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AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM
FOR RIVER STONE I

Richard R. ...
COUNTY CLERK
HARRIS COUNTY, TX

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

WHEREAS, on July 27, 1979, U. S. Home Corporation, a Delaware corporation (hereinafter called "Declarant"), executed that certain Declaration of Condominium for River Stone I, filed for record in the office of the County Clerk for Harris County, Texas, under Clerk's File No. G175946, and in the Condominium Records for Harris County, Texas, in Volume 100, Page 137, et seq. (hereinafter called the "Original Declaration"); and

WHEREAS, Article 23 of the Original Declaration provides that the Original Declaration may be amended at any time by an instrument signed and acknowledged by Unit Owners owning not less than seventy-five percent (75%) of the total ownership of the Common Elements, subject to the exception that the percentage ownership of the Common Elements provided for in the Original Declaration may not be amended or modified without the consent of all Unit Owners and of all Mortgagees; and

WHEREAS, the Declarant and the undersigned Unit Owners are all of the Unit Owners of River Stone I; and

WHEREAS, the Declarant and the undersigned Unit Owners desire to amend and restate the Original Declaration;

NOW, THEREFORE, for and in consideration of the premises, the parties hereto hereby declare and agree that the Original Declaration is hereby amended and restated in its entirety, including all exhibits thereto, as follows:

"DECLARATION OF CONDOMINIUM
FOR RIVER STONE I

THIS DECLARATION, made and entered into by U.S. HOME CORPORATION, a Delaware corporation, as follows:

W I T N E S S E T H:

WHEREAS, U.S. HOME CORPORATION, a Delaware corporation, is the owner of real estate located in the County

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of Harris, State of Texas, more particularly described on Exhibit A attached hereto;

WHEREAS, said U.S. HOME CORPORATION intends to and does hereby submit the Parcel (as said term is hereinafter defined), together with all buildings, structures, improvements and other permanent fixtures of whatsoever kind now or hereafter located thereon, and all rights and privileges belonging or in anywise pertaining thereto (hereinafter called the "Property"), to a condominium regime pursuant to Article 1301a of the Revised Civil Statutes of Texas; and

WHEREAS, said U.S. HOME CORPORATION further desires to establish for its own benefit and for the mutual benefit of all future owners or occupants of the Property or any part thereof, and intends that all future owners, occupants mortgagees, and any other persons hereafter acquiring any interest in the Property shall hold said interest subject to certain rights, easements and privileges in, over and upon said premises and certain mutually beneficial restrictions and obligations and liens with respect to the proper use, conduct and maintenance thereof, hereinafter set forth, all of which rights, easements, privileges, restrictions, obligations and liens are declared to be in furtherance of a plan to promote and protect the co-operative aspects of residence on the Property and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Property;

NOW, THEREFORE, said U.S. HOME CORPORATION, as the owner of the real estate hereinbefore described, and for the purposes above set forth, declares as follows:

1. Definitions. As used herein, unless the context otherwise requires:

(a) "Act" means Article 1301a of the Revised Civil Statutes of Texas.

(b) "Agreement" means the Agreement Establishing Maintenance Charge filed for record in the office of the County Clerk of Harris County, Texas, under County Clerk's File No. F748372, which instrument establishes a maintenance fund charge on all property within the Westchase Two Subdivision for the maintenance of the Westchase Two Subdivision. The Property is a part of the Westchase Two Subdivision and subject to such maintenance charge provided for in the Agreement.

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(c) "Association" means River Stone I Association, Inc., a Texas non-profit corporation.

(d) "Board" means the Board of Directors of the Association.

(e) "Buildings" shall mean the five (5) buildings located or to be located on the Parcel and forming part of the Property and containing Units. The "Buildings" are marked as Building A through Building E, inclusive, on Exhibit A hereto.

(f) "By-Laws" means the By-Laws of the Association, attached hereto as Exhibit C and by this reference made a part hereof, as amended from time to time.

(g) "Common Elements" means all of the Property except for the Units, and, without limiting the generality of the foregoing, shall include those items defined as "general common elements" in the Act, including the following:

- (1) The Parcel;
- (2) All foundations, bearing walls and columns, roofs, halls, lobbies, stairways, and entrances and exits or communication ways;
- (3) All roofs, yards, and gardens, except as otherwise herein provided or stipulated;
- (4) All compartments or installations of central services such as power, light, gas, cold and hot water;
- (5) All elevators and elevator shafts;
- (6) All recreational areas, swimming pools, tennis courts and the like existing for common use; and
- (7) All other elements of the Building or Parcel desirably or rationally of common use or necessary to the existence, upkeep and safety of the condominium regime established by this Declarati

(h) "Common expenses" means and includes:

(1) All sums lawfully assessed against the Common Elements by the Managing Agent or Board;

(2) All expenses of administration and management, maintenance, operation, repair or replacement of and additions to the Common Elements;

(3) Expenses agreed upon as common expenses by the Unit Owners;

(4) Expenses declared to be common expenses by this Declaration or by the By-Laws; and

(5) All sums lawfully assessed against the Property by the Westchase Two Association as a maintenance charge for the maintenance of the Westchase Two Subdivision.

(i) "Council of Co-Owners" means all of the Unit Owners, which Council of Co-Owners has been or will be incorporated as the Association.

(j) "Declarant" means U.S. HOME CORPORATION, a Delaware corporation, its successors and assigns, provided such successors or assigns are designated in writing by Declarant as a successor or assign of the rights of Declarant set forth herein.

(k) "Declaration" means this instrument, by which the Property is submitted to the provisions of the Act, as hereinafter provided, and such Declaration as amended from time to time.

(l) "Family Group" means a group consisting of all Occupants residing in a Unit or more than one Unit used together.

(m) "Limited Common Elements" means all Common Elements serving exclusively a single Unit or one or more adjoining Units as an inseparable appurtenance thereto, the enjoyment, benefit or use of which is reserved to the lawful Occupants of such Unit or Units either in this Declaration, on the Plat or by the Board. Limited Common Elements shall include, but shall not be limited to, carport parking areas, located

as shown on Exhibit A and appurtenant to the respective Units as set out on Exhibit B, balcony and patio areas accessible only from a Unit and storage areas appurtenant to a specific Unit only, hallways and elevators adjacent to or serving only a Unit or Units, as well as "air handlers", pipes, ducts, electrical wiring and conduits located entirely within a Unit or adjoining Units and serving only such Unit or Units, and such portions of the perimeter walls, floors and ceilings, doors, vestibules, windows, and entryways, and all associated fixtures and structures therein, as lie outside the Unit boundaries.

(n) "Majority" or "majority of the Unit Owners" means the owners of more than fifty percent (50%) of the undivided ownership of the Common Elements. Any specific percentage of Unit Owners means that percentage of Unit Owners who in the aggregate own such specified percentage of the entire undivided ownership of the Common Elements.

(o) "Mortgage" means a mortgage or deed of trust covering a Unit and the undivided interest in the Common Elements appurtenant thereto.

(p) "Mortgagee" means a beneficiary under a Mortgage.

(q) "Occupant" means a person or persons in possession of a Unit, regardless of whether said person is a Unit Owner.

(r) "Parcel" means that certain parcel or tract of real estate identified as Phase I on Exhibit A attached hereto and by this reference made a part hereof.

(s) "Person" means a natural individual, corporation, partnership, trustee or other legal entity capable of holding title to real property.

(t) "Phase II" shall mean that certain parcel or tract of real estate identified as Phase II on Exhibit A attached hereto and by this reference made a part hereof.

(u) "Phase III" shall mean that certain parcel or tract of real estate identified as Phase III on Exhibit A attached hereto and by this reference made a part hereof.

(v) "Plat" means the survey of the Parcel and the floor plans and drawings of all Units in the Property, attached hereto as Exhibit A and by this reference made a part hereof. The Plat contains a description of the Parcel, the location of the Buildings on the Parcel with the Buildings denoted by letter, a description and location for each Unit and the location of each parking space.

(w) "Property" means all the land, property and space comprising the Parcel, and all improvements and structures erected, constructed or contained therein or thereon, including the Buildings and all easements, rights and appurtenances belonging thereto, and all furniture, furnishings, fixtures and equipment intended for the mutual use, benefit or enjoyment of the Unit Owners.

(x) "Record" or "Recording" refers to the record or recording in the Office of the County Clerk of Harris County, Texas.

(y) "Unit" means an enclosed space consisting of one or more rooms occupying all or part of a floor or floors in the Buildings, which enclosed space is not owned in common with the Unit Owners of other Units. Each Unit is numbered as shown on the Plat, and the boundaries of each Unit shall be and are the interior surfaces of its perimeter walls, floors, and ceilings and the exterior boundaries of any balconies and terraces constituting a part thereof; and a Unit includes both the portion of the Buildings so described and the air space so encompassed, excepting the Common Elements. Any Unit may be jointly or commonly owned by more than one person. It is intended that the term "Unit" as used in this Declaration shall have the same meaning as the term "Apartment" as used in the Act.

(z) "Unit Owner" means the person or persons whose estates or interests, individually or collectively, aggregate fee simple ownership of a Unit and of the undivided interest in the Common Elements appurtenant

thereto, but shall not include those having an interest in a Unit merely as security for the performance of an obligation. Unless specifically provided otherwise herein, Declarant shall be deemed a Unit Owner so long as it is the legal title holder of any Unit.

(aa) "Westchase Two Association" means Westchase Two Community Association, Inc., a Texas non-profit corporation established by Westchase Two, a Texas Limited Partnership, the developer of Westchase Two Subdivision; for the purpose of performing certain maintenance functions with respect to the Westchase Two Subdivision, including maintenance of street medians in or immediately adjacent to said Subdivision and certain major entry markers to said Subdivision; maintenance of certain planted areas, illumination, street signs and other Westchase Two Subdivision identification; and certain other functions, including maintenance of liability insurance, as may be deemed by Westchase Two Association in its discretion and good faith to be necessary or desirable to promote the common welfare and general good of the landowners in the Westchase Two Subdivision, and, in connection therewith, to assess and collect a maintenance charge from the landowners in Westchase Two Subdivision for the purpose for performing said maintenance functions, all as set forth in the Agreement. All Unit Owners, by virtue of owning an undivided interest in the Property, which is part of the Westchase Two Subdivision, are members of Westchase Two Association and are represented in the Westchase Two Association by the Board.

(bb) "Westchase Two Subdivision" means that land described in the Agreement now or formerly owned by Westchase Two, a Texas Limited Partnership, which said Westchase Two has subjected to the provisions of the Agreement. The Property is part of the Westchase Two Subdivision.

2. Submission of Property to the Act. Declarant, as the legal title holder in fee simple of the Parcel, expressly intends to, and by recording this Declaration does hereby, submit the Parcel and the Property to the provisions of the Act; provided, however, nothing contained herein shall submit nor be deemed to submit Phase II or Phase III to the provisions of the Act until Declarant so submits the same pursuant to the provisions of Paragraph 21 of this Declaration.

The Property is submitted to the provisions of the Act subject to easements and reservations affecting the Parcel recorded in the Official Public Records of Real Property Harris County, Texas.

3. Plat. The Plat sets forth the descriptions, locations and other data, as required by the Act, with respect to (1) the Parcel and its exterior boundaries; (2) the Buildings and each floor thereof; (3) each Unit; and (4) each parking space.

4. Units. The legal description of each Unit shall consist of the identifying number of such Unit as shown on the Plat. Every deed, lease, mortgage or other instrument shall legally describe a Unit by its identifying number as shown on the Plat and every such description shall be deemed good and sufficient for all purposes, as provided in the Act. Except as provided by the Act, no Unit Owner shall, deed, plat, court decree or otherwise, subdivide or in any other manner cause his Unit to be separated into any tract or parcels different from the whole Unit as shown on the Plat.

5. No Partition. The Common Elements shall remain undivided and shall not be the object of any action for partition or division of the co-ownership thereof so long as suitable for a condominium regime, and, in any event, all Mortgages must be paid in full prior to bringing an action for partition or the consent of all Mortgagees must be obtained.

6. (a) Association of Unit Owners and Administration and Operation of the Property. There has been or will be formed an Association having the name "River Stone I Association, Inc.", a Texas non-profit corporation, which Association shall be the governing body for all of the Unit Owners, for the maintenance, repair, replacement, administration and operation of the Property, as provided in the Act, this Declaration and the By-Laws. The Board of Directors of the Association shall be elected and shall serve in accordance with the provisions of the By-Laws. The fiscal year of the Association shall be determined by the Board and may be changed from time to time as the Board deems advisable. The Association shall not be deemed to be conducting a business of any kind. All activities undertaken by the Association shall be for the sole benefit of the Unit Owners, and all funds received by the Association shall

held and applied by it for the use and benefit of Unit Owners in accordance with the provisions of this Declaration and the By-Laws. Each Unit Owner shall be a member of the Association so long as he is a Unit Owner. A Unit Owner's membership shall automatically terminate when he ceases to be a Unit Owner. Upon the conveyance or transfer of a Unit Owner's ownership interest to a new Unit Owner, the new Unit Owner shall simultaneously succeed to the former Unit Owner's membership in the Association. The aggregate number of votes for all members of the Association shall be one hundred (100) and shall be divided among the respective Unit Owners in accordance with their respective percentages of ownership interest in the Common Elements as set forth in Exhibit B hereto.

(b) Membership in the Westchase Two Association. The Property is a part of Westchase Two Subdivision and subject to the maintenance charge provided for in the Agreement for the maintenance of Westchase Two Subdivision. All Unit Owners, by virtue of owning an undivided interest in the Property, are members of the Westchase Two Association, a Texas non-profit corporation established to maintain Westchase Two Subdivision and, in connection therewith, to assess, collect and expend the maintenance charge provided for in the Agreement. The Board shall have authority to represent the Unit Owners in the Westchase Two Association and to cast all votes to which the Unit Owners are entitled as members of the Westchase Two Association. The Board shall keep a copy of the Agreement and the Articles of Incorporation and By-Laws of Westchase Two Association and make the same available for inspection during office hours by any Unit Owner. Any maintenance charge assessed against the Property by the Westchase Two Association shall be a common expense.

(c) Management of Property. The Board shall have the authority to engage the services of an agent (herein sometimes referred to as the "Managing Agent") to maintain, repair, replace, administer and operate the Property, or any part thereof, to the extent deemed advisable by the Board, subject to the provisions of subparagraph (d) below. The Board shall also have the authority (but shall not be obligated) to engage, supervise and control such employees as the Board deems advisable to clean and maintain all or any part of the Units to the extent the Board deems it advisable to provide such services for all or any portion of the Unit Owners. The cost of such services shall be a common expense.

(d) Initial Management Contract. The first Board, appointed as provided herein, may approve an initial management agreement as provided in the By-Laws.

(e) Apartments for Building Personnel. The Board shall have authority to lease, purchase and mortgage one or more residential quarters for a building manager and engineer. All rental or debt service paid by the Association pursuant to any such lease agreement or mortgage shall be a common expense.

(f) Use by Declarant. During the period of sale by the Declarant of any Units, the Declarant and its agents, employees, contractors and subcontractors, and their respective agents and employees, shall be entitled to access, ingress to and egress from the Buildings and Property as may be required for purposes of said sale of Units. While the Declarant owns any of the Units and until each Unit sold by it is occupied by the purchasers, the Declarant and its employees may use and show one or more of such unsold or unoccupied Units as a model Unit or Units and may use one or more of such unsold or unoccupied Units as a sales office, and may maintain customary signs in connection therewith.

(g) Non-Liability of the Directors, Board, Officers, and Declarant. Neither the directors, Board or officers of the Association nor Declarant shall be personally liable to the Unit Owners for any mistake of judgment or for any acts or omissions of any nature whatsoever as such directors, Board, officers, or Declarant, except for any acts or omissions found by a court to constitute gross negligence or fraud. The Unit Owners shall indemnify and hold harmless each of the directors, Board, officers, or Declarant, and their respective heirs, executors, administrators, successors and assigns in accordance with the provisions of the By-Law and the Association shall carry such insurance as the Board may prescribe to protect the directors, Board, officers or Declarant under said indemnity.

(h) Board's Determination Binding. In the event of any dispute or disagreement between any Unit Owners relating to the Property, or any questions of interpretation or application of the provisions of the Declaration or By-Laws such dispute or disagreement shall be submitted to the Board. The determination of such dispute or disagreement by the Board shall be binding on each and all such Unit Owners subject to the right of Unit Owners to seek other remedies provided by law after such determination by the Board.

7. Ownership of the Common Elements. Each Unit Owner shall be entitled to the percentage of ownership in the Common Elements allocated to the respective Unit owned by such Unit Owner, as set forth in Exhibit B attached hereto and by this reference made a part hereof. Said ownership interest in the Common Elements shall be an undivided interest and the Common Elements shall be owned by the Unit Owners as tenants in common in accordance with their respective percentages of ownership. The ownership of each Unit shall not be conveyed separate from the percentage of ownership in the Common Elements corresponding to said Unit. The undivided percentage of ownership in the Common Elements corresponding to any Unit shall be deemed conveyed or encumbered with that Unit, even though the legal description in the instrument conveying or encumbering said Unit may refer only to the title to that Unit.

8. Use of the Common Elements. Each Unit Owner shall have the right to use the Common Elements (except the Limited Common Elements and portions of the Property subject to leases made by or assigned to the Board) in common with all other Unit Owners, as may be required for the purposes of access, ingress to, egress from, use, occupancy and enjoyment of the respective Unit owned by such Unit Owner. Such right to use the Common Elements shall extend to not only each Unit Owner, but also to his agents, servants, tenants, family members, customers, invitees and licensees. However, each Unit Owner shall have the right to the exclusive use and possession of the Limited Common Elements serving such Unit alone or with adjoining Units. Such rights to use the Common Elements, including the Limited Common Elements, shall be subject to and governed by the provisions of the Act, Declaration, By-Laws and rules and regulations of the Association. In addition, the Association shall have the authority to rent, lease, grant concessions or grant easements with respect to parts of the Common Elements, subject to the provisions of the Declaration and By-Laws. All income derived by the Association from leases, concessions or other sources shall be held and used for the benefit of the members of the Association, pursuant to such rules, resolutions or regulations as the Board may adopt or prescribe.

9. Parking Areas. Carport parking spaces shall be part of the Limited Common Elements, and shall be used by such Unit Owners in such manner and subject to such rules and regulations as the Board may prescribe, and carport parking spaces not so used by Unit Owners may be rented or otherwise used in such manner as the Board may prescribe.

10. (a) Common Expenses. Each Unit Owner, including the Declarant, shall pay his proportionate share of the common expenses. Except for its responsibilities as a Unit Owner, as provided herein, the Declarant shall not have any responsibility for the maintenance, repair or replacement of any part of the Common Elements after the date this Declaration is recorded. Such proportionate share of the common expenses for each Unit Owner shall be in accordance with his percentage of ownership in the Common Elements. Payment of common expenses, including any prepayment thereof required by contract for sale of a Unit, shall be in such amounts and at such times as determined in the manner provided in the By-Laws. No Unit Owner shall be exempt from payment of his proportionate share of the common expenses by waiver or non-use or waiver of enjoyment of the Common Elements or Limited Common Elements or by abandonment of his Unit. If any Unit Owner shall fail or refuse to make any such payment of the common expenses when due, the amount thereof together with interest thereon at the maximum rate as may then be permitted under the laws of the State of Texas, accruing from and after the date that said common expenses become due and payable, shall constitute a lien on the interest of such Unit Owner in the Property and his Unit.

(b) Unit Owners' Liability for Common Expenses During First Year. Upon the recording of this Declaration the Board shall prepare a budget which shall set forth and describe for each Unit within the Parcel and for each proposed Unit within Phase II and Phase III (in the event Phase II and Phase III are submitted to the provisions of this Declaration) an amount designated therein as the "Monthly Assessment" Notwithstanding anything contained in this Declaration to the contrary (including, but without limitation, the terms and provisions of subparagraph (a) above), for a period (hereinafter referred to as the "Initial Period") of one year from and after the first day of the calendar month next following the date of recording of this Declaration, each Unit Owner shall pay and be responsible for monthly, and his proportionate share of the common expenses shall be deemed to be, his respective Monthly Assessment, notwithstanding the fact his proportionate share of the actual common expenses during the Initial Period may be greater or less than his respective Monthly Assessment. If the total Monthly Assessments payable during the Initial Period are greater than the actual common expenses incurred during the Initial Period, such excess shall be thereafter used as the Board may prescribe. However, if the total Monthly Assessments payable during the

Initial Period are less than the actual common expenses incurred during the Initial Period, the Board shall prepare and approve a supplemental budget covering the deficiency, copies of which supplemental budget shall be furnished to each Unit Owner, and thereupon a supplemental assessment shall be made on each Unit Owner for his proportionate share of the supplemental budget.

(c) Annual Budgets. Annual budgets for each fiscal year of the Association shall be prepared and adopted by the Board pursuant to the By-Laws; provided, however, the Board shall not adopt a budget requiring assessments for common expenses in an amount exceeding one hundred ten percent (110%) of the common expenses for the preceding year unless the same is approved by a majority of the Unit Owners.

(d) Metered Utilities. Each Unit Owner shall also pay for all utility services, including electricity and other utility services (including telephone), if any, separately metered for such Unit Owner's Unit. Each Unit Owner shall make such payments for separately metered utility services to the public utility company providing such utility service if provided directly to the Unit Owner or to the Association if such utility services are separately metered on submetered for the Units.

(e) Enforcement of Lien. The Board may bring an action at law against the Unit Owner personally obligated to pay the same, for collection of his unpaid proportionate share of the common expenses, or foreclose the lien against the Unit or Units owned by such Unit Owner, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. Each Unit Owner, by his acceptance of a deed to a Unit, hereby expressly vests in the Board or its agents the right and power to bring all actions against such Unit Owner personally for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including non-judicial foreclosure pursuant to Article 3810 of the Revised Civil Statutes of Texas and each such Unit Owner hereby expressly grants to the Board a power of sale in connection with said lien. The lien provided for in this section shall be in favor of the Board and shall be for the common benefit of all Unit Owners. The Board shall have the authority to appoint a trustee, and thereafter successor trustees from time to time, to act on behalf of the Board in foreclosing such lien, and such appointment may

be made without any formality other than a written appointment of a trustee or successor (substitute) trustee, and the Board may appoint a substitute trustee at any time in its discretion. The Board acting on behalf of the Unit Owners shall have the power to bid upon an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same.

(f) Mortgage Protection. The lien for common expenses payable by a Unit Owner shall be subordinate to the lien of a prior recorded first Mortgage on the interest of such Unit Owner, except for the amount of the proportionate share of common expenses which become due and payable from and after the date on which the Mortgagee thereunder either takes possession of the Unit encumbered thereby, accepts a conveyance of any interest therein (other than as security) or forecloses its Mortgage, including a pro-rata reallocation among all Unit Owners of the unpaid assessment lien. This subparagraph (f) shall not be amended, changed, modified or rescinded without the prior written consent of all Mortgage of record.

11. Mortgages. Each Unit Owner shall have the right, subject to the provisions herein, to make separate Mortgage for his respective Unit together with his respective ownership interest in the Common Elements. No Unit Owner shall have the right or authority to make or create or cause to be made or created from the date hereof any Mortgage or other lien on or affecting the Property or any part thereof, except only to the extent of his own Unit and the respective percentage interest in the Common Elements appurtenant thereto.

12. Separate Real Estate Taxes. Taxes, assessments and other charges of any taxing or assessing authority shall be separately assessed to each Unit Owner for his Unit and his corresponding percentage of ownership in the Common Elements, as provided in the Act. In the event that such taxes or assessments for any year are not separately assessed to each Unit Owner, but rather are assessed on the Property as a whole, then each Unit Owner shall pay his proportionate share thereof in accordance with his respective percentage of ownership interest in the Common Elements, and, in said event, such taxes or assessments shall be a common expense. Without limiting the authority of the Board provided for elsewhere herein, the Board shall have the authority to collect from the Unit Owners their proportionate share of

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taxes or assessments for any year in which taxes are assessed on the Property as a whole.

13. Insurance. The Board shall have the authority to and shall obtain insurance for the Property, exclusive of decorating of the Units or Limited Common Elements by the Unit Owners, against loss or damage by fire, vandalism, malicious mischief and such other hazards as are covered under standard extended coverage provisions for the full insurable replacement cost of the Common Elements and the Units, and against such other hazards and for such amounts as the Board may deem advisable. Insurable replacement costs shall be deemed the cost of restoring the Common Elements, Units or any part thereof to substantially the same condition in which they existed prior to damage or destruction. Such insurance coverage shall be written in the name of, and the proceeds thereof shall be payable to, the Board as the trustee for each of the Unit Owners in direct ratio to said Unit Owner's respective percentage of ownership in the Common Elements, as set forth in the Declaration, and for the holders of Mortgages on his Unit, if any. Such policies of insurance as maintained from time to time should also contain, if possible, a waiver of subrogation rights by the insurer against individual Unit Owners provided such waiver of subrogation will not impair the effectiveness of such policies. The premiums for such insurance shall be a common expense.

The following provisions shall apply with respect to damage by fire or other causes:

(a) If any one of the Buildings is damaged by fire or other casualty and said damage is limited to single Unit, all insurance proceeds shall be paid to the Unit Owner or one or more Mortgagees of such Unit as their respective interests may appear, and such Unit Owner or Mortgagees shall use the same to rebuild or repair such Unit substantially in accordance with the original plans and specifications therefor. If such damage extends to two or more Units, or extends to a part of the Common Elements, such insurance proceeds shall be paid to the Board, as trustee, or to such bank or trust company as may be designated by amendment hereof, to be held in trust for the benefit of the Unit Owners and their Mortgagees as their respective interests may appear. The Board shall thereupon contract to repair or rebuild the damaged portions of all Units,

the Buildings, and the Common Elements substantially in accordance with the original plans and specifications therefor and the funds held in the insurance trust fund shall be used for this purpose. If the insurance proceeds are insufficient to pay all of the costs of repairing or rebuilding, the Board shall levy a special assessment on all Unit Owners, in proportion to the percentage interest of each Unit Owner in the Common Elements, to make up any deficiency. If any Unit Owner shall fail to pay the special assessment within thirty (30) days after the levy thereof, the Board shall make up the deficiency by payment from the common expense fund; provided, however, that such Unit Owner shall remain liable for such special assessment.

(b) Notwithstanding the provisions of subparagraph (a) above, reconstruction shall not be compulsory where the whole or more than two-thirds (2/3) of all Units and of the Common Elements is destroyed or damaged by fire or other casualty, as determined by the Council of Co-Owners. In such case, and unless otherwise unan- imously agreed upon by the Unit Owners, the insurance proceeds shall be delivered to the Unit Owners or their Mortgagees, as their interests may appear, in proportion to the percentage interest of each Unit Owner in the Common Elements; and the Board, as soon as reasonably possible and as agent for the Unit Owners, shall sell the Property, in its then condition, free from the effect of this Declaration, which shall terminate upon such sale, on terms satisfactory to the Board, and the net proceeds of such sale, and all funds held by said insurance trustee, shall thereupon be distributed to the Unit Owners or their Mortgagees, as their interest may appear, in proportion to the percentage interest of each Unit Owner in the Common Elements.

(c) Within sixty (60) days after any such damage occurs, the Managing Agent, or the Board shall, or if they do not, any Unit Owner, the insurer, the insurance trustee or any Mortgagee may, record a sworn declaration stating that such damage has occurred, describing it, identifying the Building suffering such damage, the name of any insurer against whom claim is made, and the name of any insurance trustee, reciting that the sworn declaration is recorded pursuant to this paragraph of this Declaration, and that a copy of such sworn declara- tion has been served pursuant to the provisions of Paragraph 22 hereof on the Unit Owners.

(d) If the Unit Owners shall not rebuild pursuant to subparagraph (b) above, and the Board fails to consummate a sale pursuant to said subparagraph (b) within twenty-four (24) months after the destruction or damage occurs, then the Managing Agent, or the Board shall, or if they do not, any Unit Owner or Mortgagee may, record a sworn declaration setting forth such decision and reciting that under the provisions of this Declaration the prohibition against judicial partition provided for in Paragraph 5 hereof has terminated and that judicial partition of the Property may be obtained pursuant to the laws of the State of Texas. Upon final judgment of a court of competent jurisdiction decreeing such partition, this Declaration shall terminate.

The Board shall also have the authority to and shall obtain comprehensive public liability insurance, in such amounts as it deems desirable, and workmen's compensation insurance and other liability insurance as it deems desirable, insuring each Unit Owner, Mortgagee of record, if any, the Association, its officers, directors, Board and employees, the Declarant, and the Managing Agent, if any, from liability in connection with the Common Elements. The premiums for such insurance shall be a common expense.

The Board shall also have authority to and may obtain such insurance as it deems desirable, in such amounts from such sources and in such forms as it deems desirable, insuring the Property and each member of the Board and officer of the Association, and member of any committee appointed pursuant to the By-Laws of the Association from liability arising from the fact that said person is or was a director or officer of the Association, or a member of such a committee. The premiums for such insurance shall be a common expense.

Each Unit Owner shall be responsible for obtaining his own insurance on the contents of his own Unit and the contents of the Limited Common Elements serving his Unit, as well as his decorating, furnishing and personal property therein, and his personal property stored elsewhere on the Property. In addition, in the event a Unit Owner desires to insure against his personal liability and loss or damage by fire or other hazards above and beyond the extent that his liability, loss or damage is covered by the liability insurance and insurance against loss or damage by fire and such other hazards obtained by the Board for all of the Unit

Owners as part of the common expenses, as above provided, said Unit Owner may, at his option and expense, obtain additional insurance.

14. Maintenance, Repairs and Replacements. Except to the extent the Board provides (at its option and discretion) maintenance of the Units for Unit Owners, each Unit Owner, at his own expense, shall furnish and be responsible for all maintenance of, repairs to and replacements within his own Unit. Maintenance of, repairs to and replacements within the Common Elements shall be the responsibility of and shall be furnished by the Association. The cost of maintenance of, repairs to and replacements within the Units to the extent the Board elects to provide such services and within the Common Elements shall be part of the common expenses, subject to the By-Laws, rules and regulations of the Association. However, at the discretion of the Board, maintenance of, repairs to and replacements within the Limited Common Elements may be assessed in whole or in part to Unit Owners benefited thereby, and, further, at the discretion of the Board, the Board may direct Unit Owners who stand to be benefited by such maintenance of, repairs to and replacement within the Limited Common Elements to arrange for such maintenance of, repairs and replacements in the name and for the account of such benefited Unit Owners, pay the cost thereof with their own funds, and procure and deliver to the Board such lien waivers and contractor's and subcontractor's sworn statement as may be required to protect the Property from all mechanic or materialmen's lien claims that may arise therefrom.

In addition to the discretionary authority provide herein for maintenance of all or any portion of the Units, the Board shall have the authority to maintain and repair any Unit, if such maintenance or repair is reasonably necessary in the discretion of the Board to protect the Common Elements or preserve the appearance and value of the Property and the Unit Owner of said Unit has failed or refused to perform said maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair delivered by the Board, and the Board shall levy a special assessment against the Unit of such Unit Owner for the cost of said necessary maintenance or repair.

If, due to the act or neglect of a Unit Owner, or his agent, servant, tenant, family member, invitee, or licensee, damage shall be caused to the Common Elements or to a Unit or Units owned by others, or maintenance, repair

or replacement are required which would otherwise be a common expense, then such Unit Owner shall pay for such damage or such maintenance, repair and replacements, as may be determined by the Association; however, the provisions of this Paragraph are subject to the provisions of Paragraph 13 hereof providing for waiver of subrogation rights with respect to casualty damage insured against under the policies of insurance maintained by the Board.

The authorized representatives of the Association or Board, or the Managing Agent with approval of the Board, shall be entitled to reasonable access to the individual Units and Limited Common Elements as may be required in connection with the preservation of any individual Unit or Limited Common Elements in the event of an emergency, or in connection with maintenance of, repairs or replacements, within the Common Elements, Limited Common Elements or any equipment, facilities or fixtures affecting or serving other Units, Common Elements and Limited Common Elements or to make any alteration required by any governmental authority.

15. Declarant's Rights as to Common Facilities.

Notwithstanding anything contained in this Declaration to the contrary, Declarant hereby reserves and retains unto itself or its designee, the right and privilege (but not the obligation) to operate and promulgate rules relating to, and to maintain, repair or replace, any and all recreational areas, swimming pools and the like existing for common use until such time as Declarant has sold Units which correspond in the aggregate, to 90% of the undivided ownership of the Common Elements, as set forth in Exhibit B to this Declaration. The Board, the Association and all Unit Owners shall be bound by and shall comply with any action taken by Declarant pursuant to this Paragraph 15; provided, however, Declarant control as set forth herein and in the By-Laws of River Stone I Association, Inc., shall not extend beyond January 1984.

16. Alterations, Additions or Improvements. Except as provided in Paragraph 19 herein, no alteration of any Common Elements, or any additions or improvements thereto, shall be made by any Unit Owner without the prior written approval of the Board. The Board may authorize and charge as common expenses alterations, additions and improvements of the Common Elements as provided in the By-Laws. Any Unit Owner may make alterations, additions or improvements within the Unit of the Unit Owner without the prior written approval of the

Board, but such Unit Owner shall be responsible for any damage to other Units, the Common Elements, the Property, or any part thereof, resulting from such alterations, additions or improvements.

17. Decorating. Each Unit Owner, at his own expense, shall furnish and be responsible for all decorating within his own Unit and Limited Common Elements serving his Unit, as may be required from time to time, including painting, wall papering, washing, cleaning, panelling, floor covering, draperies, window shades, curtains, lighting and other furnishings and decorating. Each Unit Owner shall be entitled to the exclusive use of the interior surfaces of the perimeter walls, floors and ceilings of his Unit, and any balconies and terraces constituting a part thereof, and such Unit Owner shall maintain said interior surfaces in good condition at his sole expense, as may be required from time to time. Said maintenance and use of interior surfaces shall be subject to the rules and regulations of the Association, but each such Unit Owner shall have the right to decorate such interior surfaces from time to time as he may see fit and at his sole expense. Decorating of the Common Elements (other than interior surfaces within the Units as above provided and other than of Limited Common Elements) and any redecoration of Units, to the extent such redecoration of Units is made necessary by damage to Units caused by maintenance, repair or replacement of the Common Elements by the Association, shall be furnished by the Association as part of the common expenses. All windows forming part of a perimeter wall of a Unit shall be cleaned and washed at the expense of the Unit Owner of that Unit. ~~No~~ No Unit Owner shall enclose the balcony of his Unit or decorate the portions of such balcony visible from outside such Unit in any manner which detracts from the appearance of the Building, and the determination of the Board on such matters shall be final.

18. Encroachments. If any portions of the Common Elements shall actually encroach upon any Unit, or if any Unit shall actually encroach upon any portions of the Common Elements, or if any Unit shall actually encroach upon another Unit, as the Common Elements and Units are shown by the Plat, there shall be deemed to be mutual easements in favor of the owners of the Common Elements and the respective Unit Owners involved, to the extent of such encroachments, so long as the same shall exist.

19. Use and Occupancy Restrictions. Subject to the provisions of this Declaration and By-Laws, no part of the Property may be used for purposes other than housing and the related common purposes for which the Property was designed. Each Unit or any two or more adjoining Units used together shall be used as a residence or such other use permitted by this Declaration, and for no other purpose, except that professional and quasi-professional people may use their residence as an ancillary or secondary facility to an office established elsewhere. The foregoing restrictions as to residence shall not, however, be construed in such manner as to prohibit a Unit Owner from: (a) maintaining his personal professional library; (b) keeping his personal business or professional records or accounts; or (c) handling his personal business or professional telephone calls or correspondence. Such uses are expressly declared customarily incidental to the principal residential use and not in violation of said restrictions.

The Common Elements shall be used only by the Unit Owners and their agents, servants, tenants, family members, customers, invitees and licensees for access, ingress to and egress from the respective Units and for other purposes incidental to use of the Units; provided, however, the garage, storage areas, swimming pool area and other areas designed for a specific use shall be used for the purposes approved by the Board. The use, maintenance and operations of the Common Elements shall not be obstructed, damaged or unreasonably interfered with by any Unit Owner, and shall be subject to any lease, concession or easement, presently in existence or entered into by the Board at some future time, affecting any part of all of said Common Elements.

Without limiting the generality of the foregoing provisions of this Paragraph 18, use of the Property by the Unit Owners shall be subject to the following restrictions:

(a) Nothing shall be stored in or upon the Common Elements without prior consent of the Board except storage areas or as otherwise herein expressly provided;

(b) Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance for the Property without the prior written consent of the Board. No Unit Owner shall permit anything to be done or kept in his Unit or in or on 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 law;

(c) No waste shall be committed in or on the Common Elements;

(d) Each Unit Owner shall keep and maintain the interior of his Unit in good condition and repair, including all appliances, the entire air conditioning system (including compressors, air handlers, ducts, and vents) serving the Unit (whether the same is inside or outside the Unit), and all electrical systems, water lines and other fixtures located within the Unit;

(e) No animals shall be kept within any Unit or on the Property except upon the written consent of the Board, or the written consent of the Managing Agent acting in accord with the Board's direction, and in accordance with the rules and regulations of the Board applicable thereto.

(f) Each Unit Owner shall provide and maintain garbage and trash receptacles as may be directed by the Board, and all garbage and trash shall be kept in said receptacles;

(g) No Unit Owner or Occupants shall play upon, or suffer to be played upon, any musical instrument, or permit to be operated a phonograph or radio loudspeaker in any Unit or on the Property between the hours of 11:00 o'clock p.m. and the following 9:00 a.m., if the same may tend to disturb or annoy other Occupants of the Buildings nor shall any Occupant or Unit Owner commit or permit any nuisance, or immoral or illegal act in his Unit or on the Property;

(h) Subject to Declarant's rights under Paragraph 6(e) of this Declaration, no sign of any kind shall be displayed to the public view on or from any Unit or the Common Elements without the prior written consent of the Board or the written consent of the Managing Agent acting in accord with the Board's direction;

(i) No noxious or offensive activity shall be carried on in any Unit or on or in the Common Elements nor shall anything be done therein which may be or

become an annoyance or nuisance to the other Unit Owners;

(j) Except as expressly provided hereinabove, nothing shall be altered or constructed in or removed from the Common Elements, except upon the written consent of the Board;

(k) No structure of a temporary character, trailer, tent, shack, garage, barn, or other outbuildings shall be permitted on the Property at any time temporarily or permanently, except with the prior written consent of the Board; provided, however, that temporary structures may be erected for use in connection with the repair or rebuilding of the Buildings or any portion thereof;

(l) Outdoor drying of clothes, bedding or similar items shall not be permitted;

(m) Parking of vehicles in driveways and parking areas shall be subject to the rules and regulations of the Board applicable thereto;

(n) Except within individual Units, no planting, transplanting or gardening shall be done and no fences, hedges or walls shall be erected or maintained upon the Property, except as approved by the Board;

(o) Motorcycles, motorbikes, motor scooters or other similar vehicles shall not be operated within the Property except for the purpose of transportation, it being intended that said vehicles shall not be operated within the Property so as to annoy or disturb persons or endanger persons or property;

(p) Neither the Board nor the Association shall take nor permit to be taken any action that unlawfully discriminates against one or more Unit Owners.

20. Remedies. In the event of any violation of the provisions of the Act, Declaration, By-Laws or rules and regulations of the Board or Association by any Unit Owner (either by his own conduct or by the conduct of any other Occupant of his Unit) the Association, or its successors or assigns, or the Board, or its agent, shall have each and all of the rights and remedies which may be provided for in the Act, Declaration, By-Laws, or said rules and regulations, or

which may be available at law or in equity, and may prosecute an action or other proceedings against such defaulting Unit Owner and/or others for enforcement of any lien and the appointment of a receiver for the Unit and ownership interest of such Unit Owner, or for damages or injunction or specific performance, or for judgment for payment of money and collection thereof, or for any combination of remedies, or for any other relief. All expenses of the Board in connection with any such actions or proceedings, including court costs and attorney's fees and other fees and expenses and all damages, liquidated or otherwise, together with interest thereon at the maximum lawful rate per annum until paid, shall be charged to and assessed against such defaulting Unit Owner, and shall be added to and deemed part of his respective share of the common expenses, and the Board shall have a lien for all of the same, as well as for non-payment of his respective share of the common expenses, upon the Unit and ownership interest in the Common Elements of such defaulting Unit Owner and upon all of his additions and improvements thereto and upon all of his personal property in his Unit or located elsewhere on the Property; provided, however, that such lien shall be subordinate to the lien of a prior record first Mortgage on the interest of such Unit Owner, except for the amount of the proportionate share of said common expenses which become due and payable from and after the date on which the said Mortgage owner or holder either takes possession of the Unit, accepts a conveyance of any interest therein (other than as a security) or files suit or commences other proceedings to foreclose its Mortgage or causes a receiver to be appointed. This Paragraph shall not be amended, changed, modified or rescinded without the prior consent of all holders of record of Mortgages against Units.

In the event of any such default by any Owner, the Board and the manager of Managing Agent, if so authorized by the Board, shall have the authority to correct such default, and to do whatever may be necessary for such purpose and all expenses in connection therewith shall be charged to and assessed against such defaulting Unit Owner. Any and all such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Board.

The violation of any restriction or condition or regulation adopted by the Board or the breach of any covenant or provision herein contained, shall give the Board the right, in addition to any other rights provided for in this Declaration, (a) to enter upon the Unit, or any portion of

the property upon which, or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions hereof, and the Board, or its employees or agents, shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach; or (c) to take possession of such Unit Owner's interest in the property and to maintain an action for possession of such Unit in the manner provided by law.

21. Additions of Phase II and Phase III. By this Declaration, Declarant does not submit Phase II or Phase III to the provisions of this Declaration. However, Declarant shall have the right, but shall not be obligated, to complete and add Phase II and Phase III to the Property and submit the same to the provisions of this Declaration upon the following terms and conditions:

(a) Any such addition of Phase II or Phase III, as the case may be, shall be made by, and shall become effective upon, Declarant's filing in the Official Public Records of Harris County, Texas, a supplemental declaration (hereinafter referred to as the "Supplemental Declaration") so stating. No other formality or instrument shall be required. The Supplemental Declaration shall not require the joinder or consent of the Board, the Association, any Unit Owner, or any other third parties; provided, however, the Supplemental Declaration shall require the joinder of the Veterans Administration of the United States of America;

(b) By such addition of Phase II or Phase III, as the case may be, Declarant shall add to the Property those additional Common Elements, Limited Common Elements and Buildings of similar style, cost and layout within Phase II or Phase III, as the case may be, as depicted on Exhibit A attached hereto; and

(c) If and when Declarant so adds Phase II or Phase III, as the case may be, then the percentage of ownership in the Common Elements allocated to each respective Unit (that is, the Units within the Parcel as well as any Units within Phase II or Phase III) owned by each Unit Owner (as described in Paragraph 7

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above) and the carport parking spaces appurtenant to each Unit shall be as described in Exhibit B attached hereto and by this reference made a part hereof; and

(d) The Supplemental Declaration may contain such further provisions as Declarant deems necessary to properly and effectively add Phase II or Phase III, as the case may be, to the Property.

Notwithstanding anything contained in this Declaration, the terms and provisions of this Declaration shall not cover nor be deemed to burden Phase II or Phase III until Phase II or Phase III, respectively, is submitted to the provisions of this Declaration, if ever, or any other lands owned by Declarant which are situated adjacent to or near the Parcel, Phase II or Phase III, and Declarant, its successors and assigns shall have the right to use any such other lands for any and all uses as Declarant, its successors or assigns may elect in their sole discretion.

22. Sales and Other Transfers. No Unit Owner shall sell, assign, convey or otherwise transfer his Unit or any interest therein unless he gives written notice to the Board, reasonably in advance of such sale, assignment, conveyance or transfer, of the date, time and place of the closing of such transaction, as well as the name(s) and address(es) of each proposed purchaser, assignee or transferee. The purpose of this Paragraph 22 is to make certain that any proposed purchaser, assignee or transferee is made aware of the provisions of this Declaration, as well as of any delinquent assessments, if any, attributable to the applicable Unit, prior to the consummation of any such purchase, assignment or transfer.

23. Amendment. The provisions of this Declaration may be changed, modified or rescinded by an instrument in writing setting forth such change, modification or rescission and signed and acknowledged by Unit Owners owning not less than seventy-five percent (75%) of the total ownership of the Common Elements; provided, however, that all lien holders of record have been notified by certified mail of such change, modification or rescission, and an affidavit by the secretary of the Association certifying to such mailing is made a part of such instrument; provided further, however, the provision of Paragraph 21 hereof may not be changed, modified or rescinded without the prior written consent of Declarant. Except as expressly provided in Paragraph 21 above, the

percentage ownership of the Common Elements provided for in this Declaration shall not be amended or modified without the consent of all Unit Owners and of all Mortgagees.

However, if the Act, the Declaration or the By-Law require the consent or agreement of all Unit Owners or of all Mortgagees for any action specified in the Act or in this Declaration, then any instrument changing, modifying or rescinding any provision of this Declaration with respect to such action shall be signed by all the Unit Owners or all Mortgagees or both as required by the Act or this Declaration.

Declarant shall have the authority, without the joinder or consent of any other party, to make any amendment of this Declaration necessary to clarify any apparently conflicting provisions hereof and/or to correct any mistakes or errors of a clerical nature resulting from typographical or similar errors.

Any change, modification or rescission, whether accomplished under any one or more of the provisions of the preceding paragraphs, shall be effective upon recording of such instrument in the Office of the County Clerk of Harris County, Texas; provided, however, that no provisions in this Declaration may be changed, modified or rescinded so as to conflict with the provisions of the Act.

24. Notices. Notices provided for in the Act, Declaration or By-Laws shall be in writing, and shall be addressed to the Association or Board, or to any Unit Owner, as the case may be, at Walnut Bend Lane, Houston, Texas, or at such other address as hereinafter provided. The Association or Board may designate a different address or addresses for notices to them, respectively, by giving written notice of such change of address to all Unit Owners. Any Unit Owner may designate a different address for notices to him by giving written notice to the Association. Notices addressed as above shall be deemed delivered when mailed by United States mail with postage prepaid, or when delivered in person.

Upon written request to the Board, the holder of any recorded Mortgage encumbering any Unit shall be given a copy of all notices permitted or required by this Declaration to be given to the Owner or Owners whose Unit is subject to such Mortgage.

25. Severability. If any provision of the Declaration or By-Laws, or any section, sentence, clause, phrase, word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of this Declaration and the By-Laws and of the application of any such provision, section, sentence, clause, phrase or word in any other circumstances shall not be affected thereby and the remainder of this Declaration or the By-Laws shall be construed as if such invalid part was never included therein.

26. Perpetuities and Restraints on Alienation. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities or the rule against restraints on alienation, then such provision shall continue only until twenty-one (21) years after the death of the survivor of the now living descendants of the President of the United States, Jimmy Carter, and Governor of Texas, William Clements.

27. Rights and Obligations. Each grantee of the Declarant, by the acceptance of the deed of conveyance from the Declarant, accepts the same subject to all restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration. All rights, benefits and privileges of every character hereby imposed shall be deemed and taken to be covenants running with the land, and shall bind any person having at any time any interest or estate in said land, and shall inure to the benefit of such grantee in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance or contract for conveyance.

28. Prior Mortgagee Approval. The prior written approval of each institutional holder of a first mortgage, deed of trust or equivalent security interest on a Unit will be required for the following:

(a) the abandonment or termination of the Condominium, except for abandonment or termination provided for by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain;

(b) any material amendment to the Declaration or to the By-Laws of the Association, including, but not

limited to, any amendment which would change the percentage interests of the Unit Owners in the Condominium; and

(c) the effectuation of any decision by the Association to terminate professional management and assume self-management of the Condominium.

29. Leases. With the exception of a lender in possession of a Unit following a default under a first mortgage covering a Unit, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no Unit Owner shall be permitted to lease his Unit for transient or hotel purposes. No Unit Owner may lease less than his entire Unit. Any lease agreement shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the By-Laws, and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All leases shall be in writing.

30. Mortgagee Rights. Any institutional holder of a first mortgage or deed of trust on a Unit will, upon request be entitled to:

(a) inspect the books and records of the Condominium during normal business hours;

(b) receive an annual audited financial statement of the Condominium within ninety (90) days following the end of any fiscal year of the Condominium; and

(c) receive written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

31. Damage or Destruction. In the event of substantial damage to or destruction of any Unit or any part of the Common Elements, the institutional holder of any first mortgage on a Unit shall be given timely written notice of any such damage or destruction by the Unit Owner owning such Unit.

32. Eminent Domain. If all or any part of the Property is taken or threatened to be taken by eminent domain or by power in the nature of eminent domain (whether permanent or temporary), the Association and each Unit Owner shall be entitled to participate in proceedings incident thereto at their respective expense. The Association shall give timely written notice of the existence of such proceedings to all

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Unit Owners and to all first mortgagees known to the Association to have an interest in any Unit. The expense of participation in such proceedings by the Association shall be paid out of the collected common expenses. The Association is specifically authorized to obtain and pay for such assistance from attorneys, appraisers, architects, engineers, expert witnesses and other persons as the Association in its discretion deems necessary or advisable to aid or advise it in matters relating to such proceedings. All damages or awards for such taking shall be deposited with the Association and such damages or awards shall be applied as provided herein. The Association 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 proceedings. With respect to any such taking, all damages and awards shall be determined for such taking as a whole and not for each Unit Owner's interest therein. After the damages or awards for such taking are determined, such damages or awards shall be paid to the account of each Unit Owner and first mortgagee, if any, as their interests may appear in proportion to their percentage ownership interests in the Common Elements as set forth in the attached Exhibit "B", unless restoration takes place as herein provided. The Association, if it deems advisable, may call a meeting of the Unit Owners at which meeting the Unit Owners, by a majority vote, shall decide whether to replace or restore as far as possible the Common Elements so taken or damaged. In the event it is determined that the Common Elements should be replaced or restored by obtaining other land or building additional structures, this Declaration and the exhibits attached hereto shall be duly amended by an instrument executed by the Association on behalf of the Owners. In the event such eminent domain proceeding results in the taking of or damage to one (1) or more, but less than sixty-six and two-thirds (66-2/3%) percent of the total number of Units, then the damages and awards for such taking shall be determined for each Unit and the following shall apply:

(a) The Association shall determine which of the Units damaged by such taking may be made tenantable for the purposes set forth in the Declaration, taking into account the nature of this Condominium and the reduced size of each Unit so damaged.

(b) The Association shall determine whether it is reasonably practical to operate the remaining Units of

the Condominium, including those damaged Units which may be made tenantable, as a Condominium in the manner provided in this Declaration.

(c) In the event the Association determines it is not reasonably practical to operate the undamaged Units and the damaged Units which can be made tenantable, then the Condominium shall be deemed to be regrouped and merged into a single estate owned jointly in undivided interest by all Unit Owners, as tenants-in-common, in the percentage ownership interest previously owned by each Unit Owner in the Common Elements.

(d) In the event the Association determines it will be reasonably practical to operate the undamaged Units and the damaged Units which can be made tenantable as a Condominium, then the damages and awards made with respect to each Unit which has been determined to be capable of being made tenantable shall be applied to repair and to reconstruct such Unit so that it is made tenantable. If the cost of such work exceeds the amount of the award, the additional funds required shall be assessed against those Units which are tenantable. With respect to those Units which may not be tenantable, the award made shall be paid as set forth in Exhibit "A" of the Declaration hereof, and the remaining portion of such Units, if any, shall become part of the Common Elements. Upon payment of such award for the account of such Unit Owner as provided herein, such Unit shall no longer be a part of the Condominium, and the percentage ownership interest in the Common Elements appurtenant to each remaining Unit which shall continue as a part of the Condominium shall be equitably adjusted to distribute the ownership of the undivided interest in the Common Elements among the reduced number of Unit Owners. If the entire Condominium is taken, or sixty-six and two-thirds (66-2/3%) percent or more of the Units are taken or damaged by such taking, all damages and awards shall be paid to the accounts of the Unit Owners, as provided herein, in proportion to their percentage ownership interests in the Common Elements; and this Condominium shall terminate upon such payment. Upon such termination, the Units and Common Elements shall be deemed to be regrouped and merged into a single estate owned in undivided interest by all Unit Owners as tenants-in-common in the percentage ownership interest previously owned by each Unit Owner

in the Common Elements. Any damages or awards provided for in this paragraph shall be paid to or for the account of any Unit Owner and first mortgagee, if any, as their interests may appear.

33. Management Agreement. Any management agreement entered into by the Association for the management of the Condominium shall provide that such agreement will be terminable by the Association for cause upon thirty (30) days' written notice thereof to the other party and the term of any such agreement shall not exceed one (1) year; provided however, such agreement may be renewable by the parties for successive one (1) year periods.

34. Unit Owner Default. The Association shall upon written request give the holder of a first mortgage covering a Unit prompt notice in the event of a default by the Unit Owner granting such first mortgage in his obligations under the Declaration and/or By-Laws if such default is not cured within thirty (30) days."

EXECUTED this 23 day of August, 1979.

U.S. HOME CORPORATION

By Carl J. Hopper, Jr.
Carl J. Hopper, Jr.
Division Vice President

"Declarant"

ATTEST:

[Signature]

Terry Harvey
Terry Harvey

Margaret M. Hamilton
Margaret M. Hamilton

"Unit Owners"