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**SUBORDINATE CONDOMINIUM DECLARATION FOR
 THE HARBOR AT ADRIATICA RESIDENTIAL CONDOMINIUMS,
 A SUB-CONDOMINIUM LOCATED WITHIN
 THE HARBOR AT ADRIATICA CONDOMINIUMS**

STATE OF TEXAS	§	
	§	
COUNTY OF COLLIN	§	KNOW ALL MEN BY THESE PRESENTS:

This SUBORDINATE CONDOMINIUM DECLARATION FOR THE HARBOR AT ADRIATICA RESIDENTIAL CONDOMINIUMS, A SUB-CONDOMINIUM LOCATED WITHIN THE HARBOR AT ADRIATICA CONDOMINIUMS is made and established on August 20, 2013, by HIMALAYAN VENTURES, L.P., a Texas limited partnership ("Himalayan"), with its office and principal place of business at 6991 Mediterranean Drive, McKinney, Texas 75070.

RECITALS

A. On February 19, 2009, SB Harbor Market Joint Venture, a Texas joint venture, recorded the Master Condominium Declaration for The Harbor at Adriatica Condominiums in the Official Public Records of Collin County, Texas, under Instrument No. 20090225000215050 (the "Master Declaration").

B. The Master Declaration established a condominium regime under the Texas Uniform Condominium Act as set forth in Chapter 82 of the Texas Property Code, as it may be amended from time to time (the "Act").

C. The Master Declaration created, among other things, a "Unit" identified as the "Residential Unit" on the plat and plans attached as Exhibit "B" to the Master Declaration (the "Residential Unit"), within the condominium regime established pursuant to the terms and provisions of the Master Declaration.

D. Himalayan is the owner of the Residential Unit.

E. In accordance with Section 2.4 of the Master Declaration, Himalayan has the option and ability to submit the Residential Unit to the terms and provisions of a Sub-Declaration (as defined in the Master Declaration), thereby creating within the Residential Unit a separate condominium regime, identified in the Master Declaration as a "Sub-Condominium"; provided, however, that the creation of any Sub-Condominium shall not modify any obligation, limitation, right, benefit or burden established in the Master Declaration, except as set forth therein.

F. Himalayan desires to establish a condominium regime under the Act.

G. Pursuant to such authority, Himalayan hereby submits the Residential Unit, together with all improvements therein and all easements, rights, and appurtenances thereto (collectively, the "Property"), to the terms and provisions of the Act, for the purpose of creating The Harbor at Adriatica Residential Condominiums.

H. Himalayan does hereby establish a plan for (i) the individual ownership in fee simple of estates consisting of the area or space contained in each of the residential condominium units created by this Residential Declaration and (ii) the co-ownership, by the individual and separate unit owners thereof, as tenants in common, of all the remaining property, which includes both Limited Common Elements and General Common Elements.

NOW, THEREFORE, Himalayan hereby submits the Property and all improvements thereon to the provisions of the Act, does hereby establish a condominium regime pursuant to the Act, and does hereby publish and declare that the following terms, covenants, conditions, easements, restrictions, reservations, uses, limitations and obligations are hereby established and shall be deemed to run with the land and shall be a burden and a benefit to Himalayan, its successors and assigns and to any person or entity acquiring or owning an interest in the Property, their grantees, successors, heirs, executors, administrators, devisees and assigns.

ARTICLE I

Definitions

Section 1.1 Terms Defined. As used in this Residential Declaration, the following terms shall have the meanings set forth below, unless the context shall expressly provide otherwise:

A. "Access Easement" shall mean a perpetual, irrevocable, and non-exclusive easement and right of access and entry to each Unit as may reasonably be necessary for (i) the maintenance, repair, replacement, or inspection of any of the Common Elements therein or accessible therefrom; (ii) the making of emergency repairs therein necessary to prevent damage to the Common Elements or to any Unit; (iii) the evacuation of all or any part of the Property in the event of an emergency; and (iv) such other reasonable purposes as are deemed by the Residential Association to be necessary for the performance of the obligations of the Residential Association described in the Governing Documents.

B. "Act" shall have the meaning given such term in Recital B on Page 1 of this Residential Declaration.

C. "Adriatica Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for Adriatica, a Croatian Village at Stonebridge Ranch, McKinney, Texas, dated December 16, 2005, recorded as Instrument No. 20060117000065160 in the Official Public Records of the County, as such document may have been or may be modified, amended, or superseded.

D. "Architectural Reviewer" shall mean Declarant until the expiration of the Declarant Control Period. After the expiration of the Declarant Control Period, the rights of the Architectural Reviewer will be exercised or delegated by the Board.

E. "Assessment" means any charge levied against a Unit or an Owner by the Residential Association pursuant to this Residential Declaration or the Act, including, but not limited to Common Assessments, Special Assessments, Individual Assessments, and Deficiency Assessments, together with dues, fees, charges, interest, late fees, fines, collection costs, attorneys' fees, and any other amount due to the Residential Association in connection therewith.

F. "Board" or "Board of Directors" shall refer to the board of directors of the Residential Association named in the Certificate of Formation and their successors as duly elected and qualified from time to time.

G. "Bylaws" means the bylaws of the Residential Association adopted by the Board of Directors, as amended from time to time.

H. "Certificate of Formation" shall mean the certificate of formation of the Residential Association filed with the Secretary of State of Texas, as amended from time to time.

I. "Common Assessment" means the charge against each Owner and such Owner's Unit, representing a portion of the Common Expenses, which are to be paid by each Owner to the Residential Association, as provided in Article VI hereof. Common Assessments shall also include charges assessed against each Owner to maintain a working capital reserve or fund and to cover costs incurred by the Residential Association to participate in any condemnation suit, as provided in Section 6.11 of this Residential Declaration.

J. "Common Elements" means and includes all of the Condominium, save and except the Units. Common Elements shall consist of the General Common Elements and the Limited Common Elements.

K. "Common Elements Easement" shall mean a perpetual, irrevocable, and non-exclusive easement over the General Common Elements for ingress and egress to and from each Unit, together with the non-exclusive right to access, use, and enjoy the General Common Elements, and the exclusive right of an Owner to access, use, and enjoy the Limited Common Elements

appurtenant to such Owner's Unit, subject to the rights of other Owners to use and enjoy such Limited Common Elements if appurtenant to more than one Unit and subject to rules adopted from time to time by the Residential Association.

L. "Common Expenses" shall mean charges for which the Residential Association is responsible, including those related to: (i) maintenance, improvement, replacement, and repair of the Common Elements; (ii) casualty, public liability, and other insurance coverages on the Common Elements required or permitted to be maintained by the Residential Association pursuant to the Governing Documents; (iii) governmental impositions levied and assessed against the Common Elements; (iv) utilities relating to the Common Elements; (v) professional services, such as management, accounting, and legal services; and (vi) such other costs and expenses as may be reasonably related to the proper maintenance, care, operation, and management of the Common Elements and the administration of the Residential Association. Common Expenses shall not include the costs and expenses of the initial construction and marketing of the Units, which shall be the sole responsibility of Declarant.

M. "Condominium" means the Residential Unit and all rights, easements, and appurtenances belonging thereto.

N. "Condominium Unit" shall mean an individual Unit, together with the interest in the Common Elements (General and Limited) appurtenant to such Unit.

O. "County" shall mean Collin County, Texas.

P. "Declarant" shall mean Himalayan Ventures, L.P., a Texas limited partnership, or its successors or assigns, who acquire the Condominium or any portion thereof for the purposes of development and is designated, in writing, by Declarant as a successor declarant. A designation of a successor declarant must be recorded in the Official Public Records of the County.

Q. "Declarant Control Period" shall mean the period commencing with the recordation of this Residential Declaration in the Official Public Records of the County and continuing until the earlier to occur of (i) fifteen (15) years after the recordation date of this Residential Declaration, (ii) three (3) months after Declarant has sold all of the Units to Owners other than Declarant, or (iii) when, in the sole opinion of Declarant, the Condominium becomes viable, self-supporting, and operational, as evidenced by a document executed by Declarant and recorded in the Official Public Records of the County.

R. "Deficiency Assessment" shall have the meaning given to such term in Section 6.4 of this Residential Declaration.

S. "Development Rights" shall have the meaning given to such term in Section 11.2 of this Residential Declaration.

T. "Dispute" shall mean any claim, grievance, or other dispute arising out of or relating to: (i) the interpretation, application, or enforcement of the Governing Documents; (ii) any conflict or dispute arising between or among two or more Owners; (iii) the proper party to bear a maintenance cost or expense or a capital expenditure or the proper amount of the expense to be charged or collected; or (iv) the rights, obligations, and duties of any Owner under the Governing Documents, except that the following shall not be considered "Disputes" unless all parties shall otherwise agree to submit the matter to arbitration pursuant to the provisions hereof: (a) a suit by the Residential Association to collect assessments or other amounts due from any Owner; (b) any suit by the Residential Association to obtain a temporary restraining order and such ancillary relief as the court may deem necessary to maintain the status quo and preserve the Residential Association's ability to enforce the provisions of this Residential Declaration; (c) any suit between Owners which does not include Declarant or the Residential Association if such suit asserts a Dispute which would constitute a cause of action independent of the Governing Documents; and (d) any suit in which the applicable statute of limitations would expire within 180 days of the giving of notice as provided in Article IX of this Residential Declaration unless the Owner against whom the Dispute is made agrees to toll the statute of limitations for a period of time necessary to comply with Article IX of this Residential Declaration.

U. "Easements" shall mean collectively, the Access Easement, the Common Elements Easement, the Utility Easement, and those easements described in Section 3.6 of this Residential Declaration.

V. "First Lien Indebtedness" shall mean any indebtedness secured by a first and prior lien or encumbrance upon an Owner's Unit.

W. "First Mortgagee" shall mean the holder of a First Lien Indebtedness that has provided the Residential Association with written notice of its name, address, and description of the Owner's Unit upon which it holds the First Lien Indebtedness.

X. "General Common Elements" means the Common Elements that are not Limited Common Elements and includes the portions of the Condominium that are designated as General Common Elements on the Plat, and also includes the following, to the extent applicable:

1. All foundations, bearing walls and columns, roofs, floors, ceilings, halls, lobbies, refuse areas, transformer pads, stairways and entrances and exits or communication ways that serve more than one Unit;

2. All basements, roofs, yards and gardens, except as otherwise herein provided or stipulated;

3. The portion of the Improvements, if any, reserved for janitors or persons in charge of operating and/or maintaining the Improvements, except as otherwise herein provided or stipulated;

4. All compartments or installations of central services, such as power, light, gas, cold and hot water, refrigeration, central air conditioning and central heating reservoirs, water tanks and pumps, fire sprinkler systems, and similar items;

5. All elevators and shafts, garbage incinerators and, in general, all devices or installations existing for the common use of the Owners; and

6. All other elements of the Improvements desirably or rationally of common use or necessary to the existence, upkeep and safety of the condominium regime established by this Residential Declaration.

Y. "Governing Documents" shall mean this Residential Declaration, the Certificate of Formation, the Bylaws, the Regulations, and any other document governing the Condominium or the Residential Association.

Z. "Improvements" shall mean all improvements and structures included in the Residential Unit.

AA. "Individual Assessment" shall have the meaning given to such term in Section 6.3 of this Residential Declaration.

BB. "Insurance Proceeds" shall mean any and all proceeds that an Owner or the Residential Association is entitled to receive from an insurance company as a result of a casualty or loss in connection with an Owner's Unit or the Common Elements, respectively.

CC. "Land" means that certain tract of real property situated in McKinney, Collin County, Texas, and which is more particularly described on Exhibit "A" attached hereto and made a part hereof for all purposes, together with all and singular the rights and appurtenances pertaining thereto.

DD. "Legal Requirements" shall mean any and all present and future judicial decisions, statutes, rulings, rules, regulations, permits, certificates or ordinances of any federal, state, or municipal authority in any way applicable to any Owner, any Unit, or the Property, including all applicable restrictive covenants, zoning ordinances, subdivision and building codes, flood disaster laws, and applicable architectural barrier, health and environmental laws and regulations.

EE. "Limited Common Elements" means the Common Elements that are not General Common Elements and are reserved for the exclusive use of the Owners of less than all of the Units to the exclusion of the other Owners and Units. Certain Limited Common Elements are designated in Section 2.3 of this Residential Declaration. Limited Common Elements may include:

1. Air handlers, pipes, ducts, electrical wiring, and conduits located entirely within a Unit or adjoining a Unit or Units and serving only such Unit or Units, and such portions of the perimeter walls, floors, ceilings, doors, vestibules, windows, entryways, and all associated fixtures and structures therein, as lie outside the Unit boundaries;

2. Parking spaces which may be designated as an appurtenance to a Unit by Declarant or the Residential Association;

3. Balcony or patio structures serving exclusively a single Unit or one (1) or more adjoining Units; and

4. Separate storage area designated as an appurtenance to a Unit by Declarant or the Residential Association.

FF. "Maintenance Standard" shall mean maintenance in good repair in an attractive and clean condition, including the operation, upkeep, repair and restoration, ordinary wear and tear excepted, to the extent necessary to maintain the Condominium or Units, as applicable, in a condition reasonably suitable for its intended purpose.

GG. "Majority of Unit Owners" means those Owners holding not less than fifty-one percent (51%) of the Common Elements.

HH. "Manager" means an experienced professional manager or management company, if any, appointed by the Board to manage the day-to-day operation of the Condominium and the administration of the Residential Association.

II. "Master Association" means The Harbor at Adriatica Master Condominiums Association, Inc., a Texas non-profit corporation, or any successor entity.

JJ. "Master Common Elements" mean all of the Land and all of the improvements thereon or thereto, save and except the Master Units.

KK. "Master Declaration" shall have the meaning given such term in Recital A on Page 1 of this Residential Declaration.

LL. "Master Plat" means the plat and plans attached as Exhibit "B" to the Master Declaration, as changed, modified, or amended in accordance with the Master Declaration.

MM. "Master Regime" means the condominium regime established pursuant to the terms and provisions of the Master Declaration.

NN. "Master Unit" means the physical portion of the property made the subject of the Master Declaration designated by the Master Declaration for separate ownership, the boundaries of which are shown on the Master Plat.

OO. "Member" shall have the meaning given to such term in Section 4.2 of this Residential Declaration.

PP. "Occupant" means any Person in possession of a Unit, regardless of whether the person is an Owner of the Unit.

QQ. "Owner" means a Person owning record title to one (1) or more Condominium Units. Declarant is the initial Owner of all of the Condominium Units. Contract sellers and mortgagees who acquire title to a Condominium Unit through a deed in lieu of foreclosure or through judicial or non-judicial foreclosure are Owners. Persons or entities having ownership interests merely as security for the performance of an obligation are not Owners. Every Owner is a Member of the Residential Association.

RR. "Past Due Rate" shall mean the lessor of (i) 18% of per annum or (ii) maximum lawful rate of interest under Texas law.

SS. "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, and any fiduciary acting in such capacity on behalf of any of the foregoing.

TT. "Plat" means or includes the survey of the Residential Unit, locating thereon all of the Improvements, the floor and elevation plans and any other drawing or diagrammatic plan depicting a part of, or all of, the Improvements, as same may be amended by amendments to this Residential Declaration. The Plat for the initial Improvements is attached hereto as Exhibit "B" and made a part hereof for all purposes. It is expressly agreed and each and every purchaser of a Unit, such purchaser's heirs, executors, administrators, assigns and grantees, hereby agree that the square footage, size and dimensions of each Unit as set out or shown in this Residential Declaration or in the Plat attached hereto are approximate and are shown for descriptive purposes only. Declarant does not warrant, guarantee or represent that any Unit actually contains the area, square footage or dimensions shown by the Plat thereof. Each purchaser and Owner of a Unit or interest therein agrees that the Unit had been or will be purchased as actually and physically existing at the time such purchase is closed. Each purchaser of a Unit expressly waives any claim or demand which such purchaser may have against Declarant or any person whatsoever on account of any difference, shortage or discrepancy between the Unit as actually and physically existing and as it is shown on the Plat attached hereto. It is specifically agreed that in interpreting deeds, mortgages, deeds of trust, and other instruments for any purposes whatsoever or in connection with any other matter, the existing physical boundaries of a Unit shall be conclusively presumed to be its boundaries, regardless of settling, rising, or lateral movements of the Improvements, and regardless of variances between boundaries as shown on the Plat and those of the Improvements.

UU. "Property" shall have the meaning given such term in Recital G on Page 1 of this Residential Declaration.

VV. "Regulations" shall mean the rules and regulations of the Residential Association adopted by Declarant or the Board of Directors and relating to the appearance, use, disposition, maintenance, and occupancy of the Property, as amended from time to time. All Owners shall be furnished with a copy of the Regulations upon written request to the Residential Association. Each

Owner and Occupant shall be required to strictly comply with the Regulations, and shall be responsible to the Residential Association for the compliance therewith by the members of their respective families, relatives, guests, employees, tenants, customers, or invitees, both minor and adult.

WW. "Residential Association" means The Harbor at Adriatica Residential Condominiums Association, Inc., a non-profit corporation, organized pursuant to the Texas Nonprofit Corporation Act, of which all Owners shall be members, and which shall operate and manage the Condominium, in accordance with the Act, the Master Declaration, and this Residential Declaration, or any successor entity.

XX. "Residential Declaration" shall mean this Subordinate Condominium Declaration for The Harbor at Adriatica Residential Condominiums recorded in the Official Public Records of Collin County, Texas, as it may be modified, amended, or superceded from time to time by a document recorded in the Official Public Records of the County.

YY. "Residential Parking Spaces" shall mean those portions of the Condominium used exclusively for the parking of automobiles by the Residential Unit and which are designated as limited common elements appurtenant to the Residential Unit on the Master Plat.

ZZ. "Residential Unit" shall have the meaning given such term in Recital C on Page 1 of this Residential Declaration.

AAA. "Special Assessment" shall mean the Assessments established by the Board of Directors under the provisions of Section 6.2 of this Residential Declaration from time to time.

BBB. "Special Declarant Rights" shall have the meaning given to such term in Section 11.1 of this Residential Declaration.

CCC. "Structure" shall mean all foundations, footings, columns, flat slabs, sheer walls, girders, support beams, post tension cables or rods, including any and all other structural components that support, uphold, or are a part of the Improvements, as shown on the Plat. A Structure shall be deemed a single Structure, even though it may be situated in more than one (1) Unit.

DDD. "Systems" shall mean all fixtures, equipment, pipes, lines, wires, computer cables, conduits, circuits, junction boxes, hangers, pull boxes, terminal points, electronic devices, air compressors, air handlers, chillers, and other systems used in the production, heating, cooling, and/or transmission of air, water, gas, electricity, communications, waste water, sewage, and audio or video signals, including the main switch gear conduits, plumbing chases, and mechanical shafts on the Property, and including any of such items that may be shown on the Plat.

EEE. "Unit" shall mean a physical portion of the Condominium that is designated for separate ownership or occupancy (the boundaries of which are depicted on the Plat) with the unrestricted right of ingress thereto and egress therefrom, and which includes: (i) all Systems which exclusively serve such Unit; and (ii) the finish materials and fixtures contained in the Unit, but excludes (x) any portion of the Structure and the structural components of the Improvements in which such Unit is located, and (y) Systems which serve more than one Unit, all as subject to and further described in Section 82.052 of the Act. The boundaries of each Unit shall be and are the interior surfaces of the perimeter walls, floors, ceilings, window frames, doors and door frames, and trim; and the space includes both the portions of the Improvements and the air space so encompassed, excepting the Common Elements. In interpreting deeds, mortgages, deeds of trust and other instruments, the existing physical boundaries of a Unit reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries, regardless of settling, rising, or lateral movement of the Improvements, and regardless of variances between boundaries as shown on the Plat and those of the Improvements. The individual ownership of each Unit shall further include the interior construction, attic, partitions, appliances, fixtures, and improvements which are intended to exclusively serve such Unit, such as interior room walls, floor or wall coverings or finishes, closets, cabinets, shelving, bathroom and kitchen fixtures, plumbing and appliances, lighting and electrical fixtures, and other separate items or chattels belonging exclusively to such Unit, any of which may be removed, replaced, disposed of or otherwise treated without affecting the use or enjoyment of any other Unit or ownership. None of the Land shall be separately owned, as all of the Land constitutes part of the Master Common Elements and shall be owned in common by the owners of the Master Units.

FFF. "Utility Easement" shall mean a perpetual, irrevocable, and non-exclusive easement for utilities.

GGG. "Working Capital Contribution" shall mean an amount equal to the Common Assessments multiplied by two (2) to be contributed to the Residential Association by each Owner as provided in Section 6.11 of this Residential Declaration.

Section 1.2 Number and Gender. Whenever the context requires, references in this Residential Declaration to the singular number shall include the plural, and, likewise, the plural number shall include the singular, and words denoting gender shall include the masculine, feminine, and neuter.

ARTICLE II **General Provisions**

Section 2.1 Names, Location, and Description.

A. The name of the Condominium is The Harbor at Adriatica Residential Condominiums.

B. The name of the Residential Association is The Harbor at Adriatica Residential Condominiums Association, Inc. The Residential Association was chartered as a Texas nonprofit corporation on August 14, 2013, under File Number 801833670.

C. The Condominium is located entirely in the City of McKinney, Collin County, Texas.

D. The Condominium is located on the Land and includes the Residential Unit, the Units, and the Common Elements.

Section 2.2 Subject to Documents.

A. The Condominium is held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, and easements of (i) this Residential Declaration, which runs with the land, binds all parties having or acquiring any right, title, or interest in the Condominium, their heirs, successors, and assigns, and inures to the benefit of each Owner, and (ii) the Master Declaration.

B. Additionally, as required by Section 2.5 of the Master Declaration, upon the filing of this Residential Declaration and acceptance of a deed to a Unit, any and all obligations (including the obligations to pay assessments as provided in the Master Declaration), liabilities, limitations, rights, waivers, benefits or burdens that are vested or that may in the future become vested in or upon the Declarant in relation to the Unit, pursuant to the Master Declaration, are hereby assumed by such Unit Owner and shall automatically be the obligations (including the obligations to pay assessments as defined in the Master Declaration), liabilities, limitations, rights, waivers, benefits or burdens of the Unit Owner and the Unit. In accordance with Section 2.5 of the Master Declaration, the percentage of liability for assessments and any other expenses under the Master Declaration which had previously been allocated to the Residential Unit subject to this Residential Declaration is apportioned among the Units created hereby in proportion to the common interest allocation assigned to each Unit pursuant to this Residential Declaration. **EACH UNIT OWNER AGREES TO INDEMNIFY AND HOLD HARMLESS THE DECLARANT AND ALL OTHER OWNERS OF UNITS UNDER THIS RESIDENTIAL DECLARATION FROM SUCH UNIT OWNER'S SHARE OF ANY AND ALL LIABILITIES, COSTS, EXPENSES (COMMON OR OTHERWISE), CHARGES, AND ASSESSMENTS RELATING OR ASSOCIATED WITH SUCH OWNER'S UNIT. This provision does not act to assign any rights retained by the Declarant under the Master Declaration or this Residential Declaration.** Any assignment of Declarant's rights under the Master Declaration or this Residential Declaration must be by separate instrument, executed by the Declarant and Declarant's assignee, and recorded in the Official Public Records of Collin County, Texas.

C. In addition to the terms and provisions of this Residential Declaration and the Master Declaration, the Condominium is also subject to the Adriatica Declaration and any additional covenants, conditions, restrictions, and easements filed of record in the Official Public Records of the County.

Section 2.3 Creation of Units; Plat.

A. Units. The Property is hereby divided into twenty-six (26) separately designated Units. Each Unit is identified by a number or letter on the Plat. The remaining portion of the Property, referred to as the Common Elements, shall be owned in common by the Owners. Each Owner shall own an undivided interest in the Common Elements, the percentage thereof for each Unit being as shown on Exhibit "C" attached hereto and made a part hereof for all purposes. Each Owner's undivided interest in the Common Elements has been assigned in accordance with a ratio of the total square footage of each Unit to the total square footage of all Units. The same procedure shall be used in the event the undivided interest in the Common Elements of an Owner is reallocated as provided in this Residential Declaration. The undivided interests in the Common Elements may be subject to reallocation by the Board in the event of: (i) damage or destruction of a portion of the Property and same is not rebuilt, (ii) the condemnation of all or a part of one or more Units, (iii) in the event of the exercise by Declarant of any Development Right, or (iv) upon the subdivision of a Unit in accordance with this Section. Upon such event, Declarant or the Residential Association (as the case may be) shall prepare, execute, and record an amendment to Exhibit "C" of this Residential Declaration reflecting such reallocation. Upon approval by the Board, or as may be permitted otherwise in this Residential Declaration, a Unit may be subdivided into two (2) or more Units if the Owner of the Unit to be subdivided shall submit to the Board an application as shall be reasonably required by the Board. Nothing in this Section 2.3 shall restrict any right of subdivision of a Unit by Declarant pursuant to Section 11.2 below. Each Condominium Unit, together with such Condominium Unit's undivided interests in the Common Elements, is a separate parcel of and estate in real property. The separate parcels of and estates in real property designated hereby shall be created on the date of filing of this Residential Declaration in the Official Public Records of the County, and shall continue until this Residential Declaration is revoked or terminated in the manner herein provided.

B. Plat. The Plat sets forth, among other things, the following: (1) a general description and diagrammatic plan of the Condominium; (2) all Improvements, including each Unit showing its location, floor, and size (expressed in square feet) and, by identifying Unit numbers or letters, as applicable, the Limited Common Elements appurtenant thereto, including one (1) or more Residential Parking Spaces designated by Declarant or the Residential Association as a Limited Common Element appurtenant to a specific Unit, and (3) such other information as is desirable or required pursuant to Section 82.054 of the Act, including a

certification as to compliance with Section 82.059 of the Act. The measurements set forth on the Plat as to each Unit are the measurements taken from the plans and specifications for the Property and may not be precisely accurate as to any Unit due to variances in construction. DECLARANT SHALL NOT BE LIABLE TO ANY OWNER AS A RESULT OF ANY DISCREPANCIES IN ACTUAL UNIT MEASUREMENTS FROM THOSE SET FORTH ON THE PLAT, AND EACH OWNER, BY ACCEPTING A DEED TO A UNIT, WAIVES ANY SUCH CLAIM OR CAUSE OF ACTION AGAINST DECLARANT. Upon completion of the construction of the Improvements, Declarant (without the joinder of any other Owner) may file an amendment to this Residential Declaration in the Official Public Records of the County, amending the Plat to reflect the actual measurements for each Unit.

2.4 Limited Common Elements.

A. Portions of the Common Elements may be set aside and reserved for the exclusive use of one or more, but less than all, of the Units, such areas being Limited Common Elements. The Limited Common Elements reserved for the exclusive use of individual Units are the assigned Residential Parking Spaces, patio and balcony structures (if any), separate storage spaces (if any), and other portions of the Common Elements designated as Limited Common Elements in this Residential Declaration. Such spaces and structures are allocated and assigned by Declarant to the respective Units, as indicated on the Plat. Such Limited Common Elements shall be used in connection with the particular Unit, to the exclusion of the use thereof by the other Units, except by invitation.

B. A Common Element not allocated by this Residential Declaration as a Limited Common Element may be so allocated only pursuant to the provisions of this Section 2.4; provided, however, Declarant reserves the right, under Section 11.2 of this Residential Declaration, to create Limited Common Elements within the Condominium.

C. A Limited Common Element may not be reallocated, except by a recordable amendment to this Residential Declaration signed by all Owners and First Mortgagees of Units whose interests are to be allocated or reallocated. The parties executing the amendment will provide an executed copy of the amendment to the Residential Association, which will record it, provided that the amendment complies with the provisions of this Residential Declaration and the Act. The amendment will specify to which Unit or Units the Limited Common Element is allocated. The parties executing the amendment are responsible for the preparation of the amendment and will reimburse the Residential Association for its reasonable attorneys' fees in connection with reviewing and recording the amendment.

Section 2.5 Inseparability of Units; No Partition. Except for the leasing of portions of the Units, the Special Declarant Rights, and the Development Rights, each Unit shall be inseparable and shall be acquired, owned, conveyed, transferred, and encumbered only in its entirety. In no event shall a Unit held by more than one Owner be subject to physical partition and no Owner or Owners

shall bring or be entitled to maintain an action for the partition or division of a Unit or the Common Elements, except as provided in this Residential Declaration. Any purported conveyance, judicial sale, or other voluntary or involuntary transfer of an undivided interest in the Common Elements without the Unit to which such Common Elements are allocated is void.

Section 2.6 Permissible Relationships; Description.

A. Ownership of Unit. A Unit may be acquired and held by more than one Person in any form of ownership recognized by the laws of the State of Texas.

B. Description of Unit. Any contract or other instrument relating to the acquisition, ownership, conveyance, transfer, lease, or encumbrance of a Unit shall legally describe the Unit by its identifying Unit number or letter, as the case may be, followed by the words "The Harbor at Adriatica Residential Condominiums, located in McKinney, Collin County, Texas," with further reference to the recording data for this Residential Declaration (including the Plat and any amendments to this Residential Declaration). Each such description shall be good and sufficient for all purposes to acquire, own, convey, transfer, lease, encumber, or otherwise deal with such Unit, and any such description shall be construed to include all incidents of ownership relating to a Unit.

Section 2.7 Mortgage of Unit. An Owner shall be entitled, from time to time, to mortgage or encumber such Owner's Unit by creating a lien covering such Unit under the provisions of a deed of trust, but any lien created thereby shall be subject to the terms and provisions of this Residential Declaration, and any mortgagee or other lienholder which acquires an Owner's Unit through judicial foreclosure, public sale, or any other means shall be subject to the terms and provisions of this Residential Declaration, except as specifically provided to the contrary herein. An Owner that mortgages such Owner's Unit shall notify the Residential Association, giving the name and address of the Owner's First Mortgage, and the Residential Association shall maintain such information.

Section 2.8 Alteration of Boundaries of Units. If an Owner (including Declarant) or if two (2) Owners own Units which adjoin horizontally (on the same floor), such Owner or Owners shall have the right to relocate the boundaries between such adjoining Units by removing and relocating all or any part of any intervening partition, notwithstanding the fact that such partition may, in whole or in part, be a Common Element, so long as (i) no portion of any bearing wall or bearing column is weakened or removed and no portion of any Common Element (other than the partition) is damaged, destroyed, or endangered, and (ii) the First Mortgagees of such Owners provide prior, written consent to such relocation or alteration; provided, however, that the Owner or Owners shall have the right to relocate certain Common Elements which are located within the partition (such as pipes, dues, conduits, shafts, vents, ducts, wiring, and the like) so long as such relocation is performed in a good and workmanlike manner by a capable and experienced workman and such Common Elements are fully operational upon completion of such relocation. Any such relocation and costs of repairs caused by such relocation shall be at the sole cost of the Owner or

Owners requesting such relocation and shall be completed in a manner designated to cause minimal disruption to the other Owners. Notwithstanding the above, prior to the commencement of any such alterations, such Owner or Owners shall submit to the Board of Directors full and complete plans and specifications relating to such alterations and a report of a structural engineer evidencing the feasibility of such proposed alterations. The Board of Directors may request such additional information as it deems necessary to evaluate the alteration request. The Board of Directors shall approve the request if it reasonably determines that no portion of a bearing wall or bearing column shall be weakened or removed and no portion of any Common Elements (except the partition) shall be damaged, destroyed, or endangered. Within a reasonable period of time following its receipt of the plans and specifications and all such other requested information, the Board of Directors shall provide to the Owner written acknowledgment of the Board of Directors's receipt of the alteration request and the Board of Directors shall be deemed to have approved such plans and specifications if it fails to disapprove of such plans and specifications, in writing, within fifteen (15) business days after the Owner's receipt of the Board of Directors' written acknowledgment of receipt of the request for alterations. In such event, the Residential Association shall cause an appropriate instrument of amendment to this Residential Declaration to be prepared, executed, and recorded in the Official Public Records of the County. The instrument of amendment shall (i) contain such plats and floor plans as are necessary to show the boundaries between the Units involved, which shall be certified as to their accuracy by a registered architect or engineer, (ii) recite the occurrence of any conveyance between the Owners of the Units affected, and (iii) specify any reallocation of the interest in the Common Elements pertaining to the Units affected. The Residential Association agrees to cooperate reasonably with such Owner or Owners in effectuating such amendment to this Residential Declaration, provided that all costs and expenses incurred by the Residential Association in connection therewith, including attorneys' fees, shall be paid exclusively by such Owner or Owners. In the event any damage is caused to any bearing wall, Common Elements (other than the partition), or another Owner's Unit as a result of an Owner's exercise of the rights granted hereunder, all such damage shall be repaired at the sole cost and expense of the Owner or Owners exercising such rights.

Section 2.9 Additional Property. Additional real property may be annexed to the Condominium and subject to this Residential Declaration and the jurisdiction of the Residential Association on approval of Owners holding not less than sixty-seven percent (67%) of the Common Elements or, during the Declarant Control Period, by Declarant as permitted in Section 11.2 of this Residential Declaration. Annexation of additional property shall be accomplished by the recording of a declaration of annexation in the Official Public Records of the County. The annexation document will include a description of the additional property that complies with the Act and specify any reallocation of the interests in the Common Elements.

Section 2.10 Merger. Merger or consolidation of the Residential Association with another association must be evidenced by an amendment to this Residential Declaration. The amendment must be approved by Owners holding not less than sixty-seven percent (67%) of the Common Elements. Upon merger or consolidation of the Residential Association with another association, the properties, rights, and obligations of another association may, by operation of law, be added to the properties, rights, and obligations of the Residential Association as a surviving corporation pursuant to the merger. The surviving or consolidated association may administer the provisions of

this Residential Declaration, together with the covenants and restrictions established upon any other property under its jurisdiction. No merger or consolidation, however, will effect a revocation, change, or addition to the covenants established by this Residential Declaration within the Condominium.

ARTICLE III

Uses, Reservations, and Restrictions

Section 3.1 Permitted Uses.

A. Units. The Units shall be used or occupied solely for residential purposes and related uses.

B. Leasing of Units. Units, in their entirety, may be leased; however, no lease of all or any portion of a Unit shall be made for transient or hotel purposes or for any term of less than six (6) months. Any such lease shall be in writing, shall state that it is subject in all respects to the provisions of the Governing Documents, and shall provide that any failure by the tenant to comply with the terms and provisions of the Governing Documents shall be and constitute a default under the lease. Upon request of the Residential Association, the owner of the Unit shall make available to the Residential Association a copy of the lease of the Unit (provided that the financial terms of the lease may be redacted by the Owner of the Unit from the copy submitted to the Residential Association). The Owner of the Unit subject to a lease shall not be relieved from any obligation under this Residential Declaration or the other Governing Documents. No portion of the Unit shall be leased for commercial purposes; provided, however, that this restriction will not prohibit an Occupant of a Unit from using such Occupant's Unit for personal, business, or professional purposes, provided that: (1) such use is incidental to the Occupant's residential use; (2) such use conforms to all Legal Requirements; (3) there is no external visible evidence of such use; and (4) such use does not entail visits to the Occupant's Unit by the public, employees, suppliers, or clients.

C. Use of Common Elements and Units. The use, maintenance, and operations of the Common Elements shall not be obstructed, damaged, or unreasonably interfered with by any Owner. Without limiting the generality of the foregoing provisions of this Section 3.1(C), use of the Condominium by the Owners shall be subject to the following restrictions:

1. Nothing shall be stored in the Common Elements, without the prior written consent of the Board, except in storage areas or as otherwise expressly provided in the Governing Documents;

2. Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance for the

Condominium, without the prior written consent of the Board. No Owner shall permit anything to be done or kept in such Owner's Unit or the Common Elements which will result in the cancellation of insurance on any Unit or any part of the Common Elements, or which will be in violation of any Legal Requirement;

3. No waste shall be committed in or on the Common Elements;

4. Subject to Declarant's rights set forth in this Residential Declaration, any signs, advertising, posters, political placards, banners, flags, stickers, billboards, speakers, lighting, awnings, canopies, or shutters that are to be displayed to the public view on or from any Unit or the Common Elements shall be subject to the prior written consent of the Board or the written consent of the Manager acting in accord with the Board's direction;

5. No noxious or offensive activity shall be carried on, in, or upon the Common Elements, nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any other Owner. No loud noise or noxious odors shall be permitted within the Condominium. The Board shall have the right to determine if any such noise, odor, or activity constitutes a nuisance. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells, or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles, or other items which may unreasonably interfere with any Owner's use of such Owner's Unit shall be located, used, or placed on any portion of the Condominium or exposed to the view of other Owners, without the prior written approval of the Board;

6. No activities will be conducted in the Condominium which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms or fireworks may be discharged within the Condominium and no open fires are permitted;

7. Any antenna for the transmission or reception of telephone, television, microwave, or radio signals that are to be visible to the public view on or from any Unit or the Common Elements shall be subject to the prior written approval of the Board;

8. No mobile homes, travel trailers, or recreational vehicles may be parked or placed overnight on any portion of the Condominium;

9. No aluminum foil, reflective film, or similar window treatment may be placed on or within any Unit. All window treatments incorporated into any Unit will be of uniform design and approved in advance by the Board;

10. No window or wall-type air conditioner will be permitted to be used, placed, or maintained in any Unit, without the advance written consent of the Board;

11. Except as expressly provided herein, nothing shall be altered or constructed in or removed from the Common Elements, except upon the prior written consent of the Board;

12. No rubbish, trash, or garbage, or other waste material shall be kept or permitted upon any Unit or the Common Elements, except in sanitary containers located in appropriate areas screened and concealed from view; and no odor shall be permitted to arise therefrom so as to render the Condominium or any portion thereof unsanitary, unsightly, offensive, or detrimental to any other property in the vicinity thereof or to its occupants;

13. No vehicle shall be parked, stored, or kept except wholly within the parking space or spaces designated therefor, and no inoperable vehicle shall be stored in a parking space or within the Common Elements. No large commercial-type vehicle (dump truck, cement-mixer truck, oil or gas truck, delivery truck, and any other vehicle equipment, mobile or otherwise, deemed to be a nuisance by the Board) or any recreational vehicle (camper unit, motor home, truck, trailer, boat, mobile home, or other similar vehicle deemed to be a nuisance by the Board) shall be parked, stored, or kept within the Condominium or adjoining the Condominium. Parking spaces shall be used for parking purposes only;

14. No animals, livestock, reptiles, or poultry of any kind shall be raised, bred, or kept in any Unit or the Common Elements, without the prior written consent of the Board; provided, however, each Owner may keep two (2) cats; or two (2) dogs; or one (1) cat and one (1) dog. Fish and birds may be kept in the Units subject to rules and regulations adopted by the Residential Association, provided they are not kept, bred, or maintained for commercial purposes or in unreasonable quantities. The Residential Association, acting through

the Board, shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to any other Owner; and

15. In order that Declarant may establish the Condominium as a fully occupied condominium, no Owner nor the Residential Association shall do anything to interfere with, and nothing in this Residential Declaration shall be understood or construed to:

a. Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors from doing in any Unit owned by Declarant or its successors or assigns, whatever such parties determine to be necessary or advisable in connection with the completion of any work thereon;

b. Prevent Declarant, its successors or assigns, or its or their representatives from erecting, constructing, and maintaining on the Common Elements or any Unit owned or controlled by Declarant, its successors or assigns, or its or their contractors or subcontractors such other structures as may be reasonably necessary for the conduct of its or their business of completing any work and establishing the Condominium as a condominium and disposing of the same by sale, lease, or otherwise;

c. Prevent Declarant, its successors or assigns, or its or their representatives from maintaining a sales office and maintaining and showing model Units.

d. Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors from maintaining a sign or signs for the marketing of Units.

D. Reservation of Variance. Notwithstanding any provision of this Residential Declaration to the contrary, Declarant reserves the right to amend the Plat and to vary the size, shape, physical lay-out, or location of unsold Units, and to correspondingly adjust the percentage of ownership of the Common Elements of the applicable unsold Units. Such adjustment in the percentage of ownership of the Common Elements will not affect those Units owned by parties other than Declarant.

Section 3.2 Architectural Control. Each Unit and the Common Elements shall also be subject to limitations on use, occupancy, architectural standards, and such other matters as shall be determined by the Residential Association and as set forth in the Regulations, which shall at all times be consistent and in compliance with all Legal Requirements, the Master Declaration, and the Adriatica Declaration.

Section 3.3 Sales Activities. At all times when Declarant is an Owner, Declarant shall have the right to conduct on the Property all operations necessary, in its sole discretion, to complete the construction and development of the Condominium and to market or lease any portion of the Condominium. Irrespective of any restriction or regulation, Declarant or its agents may enter upon the Property and operate thereon such vehicles and equipment as shall be necessary, in the sole discretion of Declarant or its agent, for such purposes. Declarant shall have the right to use any part of the Condominium as a model unit and/or leasing or sales office in connection with the selling or leasing of any Unit. In addition, Declarant shall have the right to place upon the Common Elements signs designating such offices in advertising the leasing or sale of any portion of the Condominium. All actions relating to the foregoing must be in compliance with the Act, all Legal Requirements, and the Regulations.

Section 3.4 Compliance with the Governing Documents. Each Owner, by accepting or possessing title to an Owner's Unit, and any Occupant or tenant having the right to occupy an Owner's Unit pursuant to a lease granted by an Owner, shall automatically be deemed to have agreed to strictly comply with the provisions of the Governing Documents and all Legal Requirements. A failure or refusal to so comply with any such provisions, after written notice, shall be grounds for an action to recover damages or sums due, with interest thereon at the Past Due Rate, or for injunctive relief, or both, and for reimbursement of all attorneys' fees incurred in connection therewith, which action may be maintained by the Board or the Manager in the name of the Residential Association on behalf of all the Owners or, in a proper case, by an aggrieved Owner.

Section 3.5 Parking. All Residential Parking Spaces shall be subject to the procedures and regulations adopted from time to time by the Residential Association and shall be used exclusively for automobile parking purposes and those uses appurtenant to parking purposes by the Owners, their tenants and their guests, invitees, employees, and other Occupants.

Section 3.6 Easements. Each Owner shall, by virtue of this Residential Declaration, accept the deed to their Unit subject to the Easements reserved and granted in this Section 3.6, which shall be non-exclusive covenants running with the land, except where otherwise indicated, and shall be for the benefit and in favor of, as applicable, the Unit Owners, Declarant, the Residential Association, the Occupants and their guests, licensees, and invitees for all proper purposes.

A. **Access Easements, Utility Easements, and Common Elements Easement.** Declarant hereby grants and reserves the Access Easement and the Utility Easement for the benefit of all Owners, the Residential Association, and their agents, employees, and representatives, including the Manager and the Manager's agents and employees as the case may be. Declarant hereby grants and reserves the Common

Elements Easement for the benefit of each Owner and declares that by virtue of this Residential Declaration, the Common Elements shall be subject to the Common Elements Easement. Municipalities and authorized public utilities (or private companies) furnishing services, lines, pipes, wires, conduits, facilities, and equipment to the Condominium for common use such as water, electricity, gas, cable television, telephone, or similar services, shall have access to the Common Elements and each Unit as may be necessary or desirable for the installation, repair, maintenance, removal, and/or replacement of such services, and any costs incurred in opening and repairing any wall of the Condominium to install, repair, maintain, remove, or replace such authorized services (except as otherwise provided herein) shall be a Common Expense, unless determined by the Residential Association to be an action that benefits one or more Units to the exclusion of the other Owners, in which case, such costs shall be the responsibility of the Owner or Owners benefitting from such action and shall be paid by such Owners in equal amounts. However, installed utility lines, public or private, shall be considered to be located in a valid easement and may remain in the installed location and be repaired and/or replaced in such location. Declarant may record an easement agreement or easement relocation agreement in the Official Public Records of the County, specifically locating or relocating any Utility Easement subsequent to the recordation of this Residential Declaration, and each Unit Owner, by acceptance of the deed to a Unit, hereby grants Declarant an irrevocable power of attorney, coupled with an interest, with full power and authority to locate or relocate any Utility Easement.

B. Additional Utilities Easements. Declarant hereby reserves the right to grant easements for utilities over any and all of the Common Elements for its own benefit, for the benefit of the Residential Association, or for the benefit of public or private companies furnishing utility service to all or a part of the Condominium. Utilities may include, but not be limited to, water, storm sewer, sanitary sewer, trash removal, electricity, gas, telephone, cable television, and security.

C. Easement to Inspect and Right to Correct. For a period of ten (10) years after the date on which this Residential Declaration is recorded in the Official Public Records of the County, Declarant reserves for itself and for Declarant's architect, engineer, other design professionals, builders, general contractors, and other contractors the right, but not the duty, to inspect, monitor, test, redesign, and correct any structure, Improvement, or condition that may exist on any portion of the Condominium, including the Common Elements and Units, and a perpetual nonexclusive easement of access throughout the Condominium to the extent reasonably necessary to exercise this right. Declarant or the party accessing the Condominium will promptly repair, at its sole expense, any damage resulting from the exercise of this right. This Section may not be construed to create a duty upon Declarant or the Residential Association, and may not be amended without Declarant's written consent. In support of this reservation, each Owner, by accepting an interest in or title to a Unit, hereby grants to Declarant an easement of access and

entry over, across, under, and through the Condominium, including without limitation, all Common Elements, the Owner's Unit, and all Improvements thereon for the purposes contained in this Section 3.6.

D. Owner's Easements. Each Owner shall have the following easements to, through, and over the Common Elements to the extent necessary for such Owner's maintenance responsibilities:

A. to paint, remove, and replace any finish on the interior surface of any Common Element within the Owner's Unit;

B. to install, repair, maintain, remove, and/or replace any plumbing, heating, cooling, lighting, or other fixture or equipment which is a part of a Unit or which would become a part thereof when installed in any bearing wall, floor, ceiling, or roof; provided, however, such installation, repair, maintenance, removal, and/or replacement shall not (1) impair the structural integrity of the Improvements; or (2) adversely affect any adjacent Unit; and

C. to drive and remove nails, screws, bolts and the like into and from bearing walls, floors, ceiling, and roof; provided, however, such action shall not (1) impair the structural integrity of the Improvements; or (2) adversely affect any adjacent Unit.

Section 3.7 Encroachments. If, as a result of the original construction, reconstruction, repair, shifting, settlement, or other circumstance, any portion of the Common Elements encroaches upon an Owner's Unit, an irrevocable and perpetual easement for such encroachment and for the maintenance of the same is hereby granted and conveyed to the Residential Association by each Owner at the time each Owner's Unit is conveyed to the Owner. If as a result of the original construction, reconstruction, repair, shifting, settlement, or other circumstance, any portion of an Owner's Unit encroaches upon the Common Elements or upon any adjoining Owner's Unit, an irrevocable and perpetual easement for such encroachment and for the maintenance of the same is hereby granted to the Owner of such Unit. A valid easement also exists to that portion of the Common Elements occupied by any part of an Owner's Unit not contained within the physical boundaries of such Unit, including, but not limited to, space occupied by heating and air conditioning equipment, utility lines, and similar equipment to the extent such easement and lines serve only such Unit. Such encroachments and easements shall not be considered or determined to be encumbrances either upon a Unit or upon the Common Elements.

ARTICLE IV

Matters Regarding the Residential Association

Section 4.1 General. The Residential Association has been or will be incorporated as a nonprofit corporation under the Texas Nonprofit Corporation Act. In addition to the powers

conferred on the Residential Association under the Governing Documents, the Residential Association may take all actions authorized by Section 82.102 of the Act. The Residential Association, acting through the Board, shall have the right and authority to:

- A. enter into Units for maintenance, emergency, security, or safety purposes. Except in an emergency, entry shall be only during reasonable hours and after reasonable notice to an Owner of the Unit. No party exercising the rights herein granted shall be liable for trespass, damages, or in any other manner by virtue of exercising such rights;
- B. enforce the Governing Documents; and
- C. control, manage, operate, maintain, improve, and replace the Common Properties.

Any and all actions taken by the Residential Association pursuant to the Governing Documents are binding on all Owners.

Section 4.2 Members. An Owner of a Unit, upon becoming an Owner, shall be a member ("Member") of the Residential Association and shall remain a Member for the period of such Owner's ownership. Membership shall terminate without any formal action by the Residential Association whenever such person ceases to own a Unit, but such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with the Property during the period of such ownership and membership in the Residential Association, or impair any rights or remedies which the Board or others may have against the former Member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Residential Association, but the Board may, if it so elects, issue membership cards to the Owner(s) of a Unit. Such membership cards shall be surrendered to the Board whenever ownership of the Unit shall terminate.

Section 4.3 Voting. The Residential Association shall be managed by the Board, duly appointed or elected, pursuant to the terms and conditions of the Bylaws. Ownership of a Unit shall entitle the Owner(s) to cast one (1) vote per Unit in the affairs of the Residential Association, which vote will be weighted to equal the Owner's undivided interest in and to the Common Elements, as set forth on Exhibit "C." Voting shall not be split among more than one (1) Owner. A Majority of Unit Owners shall constitute a quorum. Votes may be cast in person or by proxy. Proxies may be filed with the Secretary of the Residential Association before the appointed time of each meeting.

Section 4.4 Board of Directors. The Board of Directors shall be initially established by Declarant as set forth in the Certificate of Formation and shall consist of three (3) individuals who need not be Owners.

Section 4.5 Declarant Control. Notwithstanding anything contained herein to the contrary, and for the benefit and protection of the Owners and any First Mortgagees for the purpose of ensuring a complete and orderly buildout as well as a timely sellout of the Condominium, Declarant will retain control of and over the Residential Association during the Declarant Control Period. During the Declarant Control Period, Declarant shall have the power to appoint and remove officers of the Residential Association and members of the Board. It is expressly understood, Declarant will not use its control for any advantage over the Owners by way of retention of any residual rights or interests in the Residential Association or through the creation of any management agreement with a term longer than one (1) year, upon relinquishment of Declarant control, without the approval of a Majority of Unit Owners. At the end of the Declarant Control Period, Declarant, through the Board, shall call the first annual meeting of the Residential Association.

Section 4.6 Temporary Managing Agent. During the Declarant Control Period, Declarant may employ or designate a temporary manager or managing agent, who shall have and possess all of the rights, powers, authority, functions, and duties as may be specified in the contract of employment or as may be delegated by Declarant. Declarant may pay such temporary manager or managing agent such compensation as it may deem reasonable for the services to be rendered, which compensation shall constitute a part of the Common Expenses and shall be paid out of the Residential Association budget.

Section 4.7 Indemnification. The Residential Association shall indemnify every officer, director, and committee member of the Residential Association ("Indemnified Party") against expenses, including attorneys' fees, reasonably incurred by or imposed on an Indemnified Party in connection with any threatened or pending action, suit, or proceeding to which an Indemnified Party is a party or respondent by reason of being or having been in such position. An Indemnified Party shall not be liable for a mistake of judgment. An Indemnified Party is liable for his or her willful misfeasance, malfeasance, misconduct, or bad faith. This right to indemnification does not exclude any other rights to which a present or former Indemnified Party may be entitled.

ARTICLE V

Maintenance, Alterations, Insurance, Taxes, and Utilities

Section 5.1 Maintenance.

A. Except as otherwise provided herein or in the Master Declaration, each Owner shall be responsible for and shall maintain and repair, at the Owner's sole cost and expense, the Owner's Unit and the Limited Common Elements appurtenant thereto in accordance with the Maintenance Standard, in good condition and repair, including, without limitation, all Systems that serve only or are a part of the Owner's Unit, fixtures, and appliances contained therein, and all interior Unit doors and interior windows, and the replacement thereof (including, but not limited to, hardware and glass). An Owner shall be solely responsible for such Owner's heating and cooling system. No Owner shall be required to directly pay the cost and expense of structural repairs to the Owner's Unit or to the Common Elements, unless caused by the willful or grossly negligent misuse by the Owner, the Occupants, or the

invitees of such Owner's Unit, in which event such costs and expenses shall constitute the sole obligation of the Owner, whose Occupants and/or invitees were guilty of such willful or grossly negligent misuse. Any maintenance and repair work to an Owner's Unit done by or on behalf of the Owner shall be done in a good and workmanlike manner using materials of equal or better quality than the materials removed, and shall be done in such a manner as not to impair the structural soundness or integrity or to alter the exterior appearance of any of the Improvements or Owner's Unit. In the event an Owner fails to discharge the Owner's maintenance obligations, the Residential Association shall be entitled (but not obligated) to cause such work to be done following written notice to the Owner and a ten (10) day opportunity to cure such default, and the cost and expense thereof shall be an Individual Assessment against the Owner and constitute a lien upon such Owner's Unit, which lien may be enforced in the same method as is provided for the enforcement of liens for Assessments pursuant to the provisions of Section 6.6 of this Residential Declaration. Damage to the interior of any Unit resulting from such maintenance, repair, and replacement activities by the Residential Association, whether by reason of an emergency or otherwise, shall constitute a Common Expense and be payable by the Residential Association; provided, however, that if such maintenance, repairs, or replacements are the result of the misuse or gross negligence of an Owner, Occupant of such Owner's Unit, or its guests or invitees, then such Owner shall be responsible and liable for all such damage.

B. Except as otherwise provided herein or in the Master Declaration, all General Common Elements shall be maintained by the Residential Association, in accordance with the Maintenance Standard, in good condition and repair, the cost and expense of which shall constitute a Common Expense and be payable by the Residential Association. All Common Expenses shall be assessed against the Owners in accordance with their undivided interest in the Common Elements. The Residential Association shall establish and maintain an adequate reserve fund for Common Expenses, which shall be funded by Common Assessments rather than by Special Assessments.

C. The Residential Association shall not be liable for injury or damage to any person or property caused by the elements or by the Owner of any Unit, or any other Person, or resulting from any utility, rain, snow, or ice which may leak or flow from any portion of the Common Elements or from any pipe, drain, conduit, appliance, or equipment which the Residential Association is responsible to maintain hereunder. The Residential Association shall not be liable to any Owner, any Occupant, or such Owner's tenant, guest, or family for loss or damage, by theft or otherwise, of any property which may be stored in or upon any of the Common Elements. The Residential Association shall not be liable to any Owner or Occupant for any damage or injury caused in whole or in part by the Residential Association's

failure to discharge its responsibilities under this Section where such damage or injury is not a foreseeable, natural result of the Residential Association's failure to discharge its responsibilities.

Section 5.2 Disputes. Any Dispute arising among Owners as to the proper party to bear a maintenance cost or expense shall be resolved in accordance with Article IX herein.

Section 5.3 Alterations.

A. No Owner shall be entitled to alter, add to, or improve the General Common Elements. In addition, except as herein expressly provided, no Owner shall be entitled to alter, add to, or improve the Owner's Unit or the Limited Common Elements appurtenant thereto, in a manner that will or might reasonably be expected to affect (a) the structural soundness or integrity of the Improvements or the exterior appearance of any of the Improvements; (b) any System that services more than one Unit; or (c) any warranty in favor of the Residential Association, without the prior written consent of the Residential Association. In addition, no Owner shall be entitled to make any alteration, addition, or improvement to a Limited Common Elements appurtenant to more than the Unit unless the prior written approval of all Owners having an interest therein is obtained. Any alteration, addition, and improvement made pursuant to this Section shall be made at the individual cost and expense of the Owner of the Unit or Limited Common Element so altered, added to, or improved and shall be made in compliance with this Residential Declaration and the Governing Documents.

B. **Limits on Liability.** Neither Declarant, nor the Board, nor their directors, officers, committee members, employees, or agents will have any liability for decisions made in good faith, and which are not arbitrary or capricious. Neither Declarant, nor the Board, nor their directors, officers, committee members, employees, or agents are responsible for (i) errors in or omissions from the plans and specifications submitted to the Board; (ii) supervising construction for the Owner's compliance with approved plans and specifications; or (iii) the compliance of the Owner's plans and specifications with governmental codes and ordinances, or with state and federal laws. Approval of a modification or improvement may not be deemed to constitute a waiver of the right to withhold approval of similar proposals, plans, or specifications that are subsequently submitted.

Section 5.4 Mechanic's Liens; Indemnification. No labor or service performed or material furnished and incorporated into an Owner's Unit shall be the basis for the filing of a mechanic's lien against the Unit of any other Owner not expressly consenting, in writing, to or requesting the same, or against the Common Elements. Each Owner shall indemnify, defend, and hold harmless each of the other Owners and the Residential Association from and against all liabilities and obligations arising from the claim of any mechanic's lien for labor, services, and

materials against the Units of such other Owners or the Common Elements. All contracts for labor, services, and materials with respect to any of the Units shall be in compliance with the provisions hereof.

Section 5.5 Insurance -General.

(a) Commencing upon the first conveyance of any Unit to an Owner other than Declarant, the Residential Association shall obtain and maintain, as a Common Expense, insurance coverage required pursuant to this Residential Declaration. In addition, the Residential Association shall carry such other or additional insurance, in such amounts and against such risks, as a Majority of the Unit Owners shall reasonably deem necessary with respect to the Common Elements or operation of the Residential Association. The premiums for all insurance coverages maintained by the Residential Association pursuant to this Section shall constitute a Common Expense and be payable by the Residential Association.

(b) Neither the Board of Directors, any Manager, Declarant, nor any Owner will be liable for failure to obtain any insurance coverage required by this Residential Declaration or for any loss or damage resulting from such failure, if such failure is due to the general unavailability of such coverage from reputable insurance companies, or if such coverage is not available at a commercially reasonable cost.

(c) Each policy of insurance maintained by the Residential Association shall provide that:

(i) each Owner shall be named as an insured and the Residential Association shall be named as loss payee;

(ii) each Owner is an insured person under such policies with respect to liability arising out of the Owner's ownership of an undivided interest in the Common Elements or membership in the Residential Association;

(iii) insurance trust agreements will be recognized;

(iv) any right to claim (A) by way of subrogation against the Declarant, the Residential Association, the Board of Directors, any Manager, the Owners, and their respective agents and employees, or (B) invalidity arising from acts of the insured is waived;

(v) the coverage of the policy is not prejudiced by any act or omission of an individual Owner to the extent that such act or omission is not within the collective control of all Owners;

(vi) such policy is primary insurance if at the time of a loss under the policy any Owner has other insurance covering the same property covered by the policy;

(vii) no action or omission by an Owner will void the policy or be a condition to recovery under the policy;

(viii) such policy may not be cancelled, renewed, or substantially modified without at least 45 days prior written notice (fifteen (15) days if due to non-payment of premium) to the Residential Association, any Manager, and, in the case of physical damage and fidelity insurance, to all Owners and to all First Mortgagees; and

(ix) an agreement that if cancellation is due to nonpayment of premiums, the insurer will so specify in the notice given in (viii) above and will reinstate the policy upon payment of the premiums by the Residential Association.

(d) The Manager may be reflected as an additional insured on any commercial general liability insurance policy carried by the Residential Association.

(e) The Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as an Owner.

(f) The Board of Directors shall have the express authority, on behalf of the Residential Association, to name as insured an authorized representative, including any trustee (or successor thereto) with whom the Residential Association has entered into any insurance trust agreement, which authorized representative shall have exclusive authority to negotiate losses under any policy providing the property or liability insurance required to be provided herein.

(g) By acceptance of a deed to a Unit, each Owner shall be deemed to have irrevocably appointed the Residential Association (which appointment shall be deemed a power coupled with an interest), together with any insurance trustee, successor trustee, or authorized representative designated by the Residential Association, as such Owner's attorney-in-fact for the purpose of purchasing and maintaining the insurance required hereunder as well as for submission of, and adjustment of, any claim for loss, the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purpose. The Residential Association or such trustee, successor trustee, or authorized representative must receive, hold, or otherwise properly dispose

of any proceeds of insurance in trust for the Owners and the First Mortgagees, as their interests may appear, based on the fair market value of the interests damaged or destroyed.

(h) Any proceeds paid under such policy shall be disbursed first for the repair or restoration of any damaged Common Elements and Units, and no Owner or First Mortgagee or other lienholder shall receive payment of any portion of such proceeds unless a surplus remains after the Condominium has either been completely restored or the Condominium has been terminated.

(i) If an Owner (or its First Mortgagee) requires insurance coverages not initially provided in the master insurance policy obtained by the Residential Association or in amounts in excess of amount specified in such master insurance policy, the Residential Association shall obtain such additional coverages upon the Owner's written request, with the additional costs to be paid solely by such Owner.

Section 5.6 Insurance Providers. All insurance policies maintained by the Residential Association shall be in such form and shall be issued by such responsible insurance companies licensed to do business in the State of Texas as are approved by the Board of Directors..

Section 5.7 Physical Damage Insurance.

(a) The Residential Association shall obtain and maintain a policy of insurance (an "All Risk Policy") against fire and such other hazards, within the meaning of "all risk," insuring the Improvements and naming each Owner as an insured and the Residential Association as loss payee and as trustee for the use and benefit of all Owners and their First Mortgagees, as their interests may appear subject, however, to loss payment and adjustment provisions in favor of the Board of Directors, in an amount equal to one hundred percent (100%) of the then current replacement cost of the Improvements, exclusive of land, excavations, foundations, and other items usually excluded from such coverage, such amount to be redetermined periodically by the Board of Directors with the assistance of the insurance company affording such coverage. Any deductible shall not exceed a commercially reasonable percentage of the replacement cost. A stipulated value or agreed amount endorsement deleting the co-insurance provision of the policy shall be provided with such insurance. If not otherwise included within the "all risks" coverage specified above, then the Residential Association shall carry or cause to be carried, by endorsement to such All Risks Policy, coverage against damage due to water and sprinkler leakage, flood, hail, and collapse and shall be written with limits of coverage typically required with respect to facilities similar to the Condominium. The full replacement value coverage shall include the costs of debris removal and value of grading, paving, landscaping, architects, and development fees.

(b) Each All Risk Policy shall also provide (unless otherwise provided):

(i) A waiver of any right of the insurer to repair, rebuild, or replace any damage or destruction if a decision is made pursuant to this Residential Declaration not to do so.

(ii) The following endorsements (or equivalent): (A) "non control," (B) "contingent liability from operation of building laws," "demolition cost," and "increased cost of construction"; (C) "agreed amount" or its equivalent and "inflation guard," if available; and (D) a "severability of interest" endorsement which shall preclude the insurer from denying liability to the Residential Association or to an Owner because of the acts of any of the foregoing.

(iii) That any "no other insurance" clause expressly excludes individual Owners' or lessees' policies from its operation so that the physical damage policy purchased by the Residential Association shall be deemed primary coverage and any individual Owners' or lessees' policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Residential Association provide for or be brought into contribution with insurance purchased by individual Owners or their First Mortgagees, unless otherwise required by law.

(iv) The right of subrogation against the Residential Association and Owners shall be waived.

(c) A duplicate original of the policy of physical damage insurance, all renewals thereof, and any sub-policies or certificates and endorsements issued thereunder, together with proof of payment of premium, shall be delivered by the insurer to any First Mortgagee so requesting at least 10 days prior to the expiration of the then current policy. All First Mortgagees shall be notified of any event giving rise to a claim under such policy in excess of \$10,000.00 (in the case of damage to the Unit covered by such First Mortgagee's lien or the Common Elements).

(d) The Residential Association shall not obtain any policy of insurance where (i) under the terms of the carrier's charter, bylaws, or policy, contributions or assessments may be made against the Owner or First Mortgagee or become a lien against the Condominium; or (ii) by the terms of the carrier's charter, bylaws, or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members; or (iii) the policy includes any limiting clauses (other than insurance conditions) which could prevent the Residential Association, Owners, or First Mortgagees from collecting insurance proceeds.

(e) The cost of the physical damage insurance required to be carried hereunder by the Residential Association shall be allocated among the Owners based on the Owner's undivided interest in the Common Elements, unless the Unit Owners agree on a different allocation.

Section 5.8 Liability Insurance. The Residential Association shall obtain and maintain commercial general public liability and property damage insurance in such limits as the Board of Directors may from time to time determine (but not less than \$2,000,000.00 for bodily injury or property damage for any single occurrence), insuring the Residential Association, each member of the Board of Directors, each Manager, each Owner, and each First Mortgagee against any liability to the public or the Owners (and their invitees, agents, and employees) arising out of, or incident to the ownership or use of the Common Elements, including, to the extent applicable, host liquor liability insurance, employer's liability insurance, comprehensive automobile liability insurance, all-written contractual liability insurance, garage keeper's liability, and bailee's liability. Such insurance shall be issued on a comprehensive liability basis and shall contain: (i) a cross-liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another named insured, and (ii) a "severability of interest" endorsement which shall preclude the insurer from denying liability to the Residential Association or to an Owner because of negligent acts of the Residential Association or of another Owner. The Board of Directors shall review such limits periodically. "Umbrella" liability insurance in excess of the primary limits may also be obtained. The obtaining of liability insurance shall not constitute a waiver of any defense by any person.

Section 5.9 Other Insurance. The Residential Association shall obtain and maintain:

(a) Fidelity coverage to protect against dishonest acts on the part of officers, directors, trustees, and employees of the Residential Association and all others who handle, or are responsible for handling, funds of the Residential Association, including any Manager and its employees. Such fidelity bonds shall: (i) name the Residential Association as an obligee; (ii) be written in an amount to cover the projected maximum funds that will be in the custody of the Residential Association or any Manager at any time, but need not be for more than three (3) months' aggregate Assessments on all Units; and (iii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression;

(b) Workmen's compensation insurance if and to the extent necessary to meet the Legal Requirements and employers liability insurance with minimum limits of \$1,000,000.00 and which, if carried, shall name the Manager as an additional insured;

(c) Boiler and Machinery Insurance with limits as, from time to time, are customary for like property of the same type as the Property and appropriate in the light of the cost of repairing potential damage;

(d) Management liability policy covering the officers and directors of the Residential Association for liability for wrongful acts with minimum limits of \$1,000,000.00, if available at commercially reasonable rates, as determined by the Board of Directors;

(e) Personal property insurance covering the personal property owned by the Residential Association, including, but not limited to, the records, furniture, fixtures, equipment, and supplies of the Residential Association; and

(f) Such other insurance (or additional coverage) as any First Mortgagee shall require (at the expense of the Owner incurring such First Lien Indebtedness).

Section 5.10 Separate Insurance. Notwithstanding anything in this Residential Declaration to the contrary, each Owner shall have the right and responsibility, at its own expense, to obtain and maintain personal property insurance on the contents of such Owner's Unit (specifically including glass and windows appurtenant to the Unit) and such Owner's fixtures, installations, additions, and improvements thereto, and such Owner's decorations, furnishings, and personal property therein; provided, however, that no Owner shall be entitled to exercise its right to acquire or maintain such insurance coverage so as to decrease the amount which the Residential Association may realize under any insurance policy maintained by the Residential Association or to cause any insurance coverage maintained by the Residential Association to be brought into contribution with insurance coverage obtained by an Owner. Each Owner shall have the right and responsibility, at its own expense, to obtain such liability coverage as it shall deem prudent. The Residential Association shall not be responsible for the procurement or maintenance of any insurance covering the liability of any Owner not caused by or connected with the Residential Association's operation or maintenance of the Property. All such policies shall contain waivers of subrogation as against other Owners, the Residential Association, the Board of Directors, the Declarant, each Manager, and their respective agents and employees. No Owner shall obtain separate insurance policies in conflict with this Section 5.10.

Section 5.11 Taxes. The Residential Association shall give written notice to the appropriate taxing authorities of the creation of the Condominium established hereby, and each Unit shall be subject to separate assessment and taxation. Each Owner shall be responsible for, and shall pay when due, all taxes, assessments, and other governmental impositions lawfully levied or assessed with respect to such Owner's Unit. Any taxes, assessments, or other governmental impositions lawfully levied or assessed with respect to the Property not separately billed to the Owners shall constitute a Common Expense and be payable by the Residential Association.

Section 5.12 Utilities. Each Owner shall be responsible for, and shall pay, all gas, electricity, and water charges relating to such services used or consumed at or with respect to the occupancy of the Owner's Unit, to the extent such charges are separately metered by the respective utility companies. Any utility charges not separately metered and charges relating to services used in connection with the use and maintenance of the Common Elements shall constitute a Common Expense and be payable by the Residential Association.

ARTICLE VI Assessments

Section 6.1 Common Assessments; Budget.

A. Common Assessments. The Residential Association shall possess the right, power, authority, and obligation to establish a regular Common Assessment sufficient, in the judgment of the Board of Directors, to pay all Common Expenses when due. No consent or approval of the Owners shall be required for the establishment of the Common Assessments. The Common Assessments so established shall be payable by the Owners according to each Owner's undivided interest in the Common Elements, as set forth on Exhibit "C" attached hereto, on the first day of each calendar year, and shall be applied to the payment of charges for which the Residential Association is responsible, including, without limitation, charges relating to maintenance and repair of elements of the Property that are not the responsibility of the Owners or the Master Association; care of the Common Elements; casualty, public liability, and other insurance coverages required or permitted to be maintained by the Residential Association; governmental impositions not separately levied and assessed; utilities relating to the Common Elements or not separately metered; professional services, such as management, accounting, and legal fees, costs, and assessments due by the Residential Association to the Master Association; and such other costs and expenses as may reasonably relate to the proper maintenance, care, operation, and management of the Property, and the administration of the Residential Association and the Condominium, including an adequate reserve fund for the periodic maintenance, repair, and replacement of the Common Elements. To the extent the Master Association is responsible for the maintenance and/or repair of any portion of the Common Elements, the duties and responsibilities of the Master Association set forth in the Master Declaration shall control and take priority over the terms and provisions of this Residential Declaration. Items that shall be excluded from Common Expenses are:

1. the cost of special services, goods, and materials provided to, or specific costs incurred for the account of, or separately billed or billable to specific Owners;
2. expenses not covered by insurance and directly resulting from the negligence of one or more Owners or their respective authorized representatives; and
3. the wages and benefits of any employee who does not devote substantially all of his or her time to the Residential Association or management of the Common Elements, unless such wages and benefits are prorated to reflect time spent on operating and managing the Common Elements vis-à-vis time spent on matters unrelated to operating and managing the Common Elements.

Notwithstanding anything to the contrary contained herein, Declarant or the Board may require that the Common Assessments be paid monthly, quarter-annually, semi-annually, or annually, in advance.

B. Budget. Prior to the commencement of each fiscal year of the Residential Association, the Board of Directors shall prepare and deliver to each of the Owners a budget setting forth the anticipated Common Expenses for the ensuing year. Such budget shall be in sufficient detail so as to inform each Owner of the nature and extent of the Common Expenses anticipated to be incurred, and shall be accompanied by a statement setting forth each Owner's monthly share thereof and the date as of which such Common Assessment commences to be payable. No further communication shall be necessary to establish the amount of each Owner's obligation regarding the Common Assessment payable hereunder, and the failure of the Board of Director to timely deliver the budget provided for herein shall in no event excuse or relieve an Owner from the payment of the Common Assessments. Any budget prepared and delivered to the Owners as hereby contemplated may be amended as and to the extent reasonably necessary, and the amount of an Owner's Common Assessment changed to correspond therewith. If the proposed budget for a fiscal year increases more than ten percent (10%) above the budget for the preceding fiscal year (by reason of a new line item expense or a change in the nature of the function or the scope of services to be provided, as opposed to the increase of third party rates that are not controllable by the Residential Association, such as costs for insurance and utilities) or an individual line item expense increases by more than fifteen percent (15%) above the prior budgeted amount, such budget or increased line item (as applicable) must be approved by Owner's holding an aggregate ownership interest of not less than sixty-seven percent (67%) of the Common Elements. Any funds collected by the Residential Association pursuant to the budget and not expended in any fiscal year shall be applied to reduce Common Assessments otherwise payable by Owners in the next fiscal year.

Section 6.2 Special Assessments. In addition to the Common Assessments contemplated by Section 6.1, the Residential Association shall possess the right, power, and authority to establish Special Assessments from time to time as may be necessary or appropriate in the judgment of the Board of Directors to pay non-recurring Common Expenses relating to the proper maintenance, care, alteration, improvement, repair, replacement, operation, and management of the Property, and the administration of the Residential Association and the Condominium. No consent or approval of the Owners shall be required for the establishment of a Special Assessment, as contemplated by this Section, except for any Special Assessment relating to an expenditure in excess of \$10,000 per item or \$20,000 in the aggregate in any year, which in each case must be approved by Owners holding an aggregate ownership interest of not less than sixty-seven percent (67%) of the Common Elements.

Section 6.3 Individual Assessments. In addition to Common Assessments and Special Assessments, the Board may levy an individual Assessment ("Individual Assessment") against a Unit and its Owner. Individual Assessments may include, but are not limited to: interest, late charges, and collection costs on delinquent Assessments; reimbursement for costs incurred in bringing an Owner or such Owner's Unit into compliance with this Residential Declaration and the Governing Documents; fines for violations of this Residential Declaration and the Regulations; insurance deductibles; submetered utilities serving the Unit; reimbursement for damage or waste caused by willful or negligent acts; common expenses that benefit fewer than all of the Units, which may be assessed according to benefit received; and "pass through" expenses for services to Units provided through the Residential Association and which are equitably paid by each Unit according to benefit received.

Section 6.4 Deficiency Assessments. If permitted by the terms and provisions of this Residential Declaration or the Governing Documents, the Board may levy a deficiency Assessment ("Deficiency Assessment") against all Units for the purpose of defraying, in whole or in part, the cost of repair or restoration to the Common Elements if insurance proceeds or condemnation awards prove insufficient.

Section 6.5 Obligation to Pay Assessments. Each Owner shall be personally obligated to pay its share of all the Common Assessments, Special Assessments, and Deficiency Assessments duly established pursuant to this Article and Article VII. Unpaid Assessments due as of the date of the conveyance or transfer of a Unit shall not constitute a personal obligation of the new Owner; however, the former Owner shall continue to be personally liable for such unpaid Assessments. No Owner shall be entitled to exemption from liability for the Owner's obligation to pay such Assessments by waiver of the use and enjoyment of the Common Elements, by an abandonment of the Owner's Unit, or by any other action whatsoever. Any Assessment not paid within fifteen (15) days of the due date shall be subject to a late charge of ten percent (10%) of the amount due. Fifteen (15) days after written notice of the delinquency and an opportunity to cure is provided to the Owner, the Assessment shall be recoverable by the Residential Association, together with interest as aforesaid and all costs and expenses of collection, including reasonable attorneys' fees, by suit in a court of competent jurisdiction sitting in the County. It shall be the responsibility of the Board of Directors to collect any such delinquent Assessment, the existence of which shall be made known by written notice delivered to the defaulting Owner and, where requested, the defaulting Owner's First Mortgagee.

Section 6.6 Lien to Secure Payment of Assessments. Declarant hereby reserves and assigns to the Residential Association a lien, pursuant to the provisions of Section 82.113 of the Act, against each Owner's Unit and Insurance Proceeds received by any Unit Owner to secure the payment of all Assessments, which lien shall be and constitute a lien and encumbrance, in favor of the Residential Association, upon such Owner's Unit and any Insurance Proceeds. The liens established herein shall be prior and superior to all other liens and encumbrances subsequently created upon such Owner's Unit and Insurance Proceeds, regardless of how created, evidenced, or perfected, other than the lien securing the payment of the First Lien Indebtedness (provided such lien was recorded prior to the date on which the Assessment became delinquent) and the liens for unpaid taxes, assessments,

and other governmental impositions. The liens and encumbrances created herein may be enforced by any means available at law or in equity, including, without limitation, a non-judicial foreclosure sale of the Unit of a defaulting Owner. Any such sale (including notice thereof) shall comply with the applicable requirements, at the time of the sale, of Section 51.002 of the Texas Property Code or, if and to the extent such statute is not then in force, with the applicable requirements, at the time of the sale, of the successor statute or statutes, if any, governing sales of Texas real property under powers of sale conferred by deeds of trust or other contract liens. Each Owner, by acquisition of a Unit, grants to the Residential Association a power of sale in connection with the Residential Association's liens. By written resolution, the Board of Directors may appoint, from time to time, an officer, agent, trustee, or attorney of the Residential Association to exercise the power of sale on behalf of the Residential Association. The Residential Association may bid for and purchase the Owner's Unit, as a Common Expense, at any such foreclosure sale. The foreclosure by a First Mortgagee of an Owner's Unit in order to satisfy a First Lien Indebtedness will extinguish the subordinate lien for any Assessments which became payable prior to the date of such foreclosure sale, provided that in no event shall a defaulting Owner be relieved from liability incurred for past Assessments. To evidence such lien, the Residential Association may, but shall not be required to, prepare written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of the Unit, and a description of the Unit. Such notice shall be signed by one of the members of the Board and may be recorded in the Official Public Records of the County.

Section 6.7 Commencement of Obligation to Pay Assessment. Each Owner (including Declarant) shall be obligated to commence payment of all Assessments against such Owner's Unit on the date this Residential Declaration is recorded in the Official Public Records of the County. If such date is other than the first day of a month, then such Owner shall be obligated to pay only a pro rata share of the Assessment against such Owner's Unit based on the number of days during such month that the Owner will hold title to the Owner's Unit. Nothing shall prevent Declarant from collecting from the purchaser of a Unit, at closing, any expenses, such as taxes or insurance, to the extent prepaid by Declarant on behalf of the Unit being purchased.

Section 6.8 Notice of Default. If the Owner of a Unit defaults in the Owner's monetary obligations to the Residential Association, the Residential Association may notify any holder of an indebtedness secured by a lien or encumbrance upon such Owner's Unit of the default and the Residential Association's intent to foreclose its lien. The Residential Association shall notify any holder of a recorded lien or duly perfected mechanic's lien against a Unit which has given the Residential Association a written request for notification of the Owner's monetary default or the Residential Association's intent to foreclose its lien.

Section 6.9 Alternative Actions. Nothing contained in this Residential Declaration shall prohibit the Residential Association from taking a deed in lieu of foreclosure or from filing suit to recover a money judgment for sums that may be secured by the lien.

Section 6.10 Statement of Common Expenses and Access to Records. The Residential Association shall promptly provide any Owner, contract purchaser, or First Mortgagee so requesting the same, in writing, with a written statement of all unpaid Assessments due with respect to such

Unit, the amount of the current Common Assessments, and the date such Common Assessments become due, which shall be conclusive upon the Residential Association in favor of all Persons who request and rely thereon in good faith. Unless such request for a written statement shall be complied with by the Residential Association within fifteen (15) days after receipt, all unpaid Assessments which become due prior to the date of the making of such request shall be subordinate to the lien of the Person requesting such statement. The Board of Directors may impose a reasonable charge for the preparation of such statement to the extent permitted by the Act. The Residential Association shall make available during normal business hours for inspection, upon written request by Owners, First Mortgagees, prospective purchasers, and any of their authorized agents, current copies of the books, records, and financial statements of the Residential Association (including, if such is prepared, the most recent annual financial statement available). Any Owner or First Mortgagee may have an audited statement of the Residential Association prepared at its own expense.

Section 6.11 Working Capital Contribution. Upon the transfer of a Unit (including both transfers from Declarant to the initial Owner and transfers from one Owner to a subsequent Owner), a Working Capital Contribution will be paid to the Residential Association for the Residential Association's working capital fund. Upon termination of the Declarant Control Period (and only at such time), the Board will be permitted to modify any Working Capital Contribution payable on the transfer of a Unit. Each Working Capital Contribution will be collected from the transferee of a Unit upon the conveyance of the Unit from an Owner (including Declarant) to another (expressly including any re-conveyances of the Unit upon resale or transfer thereof). Notwithstanding the foregoing provision, the following transfers will not be subject to a Working Capital Contribution: (i) foreclosure of a deed of trust lien, tax lien, or the Residential Association's lien for Assessments; (ii) transfer to, from, or by the Residential Association; (iii) voluntary transfer by an Owner to one or more co-owners, or the Owner's spouse, child, or parent; (iv) any grantee who is the domestic partner or former spouse of the grantor; (v) any grantee that is a wholly-owned entity of the grantor; and (vi) any grantee to whom a Unit is conveyed by a will or through the law of intestacy. Contributions to the working capital fund are not advance payments of Common Assessments and are not refundable. The Residential Association may not use Working Capital Contributions collected hereunder to pay operational expenses of the Residential Association until the expiration of the Declarant Control Period.

Section 6.12 Collection of Master Association Assessments. In accordance with Section 2.5 of the Master Declaration, unless the Master Association elects otherwise, the Residential Association has the license to collect, and shall collect, from each Owner the pro rata (or otherwise allocated) share attributable to such Unit of the assessments levied pursuant to the Master Declaration (the "Master Association Assessments"). To the extent feasible, any Master Association Assessments shall be paid by each Owner, together with the Common Assessment levied by the Residential Association against such Owner. If the Residential Association determines that it will not be feasible for the Residential Association to collect the Master Association Assessments, at the same time as the Common Assessment levied by the Residential Association against such Owner, then the Residential Association shall collect the Master Association Assessments from each Owner and remit the Master Association Assessments to the Master Association, in such manner as the Residential Association may deem proper; provided, however, the Residential Association shall

collect the Master Association Assessments from each Owner and remit the Master Association Assessments to the Master Association, prior to the time when payment is required by the Master Association.

Section 6.13 Lien Rights under Master Declaration. In addition to the lien rights granted to the Residential Association pursuant to the terms and provisions of this Residential Declaration, in accordance with Section 2.5 and Article IV of the Master Declaration, each Owner, by accepting an interest in or title to a Unit, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay the Master Association Assessments in accordance with the terms and provisions of the Master Declaration. Each Master Association Assessment is a charge on the Unit and is secured by a continuing lien on the Unit as set forth in the Master Declaration. Each Owner, and each prospective Owner, is placed on notice that his title may be subject to the continuing lien for Master Association Assessments attributable to a period prior to the date he purchased his Unit. An express lien on each Unit has been granted and conveyed by the declarant under the Master Declaration to the Master Association to secure the payment of the Master Association Assessments. Each Owner is advised to review the Master Declaration (and, in particular, Section 2.5 and Article IV of the Master Declaration) for more information concerning the lien granted to the Master Association to secure payment of the Master Association Assessments.

ARTICLE VII

Loss and Obsolescence

Section 7.1 Loss or Damage. Subject to the duties and responsibilities of the Master Association set forth in the Master Declaration, the following provisions shall govern in the event the Improvements, or any part thereof, are damaged or destroyed by fire or other casualty:

A. **Notice to Mortgagees.** Prompt written notice of any such substantial damage or destruction shall be given to all First Mortgagees.

B. **Restoration and Repair.** The Residential Association shall promptly proceed with the full restoration and repair of such damage or destruction unless (1) the Condominium is terminated; (2) repair or replacement would be illegal under any state or local health or safety statute or ordinance; or (3) Owners holding not less than ninety percent (90%) of the Common Elements vote not to rebuild.

C. **Deficiency Assessment.** The amount by which restoration and repair costs exceed collectible insurance proceeds shall be and constitute a Deficiency Assessment payable by the Owners within thirty (30) days of the date notice of such Deficiency Assessment is delivered by the Residential Association.

D. **Excess Proceeds.** Any excess insurance proceeds remaining after such restoration and repair, or any insurance or sales proceeds available absent such restoration and repair, shall be received and held in trust by the Residential

Association in separate accounts for each Owner according to the undivided interest of each Owner in the Common Elements, and shall be applied, without contribution from one account to another, as follows:

1. first, to the payment of any taxes and special assessment liens or other governmental impositions in favor of any assessing entity having authority with respect to such Owner's Unit;
2. second, to the payment of the balance of the First Lien Indebtedness of such Owner;
3. third, to the payment of any delinquent Assessment with respect to such Owner's Unit; and
4. the balance, if any, to such Owner or such other parties as shall be legally entitled thereto.

Section 7.2 Damaged Units. The following provisions shall govern if any Unit or any part thereof is damaged or destroyed by fire or other casualty ("Damaged Unit").

A. Notice to Mortgagees. Prompt written notice of any substantial damage or destruction shall be given to the First Mortgagee of the Damaged Unit that have provided the Residential Association with a written request identifying the name and address of the First Mortgagee and the mortgaged Unit.

B. Restoration and Repair. After the Residential Association has performed any repair or restoration required pursuant to Section 7.1B hereof, the Owner of the Damaged Unit shall promptly proceed with the full restoration and repair of such damage or destruction and shall pay all costs of such restoring, repairing, replacing, or rebuilding in excess of the net proceeds of the collectible insurance proceeds unless (1) the Condominium is terminated; (2) repair or replacement would be illegal under any state or local health or safety statute or ordinance; or (3) Owners holding not less than ninety percent (90%) of the Common Elements vote not to rebuild.

C. Each Owner will at all times:

1. take any and all safety measures reasonably required to protect those using the easements established by this Residential Declaration from injury of damage caused by or resulting from the performance of its construction;

2. indemnify, hold harmless, and defend the Declarant, the Residential Association, and the Owners of the other Units from and against all claims, demands, suits, costs, expenses, and liabilities arising from or in any way related to the death, accidental injury, loss, or damage caused to any person or the property of any person as shall occur by virtue of its construction; and

3. indemnify, defend, and hold Declarant, the Residential Association and the Owners of the other Units harmless from and against mechanics', materialmen's, and/or laborer's liens and all costs, expenses, and liabilities arising from its construction.

Section 7.3 Matters Relating to Restoration and Repairs. Any restoration and repair work undertaken by the Residential Association pursuant to Section 7.1 shall be performed in a good and workmanlike manner with a view to restoring the Improvements to a condition similar to that existing prior to such damage or destruction; provided, however, that in no event shall the Residential Association be responsible for restoring, repairing, or replacing any improvements to a Unit, any fixtures, installations, or additions contained within the unfinished interior surfaces of the perimeter walls, floors, and ceilings of a Unit, as initially installed, or the contents located in such Owner's Unit. All such restoration and repair work, whether done by the Residential Association or an Owner, shall be effected in a manner so as to observe all vertical and horizontal Unit boundaries existing prior to such damage or destruction.

Section 7.4 Obsolescence of Common Elements. If Owners holding not less than seventy-five percent (75%) of the Common Elements shall vote, at a meeting of the Residential Association duly called for purposes of considering same, that the Common Elements or any part thereof (including any Systems which serve only, or are a part of, individual Units) are obsolete, the Residential Association shall promptly proceed with the necessary replacements and improvements thereto pursuant to a budget established for such purpose, and the cost thereof shall be and constitute a Special Assessment payable by all Owners within thirty (30) days of the date notice of such Special Assessment is delivered to them by the Residential Association.

Section 7.5 Obsolescence of the Property. If the Owners holding not less than ninety percent (90%) of the Common Elements shall determine, at a meeting of the Residential Association duly called for purposes of considering same, that the Property is obsolete, the Residential Association, after first obtaining the written consent of all First Mortgagees, shall promptly proceed with the sale thereof in its entirety. Any proceeds from such sale shall be received, held, and applied for and on account of the Owners as provided in Section 7.1(D).

Section 7.6 Residential Association as Attorney-in-Fact. Each Owner, by acceptance or possession of title to a Unit, hereby irrevocably makes, constitutes, and appoints the Residential Association as the Owner's true and lawful attorney-in-fact, for and in Owner's name, place, and stead, upon the damage or destruction of the Property or any part thereof, or upon any determination by the Owners made pursuant to this Article, to take any and all actions and to execute and deliver

any and all instruments, as the Board of Directors may, in its sole and absolute discretion, deem necessary or advisable to effect the intent and purposes of this Article VII, hereby giving and granting unto the Residential Association full power and authority to do and perform all and every act whatsoever requisite or necessary to be done in and about the Property as fully, to all intents and purposes, as an Owner might or could do, hereby ratifying and confirming whatsoever the Residential Association may do by virtue hereof. The Residential Association is hereby authorized, in the name and on behalf of all Owners, to do and perform all actions necessary or appropriate to effect the intent and purposes of this Article, including, without limitation, the power and authority to make and settle claims under any insurance policies maintained by the Residential Association, contract for and with respect to restoration and repair work, contract for and with respect to replacements and improvements to the Common Elements (to the extent authorized or contemplated by Section 7.4 of this Residential Declaration), to contract for and with respect to a sale of the Property (to the extent contemplated by Section 7.5 of this Residential Declaration), and to execute and deliver all instruments necessary or incidental to any such actions.

ARTICLE VIII

Condemnation

Section 8.1 General Provisions. If all or any part of the Property is taken or threatened to be taken by eminent domain or by action in the nature of eminent domain (whether permanent or temporary), the Residential Association and each Owner affected thereby shall be entitled to participate in the proceedings incident thereto at their respective expense. The Residential Association shall give such notice as it receives of the existence of such proceedings to all Owners and to all First Mortgagees that have provided the Residential Association with a written request identifying the name and address of the First Mortgagee and the mortgaged Unit. The expense of participation in such proceedings by the Residential Association shall be a Common Expense. The Residential Association is specifically authorized to obtain and pay for such assistance from attorneys, appraisers, architects, engineers, expert witnesses, and other persons as the Residential Association in its discretion deems necessary or advisable to aid or advise it in matters relating to such proceedings. All damages or awards for any such taking shall be deposited with the Residential Association, acting as trustee, and shall be applied or paid as hereinafter provided. Any restoration or repair of the Property following a partial condemnation shall be performed in accordance with the provisions of this Residential Declaration and shall follow, as nearly as possible, the original plans and specifications for the Property, as set forth on the Plat, unless otherwise approved by Owners holding not less than sixty-seven percent (67%) of the Common Elements.

Section 8.2 Taking of a Unit. If a Unit (or a substantial part thereof such that ownership, operation, or occupancy of the remaining portion of the Unit in accordance with the originally intended use of the Unit is impossible or undesirable, as determined by the Board) is taken by eminent domain or sale or other transfer in lieu thereof, and if an Owner shall vacate and abandon the Owner's Unit by virtue of such taking, the Owner and any First Mortgagee of such Owner shall be entitled to the award for such taking, including the award for the value of such Owner's interest in the Common Elements, whether or not such Common Element interest is acquired, and, after payment thereof, such Owner and Owner's First Mortgagee shall be divested of all interest in the

Property. In such event, the condemned Unit's entire undivided interest in the Common Elements shall be automatically reallocated to the remaining Units in proportion to the respective undivided interests in the Common Elements of those Units before the taking and any remaining portion of the condemned Unit shall be a Common Element. If any repair or rebuilding of the remaining portions of the Property is required as a result of such taking, the Residential Association shall restore or repair the remaining portion of the Unit to substantially the same condition and appearance as existed prior to the condemnation or take such other action as may be deemed appropriate by the affirmative vote or written consent of the Owners owning a majority of the re-allocated undivided interest in the Common Elements. This Residential Declaration shall be amended, by instrument executed by the Residential Association on behalf of the Owners, to reflect the taking and the re-allocated undivided interests in the Common Elements, and such amendment shall be recorded in the Official Public Records of the County.

Section 8.3 Partial Taking of a Unit. In the event of any taking of a portion of a Unit, such that ownership, operation, or occupancy of the remaining portion of the Unit may be continued in accordance with the originally intended use of the Unit, the Owner shall not vacate the remaining portion of the Unit. In such case, the damages or awards for such partial taking shall be held by the Residential Association and the Residential Association shall cause the partially condemned Unit to be promptly repaired, restored, and reconstructed as nearly as possible to the condition that existed prior to such taking. The damages and awards made with respect to the partially condemned Unit shall be applied to repair, restore, and reconstruct the condemned Unit so that it is made operational and habitable. After the Unit has been made operational and habitable, and the work has been fully paid from the award for such taking, the Owner and any First Mortgagee of such Owner shall be entitled to the remainder of the award for such taking. The damages and award for the partial condemnation shall include the value of such Owner's interest in the Common Elements, whether or not such Common Elements interest is acquired, and the undivided interest in the Common Elements of the partially condemned Unit shall be reduced in proportion to the reduction in the size of the Unit. The portion of the undivided interest in the Common Elements divested from the partially condemned Unit shall be automatically reallocated to that Unit and the other Units in proportion to the respective square footage of the Units before the taking, with the partially condemned Unit participating in the reallocation on the basis of its reduced square footage. This Residential Declaration shall be amended, by instrument executed by the Residential Association on behalf of the Owners, to reflect the taking and the re-allocated undivided interests in the Common Elements, and such amendment shall be recorded in the Official Public Records of the County.

Section 8.4 Taking of Common Elements. If an eminent domain action is brought to condemn all or a portion of the Common Elements, together with or apart from any Unit, the Residential Association, in addition to the general powers set out herein, shall have the sole authority to determine whether to defend or resist any such proceeding, to make any settlement with respect thereto, or to convey such property to the condemning authority in lieu of such condemnation proceeding, unless the action involves a material portion of the Common Elements, in which case the decision shall be made by Owners holding not less than sixty-seven percent (67%) of the Common Elements. With respect to the taking of Common Elements only, all damages and awards shall be determined for such taking as a whole and not for any Owner's interest therein. After the

damages or awards for such taking are determined, such damages or awards shall be held by the Residential Association, acting as trustee for each Owner or each Owner's mortgagee or mortgagees, as their interest shall appear, and any amounts not used for the repair or restoration of the remaining Common Elements shall be divided among the Owners in proportion to each Owner's undivided interest in the Common Elements before the taking, except that the portion of any such award attributable to the condemnation of a Limited Common Element shall be allocated among the Owners of the Units served by such Limited Common Elements, as such Owners' interests existed in the condemned Limited Common Elements. The Residential Association shall call a meeting of the Owners, at which meeting, the Owners, by the vote of Owners holding not less than sixty-seven percent (67%) of the Common Elements, shall decide whether to replace or restore the Common Elements taken or damaged or to take such other action as Owners holding not less than sixty-seven percent (67%) of the Common Elements may deem appropriate. This Residential Declaration shall be amended, by instrument executed by the Residential Association on behalf of the Owners, to reflect the taking, and such amendment shall be recorded in the Official Public Records of the County.

Section 8.5 Taking of Multiple Units. In the event that an eminent domain proceeding results in the taking of, or damage to, one or more Units, then the damage and awards for such taking shall be determined for each Unit as provided above and the following shall apply:

A. The Residential Association shall determine which of the Units damaged by such taking may be made operational or habitable for the purposes set forth in this Residential Declaration, taking into account the nature of the Property and the reduced size of each Unit so damaged.

B. The Residential Association shall determine whether it is reasonably practicable to operate the remaining Units, including those damaged Units which may be made operational or habitable, as a condominium project in the manner provided in this Residential Declaration.

C. If the Residential Association determines that it is not reasonably practicable to operate the undamaged Units and the damaged Units which can be made operational or habitable as a condominium project and such determination is approved by Owners holding not less than sixty-seven percent (67%) of the Common Elements, then the Condominium shall be terminated and the Property shall be deemed to be re-grouped and merged into a single estate owned jointly by all Owners, as tenants-in-common, in proportion to the undivided interest of each Owner in the Common Elements. The damages and awards with respect to each Unit shall be distributed to the Owners and their First Mortgagees, as their interests may appear, as soon as practicable, following such determination.

D. If the Residential Association determines that it will be reasonably practicable to operate the undamaged Units and the damaged Units which can be made operational or habitable as a condominium project, then (i) the Residential Association shall cause each damaged Unit which has been determined to be capable of being made operational or habitable to be made operational or habitable, and (ii) the damages and awards made with respect to each damaged Unit which has been determined to be capable of being made operational or habitable shall be applied to repair and reconstruct the damaged Units so that they are made operational or habitable. If the cost of such work exceeds the amount of the award, the additional funds required shall be assessed pro rata against the Owners of the Units which are to be repaired or reconstructed in accordance with their undivided interest in the Common Elements. If the amount of the award exceeds the cost of such work, the excess portion of the award made with respect to a Unit shall be paid to the Owner or Owners of such Unit and their First Mortgagees, as their interests may appear.

E. With respect to any Unit damaged by such taking that cannot reasonably be made operational or habitable for the purposes set forth in this Residential Declaration, after the payment of the award to the Owner and the Owner's First Mortgagee, as their interests may appear, the Owner and the Owner's First Mortgagee shall be divested of all interest in the Property. In such event, the condemned Unit's entire undivided interest in the Common Elements shall be automatically reallocated to the remaining Units in proportion to the respective undivided interests in the Common Elements of those Units before the taking and any remaining portion of the condemned Unit shall be a Common Element.

F. If any repair or rebuilding of the remaining portions of the Property (other than Units that can be made operational or habitable, as determined by the Association) is required as a result of such taking, the Residential Association shall restore or repair the remaining portion of the Unit or Units to substantially the same condition and appearance as existed prior to the condemnation or take such other action as may be deemed appropriate by the affirmative vote or written consent of the Owners owning a majority of the re-allocated undivided interest in the Common Elements. This Residential Declaration shall be amended, by instrument executed by the Residential Association on behalf of the Owners, to reflect the taking and the re-allocated undivided interests in the Common Elements, and such amendment shall be recorded in the Official Public Records of the County.

Section 8.6 Complete Taking of Property. If the entire Property is taken or damaged by such taking, all damages and awards shall be held by the Residential Association, acting as trustee, by the Residential Association, acting as trustee, for the accounts of all Owners and their First Mortgagees, as their interests shall appear, in proportion to their undivided interest in the Common Elements, and this Condominium shall terminate upon such payment to the Residential Association. Upon such termination, the Units and Common Elements shall be deemed to be regrouped and merged into a single estate owned jointly in undivided interests by all Owners, as

tenants-in-common, in proportion to the undivided interest of each Owner in the Common Elements. The damages and awards with respect to each Unit shall be distributed to the Owners and their First Mortgagees, as their interests may appear, as soon as practicable following the conclusion of the condemnation proceedings.

Section 8.7 Payment of Awards and Damages. Any damages or awards provided in this Article to be paid to or for the account of any Owner by the Residential Association, acting as trustee, shall be applied first to the payment of any taxes or assessments by governmental authorities past due and unpaid with respect to that Unit; second, to amounts due under any duly perfected First Lien Indebtedness; third, to the payment of any unpaid Assessments or Common Expenses charged to or made against the Unit; fourth, to amounts due under any duly perfected junior mortgage instruments in the order and extent of their priority; and finally, to the Owner.

Section 8.8 Controlling Agreement. In the event of a conflict between the terms and provisions of this Article VIII and the terms and provisions of the Master Declaration, the terms and provisions of the Master Declaration shall control.

ARTICLE IX

Disputes

Section 9.1 Mediation. All Disputes, except those relating to equitable remedies, which are not resolved within fifteen (15) days after same have arisen (unless such greater time is provided in the Governing Documents) shall be submitted for, or determined by, non-binding mediation. Mediation of any Dispute may be initiated by any Owner making a binding written demand therefor to the other Owner or Owners involved in such Dispute and the Residential Association. With respect to such mediation, the parties shall, within ten (10) days after delivery of such written notice, appoint a mediator who is (a) a reputable person actively engaged in the residential real estate industry for a continuous period of not less than ten (10) years, and (b) is in no way affiliated, or has had material business dealings, with either Owner or any member of the Board of Directors. If the parties are unable to agree upon a mediator, a mediator having the qualifications set forth above shall be appointed by the presiding Judge of the United States District Court for the Northern District of Texas, Dallas Division, or such other service as may be recommended by the Dallas Bar Association. Such mediation shall occur within thirty (30) days after the mediator has been appointed and shall occur at a mutually acceptable location in McKinney, Texas. The costs of such mediation services shall be shared equally (but each party shall bear the cost of its own travel and attorneys' fees).

Section 9.2 Final Offer Arbitration. If the parties are unable to resolve any Dispute at mediation, no later than thirty (30) days after the parties have reached an impasse at mediation, the parties shall submit their Dispute to binding arbitration. The parties agree to select a single arbitrator from a list taken from the American Arbitration Association list of residential arbitrators, and if they cannot agree on an arbitrator, each party will select a person and those two so selected will then select the single arbitrator who shall thereafter serve as arbitrator. The issues in dispute shall be submitted as "baseball" or final-offer arbitration, whereby each party shall submit what it deems to be its most reasonable position to the arbitrator and the arbitrator shall select one of those two

positions. The arbitrator shall have no discretion to select or award a position other than to select one of those submitted by the parties. To the extent rules governing arbitration are deemed necessary by the arbitrator (or by agreement of the parties), the current Rules for Residential Mediation and Arbitration promulgated by the American Arbitration Association shall apply. The decision of the arbitrator shall be rendered no later than ten (10) days from the initiation of the arbitration procedure. The parties may resort to any court of competent jurisdiction for enforcement of, or any other action relating to, the arbitrator's award. The party or parties whose position is not selected or awarded shall be responsible for all attorneys' fees, costs, and expenses of mediation and arbitration of the party whose position is selected or awarded.

Section 9.3 Exclusive Remedy. With respect to any Dispute subject to arbitration under this Article, it is agreed that the arbitration provisions of this Section shall be the sole remedy of the Owners involved in such Dispute under this Residential Declaration. Notwithstanding any other provisions of this Residential Declaration, the foregoing agreement to arbitrate shall be specifically enforceable under prevailing arbitration law. The foregoing agreement to arbitrate shall not constitute any agreement or consent to arbitration of any dispute, claim, controversy, or matter that does not constitute a "Dispute" as such term is defined herein or not described in this Section or with any person not named or described herein, provided that any arbitration proceeding initiated under the terms of this Article may, at the request of any party, be joined or consolidated with other arbitration proceedings involving additional parties if the Dispute and the subject of the other proceedings arise out of common or interrelated factual occurrences. Any award of the arbitrator shall be final and binding upon the Owners involved in the Dispute and such Owners' First Mortgagees, and a non-appealable judgment thereon may be entered by any court having jurisdiction.

ARTICLE X

Mortgagee Protections

Section 10.1 Notice to First Mortgagees. All First Mortgagees that have provided the Residential Association with a written request identifying the name and address of the First Mortgagee and the mortgaged Unit shall be entitled to receive the following notices in writing from the Residential Association, which notice shall be sent promptly following the occurrence of the applicable event:

A. Notice of any proposed action which requires the consent of First Mortgagees, which notice shall be given not less than fifteen (15) days prior to the desired effective date of such action;

B. Notice of default by the Owner or grantor of a First Lien Indebtedness on a Unit (the beneficial interest in which is held by that First Mortgagee) in the performance of such Owner's or grantor's obligations under the Governing Documents or delinquency in the payment of Assessments or charges owed by such Owner to the Residential Association, which remains uncured for a period of thirty (30) days;

C. Notice of any lapse, cancellation, or material modification of any insurance policy or fidelity bond required to be maintained hereunder by the Residential Association.

D. Notice of any damage or destruction to or condemnation of any portion of the Condominium that affects either a material portion of the Property or the Unit securing a First Lien Indebtedness, which notice shall be given promptly upon the Residential Association obtaining knowledge of such damage or destruction; and

E. At least twenty (20) days written notice to the applicable First Mortgagee prior to the Residential Association instituting any foreclosure action on a Unit subject to a mortgage held by such First Mortgagee.

Section 10.2 Cure Rights. Any First Mortgagee shall have the right, but not the obligation, to do any act or thing required of such First Mortgagee's borrower, and to do any act or thing which may be necessary or proper to be done in the performance and observance of the agreements, covenants, and conditions hereof. All payments made and all things done and performed by any First Mortgagee shall be effective to prevent a default under this Residential Declaration as the same would have been if made, done, and performed by Declarant or any Owner instead of by the First Mortgagee. Any event of default under this Residential Declaration of a nature that cannot be remedied by the First Mortgagee shall be deemed to be remedied if: (a) within thirty (30) days after receiving written notice from the Residential Association or the non-defaulting party setting forth the nature of such event of default, the First Mortgagee shall have acquired the property owned by the defaulting party (the "Acquired Property") or shall have commenced foreclosure or other appropriate proceedings; (b) the First Mortgagee diligently prosecutes any such proceedings to completion; (c) the First Mortgagee shall have fully cured any default in the payment of any monetary obligations owed the Residential Association or the non-defaulting party hereunder within such thirty (30) day period and shall thereafter continue to perform faithfully all such non-monetary obligations which do not require possession of the Acquired Property; and (d) after gaining possession of the Acquired Property following a foreclosure or deed in lieu thereof, the First Mortgagee performs all other obligations to the Residential Association or the defaulting party under this Residential Declaration as and when the same are due.

Section 10.3 No Invalidity of Mortgage Lien. No violation of this Residential Declaration by, or enforcement of this Residential Declaration against, any party shall impair, defeat, or render invalid the lien of any mortgage.

Section 10.4 Cooperation with First Mortgagee. The Residential Association and the Board of Directors agree to cooperate reasonably with any requesting party in regard to the satisfaction of requests or requirements by a First Mortgagee; provided, however, such cooperation shall be at the sole cost and expense of the requesting party; and provided, further, that no party shall be deemed obligated to accede to any request or requirement that materially and adversely affects its rights under this Residential Declaration.

Section 10.5 Unpaid Assessments. Each First Mortgagee that obtains title to the Unit securing the payment of the First Lien Indebtedness held by such First Mortgagee pursuant to judicial foreclosure or the powers provided in such mortgage, shall take title to the Unit free and clear of any claims for unpaid assessments or charges against the Unit which accrued prior to the time the First Mortgagee acquires title to the Unit.

Section 10.6 Books and Records. All First Mortgagees, upon written request, shall have the right to: (a) examine the books and records of the Residential Association, including current copies of this Residential Declaration, Regulations, and financial statements, during normal business hours; (b) require the Residential Association to submit an annual audited financial statement for the preceding fiscal year within 120 days of the end of the Residential Association's fiscal year, if one is available, or have one prepared, at the expense of the requesting entity, if such statement is not otherwise prepared by the Residential Association; (c) receive written notice of all meetings of the Owners; and (d) designate in writing a representative to attend all such meetings.

Section 10.7 Material Changes. All First Mortgagees, upon written request, shall be given thirty (30) days' written notice prior to the effective date of (a) any termination of an agreement for professional management of the Condominium following any decision of the Owners to assume self-management of the Condominium; and (b) any proposed termination of the Condominium.

Section 10.8 Priority of Rights. No provision of this Residential Declaration shall be construed or applied to give any Owner priority over any rights of any First Mortgagee in or to the proceeds or awards that are not applied to restoration, but are distributed to Owners in the case of a casualty loss or a condemnation of a Unit and/or Common Element.

Section 10.9 Management Agreements. Any management agreement and/or service contract entered into by the Residential Association (i) will be terminable by the Residential Association without cause and without payment of a termination fee upon ninety (90) days' or less written notice, (ii) will have a term not to exceed one (1) year, and (iii) may be renewable by agreement of the parties to such agreement for successive one (1) year periods. In the event of the termination of the management agreement, as provided herein, the Residential Association may enter into a new management agreement with a new management agent prior to the effective date of the termination of old management agreement. Any decision to establish self-management by the Residential Association shall require the prior written consent of Owners holding not less than sixty-seven percent (67%) of the Common Elements.

ARTICLE XI

Special Declarant Rights and Development Rights

Section 11.1 Special Declarant Rights. Declarant reserves the following Special Declarant Rights (herein so called), which may be exercised by Declarant at any time during the Declarant Control Period:

- A. The right to complete or make improvements indicated on the Plat.
- B. The right to maintain sales offices, management offices, leasing offices, models, and storage areas in Units or on the Common Elements.
- C. The right to place and maintain signs, banners, and flags on the Condominium to advertise the sale of Units.
- D. The right to use, and to permit others to use, the Common Elements as may be reasonably necessary for the purpose of discharging Declarant's obligations under the Act and this Residential Declaration and for the purpose of constructing, maintaining, managing, and marketing the Condominium.
- E. The right to appoint or remove any officer of the Residential Association or any member of the Board in accordance with Section 4.5 above.
- F. The right of entry and access to all Units to perform warranty-related work, if any, for the benefit of the Unit being entered, adjoining Units, or the Common Elements. Requests for entry must be made in advance for a time reasonably convenient for the Owner who may not unreasonably withhold consent.
- G. The right to make and record corrections to the Plat to conform the same to the actual location of the Improvements, the actual size and location of the Units, and/or the proper designation of the elements of the Improvements as Units, General Common Elements, or Limited Common Elements.
- H. The right to establish, vacate, relocate, and use the Easements; provided, however, that no modification of any Easement shall have the effect of altering a Unit unless consented to by such Unit Owner, as well as by the First Mortgagee of any such Unit.
- I. The right to include, in any instrument initially conveying a Unit, such additional reservations, exceptions, and exclusions as Declarant may deem consistent with and in the best interests of the Owners and the Residential Association.
- J. The right to have and use an easement over, under, and across any and all of the Common Elements to the extent that same may be necessary or useful in constructing, repairing, or completing the Units and the Common Elements or as may be reasonably necessary for the exercise of any Special Declarant Rights or the performance of any obligations of Declarant.
- K. The right to exercise any Development Right set forth in Section 11.2 hereof or any development right permitted by the Act.

Section 11.2 Development Rights. The Declarant reserves the following Development Rights (herein so called), which may be exercised by Declarant at any time during the Declarant Control Period:

A. The right to add additional real property to the condominium regime created by this Residential Declaration and the right to withdraw real property from the condominium regime created by this Residential Declaration.

B. The right by amendment to this Residential Declaration to (i) create or delete unsold Units and to (ii) create or delete Common Elements and/or Limited Common Elements within the Condominium, in addition to such matters as are enunciated or depicted in this Residential Declaration or the Plats.

C. The right by amendment to this Residential Declaration to (i) increase or decrease the size of unsold Units, (ii) alter or change the locations of unsold Units, (iii) subdivide or combine unsold Units, or (iv) convert portions of unsold Units to Common Elements, or (v) convert portions of Common Elements to Units or portions thereof.

D. The right to construct or complete the Improvements shown on the Plat.

E. The rights provided to Declarant in this Residential Declaration and in the other Governing Documents.

Section 11.3 Reallocation. Upon the exercise of a Development Right set out in Section 11.2 above, the Common Elements of each Unit shall, to the extent applicable, be subject to reallocation in accordance with Section 2.9 above, and Declarant shall have the authority to amend this Residential Declaration accordingly.

Section 11.4 Controlling Provisions. In the event of a conflict between the terms and provisions of this Article and other terms and provisions of this Residential Declaration, the terms and provisions of this Article shall control.

ARTICLE XII

Miscellaneous

Section 12.1 Supremacy of Master Declaration. Every Owner, by acceptance of a deed to a Unit, acknowledges that, in addition to being subject to and bound by this Residential Declaration, he or she is subject to the Master Declaration. In addition to all of the rights and obligations which have been conferred or imposed upon the Residential Association pursuant to the Governing Documents, the Residential Association shall be entitled to exercise any of the rights conferred upon it and shall be subject to all of the obligations imposed upon it pursuant to the Master Declaration and the bylaws of the Master Association. The Residential Association and all committees thereof shall also be subject to all superior rights and powers that have been conferred

upon the Master Association pursuant to the Master Declaration and the bylaws of the Master Association, and as such, decisions made from time to time by the Master Association may affect the rights and interests of an Owner or Occupant. The Residential Association shall take no action in derogation of the rights or contrary to the interests of the Master Association.

Section 12.2 Powers of the Master Association Relating to the Residential Association.

The Master Association shall have the authority to veto any action taken or contemplated to be taken by the Residential Association, which the board of directors of the Master Association reasonably determines to be adverse to the interests of the Master Association or its members. The Master Association shall also have the authority to require specific action to be taken by the Residential Association in connection with its obligations and responsibilities hereunder, under the Master Declaration, or under any other covenants or instruments affecting the Condominium. Without limiting the generality of the foregoing, the Master Association may require specific maintenance or repairs or aesthetic changes to be effectuated by the Residential Association, may require that a proposed budget include certain items and that expenditures be made therefore, and may veto or cancel any contract providing for maintenance, repair or replacement of any portion of the Condominium.

Section 12.3 Revocation or Termination of Residential Declaration. This Residential Declaration may be revoked or the Condominium established herein may be terminated, but only by an instrument duly approved, executed, and acknowledged by Owners holding not less than ninety percent (90%) of the Common Elements and not less than ninety percent (90%) of the First Mortgagees. Any such instrument of revocation or termination shall be duly filed of record in the Official Public Records of the County. If the Property is to be sold upon termination, the agreement effecting such termination shall also set forth the terms of such sale and comply with the provisions of Section 82.068(c) of the Act.

Section 12.4 Amendment to Residential Declaration.

A. This Residential Declaration may be amended at a meeting of the Owners at which the amendment is approved by Owners holding not less than seventy-five percent (75%) of the Common Elements. Such amendment shall be evidenced by a written instrument executed and acknowledged by an officer of the Residential Association on behalf of the consenting Owners filed of record in the Official Public Records of the County. Any such amendment so effected shall be binding upon all of the Owners; provided, however, that unless otherwise provided in this Residential Declaration or except as permitted or required by the Act, no such amendment shall: (a) cause the alteration or destruction of a Unit or of a Limited Common Element unless such amendment has been consented to by the Owner of the Unit which is to be altered or destroyed or by the Owner of a Unit to which the Limited Common Element that is to be altered or destroyed is appurtenant; (b) increase the number of Units (except as expressly permitted by this Residential Declaration); (c) change the boundaries of a Unit (except as expressly permitted by this Residential Declaration); (d) alter or destroy a Unit or Limited Common Element (except as permitted by this Residential Declaration); or (e) change the use

restrictions on a Unit unless such amendment has been consented to by Owners holding not less than ninety percent (90%) of the Common Elements. Notwithstanding the foregoing, no such amendment shall become effective unless approved by Declarant, if Declarant still owns one or more Units.

B. Notwithstanding anything to the contrary contained in this Article XII, during the Declarant Control Period, Declarant, without the consent of other Owners or any mortgagee, shall, upon not less than thirty (30) days prior written notice to all Owners, have the right and authority to unilaterally amend this Residential Declaration, on one or more occasions, to reflect actions to be taken by Declarant pursuant to Sections 11.1 and 11.2 hereof.

C. Declarant reserves, and shall have the continuing right, until the end of the Declarant Control Period, without the consent of the other Owners to amend this Residential Declaration or any of the other Governing Documents for the purpose of resolving or clarifying any ambiguities or conflicts herein, or correcting any inadvertent misstatements, errors, or omissions.

Section 12.5 Partial Invalidity. In the event any provision of the Governing Documents shall be determined by a court of competent jurisdiction to be invalid or unenforceable, such determination shall in no way impair or affect the validity or enforceability of the remainder of such instruments.

Section 12.6 Conflicts. If any of the provisions of the Governing Documents shall be in conflict with the provisions of the Act, the Texas Business Organizations Code, or the Texas Non-Profit Corporation Act, the provisions of such statutes shall control. If a conflict exists between the provisions of the Governing Documents, the documents shall control in the following order:

1. This Residential Declaration;
2. The Certificate of Formation;
3. The Bylaws; and
4. The Regulations.

Section 12.7 Captions and Exhibits. Captions used in the various articles and sections of this Residential Declaration are for convenience only, and they are not intended to modify or affect the meaning of any of the substantive provisions hereof. All exhibits attached to this Residential Declaration are incorporated in and made a part of this Residential Declaration.

Section 12.8 Usury. It is expressly stipulated and agreed to be the intent of Declarant that at all times the terms of the Governing Documents shall comply strictly with the applicable Texas law governing the maximum rate or amount of interest payable under any provision of the Governing Documents. If the applicable law is ever judicially interpreted so as to render usurious any amount contracted for, charged, taken, reserved, or received pursuant to the Governing Documents or any other communication or writing by or among Declarant, the Residential Association, and the Owners related to the matters set forth in the Governing Documents, then it is the express intent of Declarant

that all amounts charged in excess of the maximum rate allowed by Texas law shall be automatically canceled and all amounts in excess of the maximum rate allowed by Texas law collected shall be refunded, and the provisions of the Governing Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law. Owners hereby agree that as a condition precedent to any claim seeking usury penalties against Declarant, the Residential Association, or any billing Owner, any Owner will provide written notice to Declarant, the Residential Association, or any billing Owner, advising Declarant, the Residential Association, or any billing Owner in reasonable detail of the nature and amount of the violation, and Declarant, the Residential Association, or any billing Owner shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to an Owner or crediting such excess interest against the obligation then owing by such Owner to Declarant, the Residential Association, or any billing Owner.

Section 12.9 Governing Law. THIS RESIDENTIAL DECLARATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS. VENUE FOR ANY ACTION BROUGHT IN CONNECTION WITH THIS RESIDENTIAL DECLARATION OR THE CONDOMINIUM SHALL BE IN COLLIN COUNTY, TEXAS.

Section 12.10 Notice. All notices, demands, or other notices intended to be served upon an Owner shall be hand delivered, sent by certified mail, postage prepaid, or by commercial delivery service or courier, addressed to the name of such Owner in care of the Unit and address of such Owner. All notices, demands, or other notices intended to be served upon the Board or the Residential Association shall be sent by the same method to Declarant at 401 Adriatic Parkway, McKinney, Texas 75070, until a notice of address change is duly recorded in the Official Public Records of the County.

Section 12.11 Use of Name. No Owner or Occupant shall use the name "The Harbor at Adriatica Residential Condominiums" or any derivative of such name without the prior written consent of Declarant, during the Declarant Control Period, or the Board, after the Declarant Control Period. However, Owners may use such name in printed or promotional materials prepared in connection with the sale or lease of their respective Units where such name is used solely to specify that the Unit is located within the Condominium.

{signature page follows}

IN WITNESS WHEREOF, Declarant has duly executed this Residential Declaration on the day and year first above written.

DECLARANT:

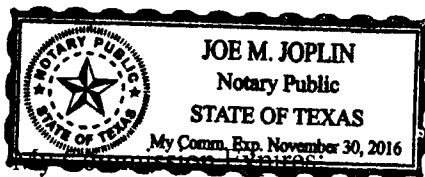
HIMALAYAN VENTURES, L.P.,
a Texas limited partnership

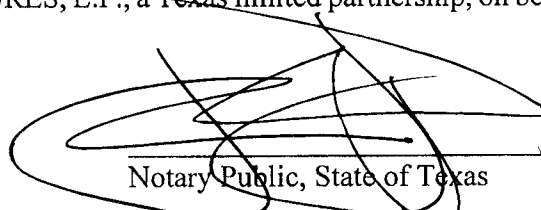
By: DENALI SUMMIT, LLC,
a Texas limited liability company
- General Partner

By: 
David R. Brooks, Manager

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

This instrument was acknowledged before me on 8-15, 2013, by DAVID R. BROOKS, Manager of DENALI SUMMIT, LLC, a Texas limited liability company and general partner of HIMALAYAN VENTURES, L.P., a Texas limited partnership, on behalf of said entities.



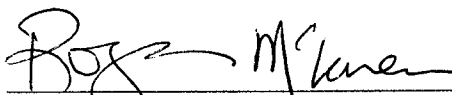

Notary Public, State of Texas
Joe M Joplin
(Printed or Typed Name of Notary)

**CONSENT, JOINDER AND SUBORDINATION
OF MORTGAGEE**

The undersigned, the mortgagee holding a current deed of trust lien on all or a portion of the Property (as such term is described in the Residential Declaration), does hereby consent to the execution and recordation of the foregoing Subordinate Condominium Declaration for The Harbor at Adriatica Residential Condominiums, and agrees that all liens currently held by it shall be subject and subordinate to the provisions of the Residential Declaration.

EXECUTED this the 20th day of August, 2013.

INWOOD NATIONAL BANK

By: 
Name: Roger McLaren
Title: Vice President

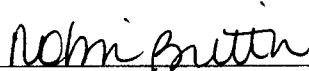
STATE OF TEXAS §
 §
COUNTY OF COLLIN §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Roger McLaren, VP of INWOOD NATIONAL BANK, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as a duly authorized officer of such entity, and as the act and deed of such entity, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 20 day of August, 2013.

My Commission Expires:

5/29/2016


Notary Public, State of Texas

Robin Britton
(Printed or Typed Name of Notary)

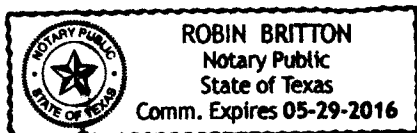


EXHIBIT "A"

(Land)

[SEE ATTACHED]

IBG-30A\Harbor Res Decl #5252515

EXHIBIT "A"
The Harbor at Adriatica Condominiums
PROPERTY DESCRIPTION

WHEREAS SB Harbor Joint Venture is the owner of a tract of land situated in the City of McKinney, Collin County, Texas out of the J.R. Gray Survey, Abstract No. 343 and the J.A. Gray Survey, Abstract No. 344 and being all of Lot 2, Block C, Adriatica according to the plat thereof recorded in Cabinet Q, Page 587, Map Records, Collin County, Texas and being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199" in the southeast right of way line of Mediterranean Drive (64' right of way), the most westerly northwest corner of said Lot 2, Block C, also being the northeast corner of Villa District-Adriatica according to the plat thereof recorded in Volume 2008, Page 471, Map Records, Collin County, Texas, the beginning of a curve to the left;

THENCE, along said southeast right of way line, along said curve to the left through a central angle of 53 degrees, 07 minutes, 42 seconds, a radius of 375.41 feet, an arc length of 217.08 feet, a chord bearing of North 48 degrees, 59 minutes, 39 seconds East, a chord distance of 214.05 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199", the beginning of a non-tangent curve to the left;

THENCE, continuing along said southeast right of way line, along said curve to the left through a central angle of 127 degrees, 11 minutes, 38 seconds, a radius of 75.00 feet, an arc length of 168.50 feet, a chord bearing of North 28 degrees, 18 minutes, 40 seconds East, a chord distance of 134.35 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199" in the south line of Lot 2, Block A, Adriatica, Block A, Lots 1A & 2 according to the plat thereof recorded in Volume 2008, Page 130, Map Records, Collin County, Texas;

THENCE, departing said southeast right of way line, along the north line of said Lot 2, Block C, the south line of said Lot 2, Block A, Common Area B-1, and the south line of a tract of land, Parcel 213, Tract 8A, conveyed to Westerra Stonebridge, L.P. according to the deed filed for record in County Clerk's File Number 88-0108740, Deed Records, Collin County, Texas, South 74 degrees, 42 minutes, 53 seconds East, a distance of 511.89 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199" in the west line of a tract of land "Stonebridge Lake" conveyed to Stonebridge Ranch Community Association, Inc. according to the deed filed for record in Volume 3063, Page 542, Deed Records, Collin County, Texas, the beginning of a non-tangent curve to the left;

THENCE, along the east line of said Lot 2, Block C, the west line of said "Stonebridge Lake", along said curve to the left through a central angle of 32 degrees, 36 minutes, 22 seconds, a radius of 217.66 feet, an arc length of 123.59 feet, a chord bearing of South 61 degrees, 01 minutes, 44 seconds East, a chord distance of 122.32 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199", the beginning of a tangent curve to the right;

THENCE, along said common line, along said curve to the right through a central angle of 81 degrees, 28 minutes, 07 seconds, a radius of 175.00 feet, an arc length of 187.84 feet, a chord bearing of South 13 degrees, 22 minutes, 08 seconds West, a chord distance of 178.78 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199", the end of said curve;

THENCE, continuing along said common line, South 41 degrees, 12 minutes, 12 seconds West, a distance of 222.16 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199";

THENCE, continuing along said common line, South 42 degrees, 08 minutes, 05 seconds West, a distance of 43.85 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199", the southeast corner of said Lot 2, Block C, also being the northeast corner of said Lot 1, Block C;

THENCE, along the southwest line of said Lot 2, Block C, the northeast line of said Villa District-Adriatica, North 82 degrees, 09 minutes, 50 seconds West, a distance of 414.47 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199";

THENCE, continuing along said common line, North 40 degrees, 02 minutes, 11 seconds West, a distance of 4.45 feet to a 5/8" iron rod set with plastic cap stamped "R.P.L.S. 5199";

THENCE, continuing along said common line, North 17 degrees, 08 minutes, 29 seconds East, a distance of 84.81 feet to the POINT OF BEGINNING and containing 188,344 square feet or 4.3238 acres of land, more or less.

401 Adriatic Parkway
McKinney, Texas 75034
Phone (972) 540-0304
Fax (972) 540-0309
kdjngman@blackard.net


Blackard Group

DATE: 2/10/2009

EXHIBIT "B"

(Plats)

[SEE ATTACHED]

IBG-30A\Harbor Res Decl #5252515

EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
CERTIFICATION

ARCHITECT'S DECLARATION

THAT I, George Kevin Dingman, do hereby certify that this map
and property description contained herein contain all information
required by Section 82.059 of the Texas Property Code.



George Kevin Dingman, A.I.A.
Registration No. 20616

IBG Adriatica
Holdings, Inc.

6991 Mediterranean Drive
McKinney, Texas 75070
Phone (972) 562-0231
georgefuller2@yahoo.com

DATE: 8/13/2013

Sht. 1 of 11

EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
LEGEND

1. Elevations are based on a Datum elevation: of 664.0' at street level sanitary sewer man hole located East-Southeast of building 5:

Building 3

Finished Ground Floor Elevation: 664.0'

Level 1 663.0' – 683.0'
(w/ exception of the lower level of
unit 3201 at the southern most
portion of building 3)

Level 2 683.0' – 696.5'

Level 3 696.5' – 710.0'

Level 4 710.0' – 738.75'

Building 6

Finished Ground Floor Elevation: 666.29'

Level 1 659.29' – 686.29'

Level 2 686.29' – 697.79'

Level 3 697.79' – 709.29'

Level 4 709.29' – 735.75'

2. In accordance with Section 82.059 of the Act, the real property legally described on this page of the map is subject to the Development Rights set forth in Section 11.2 of the Declaration.

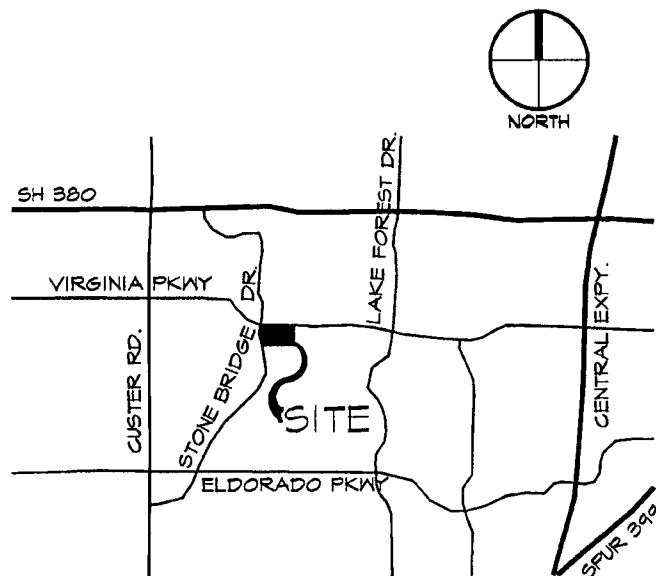
**IBG Adriatica
Holdings, Inc.**

6991 Mediterranean Drive
McKinney, Texas 75070
Phone (972) 562-0231
georgefuller2@yahoo.com

DATE: 8/13/2013

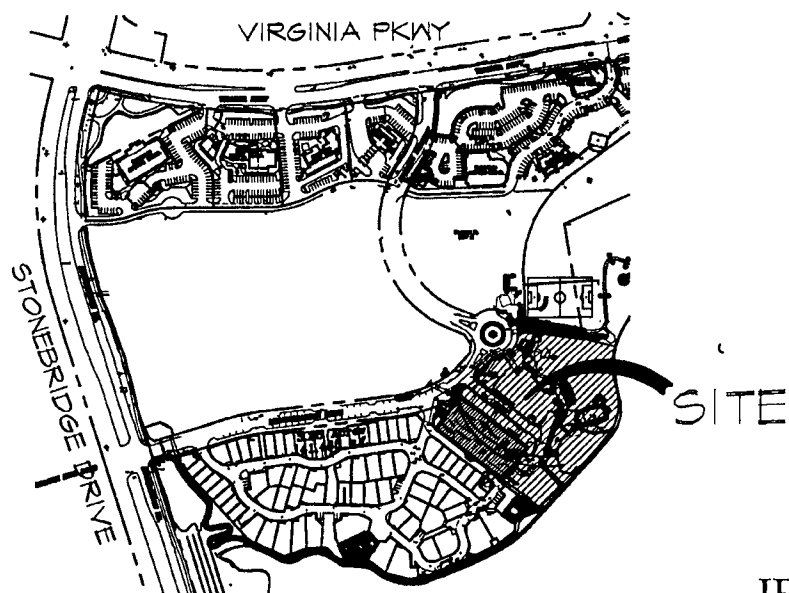
Sht. 2 of 11

EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
VICINITY MAP



VICINITY MAP

NOT TO SCALE



ADRIATICA SITE PLAN

SITE KEY MAP

NOT TO SCALE

**IBG Adriatica
Holdings, Inc.**

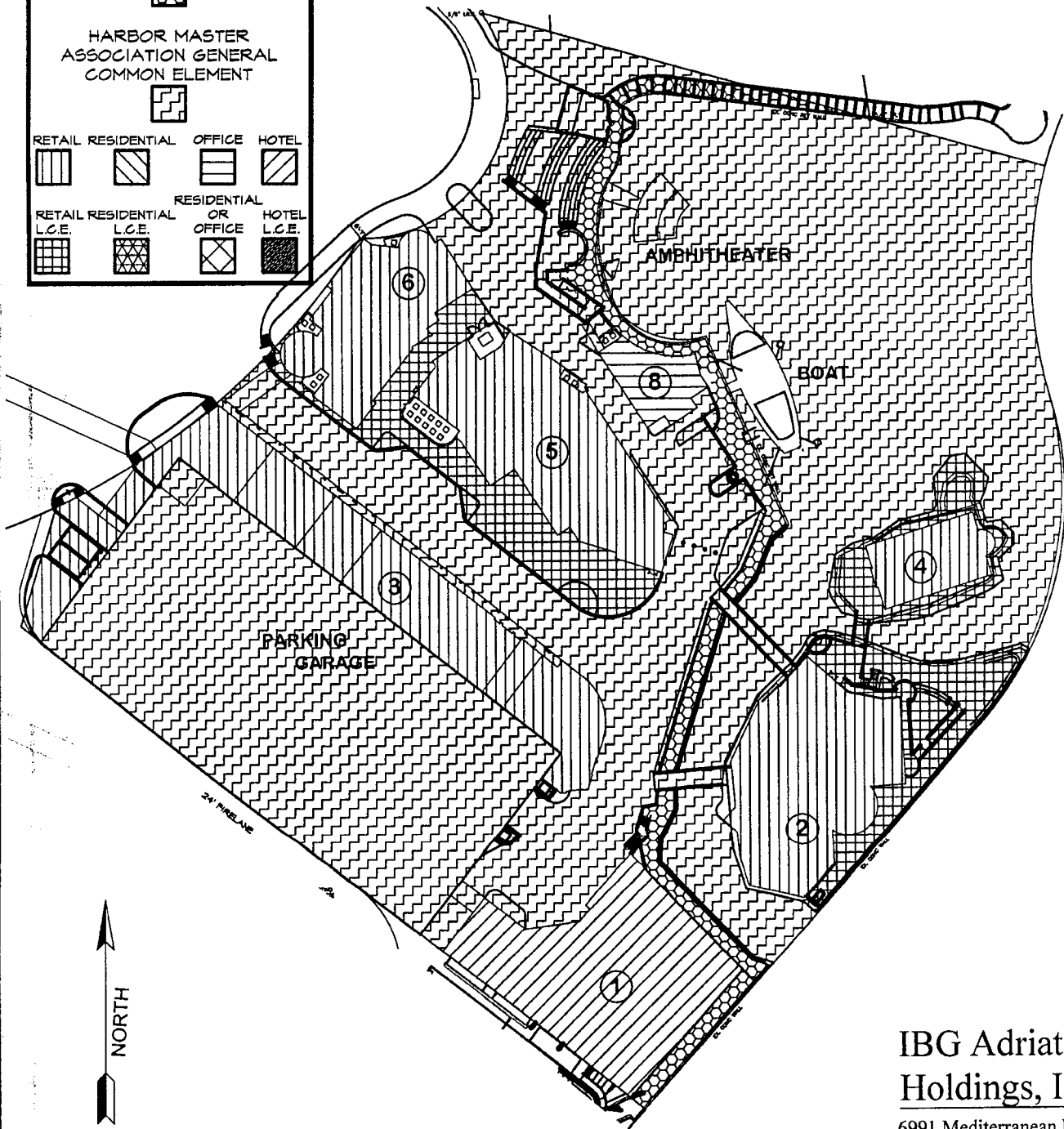
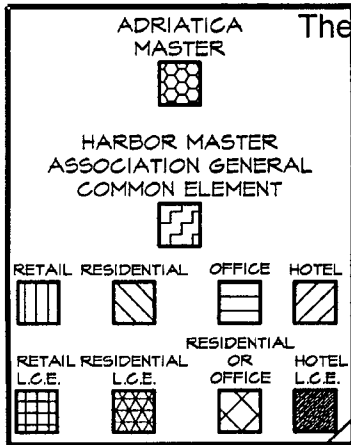
6991 Mediterranean Drive
McKinney, Texas 75070
Phone (972) 562-0231
georgefuller2@yahoo.com

DATE: 8/13/2013

Sht. 3 of 11

EXHIBIT "B"

The Harbor at Adriatica Residential Condominiums McKinney, Texas SITE PLAN



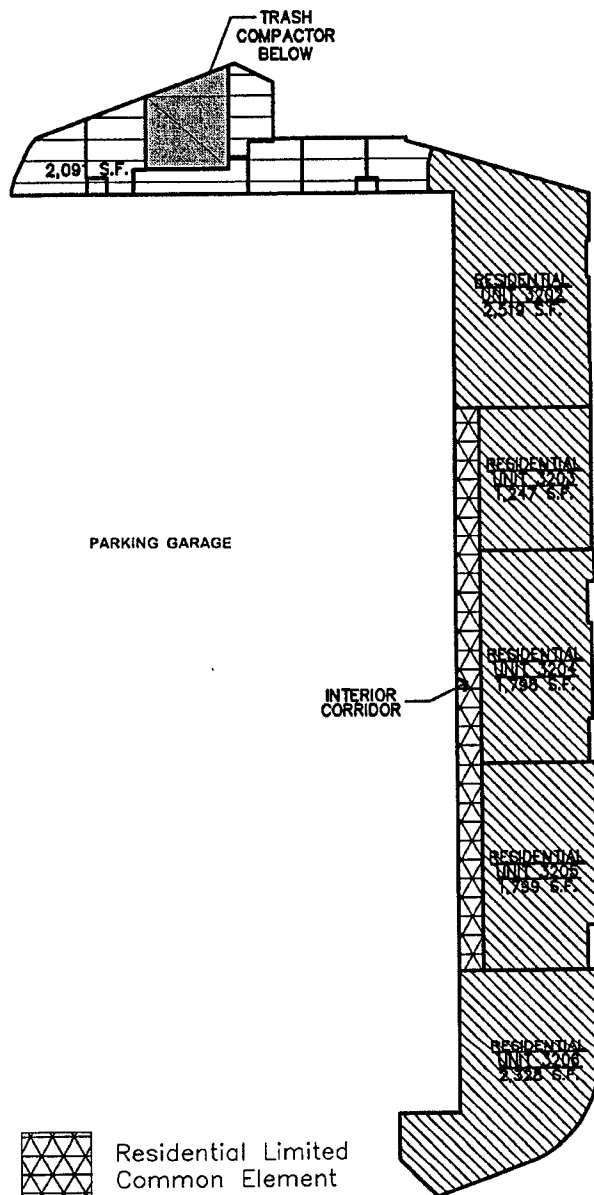
IBG Adriatica Holdings, Inc.

6991 Mediterranean Drive
McKinney, Texas 75070
Phone (972) 562-0231
georgefuller2@yahoo.com

DATE: 8/13/2013

Sht. 4 of 11

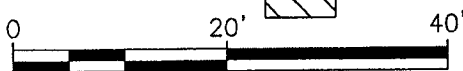
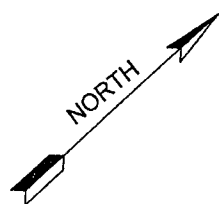
EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
BUILDING #3 - SECOND FLOOR



Notes:
 Elevations on the Second Level
 are between 684.08' and 695.58'
 based on a finished floor
 elevation at ground level of 664.0'

**IBG Adriatica
 Holdings, Inc.**

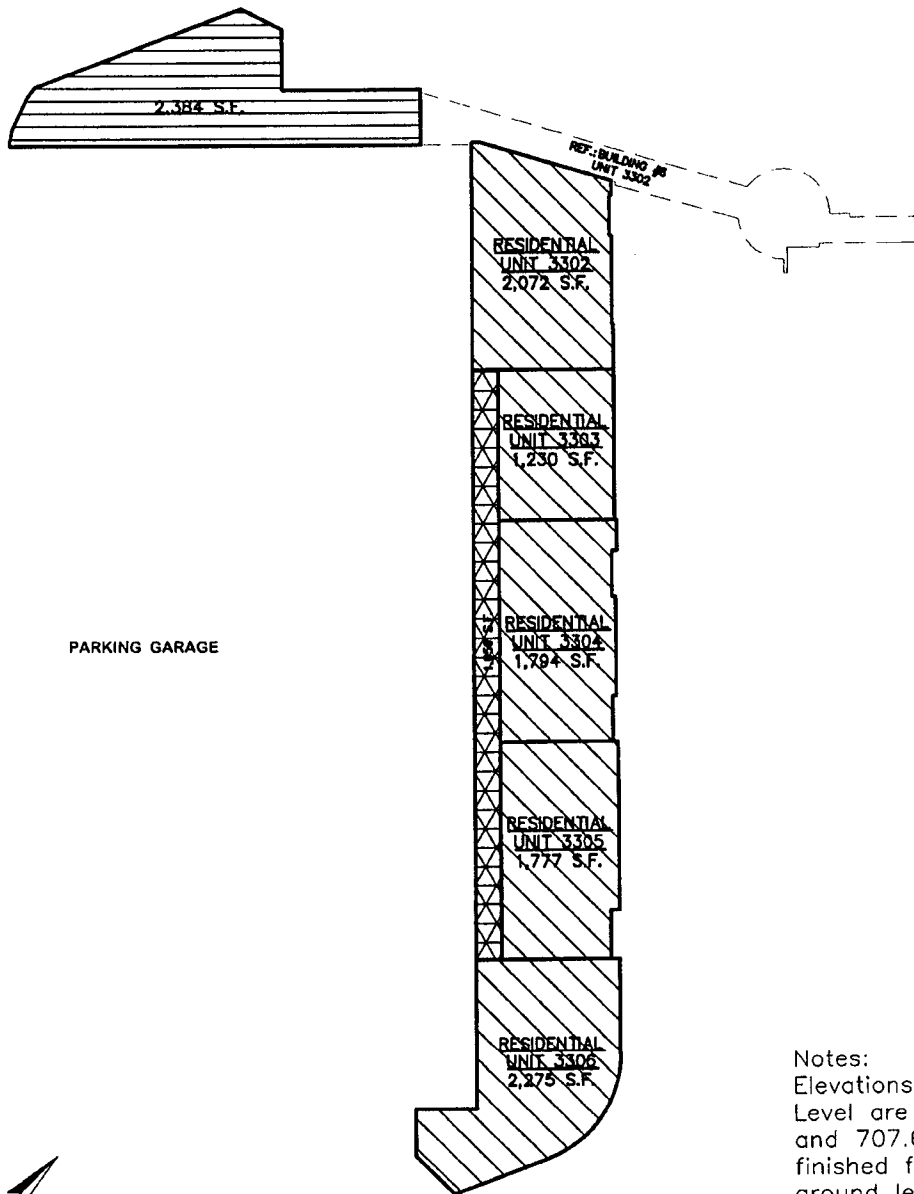
6991 Mediterranean Drive
 McKinney, Texas 75070
 Phone (972) 562-0231
georgefuller2@yahoo.com



DATE: 8/13/2013

Sht. 5 of 11

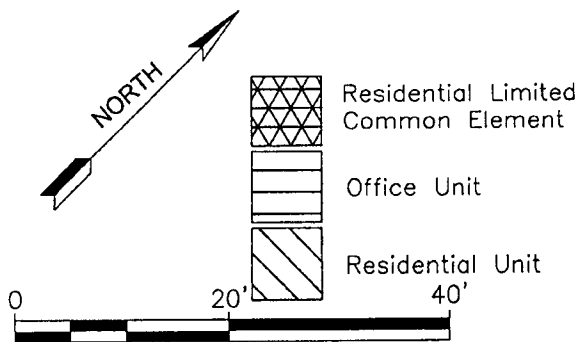
EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
BUILDING #3 - THIRD FLOOR



Notes:
 Elevations on the Third
 Level are between 695.58'
 and 707.66' based on a
 finished floor elevation at
 ground level of 664.0'

**IBG Adriatica
 Holdings, Inc.**

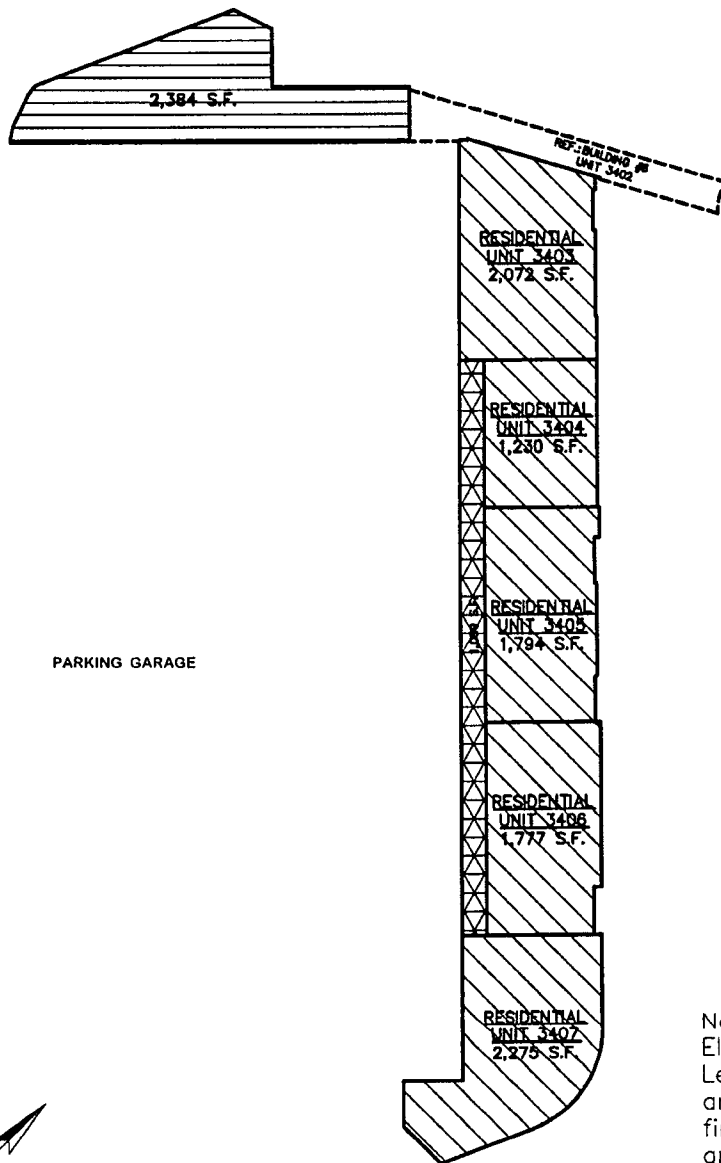
6991 Mediterranean Drive
 McKinney, Texas 75070
 Phone (972) 562-0231
georgefuller2@yahoo.com



DATE: 8/13/2013

Sht. 6 of 11

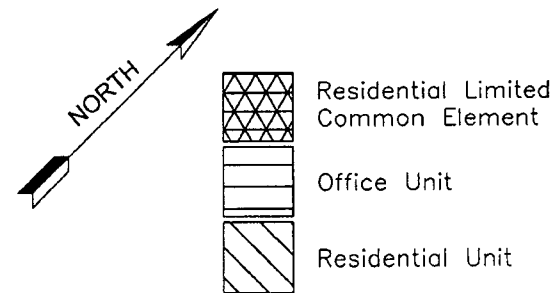
EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
BUILDING #3 - FOURTH FLOOR



Notes:
 Elevations on the Fourth
 Level are between 707.66'
 and 719.75' based on a
 finished floor elevation at
 ground level of 664.0'

**IBG Adriatica
 Holdings, Inc.**

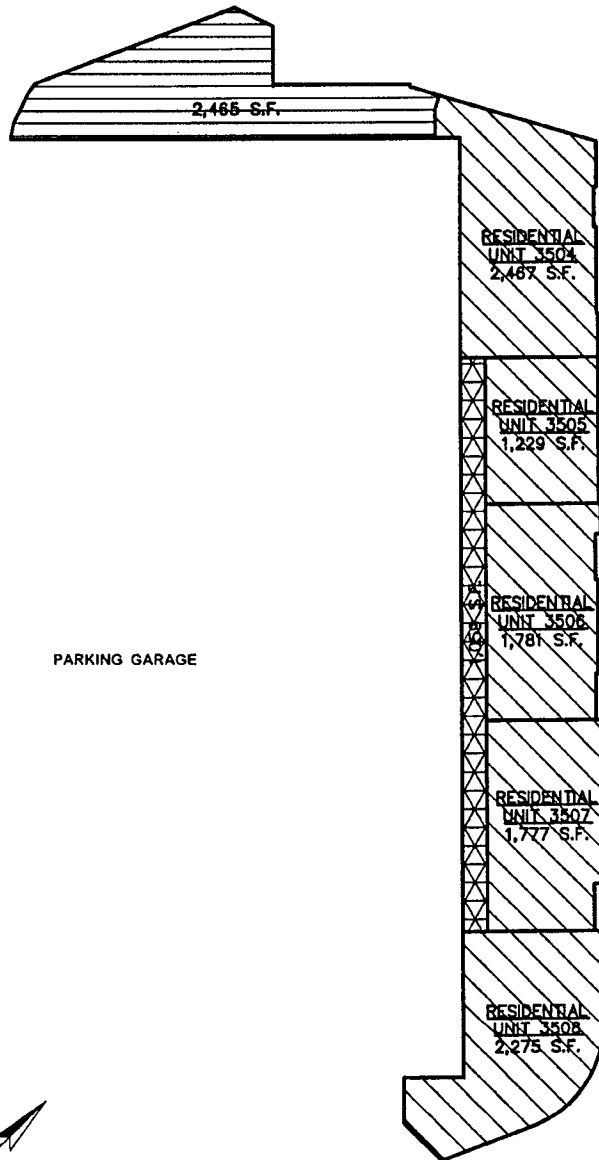
6991 Mediterranean Drive
 McKinney, Texas 75070
 Phone (972) 562-0231
georgefuller2@yahoo.com



DATE: 8/13/2013

Sht. 7 of 11

EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
BUILDING #3 - FIFTH FLOOR

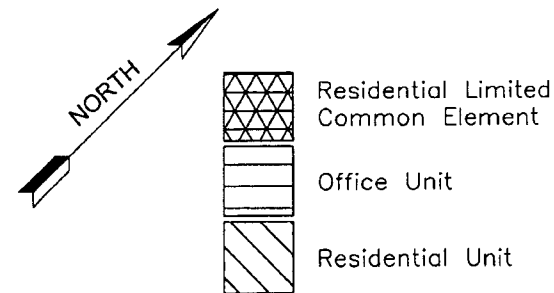


PARKING GARAGE

Notes:
 Elevations on the Fourth
 Level are between 719.75'
 and 731.75' based on a
 finished floor elevation at
 ground level of 664.0'

**IBG Adriatica
 Holdings, Inc.**

6991 Mediterranean Drive
 McKinney, Texas 75070
 Phone (972) 562-0231
georgefuller2@yahoo.com

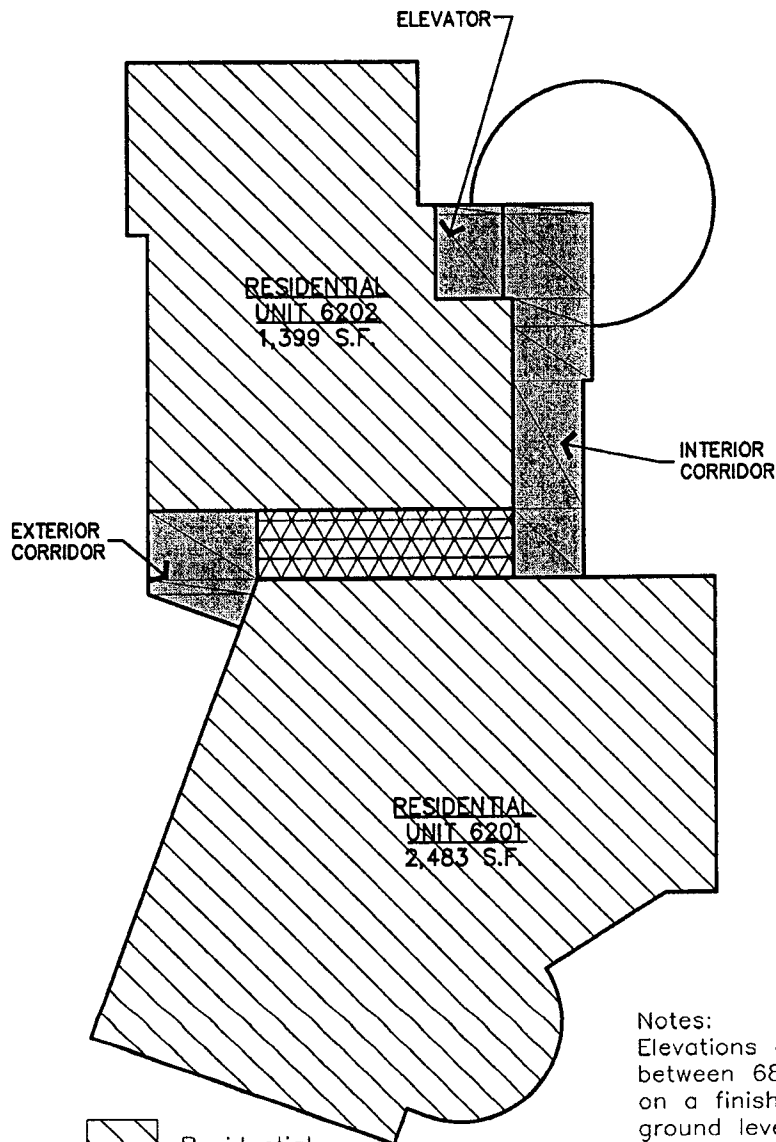


0 20' 40'

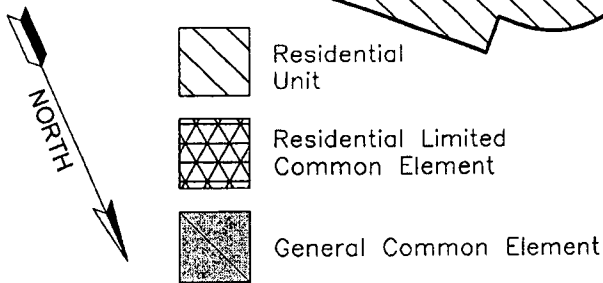
DATE: 8/13/2013

Sht. 8 of 11

EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
BUILDING #6 - SECOND FLOOR

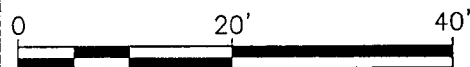


Notes:
 Elevations on the Second Level are
 between 680.33' and 692.42' based
 on a finished floor elevation at
 ground level of 670.00'



**IBG Adriatica
 Holdings, Inc.**

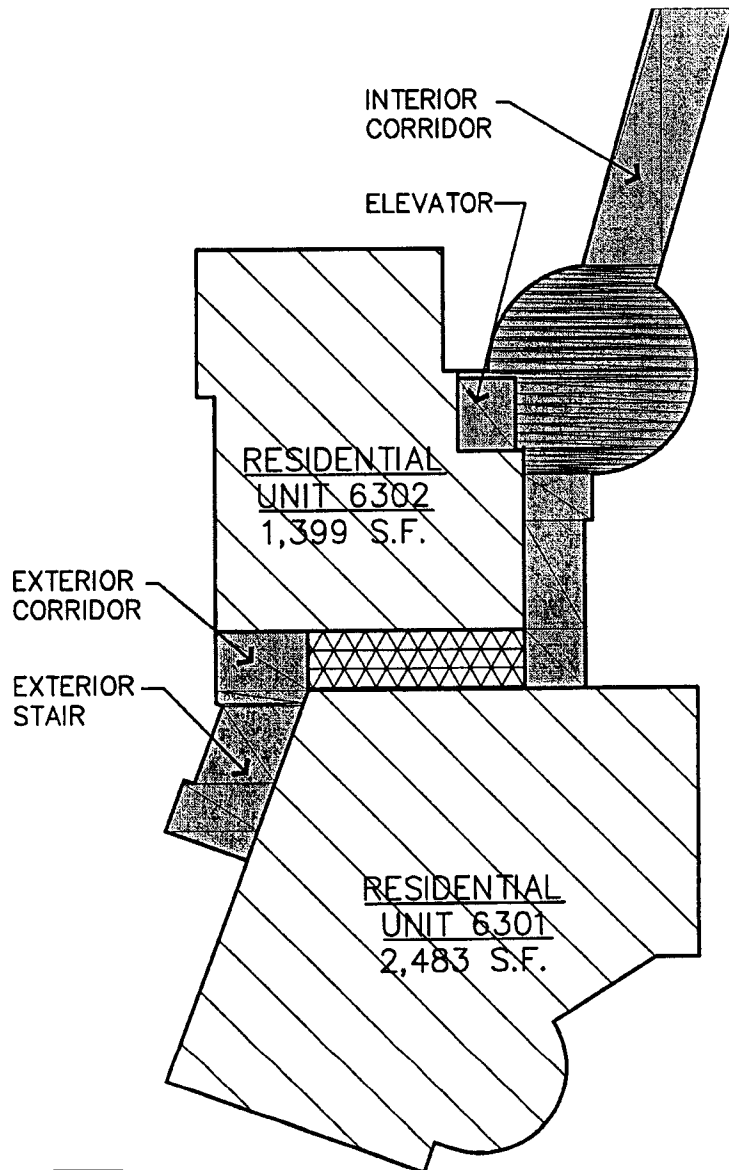
6991 Mediterranean Drive
 McKinney, Texas 75070
 Phone (972) 562-0231
georgefuller2@yahoo.com






DATE: 8/13/2013

Sht. 9 of 11

EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
BUILDING #6 - THIRD FLOOR



Notes:
 Elevations on the Third
 Level are between 695.58'
 and 707.66' based on a
 finished floor elevation at
 ground level of 670.00'

 Residential Limited
Common Element
 Residential Unit or
Office Unit
 General Common Element

**IBG Adriatica
 Holdings, Inc.**

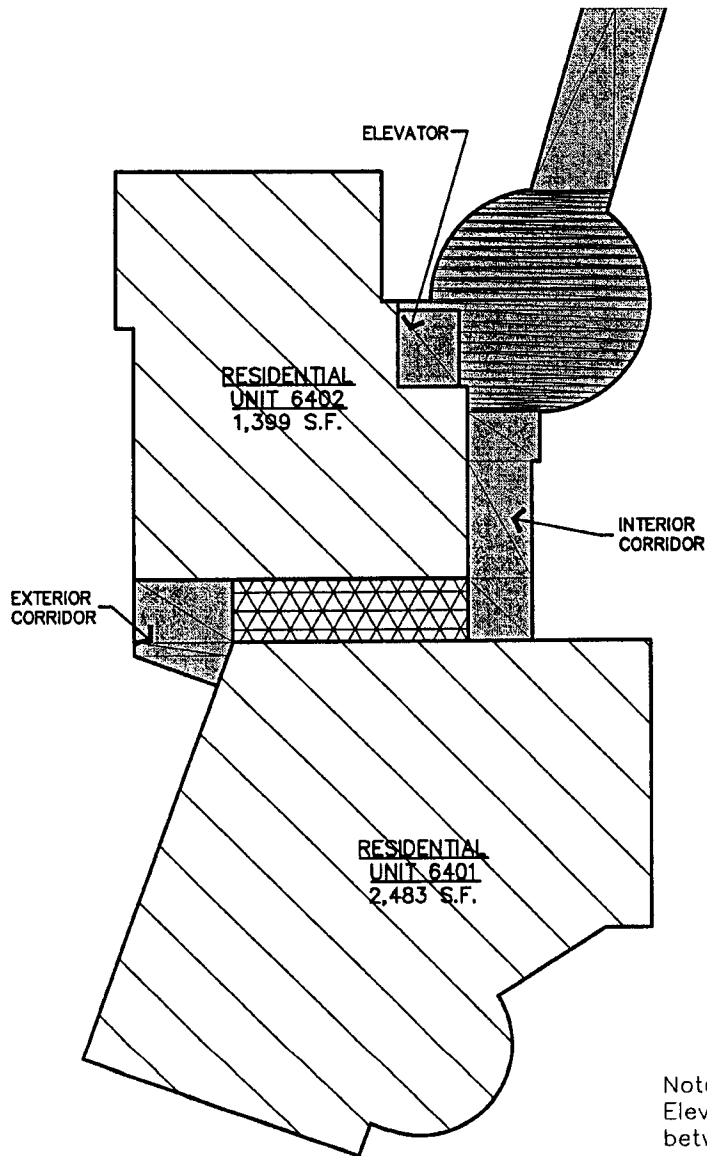
6991 Mediterranean Drive
 McKinney, Texas 75070
 Phone (972) 562-0231
georgefuller2@yahoo.com

0 20' 40'

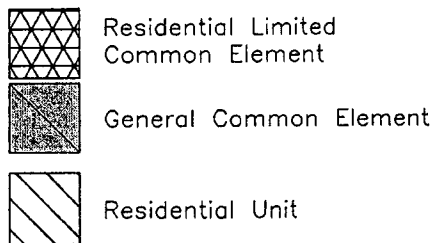
DATE: 8/13/2013

Sht. 10 of 11

EXHIBIT "B"
The Harbor at Adriatica Residential Condominiums
BUILDING #6 - FOURTH FLOOR

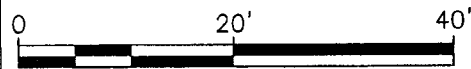


Notes:
Elevations on the Fourth Level are
between 704.5' and 716.5' based
on a finished floor elevation at
ground level of 670.00'



**IBG Adriatica
Holdings, Inc.**

6991 Mediterranean Drive
McKinney, Texas 75070
Phone (972) 562-0231
georgefuller2@yahoo.com



DATE: 8/13/2013

Sht. 11 of 11

EXHIBIT "C"

OWNERSHIP OF COMMON ELEMENTS

Owner's Undivided Interest
in the Common Elements,
Liability for Common Expenses, and
Votes in the Residential Association

Unit	Square Feet	
3202	2,519	5.10%
3203	1,247	2.50%
3204	1,798	3.70%
3205	1,799	3.70%
3206	2,328	4.75%
6201	2,483	5.00%
6202	1,399	2.90%
3302	2,072	4.20%
3303	1,230	2.50%
3304	1,794	3.65%
3305	1,777	3.60%
3306	2,275	4.65%
6301	2,483	5.00%
6302	1,399	2.90%
3402	2,072	4.20%
3403	1,230	2.50%
3404	1,794	3.65%
3405	1,777	3.60%
3406	2,275	4.65%
6401	2,483	5.00%
6402	1,399	2.90%
3502	2,467	5.00%
3503	1,229	2.50%
3504	1,781	3.60%
3505	1,777	3.60%
3506	2,275	4.65%

IBG-30A\Harbor Res Decl #5252515

Filed and Recorded
Official Public Records
Stacey Kemp, County Clerk
Collin County, TEXAS
08/20/2013 02:05:38 PM
\$296.00 CLUNA
20130820001180150

