pay the premiums upon a "master" or "blanket" policy of flood insurance on the Buildings and any other property covered by the required form of policy (the "Insurable Property"), in an amount deemed appropriate, but not less than the following:

- (a) the maximum coverage available under the NFIP for all Buildings and other Insurable Property within any portion of the Project located within a designated flood hazard area; or
- (b) one hundred percent (100%) of current "replacement cost" of all such Buildings and other Insurable Property.

Such policy shall be in a form which meets the criteria set forth in the most current Guidelines on the subject issued by the Federal Insurance Administrator.

6.05. Fidelity Bonds.

A. The Board, on behalf of the Association, shall obtain and maintain at all times blanket fidelity bonds for all officers, directors, trustees, and employees of the Association and all other persons handling or responsible for funds of or administered by the Association. Where the Association delegates some or all of the responsibility for the handling of funds to a Managing Agent, blanket fidelity bonds shall be obtained and maintained for the officers, employees, and agents of such Managing Agent handling or responsible for funds of, or administration on behalf of, the Association.

B. The total amount of fidelity bond coverage required shall be based upon best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the

Management Agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than than a sum equal to three (3) months' aggregate assessments on all Condominiums plus reserve funds.

C. Fidelity bonds required herein shall meet the following requirements:

- (i) fidelity bonds shall name the Association as an obligee;
- (ii) the bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions;
- (iii) the premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by a Management Agent for its officers, employees, and agents) shall be paid by the Association as a common expense; and
- (iv) the bonds shall provide that they may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to the Association or to any Insurance Trustee appointed pursuant to Section 6.02 of this Declaration and each servicer of Mortgages on behalf of FNMA.

6.06. Governing Provisions. All insurance provided above shall be governed by the following provisions:

A. All policies shall (i) comply with the hazard insurance requirements of the Federal National Mortgage Association as they apply to condominium loans; and (ii) be written with a company licenced to do business in the State of Texas and holding a rating of "Class VI" or better by Best's Key Rating Guide or other then comparable rating. To the extent that the provisions of this Declaration with respect to the maintenance of insurance shall conflict with the hazard insurance requirements of the Federal Home Loan Mortgage Corporation or by the Federal National Mortgage Association, then the requirements of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage

Association shall control and such requirements shall be complied with the Board.

B. Exclusive authority to adjust all claims under policies hereafter in force on the Project shall be vested in the Board or its authorized representatives.

C. In no event shall the insurance coverage obtained and maintained by the Board hereunder brought into contribution with insurance purchased by individual Owners or their Mortgagees.

D. Each Owner may obtain additional insurance at his own expense; provided, however, that no Owner shall be entitled to exercise his right to maintain insurance coverage in such a way as to decrease the amount which the Board may have in force on the Project at any particular time.

E. Each Owner shall be required to notify the Board if all improvements made by the Owner to his Apartment, the value of which is in excess of One Thousand Dollars (\$1,000).

F. Any Owner who obtains individual insurance policies covering any portion of the Project other than personal property belonging to such Owner shall be required to file a copy of such individual policy or policies with the Board within thirty (30) days after purchase of such insurance.

G. The Board shall be required to make every effort to secure insurance policies that will provide for the following:

- (i) A waiver of subrogation by the insurer as to any claims against the Association, the Board, the Manager, or the Owners.
- (ii) that the policy cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board or Manager, or on account of the conduct of any one or more individual Owners, without a prior demand in writing that the Board, Manager, or Owner(s) cure the defect.

- (iii) that any "no other insurance" clause in the master policy excludes individual Owners' policies from consideration.

6.07. Premiums. Premiums upon insurance policies purchased by the Board shall be paid by the Board as a maintenance fund expense; except that the amount of increase over the usual premium occasioned by the use, misuse, occupancy or abandonment of an Apartment or its appurtenances or of the Common Elements by an Owner shall be assessed against that Owner.

6.08. Distribution of Proceeds. Proceeds of insurance policies received by the Board or the Insurance Trustee shall be distributed to or for the benefit of the beneficial owners in the following manner:

A. Subject to the approval of Mortgagees as provided in any Mortgage, all expenses of the Insurance Trustee (if any) shall be first paid or provision made therefore.

B. If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be used to defray the cost thereof as provided in Article VII hereafter. Any proceeds remaining after defraying such costs shall be distributed first to the Mortgagees and then to the Owners, as their interests may appear.

C. If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial owners, remittances to Owners and their Mortgagees being payable jointly to them.

D. In making distribution to Owners and their Mortgagees, the Insurance Trustee (if any) may rely upon a certificate of the Association made by its President and Secretary as to the names of Owners and their respective shares of the distribution.

6.09. Responsibility of Each Owner. Each Owner shall be responsible for his own insurance on his personal property in his Apartment, his personal property stored elsewhere on the Project and his personal liability to the extent not covered by the liability insurance for all the Owners obtained by the Board as hereinbefore provided.

ARTICLE VII

DAMAGE AND DESTRUCTION

7.01. Reconstruction or Repair. Subject to the provisions of the Act and Section 5.09B hereof, in case of fire, casualty or any other disaster, the insurance proceeds, is sufficient to reconstruct the Buildings damaged, shall be applied to such reconstruction. "Reconstruction of the Buildings," as used in Section 7.02, means restoring the Buildings to substantially the same condition in which they existed prior to the fire, casualty or other disaster, with each Apartment and the Common Elements having the same vertical and horizontal boundaries as before. Such reconstruction shall be caused to be accomplished by the Board.

7.02. Insufficiency of Proceeds. If the insurance proceeds are insufficient to reconstruct a Building, damage to or destruction of such Building shall be promptly repaired and restored by the Board using proceeds of insurance, if any, on the Buildings for that purpose, and the Owners shall be liable in proportion to their respective percentage interests in the Common Elements for assessment for any deficiency. However, subject to any provision of the Act to the contrary, if Reconstruction of the buildings comprises the whole or at least sixty-seven percent (67%) of the Project (exclusive of the Property) as determined by the Board, unless otherwise unanimously agreed upon by the Owners and the Mortgagees, the damage shall not be repaired or restored and the provisions

of the following sentence shall control. In the event that the Owners and the Mortgagees do not elect to repair or rebuild any damage in accordance with the preceding sentence, the Board shall record, with the County Clerk of Harris County, Texas, a notice setting forth such facts, and upon the recording of such notice:

A. the Project shall be deemed to be owned in common by the Owners;

B. the undivided interest in the Project owned in common which shall appertain to each Owner shall be the fractional undivided interest previously owned by such Owner in the Common Elements;

C. any liens affecting any of the Condominiums shall be deemed to be transferred in accordance with the existing priorities to the undivided interest of the Owner in the Project;

D. the Project shall be subject to an action for partition at the suit of any Owner, in which event the net proceeds of sale, together with the net proceeds of the insurance on the Project, if any, shall be considered as one fund and shall be divided among all the Owners in proportion to the fractional undivided interest owned by each Owner in the Common Elements, after first paying out the respective shares of the Owners, to the extent sufficient for the purposes, all indebtedness secured by liens on the undivided interest in the Project owned by each Owner; and

E. Notwithstanding any other provision hereof, no Apartment in the Project may be partitioned or subdivided without the prior written approval of the holder of each Mortgage on such Apartment.

ARTICLE VIII

MISCELLANEOUS

8.01. Eminent Domain. Subject to the provisions of Section 5.09C hereof, the following provisions shall apply the event of any taking of a portion of an Apartment or of the Common Elements by eminent domain. The taking of a portion of an Apartment of the Common Elements by eminent domain shall be deemed to be a casualty, and the awards for such taking shall be deemed to be proceeds from insurance on account of the casualty and shall be deposited with the Insurance Trustee. The Association or the Insurance Trustee shall represent the Owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the Common Elements or part thereof. Each Owner hereby appoints the Association and any Insurance Trustee as his attorney-in-fact for the purposes of this Section 8.01. The awards or proceeds for such taking shall be payable to the Association, or any Insurance Trustee, for the use of the Owners and their Mortgagees, as their interests may appear. Notwithstanding any other provisions of this Section 8.01 any distribution made as a result of any termination of the Project shall be accomplished on a reasonable and equitable basis. Even though the awards may be payable to the Owners shall deposit the awards with the Insurance Trustee; and in the event of failure to do so, in the discretion of the Board of Directors of the Association, a special assessment shall be made against a defaulting Owner in the amount of his award, or the amount of such award shall be set off against the sums hereafter made payable to such Owner. If any Apartment or portion thereof or the Common Elements or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the Mortgagee of such

Apartment shall be entitled to timely written notice of any such proceeding or proposed acquisition and no provision hereof shall entitle the Owner of such Apartment or other party to priority over such Mortgagee with respect to the distribution to such Apartment of any award or settlement. Subject to the rights of Mortgagees under the terms of their Mortgages, the proceeds of the awards shall be distributed or used in the manner heretofore provided for insurance proceeds, except that when the Condominium is not to be terminated and one or more Apartments are taken in part, the taking have the following effects:

A. If the taking reduces the size of the Apartment and the remaining portion of that Apartment can be made tenantable, the award for the taking of a portion of the Apartment shall be used for the following purposes in the order stated, and the following changes shall be effected in the Condominium:

- (i) The Apartment shall be made tenantable, and if the cost of such work exceeds the amount of the award, the additional funds shall be assessed against the Owner of the Apartment.
- (ii) The balance of the award, if any, shall be distributed to the Owner of the Apartment and to the Mortgagee of the Apartment, the remittance being payable jointly to such Owner and Mortgagee.
- (iii) If there is a balance of the award distributed to the Apartment Owner and Mortgagee, the share in the Common Elements appurtenant to the Apartment shall be equitably reduced. This shall be done by reducing such share by the proportion which the balance of the award so distributed bears to the market value of the Apartment immediately prior to the taking, and then recomputing the shares of all Owners in the Common Elements as percentages of the total of their shares as reduced by the taking.

B. If the taking destroys or so reduces the size of an Apartment that it cannot be made tenantable, the award for the taking of the Apartment shall be used for the following purposes in the order stated, and the following changes shall be effected in the Condominium:

- (i) The market value of such Apartment immediately prior to the taking shall be paid to the Owner of the Apartment and to each Mortgagee of the Apartment, the remittance being payable jointly to the Owner and Mortgagee.
- (ii) The remaining portion of such Apartment, if any, shall become a part of the Common Elements and shall be placed in condition for the use by all of the Owners in the manner approved by the Board of Directors of the Association; provided, however, that if the cost of such work shall exceed the balance of the fund from the award for the taking, such work shall be approved in the manner elsewhere required for further improvement of the Common Elements.
- (iii) The shares in the Common Elements appurtenant to the Apartment which continue as a part of the Condominium shall be equitably adjusted to distribute the ownership to the Common Elements among reduced number of Owners. This shall be done by recomputing the shares of such continuing Owners in the Common Elements as percentages of the total of the shares of such Owners as they exist prior to the adjustment.
- (iv) If the amount of the award for taking is not sufficient to pay the market value of the condemned Apartment to the Owner and to restore the remaining portion of the Apartment in condition for use as a part of the Common Elements, the additional funds required for such purposes shall be raised by assessments against all of the Owners who will continue as Owners of Apartments after the changes in the Project effected by the taking. Such assessments shall be made in proportion to the shares of such Owners in the Common Elements after the changes effected by the taking.

C. If the market value of an Apartment prior to the taking cannot be determined by agreement between its Owner and Mortgagee and the Association within thirty (30) days after notice by any such party, such values shall be determined by arbitration in accordance with the then existing rules of the American Arbitration Association, except that the arbitrators shall be two (2) appraisers appointed by the American Arbitration Association who shall base their determination upon an average of their appraisals of the Apartment; and judgment of specific performance upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. The cost of arbitration proceedings shall be assessed against all Owners in proportion to the shares

of the Owners in the Common Elements as they existed prior to the changes effected by the taking.

D. Subject to the provisions of Section 5.09 and Section 8.06 hereof, the changes in Apartments, in the Common Elements, in the Ownership of the Common Elements, and in shares of liability for common expenses which are effected by eminent domain, shall be evidenced by an amendment of this Declaration which need be approved only by a majority of the Board of Directors of the Association.

8.02. Audit. Any Owner may at any time and at his own expense cause an audit or inspection to be made of the books and records of the Association.

8.03. Personal Property. The Board or Manager may acquire and hold, for the benefit of the Owners, tangible and intangible personal property and may dispose of the same by sale or otherwise; and beneficial interest in such personal property shall be owned by the Owners in the same proportion as their respective interests in the Common Elements, and shall not be transferable except with a transfer of a Condominium. If personal property is for the use of Owners of Condominiums in only one separate portion of the Project, such personal property shall be owned by such Owners. A transfer of a Condominium shall transfer to the transferee ownership of the transferor's beneficial interest in such personal property.

8.04. No Partition. Except as otherwise permitted in Section 7.02 and subject to the provisions of Article V hereof, there shall be no judicial partition of the Project, nor shall Developer or any person acquiring any interest in the Project of any part thereof seek any judicial partition; provided, that if any Condominium shall be owned by two (2) or more co-tenants, as

tenants in common or as joint tenants, nothing herein contained shall be deemed to prevent a judicial partition as between such co-tenants, and provided further that an action may be brought for partition by sale of the Project, if any of the following conditions exist:

A. Three (3) years after damage or destruction to the Project which renders a material part thereof unfit for its use prior thereto, the Project has been rebuilt or repaired substantially to its state prior to its damage or destruction; or

B. Except as may be otherwise provided in the Act, three-fourths (3/4ths) or more of the structures in the Project have been destroyed or substantially damaged, and Owners holding in the aggregate more than a fifty percent (50%) interest in the Common Elements are opposed to repair or restoration of the Project; or

C. The Project has been in existence in excess of fifty (50) years, is obsolete and uneconomic, and Owners holding in the aggregate more than sixty-seven percent (67%) interest in the Common Elements are opposed to repair or restoration of the Project.

In any event, and notwithstanding the foregoing provisions of this Section 8.04, no Apartment in the Project may be partitioned or subdivided without the prior written approval of the holder of each Mortgage on such Apartment, and the provisions of the Act with respect to partition shall be strictly complied with.

8.05. Effect and Interpretation. This Declaration shall run with the land, and shall continue in full force and effect until (a) it is terminated by a court of competent jurisdiction pursuant to law, (b) there is a total destruction of the improvements in the Project and a determination of the

D. The consent of Owners of Condominiums to which at least sixty-seven percent (67%) of the votes in the Association are allocated and the approval of Eligible Holders of Mortgages on Condominiums to which at least fifty-one percent (51%) of the votes of Condominiums subject to a Mortgage appertain shall be required to amend any provisions included in this Corrected Declaration, the Bylaws or equivalent documents of the condominium regime which are for the express benefit of Eligible Holders.

E. No amendment to this Declaration may alter or destroy a unit or a limited common element without the consent of the owners affected and the owners' first lien mortgagees.

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

8.08. Power of Attorney. An irrevocable power of attorney coupled with an interest is granted by the Owners to the Board, acting on behalf of the Association, to the extent of the powers and rights given to the Board by the provisions of this Corrected Declaration.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 28th day of September, 1984.

K-L DEVELOPERS, INC.

By: Merlin Kling, Jr.
Merlin B. Kling, Jr., President

AMENDMENT TO
CORRECTED DECLARATION AND MASTER DEED FOR
PURDUE COURT TOWNHOMES

10/01/91 00408647 N346398 \$ 50.00

WHEREAS, on October 12, 1984 K-L Developers Inc., as Developer, did cause to be filed of record under Harris County Clerk's File Number J736496 an instrument entitled "Corrected Declaration and Master Deed for Purdue Court Townhomes" which was dated September 28, 1984 (herein called "Declaration"); and

WHEREAS, it has been discovered that Exhibit "D" to the Declaration contains certain inconsistencies attributable to scrivener's errors in that the units numbers of Building B and Building C are set forth incorrectly on Exhibit "D" and are set forth correctly on the maps comprising Exhibit "C" of the Declaration; and

WHEREAS, the current owners and lienholders of the various units in Purdue Court Townhomes desire to amend the Declaration to correct these inconsistencies; and

NOW, THEREFORE, pursuant to Article 8.06 of the Declaration, the undersigned, who constitute (i) the record owners of at least sixty-seven percent (67%) of the ownership interests in the condominium and (ii) the Eligible Holders of Mortgages on Condominiums to which at least fifty-one percent (51%) of the votes of Condominiums subject to a Mortgage appertain, do hereby amend the Declaration as follows:

Exhibit D as shown in the Declaration is hereby deleted, and the following is substituted in its place:

EXHIBIT D

PURDUE COURT TOWNHOMES

4225 Purdue Unit	Approximate Square Footage	Individual Percentage Int.	Parking Spaces
Building A			
1	835.0	5.58%	1
2	1109.3	7.41%	2 & 3
3	1109.3	7.41%	4 & 5
Building B			
4	1185.4	7.92%	6 & 7
5	1120.2	7.48%	8 & 9
6	1120.2	7.48%	10 & 11
7	1185.4	7.92%	12 & 13

Building C

8	1109.3	7.41%	14 & 15
9	1109.3	7.41%	16 & 17
10	835.0	5.58%	18

4226 Purdue Unit	Approximate Square Footage	Individual Percentage Int.	Parking Spaces
---------------------	-------------------------------	-------------------------------	-------------------

Building D

1	827.0	5.52%	19
2	1298.7	8.68%	20 & 21
3	1298.7	8.68%	22 & 23
4	827.0	5.52%	24

14,969.8

100.00%

This instrument is being executed in multiple counterparts which, when the signature pages and acknowledgement pages are assembled together, will constitute one original instrument.

Executed as of the dates set forth in the notary acknowledgements but effective as of October 1, 1991.

Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

OWNER

Unit 2, Building A, Purdue Court Townhomes

DENNIS LALLINGER INVESTMENTS, INC.

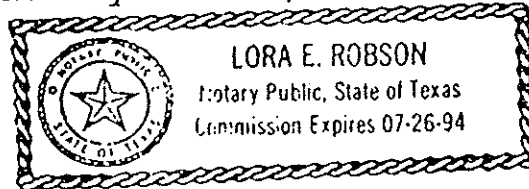
Jack V. Dennis, Jr., Pres
Jack V. Dennis, President

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on Sept. 25, 1991, by Jack V. Dennis, Jr. President of Dennis-Lallinger Investments, Inc.

Lora E. Robson
Notary Public, State of Texas



MINIUM PROJECT

MINIUM RECORDS

COUNTY , TEXAS

161109

CAMERA DESIGNATION MRG 1

Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

OWNER

Unit 3, Building A, Purdue Court Townhomes

Robin Laucher

Robin Laucher

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on Sept 27, 1991, by Robin Laucher

Lore E. Perlman
Notary Public, State of Texas

21 OCT -1 PM 3:18

Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

OWNER

Unit 4, Building B, Purdue Court Townhomes

DENNIS LALLINGER INVESTMENTS, INC.

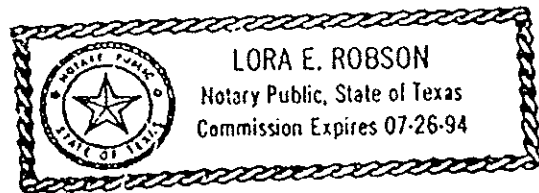
Jack V. Dennis, Jr., President

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on Sept. 25, 1991, by Jack V. Dennis, Jr. President of Dennis-Lallinger Investments, Inc.


Lora E. Robson
Notary Public, State of Texas



Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

OWNER

Unit 5, Building B, Purdue Court Townhomes


Doug McLallen

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on Sept. 27,
1991, by Doug McLallen


Notary Public, State of Texas

Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

OWNER

Unit 8, Building C, Purdue Court Townhomes

DENNIS LALLINGER INVESTMENTS, INC.

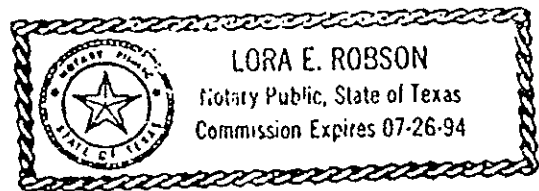
Jack V. Dennis, Jr.
Jack V. Dennis, Jr., President

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on Sept 25, 1991, by JACK V. DENNIS, JR. President of Dennis-Lallinger Investments, Inc.

Lora E. Robson
Notary Public, State of Texas



Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

OWNER

Unit 10, Building C, Purdue Court Townhomes

DENNIS LALLINGER INVESTMENTS, INC.

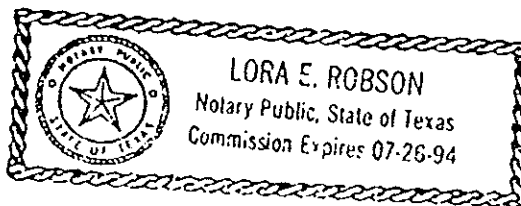
Jack V. Dennis, Jr.
Jack V. Dennis, President

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on Sept. 25, 1991, by JACK V. DENNIS, JR. President of Dennis-Lallinger Investments, Inc.

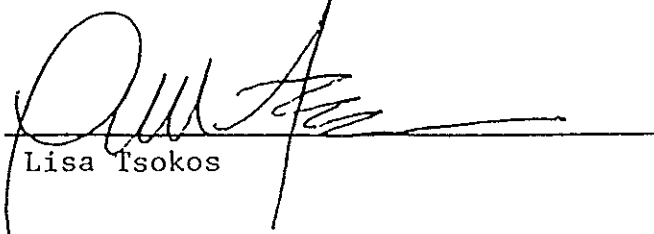
Lora E. Robson
Notary Public, State of Texas



Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

OWNER

Unit 1, Building D, Purdue Court Townhomes



Lisa Tsokos

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on Sept. 27,
1991, by Lisa Tsokos

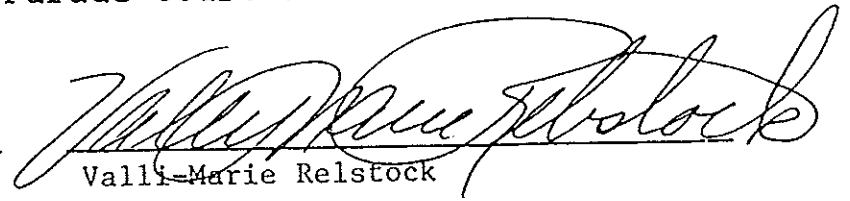


Notary Public, State of Texas

Signature page attached to and made a part of Amendment to Cor-
rected Declaration and Master Deed for Purdue Court Townhomes

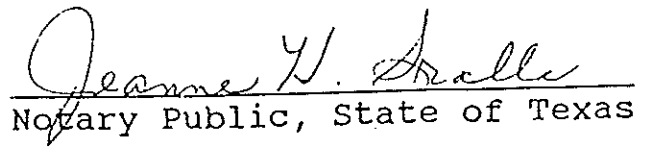
OWNER

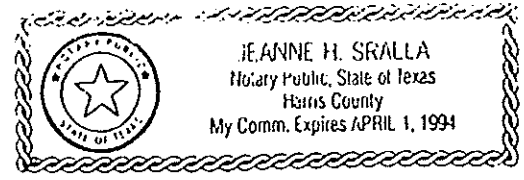
Unit 2, Building D, Purdue Court Townhomes


Valli-Marie Relstock

THE STATE OF TEXAS ()
COUNTY OF HARRIS ()

This instrument was acknowledged before me on Sept. 30,
1991, by Valli-Marie Relstock.


Notary Public, State of Texas



TOWNHOMES

PROJECT

RECORDS

Y, TEXAS

1/11
RA DESIGNATION MRG 1

Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

OWNER

Unit 3, Building D, Purdue Court Townhomes

Michael C Landry

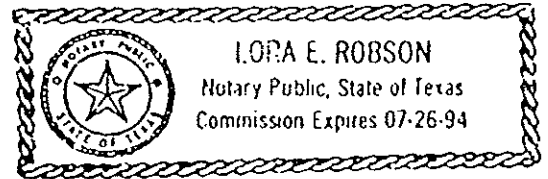
Michael C. Landry

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on Sept. 27
1991, by Michael C. Landry

Lora E. Robson
Notary Public, State of Texas



Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

MORTGAGEE

4225 Purdue #C

Robin Laucher

Unit 3, Building A, Purdue Court Townhomes

E. Michael Lallinger

By: E. MICHAEL LALLINGER

Name:

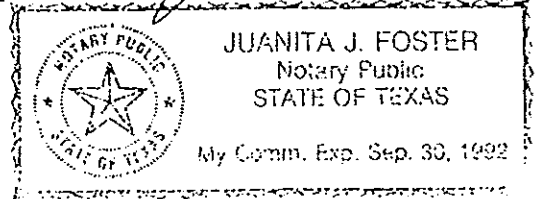
Title:

THE STATE OF TEXAS {}

COUNTY OF HARRIS {}

This instrument was acknowledged before me on September 30, 1991, by E. Michael Lallinger of _____

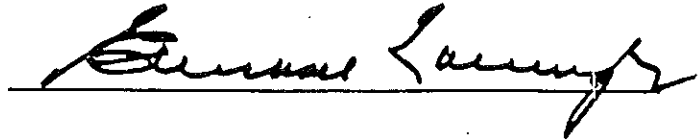
Juanita J. Foster
Notary Public, State of Texas



Signature page attached to and made a part of Amendment to Cor-
rected Declaration and Master Deed for Purdue Court Townhomes

MORTGAGEE 4225 Purdue #F
Sandra & William Allen

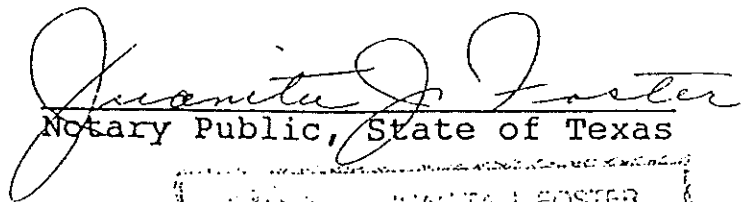
Unit 3, Building B, Purdue Court Townhomes

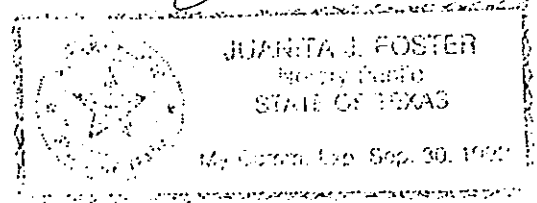


By: E. MICHAEL LALLINGER
Name:
Title:

THE STATE OF TEXAS {}
COUNTY OF HARRIS {}

This instrument was acknowledged before me on September 30,
1991, by E. Michael Lallinger, _____ of
_____.


Notary Public, State of Texas



Signature page attached to and made a part of Amendment to Corrected Declaration and Master Deed for Purdue Court Townhomes

MORTGAGEE 4226 Purdue #D
Eric & Cassandra Kulp

Unit 4, Building D, Purdue Court Townhomes

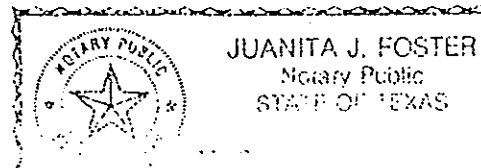
E. Michael Lallinger

By: E. MICHAEL LALLINGER
Name:
Title:

THE STATE OF TEXAS {}
COUNTY OF HARRIS {}

This instrument was acknowledged before me on September 30, 1991, by E. Michael Lallinger, _____ of _____.

Juanita J. Foster
Notary Public, State of Texas



ANY PROVISION HEREIN WHICH RESTRICTS THE SALE,
RENTAL OR USE OF THE DESCRIBED REAL PROPERTY
BECAUSE OF COLOR OR RACE IS INVALID AND UNEN-
FORCEABLE UNDER FEDERAL LAW.

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL
PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.
THE STATE OF TEXAS }
COUNTY OF HARRIS }

I hereby certify that this instrument was FILED in File Number Sequence
on the date and at the time stamped hereon by me, and was duly RECORDED,
in the Official Public Records of Real Property of Harris County, Texas on

OCT. 1 1991



Quita Rodheaver
COUNTY CLERK,
HARRIS COUNTY, TEXAS