

CONDOMINIUM DECLARATION

HUDSON OAKS TOWNHOMES SECTION 2

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENT:

COUNTY OF HARRIS

THAT, HUDSON OAKS TOWNHOMES SECTION 2, LTD., a Texas limited partnership, being the owner of that certain tract of real property situated in Harris County, Texas containing approximately 8.0725 acres and being more particularly described on Exhibit "A" attached hereto, together with all improvements thereon, and being desirous of submitting such land and improvements to a condominium regime pursuant to the provisions of Article 1301a of the Texas Revised Civil Statutes, does hereby establish and declare, in accordance with the terms hereinafter set forth, a condominium regime upon such land and improvements.

ARTICLE 1

DEFINITIONS

As used in this Declaration, the terms set forth below shall have the meanings indicated:

1. Apartment shall mean an enclosed space consisting of one or more rooms occupying part of a floor or floors in a Building, which enclosed space is not owned in common with the owners of other Apartments in the Project. The boundaries of an Apartment shall be the interior surface of its perimeter walls, floors, and ceilings, and shall include the portions of the Building so described and the air space thereby enclosed. All heating and air conditioning equipment, ducts, and lines, and all utility pipes, lines, systems, and fixtures that serve only one Apartment shall also be included within the definition of an "Apartment", whether such items are located within the space enclosed by the boundaries of such Apartment or not. There are 151 Apartments in the Project, as designated on the plat (the "Plat") attached hereto as Exhibits "A" and "B-1" through "B-21".

2. Association shall mean Hudson Oaks Section 2 Townhomes Owners' Association, Inc., a Texas non-profit corporation now existing or to be created after the date hereof, the Members of which shall be the Owners of Apartments within the Project. The term "Association" shall have the same meaning as the term "Council of co-owners" in the Act.

3. Act shall mean the Texas Condominium Act as set forth in Article 1301a of the Texas Revised Civil Statutes, as amended from time to time.

4. Board shall mean the Board of Directors of the Association.

5. Buildings shall mean the twenty-one (21) buildings situated on the Land, all as more

particularly described on Exhibits "A" and "B-1" through "B-21" hereto.

6. Bylaws shall mean the Bylaws of the Association, a copy of which is attached hereto as Exhibit "C".

7. Common Elements shall mean the Land, Buildings, and all other improvements located on the Land, except for those portions herein defined as Apartments. Without limiting in any way the generality of the foregoing, the Common Elements shall include those items defined as "General common elements" in the Act including foundations, bearing walls and columns, roofs, halls, lobbies, stairways, entrances, exits, communication ways, swimming pools, club rooms, if any, managerial offices and managerial apartments, in any, mail rooms, areas used for storage of janitorial supplies, maintenance equipment and materials, guard posts, driveways, all parking spaces, and in general all apparatus and installations existing for common use, or necessary or convenient to the operation, maintenance, and use of the Project as a condominium.

8. Developer shall mean Hudson Oaks Townhomes Section 2, Ltd., a Texas limited partnership of which Gary L. Levering and W. K. Reid are the sole general partners, and any successor or assigns, provided such successors or assigns are designated in writing by the preceding Developer as such.

9. Land shall mean the tract of land described on Exhibit "A" hereto.

10. Limited Common Elements shall mean those portions of the Common Elements reserved for the exclusive use of one or more Owners to the exclusion of other such Owners, such Limited Common Elements being more particularly designated as such on Exhibits "A" and "B-1" through "B-21" hereto and being the balconies, patios, and Parking Areas. Patios are designated by the prefix "P" followed by the number of the Apartment to which they are assigned, and balconies are designated by the prefix "B" followed by the number of the Apartment to which they are assigned.

11. Maintenance Expense Charge shall mean the assessment levied for management and operation of the Project and for repairs, maintenance, insuring, and operation of the Common Elements and Limited Common Elements (including reserves for replacements).

12. Maintenance Fund shall mean any accumulation of the Maintenance Expense Charges collected by the Association for the continued maintenance, insuring, repair, and operation of the Project.

13. Member shall mean a member of the Association, as more particularly described in Article 3 hereof.

14. Mortgage shall mean a security interest, mortgage, or lien granted by an Owner in and to, or against, an Apartment to secure the repayment of a loan, and duly filed for record in the Office of the County Clerk of Harris County, Texas.

15. Mortgagee shall mean the person who holds a Mortgage as security for repayment of a

debt.

16. Owner shall mean any person, firm, corporation, or other entity which owns, of record, title to an Apartment in the Project.

17. Parking Areas shall mean the Limited Common Elements designated as parking spaces and assigned to individual Apartments as shown on the Plat. The individual spaces comprising the Parking Areas are indicated by arabic numerals on the Plat.

18. Percentage Interest shall mean the undivided interest in and to the Common Elements associated with and appurtenant to each Apartment as set forth on the Plat. On the Plat the abbreviation P. I. Is used for "Percentage Interest".

19. Project shall mean the Land, the Buildings, the Apartments, the Limited Common Elements, and the Common Elements, the use of the term "Project" herein being intended to refer to the entire condominium regime hereby established.

20. Replacement Reserve Fund shall mean the reserve fund established pursuant to Article 4 hereof for maintenance, repairs, and replacements to Common Elements and Limited Common Elements.

21. Rules and Regulations shall mean the rules adopted from time to time by the Association concerning the management and administration of the Project for the use and enjoyment of the Owners. The initial set of Rules and Regulations shall be promulgated by the Developer, and a copy of such initial Rules and Regulations are attached hereto as Exhibit "D".

ARTICLE 2 GENERAL PROVISIONS RELATING TO USE AND OCCUPANCY

Section 1. Use Restrictions . Each Owner shall use his Apartment solely for residential purposes, and no business, professional, or other commercial activity of any type shall be operated from or out of any Apartment, Common Element, or Limited Common Element; provided, however, Developer or its designee may utilize one or more Apartments as sales offices, models, or both. No Owner shall use nor permit such Owner's Apartment nor any Common Element to be used for any purpose which would void any insurance in force with respect to the Project, or which would make it impossible to obtain any insurance required by this Declaration; which would constitute a public or private nuisance, which determination may be made by the Board in its sole discretion; which would constitute a violation of any applicable law, ordinance, rule or regulation (including the Rules and Regulations); or which would interfere, unreasonably, with the use and occupancy of the Project by other Owners. No part of any curtains, blinds, shades, draperies, or other window coverings visible from the exterior of any apartment shall be used in any apartment unless same are white or beige or other similar uniform color approved by the Board. No animal, other than two normal household pets that weigh less than twenty-five (25) pounds each shall be permitted as to each Apartment. Children under the

age of fourteen (14) shall not be permitted to be permanent residents of the Project except with respect to those Apartments containing at least 1,300 square feet in which not more than (1) child under such age may be a permanent resident. Owners or their spouses bearing or adopting a child shall have six months to comply with the immediately preceding sentence.

Section 2. Decoration, Maintenance, Alteration, and Repairs.

(a) No Owner shall have any right to modify, alter, repair, decorate, redecorate, or improve the exterior of any Apartment, or to take any such action with respect to the interior or exterior of any of the Common Elements or the Limited Common Elements. No Owner shall have any right to place any sign in or on any Apartment or elsewhere on the Project without the prior written consent of the Board, and the Board shall have the right to remove any sign so placed without permission.

(b) Each Owner shall have the right to modify, alter, repair, decorate, redecorate, or improve the interior of such Owner's Apartment, provided that such action does not impair the structural integrity, weaken the support, or otherwise adversely affect any of the Buildings or any Limited Common Element or Common Element, and provided that all such action is performed in a good and workmanlike manner.

(c) Each Owner shall maintain such Owner's Apartment (including the portions thereof which are not located within the physical boundaries of the Apartment) in good order and repair at all times. If any Owner shall fail to so maintain an Apartment, or any portion thereof, the Association shall have the right (but not the obligation) to perform such work as is necessary to put any such Apartment in good order and repair, and the cost thereof shall be deemed a debt of such Owner to the Association, payable on demand, and payment thereof shall bear interest and be secured in the same manner as for Maintenance Expense Charges as set out in Article 4, Section 5 hereof.

(d) The Common Elements, including without limitation the Limited Common Elements, shall be maintained by the Association; the Owner of any Apartment as to which any Limited Common Elements are appurtenant shall have no right to modify, alter, repair, decorate, redecorate, improve, or take any other similar action with respect to such Limited Common Elements, it being the obligation of the Association under this Declaration to maintain such Limited Common Elements in a uniform and attractive manner for the benefit of all Owners.

(e) Any Owner owning two (2) or more Apartments that adjoin may, with the prior written consent of the Board, remove portions of the walls between same and construct connecting doorways, provided that any such work is performed in a good and workmanlike manner and does not, in any way, impair the structural integrity, weaken the support, or otherwise adversely affect any Building, Apartment, Common Element, or Limited Common Element. Prior to performing any such work the Owner shall submit plans and specifications therefor to the Board, who shall have the right to approve same; such work shall not be commenced until the plans and specifications therefor are so approved. The Board may impose reasonable requirements to insure the proper performance of any such work including requiring a

bond or other security to insure payments of the cost thereof.

Section 3. Elements .

(a) The physical boundaries of the Apartments, the Common Elements, and the Limited Common Elements as the same are set out on Exhibits "A" and "B-1" through "B-21" hereto shall be conclusively presumed to be the boundaries of such areas, notwithstanding any settling, rising, or other movement of the Buildings or the Land, and regardless of any variances actually existing on the date hereof with respect to such boundaries. Additionally, there is hereby granted a valid and existing easement for any encroachments arising out of any such variances, settling, rising, or other movement, and such easement shall exist so long as the Project exists as a condominium regime pursuant to the Act.

(b) There is hereby granted to each Owner an easement in and to that portion of the Common Elements or Limited Common Elements that is occupied by any part of an Owner's Apartment that is not contained within the physical boundaries of such Apartment. Without limiting the generality of the foregoing, such easement shall cover the space occupied by heating and air conditioning equipment, utility pipes and lines, and other similar apparatus or equipment which serves only one Apartment.

Section 4. Parking Areas . Parking Areas shall be Limited Common Elements limited to the exclusive use of the Owner to which such areas are assigned by the Plat. The Parking Areas so assigned to any Apartment shall be specified in the instrument of conveyance conveying the Apartment to its initial Owner. Thereafter, such Parking Areas shall be deemed appurtenant to such Apartment, and shall be deemed to be transferred with any conveyance of such Apartment, unless an instrument specifically indicating the conveyance of a Parking Area by the Owner thereof to another Owner is duly recorded in the Office of the County Clerk of Harris County, Texas. Notwithstanding the right of exclusive use granted as to any Parking Area in connection with the conveyance of an Apartment, such areas shall remain Limited Common Elements and shall be maintained by and remain subject to the control of the Association. No Owner shall have any right to convey a Parking Area to any party who is not an Owner, and any such attempted conveyance shall be void, and title to such Parking Area shall automatically revert to the Association. Parking Areas not assigned by the Plat to particular Apartments shall be for guest parking subject to rules regulating same as may be adopted by the Board.

Article 3

MANAGEMENT AND OPERATION OF PROJECT

Section 1. Management by Association . The affairs of the Project shall be administered by the Association. The Association shall have the rights, powers, and duties of a "Council of co-owners" as that term is used in the Act. The Association shall have the power and obligation to provide for the maintenance, repair, replacement, administration, insuring, and operation of the Project as herein provided for, and as provided for in the Bylaws and in the Rules and Regulations. Without limiting the generality of the foregoing, the Association acting through the Board shall be entitled to enter into such contracts and agreements concerning the Project as a

whole, the Common Elements, the Limited Common Elements, or the Buildings, as the Board deems reasonably necessary or appropriate to maintain and operate the Project as a viable residential condominium regime, including without limitation the right to grant utility and other easements for uses the Board shall deem appropriate, and the right to enter into agreements with adjoining or nearby land owners or associations or entities representing such land owners on matters of security, traffic, or other matters of mutual interest.

Section 2. Membership in Association . Each Owner, including Developer, shall be a Member of the Association so long as he shall be an Owner, and such membership shall automatically terminate when such ownership ceases. Upon the transfer of ownership of an Apartment, howsoever achieved including without limitation by foreclosure of a lien upon an Apartment, the new Owner thereof shall, concurrently with such transfer, become a Member in the Association. If there are one or more Owners of an Apartment, then such Owners shall designate one of their number as the Member of the Association, which designation shall be made in writing to the Board. After an Owner is so designated, the Board shall have the right to rely on such designation until a written notice revoking such appointment is received by the Board. Any such Owners may designate the Member from among themselves in any manner they deem fit, and in the event that such Owners are unable to agree upon one of their number to be designated as the Member to the Association, then none of such Owners shall have any vote, fractional or otherwise, in the Association.

Section 3. Initial Board of Directors, Election of First Board . The initial Board of Directors of the Association shall be Gary L. Levering, Helen A. Ford, and W. K. Reid. Such Board may increase its membership to five by electing two Members as Directors prior to the Election Date. Such Board shall serve until the “first Board of Directors” (sometimes hereinafter so referred to) is elected by the Members. Elections of the first Board of Directors shall be held in accordance with the By Laws upon the earlier to occur of (I) June 1, 1980, or (ii) within sixty (60) days after Developer has conveyed, by deeds duly executed and recorded, one hundred thirty-five (135) of the Apartments (the earlier of such dates is sometimes herein referred to as the “Election Date”). Thereafter, elections shall be held as set forth in the Bylaws.

Section 4. Meetings of Boards of Directors. The Board of Directors shall meet as set forth in the Bylaws.

Section 5. Voting of Members. Each Member, including Developer, shall have a vote or votes in the Association according to the Percentage Interest appurtenant to the Apartment, or Apartments owned by such Member as shown on Exhibit “A”.

Section 6. Disputes. In addition to its other powers conferred by law or hereunder, the Board shall be empowered to create procedures for resolving disputes between Owners and the Board or the Association, including appointment of committees to consider and recommend resolutions of any such disputes.

ARTICLE 4

MAINTENANCE EXPENSE CHARGE AND MAINTENANCE FUND

Section 1. Payment of Maintenance Expenses. Subject to Section 2 of this Article 4, each Owner shall contribute to the Maintenance Fund a portion of the annual Maintenance Expense Charge for the expenses and administration of the Project and the maintenance and operation of the Common Elements and the Limited Common Elements which portion shall be in proportion to such Owner's Percentage Interest. The Maintenance Expense Charge shall be assessed in accordance with the provisions hereinafter set forth. No Owner is or shall be exempt from such obligation to so contribute by waiver of use of the Common Elements or any Limited Common Elements, or because of any restriction of such uses in accordance herewith, or with the Rules and Regulations.

Section 2. Payment of Maintenance Expenses During Development. Recognizing that, to some degree, the cost of administration and maintenance of the Project is related to the use of the Common Elements, which is in turn related to the number of Apartments which are occupied, the Developer shall pay to the Association, until the end of the month during with the Election Date occurs, in lieu of any Maintenance Expense Charge or Special Assessment with respect to all Apartments which the Developer continues to own, the amount, if any, by which the Actual Operating Expenses incurred for any fiscal year or part thereof of the Association exceed the aggregate of the Maintenance Expense Charges from Owners other than the Developer, less any portion thereof that is deposited in the Replacement Reserve Fund, exceed such Actual Operating Expenses for such period, then within a reasonable time after the expiration of such period, an amount equal to such excess shall be refunded to the Owners who shall have paid such Maintenance Expense Charges, in proportion to their respective contributions. For the purposes of this Article 4, Section 2, the term "Actual Operating Expenses" shall mean those expenses reasonably necessary for the normal maintenance and operation of the Project but shall not include (I) capital expenditures or any amounts paid into the Replacement Reserve Fund or (ii) prepaid items, inventory items or similar expenses that are attributable to periods after such fiscal year or part thereof; provided however prepaid insurance premiums for up to one year may be included as part of Actual Operating Expenses. The Developer, by notice in writing to the Association, may, prospectively or retroactively, waive the foregoing benefits and burdens of this Section 2 and in the event of such waiver, shall be bound to contribute to the Maintenance Expense Fund the Maintenance Expense Charges and Special Assessments in proportion to the Percentage Interests attributable to the Apartments owned by the Developer.

Section 3. Budgets; Establishment of Maintenance Expense Charge and Maintenance Fund. Upon the recordation of this Declaration, the initial Board shall meet and establish a budget for the operation and maintenance of the Project for that portion of the calendar year then remaining, which budget shall set forth the Board's reasonable estimate of all expenses which the Association will incur in such operation and maintenance of the Project for the remainder of such year. Such budget, and all successive budgets, shall include a reasonable allowance for contingencies and shall establish a reasonable and adequate reserve fund, herein called the Replacement Reserve Fund, for maintenance, repairs, and replacements to Common Elements and Limited Common Elements, including those that must be replaced on a periodic basis. Such

initial budget, and those adopted thereafter, may also provide for ad valorem tax expenses of the Project if the taxing authorities having jurisdiction thereover have not then separately assessed and valued individual Apartments. Thereafter, annually, in the last calendar quarter of each year, the Board shall meet and establish such a budget for the next succeeding calendar year. Copies of each such budget shall be posted at the Project for inspection by the Owners. After each such budget is adopted by the Board, the Board shall determine the Maintenance Expense Charge required for the operation of the Project and the maintenance of the Common Elements and Limited Common Elements and for the allowance for contingencies and the Replacement Reserve Fund for the calendar year in question, and the portion thereof allocable to each Owner, and each Owner shall be obligated to pay monthly, in advance, one-twelfth (1/12) of the portion of the Maintenance Expense Charge so allocated to such Owner. The Maintenance Expense Charge shall be allocated among those Owners obligated by this Declaration to pay same, according to the respective Percentage Interests of such Owners.

Section 4. Special Assessments. If the Board at any time, or from time to time, determines that the Maintenance Expense Charge assessed for any period is insufficient to provide for the continued operation of the Project and the maintenance of the Common Elements and Limited Common Elements, then the Board shall have the authority to levy such special assessments as it shall deem necessary to provide for such continued maintenance and operation. Without limiting the generality of the foregoing, such special assessment may be assessed because of casualty, condemnation, or other loss to any part of the Common Elements or Limited Common Elements, or to make up for any deficiencies caused by nonpayment of Maintenance Expense Charges by Owners. No special assessment shall be effective until the same is approved by Members holding at least a majority of the votes in the Association in writing or by a majority at any regular or special meeting of the Members. Any such special assessment shall be payable (and the payment thereof may be enforced) in the manner herein specified for the payment of the Maintenance Expense Charge.

Section 5. Payment of Maintenance Expense Charge; Enforcement. One-twelfth (1/12) of the portion of the Maintenance Expense Charge assessed against each Owner shall be due and payable, in advance, on the first day of each calendar month during the year for which the Maintenance Expense Charge in question has been assessed. Any such amount not paid by the tenth (10th) day of such month shall be deemed delinquent, and, without notice, shall bear interest at the rate of ten percent (10%) per annum (or such higher rate, if any, permitted by law) from the date originally due until paid. If any such amount shall remain unpaid by the fifteenth (15th) day of such month, at the Board's election the Maintenance Expense Charge due from the delinquent Owner for the next twelve months shall be accelerated, shall become at once due and payable, and from the fifteenth (15th) day of such month until paid shall bear interest at the rate of 10% per annum (or such higher rate, if any, permitted by law). For purposes of the preceding sentence, if the actual Maintenance Expense Charge for the next twelve months is not then known, it shall be deemed that the Maintenance Expense Charge for the next twelve months shall be the same per month as the then applicable monthly charge. If, after the Maintenance Expense charge for the next twelve months has been accelerated by the Board, satisfactory payments of the Maintenance Expense Charge and accrued interest are paid, the Board may allow such charge to again be paid on a monthly basis. In order to secure payment of the Maintenance Expense Charge, the

vendor's lien and superior title to each Apartment shall be and is hereby reserved to the Association, which lien shall be enforceable through appropriate judicial proceedings by the Association. The vendor's lien and superior title herein reserved shall be subordinate in all respects to any Mortgage, and any Mortgagee acquiring title to an Apartment whether pursuant to the remedies provided for in its Mortgage, or procedures in lieu thereof, shall not be liable for the unpaid portion of the Maintenance Expense Charge Attributable to the Apartment in question that arose prior to such acquisition. In addition to the lien hereby retained, in the event of nonpayment by any Owner of such Owner's portion of the Maintenance Expense Charge, the Association may, acting through the board, upon ten (10) days prior written notice thereof to such nonpaying Owner, in addition to all other rights and remedies available at law or otherwise, pursue any or all of the following remedies:

(a) The Association may restrict the rights of such nonpaying Owner to use the Common Elements and Limited Common Elements in such manner as the Association deems fit or appropriate;

(b) The Association may cut off any utilities furnished through use of any part of the Common Elements or Limited Common Elements to the Apartment owned by such nonpaying Owner;

(c) The Association may change or place additional locks on such Owner's Apartment;

(d) The Association may upon ten days' written notice purchase from such nonpaying Owner (and for this purpose each Owner hereby grants to the Association an option to so purchase) such nonpaying Owner's Apartment at a purchase price equal to the price at which such Owner originally purchased the Apartment less the reasonable expenses of the purchase and less the amount of the unpaid portion of the Maintenance Expense Charge giving rise to such option and less the balance of any debt secured by any Mortgage encumbering the subject Apartment (said option being expressly subordinate to any Mortgage on such nonpaying Owner's Apartment); and

(e) The Association may pursue any other remedy provided by law in addition to or in lieu of any or all of the above.

Section 6. Maintenance Fund. The Maintenance Expense Charges collected by the Association shall be paid into the Maintenance Fund to be held for the use and benefit, directly or indirectly, of the Project. Such Maintenance Fund may be expended by the Board for the purposes set forth hereinabove and generally to promote the health, benefit, and welfare of the Project and the Owners.

Section 7. Initial Assessment of Maintenance Expense Charge. There is hereby assessed, against each Apartment and Owner, an initial Maintenance Expense Charge equal to its Percentage Interest (stated as a percentage) multiplied times one one-hundredth (.01) times \$128, 428 for 1979. Such initial Maintenance Expense Charge is subject to adjustment in accordance with this Article 4.

Section 8. Books and Records. All books and records of the Association shall be kept in accordance with good accounting procedures and shall be audited at least once a year by an auditor outside the Association; provided, however, unless prohibited by law the Board may elect not to have the books and records so audited.

ARTICLE 5

INSURANCE

Section 1. General Provisions. The Board shall obtain insurance for the Project as follows, in such amounts as the Board may deem appropriate, except where otherwise specifically indicated, the premiums for which shall be borne by the Maintenance Fund:

(a) Insurance on the Buildings (including Apartments), Common Elements, and Limited Common Elements against loss or damage by fire or by any and all other risks insured by standard extended coverage policies in use in the State of Texas, with such endorsements as the Board deems advisable, in amounts sufficient to prevent the Association from being a co-insurer within the terms of such policies, but in any event in an amount not less than the full insurable replacement cost of the Buildings (including Apartments), Common Elements, and Limited Common Elements shall be determined annually by the Board, who may obtain an appraisal in making such determination, the cost of which shall be paid from the Maintenance Fund.

(b) Insurance on the Buildings (including Apartments) against all loss or damage from explosion of boilers, heating apparatus, pressure vessels, and pressure pipes, if any, installed in, on, or about said Project in an amount not less than \$50,000 per accident per location.

(c) Comprehensive general liability insurance against claims for personal injury or death (minimum coverage of \$300,000) and property damage (minimum coverage of \$100,000) suffered by the public or any Owner, the family, agent, employee, or invitee of any Owner, occurring in, on, or about the Project or upon, in, or about the private driveways, roadways, walkways, and passageways, on or adjoining the Project, and at least \$1,000,000.00 in so called "umbrella" coverage. Any policy obtained pursuant to this subsection (c) shall contain a cross-liability endorsement whereby the rights of named insured shall not prejudice his, her, or their action or actions against another named insured, and shall contain a "severability of interest" type of endorsement precluding the insurer from denying a claim of an Owner or the Association because of the negligent acts of other Owners, or the Association.

(d) Such worker's compensation insurance as may be necessary to comply with applicable laws.

(e) Employer's liability insurance.

(f) Fidelity bonds (minimum coverage of not less than one and one-half (1-1/2) times the annual estimated Maintenance Expense Charge for the period in question) indemnifying the Association, the Board, and the Owners from loss of funds resulting from fraudulent or dishonest

acts of any director, manager, trustee, volunteer, or employee of the Association or of any other person handling the funds of the Association. Any policy delivered pursuant to this Subsection (f) shall contain an endorsement covering all people who serve the Association without pay if the policy would not otherwise cover volunteers.

(g) Director's and Officer's liability insurance for the directors and officers of the Association against any liability asserted against any such party, or incurred by such party in such capacity, or arising out of such party's status as a director or officer.

(h) Such other insurance in such reasonable amounts as the Board shall deem desirable, or as may be required from time to time by the Federal Home Loan Mortgage Corporation or other governmental agency or body as a prerequisite to the acquisition of a Mortgage by such corporation or other governmental agency or body.

Section 2. Policies. All insurance provided for in this Article shall be effected with responsible insurers authorized to do business in the State of Texas. All such policies of insurance shall name as insured the Association, as Trustee for each Owner in accordance with such Owner's Percentage Interest, and all Mortgagees, all as their respective interests may appear. All such policies shall be without contribution with regard to any other policies of insurance carried individually by an Owner, and shall provide that such policy shall not be terminated for any cause without at least thirty (30) days prior written notice to the Association and the Mortgagees. If possible, all policies of insurance of the character described in this Article shall contain an endorsement extending coverage to include the payment of Maintenance Expense Charges with respect to Apartments damaged during the period of reconstruction thereof. Any proceeds paid in respect of any insurance policy obtained by the Board pursuant to this Article 5 shall be held and disbursed by the Board, as Trustee in accordance with this Declaration.

Section 3. Future Laws and Subrogation. In the event that an insurance policy specifically designed to meet the insurance needs of condominium regimes hereafter becomes available in Texas, the Board shall be authorized to obtain such a policy provided that the coverage afforded thereby at least equals the coverage provided by the policies enumerated in this Article. Each Owner and the Association agree to and hereby waive all rights of subrogation against the Developer that they may have now or in the future under any property insurance policies.

Section 4. Individual Insurance. Each Owner shall be responsible for insuring the contents and furnishings of his Apartment and of the Limited Common Elements subject to his exclusive control, and for insuring the Owner's improvements, alterations, additions, and fixtures not covered by the master policy to be purchased by the Association. All policies of casualty insurance carried by each Owner shall be without contribution with respect to the policies of casualty insurance obtained by the Board for the benefit of all the Owners as above provided. Each Owner, at his own cost and expense, should carry an individual policy of liability insurance insuring against the liability of such Owner, inasmuch as liability insurance policies to be carried by the Association will, as to each Owner, be only with respect to his liability arising out of the ownership, maintenance, or repair of that portion of the Project which is not reserved for his

exclusive use or occupancy.

ARTICLE 6

FIRE OR CASUALTY: REBUILDING

Section 1. Determination of Loss.

(a) In the event of a fire or other casualty causing damage or destruction to the Buildings, the Board shall determine whether such loss comprises more than two-thirds of the Buildings. Unless otherwise required by law, such determination shall be made by determining whether the cost of necessary repair or reconstruction would exceed two-thirds of the cost of reconstructing all Buildings as they existed immediately prior to such fire or other casualty. In the event of fire or other casualty which does not comprise more than two-thirds of the Buildings, the Buildings shall be repaired and reconstructed substantially in accordance with the original plans and specifications therefor.

(b) In the event that fire or other casualty destroys the whole or more than two-thirds of the Buildings, which determination shall be made in the manner hereinabove set forth, and unless otherwise unanimously agreed upon by the Owners, all proceeds of insurance policies carried by the Association and the balance of the Maintenance Fund shall be delivered in accordance with the provisions of this Article 6, and the condominium regime established by this Declaration shall terminate. Upon such termination, the Apartments, Common Elements, and Limited Common Elements shall be deemed to be regrouped and merged into a single estate owned in undivided interests by all Owners as tenants-in-common in the Percentage Interest previously owned by each Owner.

Section 2. Rebuilding.

(a) If it is determined that the Buildings shall be repaired and reconstructed, then all proceeds of insurance policies carried by the Association with respect to such fire or casualty shall be paid and held in accordance with the provisions of this Article 6. The Board shall thereupon contract to repair or rebuild the damaged portions of all Buildings, Common Elements, Limited Common Elements, and Apartments in accordance with the original plans and specifications therefor and the funds held pursuant to this Article 6 shall be used for this purpose and disbursed in accordance with the terms of the contract of repair and rebuilding.

(b) In the event that such insurance proceeds are insufficient to provide for such repair, restoration, or rebuilding, those costs in excess of the insurance proceeds shall be assessed against all of the Owners, in proportion to their Percentage Interests. Such special assessments shall not require the consent of the Members notwithstanding the provisions of Section 4 of Article 4 hereinabove. If any Owner shall fail to pay such special assessments when due, the Board may make up the deficiency by payment from the Maintenance Fund. Payment of such assessments shall be enforced as provided for in Section 5 of Article 4 hereinabove.

Section 3. Repair of Apartments. Each Owner shall be responsible for the

reconstruction, repair, and replacement of all personal and other property in or part of his Apartment and which is not a Common Element or Limited Common Element.

Section 4. Indemnity of Association. Each Owner shall be responsible for any costs not otherwise covered by insurance carried by the Association and caused by such Owner's negligence or misuse or by the negligence or misuse of his immediate family, or his agents or employees in the course of their duties, and shall, to the extent not covered by insurance proceeds collected by the Association, indemnify the Association and all other Owners against any such costs.

Section 5. Payment of Insurance Proceeds. All insurance proceeds and other funds received by the Association pursuant to this Declaration as a result of fire or other casualty loss causing damage or destruction to a Building or Common Element shall be disbursed to or for the benefit of the Owners in the following manner:

(a) If the damage for which such proceeds are being held is to be repaired or if the Building or Common Element with respect to which such proceeds are being held is to be reconstructed, then the proceeds shall be applied toward the cost thereof in accordance with the contract or contracts entered into by the Board, acting on behalf of the Association, to effect such repair or reconstruction. Any funds remaining after the payment of such cost shall be retained by the Board as a part of the Maintenance Fund or shall be paid to each Owner in accordance with each Owner's Percentage Interest, as the Board may determine.

(b) If it is determined that pursuant to Section 1 (b) of this Article 6 hereof the condominium regime established by this Declaration will terminate, then the proceeds shall be disbursed to or for the account of the Owners in the respective Percentage Interest appurtenant to each Apartment as follows:

(i) For the payment of all taxes or assessments to the State of Texas or any political subdivision thereof then due, owing and unpaid.

(ii) for the payment of all sums unpaid on any first lien Mortgage on such Apartment.

(iii) For the payment of any unpaid Maintenance Expense Charge owing with respect to such Apartment.

(iv) For the payment of all sums unpaid on any other Mortgage on such Apartment.

(v) The balance remaining, if any, shall be paid to the Owner of such Apartment.

ARTICLE 7

EMINENT DOMAIN

Section 1. General Provisions. If all or any part of the Project is taken or threatened to be taken by condemnation, eminent domain, or by any other similar power, the Board and each Owner shall be entitled to participate in proceedings incident thereto at their respective expense. The Board shall give notice of the existence of such proceeding to all Owners and Mortgagees known to the Board. The expense of participation in such proceedings by the Board shall be borne by the Maintenance Fund. The Board is specifically authorized to obtain and pay for such assistance from attorneys, appraisers, architects, engineers, expert witnesses, and other persons as the Board 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 Board, acting as Trustee, and such damages or awards shall be applied or paid as provided herein.

Section 2. Common Elements; Limited Common Elements Not Subject to Exclusive Use. In the event that an action in eminent domain is brought to condemn a portion of the Common Elements, or any Limited Common Elements that are not exclusively limited to the use of the Owner of one Apartment (hereafter in this Section 2 of Article 7, only, all references to Limited Common Elements shall be deemed to be references only to such Limited Common Elements) the Board 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. With respect to any such taking of Common Elements or Limited Common Elements, all damages and awards shall be determined for such taking as a whole and not for each Owner's interest therein. After the damages or awards for such taking are determined, such damages or awards shall be paid to each Owner in proportion to his Percentage Interest. The Board may, if it deems advisable, call a meeting of the Association, at which meeting the Members, by a majority vote, shall decide whether to replace or restore as far as possible the Common Elements or such Limited Common Elements so taken or damaged.

Section 3. Taking of Less than Two-Thirds of Apartments and Limited Common Elements Subject to Exclusive Use. In the event that any eminent domain proceeding results in the taking of or damage to one or more, but less than two-thirds of the total number of Apartments or those Limited Common Elements reserved for the exclusive use of the Owner of one Apartment (hereafter in this Section 3 of Article 7 only, all references to Limited Common Elements shall be deemed to be references only to such Limited Common Elements), or both, then the damages and awards for such taking and the payment thereof shall be determined in accordance with the following:

(a) The Board shall determine which of the Apartments damaged by such taking may be made tenantable and which Limited Common Elements may be made usable for the purposes set forth in this Declaration.

(b) The Board shall determine whether it is reasonably practicable to operate the

remaining Apartments and Limited Common Elements (including those which may be made tenantable or usable) in the manner provided in this Declaration.

(c) If the Board determines that it is not reasonably practicable to operate such remaining Apartments and Limited Common Elements, then the Project shall be deemed to be regrouped and merged into a single estate owned jointly in undivided interest by all Owners, as tenants-in-common, in their respective Percentage Interests, and the condominium regime hereby established shall terminate.

(d) If the Board determines that it will be reasonably practicable to operate such remaining Apartments and Limited Common Elements, then the damages and awards made with respect to each Apartment and Limited Common Element which has been determined to be capable of being made tenantable or usable shall be applied to the repair and reconstruction thereof. If the cost of such work exceeds the amount of the award, the additional funds required shall be assessed against those Owners who have the exclusive right of use of the Limited Common Elements being made usable. With respect to those Apartments and Limited Common Elements which may not be made tenantable or usable, the award made with respect thereto shall be paid to the Owner who owns such Apartment or has the Exclusive right of use of the the Limited Common Elements, or to their Mortgagee, as their interests may appear, and the remaining portion of such Apartments and Limited Common Elements, if any, shall become a part of the Common Elements and the repair and use thereof shall be determined by the Board. Those Apartments which may not be made tenantable shall no longer be a part of the Project and the Percentage Interest appurtenant to each remaining Apartment of the Project shall be adjusted by the Board, in such manner as it may determine, to distribute the ownership of the undivided interests in the Common Elements among the reduced number of Owners. After making such adjustment the Board will cause an instrument reflecting the new Percentage Interest appurtenant to each Apartment to be duly recorded.

Section 4. Taking in Excess of Two-Thirds of Apartments and Limited Common Elements Subject to Exclusive Use. If the entire Project is taken, or two-thirds or more of the Apartments and Limited Common Elements subject to exclusive use are taken or damaged by such taking, all damages and awards shall be paid to the accounts of the Owners thereof (or the Owners entitled to such exclusive use), in proportion to their Percentage Interests and the condominium regime hereby established shall terminate upon such payment. Upon such termination, the Apartments, Common Elements, and Limited Common Elements shall be deemed to be regrouped and merged into a single estate owned in undivided interest by all Owners, as tenants-in-common, in their respective Percentage Interests.

Section 5. 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 Board, acting as Trustee, subject to the provisions of any Mortgage affecting such Owner's Apartment, shall be applied first, to amounts due under any Mortgages; secondly to the payment of any taxes or assessments by governmental authorities past due and unpaid with respect to that Apartment; thirdly, to the payment of any unpaid Maintenance Expense Charges or special assessments charged to or made against the Apartment; and finally to the Owner of such Apartment.

ARTICLE 8

AMENDMENTS TO DECLARATION; BYLAWS

Section 1. General Provision. Except as otherwise provided by law, after the Election Date, the provisions hereof may be amended by an instrument in writing, signed by Members having in the aggregate percentage Interests totaling not less than 66.66, but no such amendment shall be effective until a written notice thereof is duly recorded in the Office of the County Clerk of Harris County, Texas. Developer reserves the right to amend the provisions hereof at any time, and from time to time, prior to the Election Date. The ByLaws of the Association may be amended as therein set forth.

Section 2. Mortgagee Protections. Notwithstanding Section 1 above or any other provision hereof, unless at least 75% of the first Mortgagees, based on one vote for one Mortgage, and at least 75% of the Owners have given prior written approval, neither the Owners nor the Association shall be entitled to:

- (a) by act or omission, seek to abandon or terminate the condominium regime; or
- (b) change the pro-rata interest or obligations of any Apartment for:
 - (i) the purpose of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or
 - (ii) determining the pro-rata share of ownership of each Apartment in the Common Elements;
- (c) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements, except for granting public utility easements or easements for other public purposes consistent with the intended use of the Common Elements by the Project;
- (d) partition or subdivide any Apartment; or
- (e) use hazard insurance proceeds for losses to any part of the Project (whether Apartments or Common Elements) for other than the repair, replacement or reconstruction of any part of the Project, except as provided by statute in case of substantial loss to the Apartments, the Common Elements, or both of same.

ARTICLE 9

RESTRICTIONS ON LEASING OF APARTMENTS

No Owner shall have any right to lease or sublet such Owner's Apartment, other than in accordance with the provisions of this Article 9; provided however, the provisions of this Article

9; provided however, the provisions of this Article 9 shall not apply to Developer, nor shall they apply to any Mortgagee who obtains the ownership of an Apartment pursuant to remedies provided in a Mortgage, or foreclosure thereof, or deed or assignment in lieu of foreclosure. If any Owner, other than those exempted from the operation of this Article 9 by the immediately preceding sentence, shall desire to lease or sublet such Owner's Apartment, the Owner shall first give written notice thereof to the Board, which notice shall set forth the terms and provisions of the proposed lease agreement and shall include a copy of the written lease proposed to be entered into. Within three (3) days of the receipt of such notice, the Board shall either approve or disapprove the proposed lease agreement, and in the event of such Board disapproval, such Owner shall have no right to lease or rent the Apartment in question pursuant to such proposed lease agreement, and any such attempted lease shall be void and of no force and effect. The Association may resort to any remedies available to it, including a proceeding in forceable entry and detainer and the remedies set out in Section 5 of Article 4 hereinabove, to enforce provisions of this Article 9. The Board, in no event, shall unreasonably withhold its approval of any proposed lease agreement; however, should the Board find that the proposed tenant has a poor credit rating, has received poor references from prior landlords, or if the Board determines that the term of the lease is not adequate, or that the security deposit required thereunder is not adequate to protect the interests of the other Owners in maintaining the integrity of the Project, the Board may refuse to approve such lease agreement. The foregoing list is illustrative only, and is not an exclusive listing of possible grounds for the withholding of approval of a proposed lease agreement by the Board. In any event, no lease agreement shall be entered into unless and until the proposed tenant thereunder has deposited with the Association, if required by the Board, a good and sufficient security deposit to cover the portion of the Maintenance Expense Charge attributable to such Apartment. The amount of such security deposit shall be set by the Board in a reasonable amount to protect the Association and the other Owners, due regard being given to the credit worthiness of the proposed tenant, the length of the term of the proposed lease, and such other factors as the Board may determine. Nothing in this Article 9 shall be deemed to, construed as, or used in any way to discriminate against any proposed tenant on the account of race, color, creed, sex, or religion.

ARTICLE 10

MISCELLANEOUS

Section 1. Partition. The Common Elements and Limited Common Elements shall remain undivided and shall not be subject to an action for partition or division so long as the Project is maintained as a condominium regime in accordance with the terms and provisions hereof. In any event, no such partition may be effected until consent is had from all Mortgagees or all Mortgagees are paid in full.

Section 2. Severability. In the event of the invalidity or partial invalidity or unenforceability of any provision or portion of this Declaration, the remainder of this Declaration shall remain in full force and effect.

Section 3. Enforcement. The Board, or any Owner, shall be entitled to enforce any of the

terms and provisions hereof by action at law or in equity, or the Board, after ten (10) day's prior written notice to the Owner in question, may pursue any of the remedies provided for in Sections 5 (a) through 5 (e), inclusive, in Article 4 here in above. Failure by the Board or any Owner or Owners to so enforce the terms hereof shall not be deemed a waiver of any breach or failure to adhere to any fo the terms and provisions hereof. All remedies available to the Board shall be cumulative and not exclusive.

Section 4. Covenant Running with Land. Subject to change according to Article 8, Section 1, the terms and provisions hereof shall be deemed to be covenants running with the land and shall be binding upon the Developer, all Owners, and their heirs, legal representatives, successors, and assigns.

Section 5. Rules and Regulations. The Rules and Regulations with respect to the day-to-day maintenance, operation, and enjoyment of the Common Elements and the Project may be amended from time to time by the board. The Rules and Regulations are of equal dignity with, and shall be enforceable in the same manner as, the provisions of this Declaration, but in the event of a conflict, this Declaration shall control. Each Owner, by accepting conveyance of an Apartment, agrees to comply with and abide by the Rules and Regulations, as the same may be amended from time to time.

Section 6. Exhibits. Exhibits "A" through and including "D" attached hereto are hereby incorporated by reference in this Declaration for all purposes, as if set out verbatim herein.

Section 7. Mortgagee Matters. Any Mortgagee, upon reasonable notice, shall be entitled to examine the books and records of the Association. Further, upon written request, any Mortgagee shall be entitled, with respect to any Apartment as to which it has a Mortgage, to written notification from the Association of any default, not cured within sixty (60) days, in the performance by an Owner of any obligation under this Declaration, the Articles of Incorporation of the Association, or the ByLaws. The Association, upon request, shall notify all Mortgagees of any damage to or taking of the apartment covered by such Mortgagee's Mortgage that is in excess of \$1,000.00 and of any damage to or taking of the common Elements and/or Limited Common Elements that is in excess of \$10,000.00.

Section 8. Limitation on Contract Term. Any contract made by the Association for professional management, or providing for services by the Developer, shall be terminable by either party without cause or payment of a termination fee on ninety days' or less written notice and shall have a maximum term of no more than three years.

Section 9. Easements. Prior to the Election Date the Board shall have the right to grant to utility companies and other similar entities such easements, rights-of-way, and other rights as may be reasonably necessary to service the Project and establish, operate or maintain the same as a viable condominium project.

FURTHER DEVELOPMENT; MUTUAL USE AND ENJOYMENT OF COMMON ELEMENTS AND LIMITED COMMON ELEMENTS WITH OTHER PROJECTS

Section 1. Further Development. Reference is hereby made to the fact that Developer, and certain affiliates of Developer or Developer's general partners, currently own (or contemplate hereafter acquiring) other tracts or parcels of land situated in the vicinity of the Land, such other land being located northerly of Briar Forest Drive, southerly of Memorial Drive and containing approximately 40 acres, and being hereinafter referred to as the "Development Land". The term Development Land includes without limitation the land covered by the Condominium Declaration for Hudson Oaks Townhomes Section 1A and Section 1B and the land to be known as Woods at Hudson Section 1. It is currently contemplated by Developer, and the aforementioned affiliates, that the Development Land will be developed in various stages or phases for residential purposes; however, the foregoing is only a current intention and is subject to change without notice. It is also the present intention of Developer and such affiliates that if such affiliates that if such development occurs, mutual easements, licenses, and rights shall be granted for the benefit of the Owners of Apartments in the Project, and the future owners, tenants, and others owning or leasing improvements in any developments now existing or hereafter constructed on the Development Land. In order to acquire easements and rights with respect to present and future developments on the Development Land.

Section 2. Easements and Rights Presently Reserved.

(a) Developer hereby grants and conveys to Gary L. Leering, Trustee, and to his successors and assigns, a non-exclusive easement, and right-of-way for ingress, egress, and parking over, across, and through all streets and roadways (private or otherwise) shown on the Plat.

(b) Developer hereby grants and conveys to Gary L. Levering, Trustee, and to his successors and assigns, a nonexclusive easement and right to use all recreational facilities located on or about the Project as Common Elements, including but not limited to any swimming pools, for their intended use and purpose.

(c) There is hereby granted and conveyed to Gary L. Levering, Trustee, and to his successors and assigns, a nonexclusive easement and right to locate and operate up to two Guard Houses on the Land for use for the benefit of the residents of the Land and Development Land, same shall be located adjacent to any streets shown on the Plat.

(d) It is possible that the Land may be improved by the designation and/or construction of walking, jogging, or bicycle paths and/or greenbelts that would run through the Land; this is only a possibility and is subject to change without notice, neither Developer nor any other party being under any obligation to designate or construct such paths or greenbelts. There is hereby granted and conveyed to Gary L. Levering, Trustee, and to his successors and assigns, subject to the limitations contained in this Article 11, a nonexclusive easement over, across, and through said paths and greenbelts. If Developer does, in fact decide to actually construct such paths, or

greenbelts, then the location of same shall, by a recorded document, be specifically defined by metes and bounds, it being agreed that such paths shall be placed so as to minimize any interference with the Owners' enjoyment of the Project. Such paths may interconnect with similar paths, if any, in other developments on the Development Land.

Section 3. Obligation to Grant Reciprocal Rights.

Gary L. Levering, Trustee may from time to time assign one or more of the easements set out in Sections 2(a), (b), (c), (d), and (e) of this Article 11 to such persons or entities as he desires, including but not limited to condominium owners' associations, but in no event to any person or entity that does not have an interest in a tract or parcel of land situated within the Development Land, it being intended that the right to use such easements be limited to parties residing on or using the Development Land or the Land, and their guests and invitees. No assignment of any such easement or easements shall be made unless concurrently therewith the parties, or representatives thereof, who are being granted such rights also grant to the Owners or the Association a reciprocal easement or easements with respect to the streets and roadways, if any; recreational facilities, if any; guard house, if any; or walking, jogging and bicycle paths and greenbelts, if any; as the case may be, with respect to any such facilities owned by such parties and located on the Development Land, or part thereof. Subject to all of the provisions of this Article 11, Gary Levering, Trustee may make multiple nonexclusive assignments of the easements herein granted to him.

Section 4. Allocation of Expenses. If any of the easements and rights granted by this Article 11 are assigned to other entities or persons in connection with developments on the Development Land as set out in Section 3 above, all such assignments shall provide that the assignees thereunder shall bear their proportionate share of the costs of maintaining, using and operating the street, road, recreational facility, or other facility, as the case may be, as to which such right is granted. Such sharing of costs and expenses shall be based upon the actual costs of ownership, operation and maintenance of the facility in question, and shall be borne pro rata by all persons having the right to make use thereof based upon the number of the apartments or other residential units owned or leased by such assignees and the square footage of the Apartments owned by Owners having said rights. The time of payment of such costs, and the methodology of ascertaining same, shall be specified in the instrument from Gary L. Levering, Trustee to his assignee and shall be binding upon the Owners and the Association and such assignees provided that the cost allocation shall be based upon the basis as hereinabove provided or other equitable basis.

Section 5. Enforcement. The provisions of this Article 11 may be enforced by the Association or the Owners, and by Gary L. Levering, Trustee or by the Developer (or both of them) and by parties designated in writing by Developer (provided that such parties have an interest in or to the Development Land) in any manner provided for in law or in equity, and it is specifically agreed that any such party shall be entitled to specific performance of the provisions of this Article 11.

Section 6. Authority of Board. The Board shall have, and is hereby granted, the necessary

and requisite authority to enter into such cross-easement and cross-use agreements, or other agreements howsoever designated, as may be necessary to effectuate the intents and purposes of this Article 11.

Section 7. Development Land. This Condominium Declaration, including without limitation this Article 11, shall have no force or effect and shall not constitute any encumbrance with respect to the Development Land or any part thereof. Reference is made herein in this Article 11 to the Development Land solely for purposes of describing certain reciprocal easements and other rights that may hereafter arise as between the Land and the Development Land and limiting the parties to whom the easements hereby reserved with regard to the Land may be assigned. No easements or rights are hereby granted or reserved as to the Development Land, and no easement or other right referred to in this Article 11 with respect to the Development Land or any part thereof shall be of any force or effect unless set forth in a document executed by the owner or owners of the part of the Development Land to be subject to such right or easement, or other duly authorized person or entity, which document, or a memorandum thereof, is hereafter recorded with the County Clerk of Harris County, Texas.

Section 8. Easement. Developer hereby grants to Gary L. Levering, Trustee, and to his successors and assigns, the right to maintain on the Land one or more signs in connection with the development of and sale of parts or all of the Land, the Development Land, or both of same, and improvements located thereon.

Section 9. Assigns. In the event of the death or incapacity of Gary L. Levering, all of the easements and other rights granted under this Article 11 to Gary L. Levering, Trustee shall be automatically assigned to W. K. Reid, Trustee but if W. K. Reid shall die or become incapacitated, such easements and other rights shall be automatically assigned to the entity then developing the Land, or if the Land is fully developed, to the entity then developing the Development Land.

EXECUTED as of this 25th day of June, 1979.

THE STATE OF TEXAS§

COUNTY OF HARRIS §
 §

BEFORE ME, the undersigned authority, on this day personally appeared GARY L. LEVERING, general partner in HUDSON OAKS TOWNHOMES SECTION 2, LTD., a limited partnership, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purpose and consideration therein expressed, in the capacity therein stated, and as the act of the said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this, the 25th day of June, 1979.

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared W. K. REID, general partner in HUDSON OAKS TOWNHOMES, SECTION 2, LTD., a limited partnership, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act of the said limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this, the 25th day of June, 1979.

PHILLIPSBORN COMPANY OF TEXAS, INC.

MORTGAGEE'S CONSENT AND SUBORDINATION

PHILLIPSBORN COMPANY OF TEXAS, INC., being the owner and holder of a promissory note secured by certain liens ("Liens") against the Project described in this Declaration, including the liens created by that certain Deed of Trust and Security Agreement dated September 14, 1978, recorded under Film Code No. 106-90-1355 in the Official Public Records of Real Property of Harris County, Texas, hereby consents to the recordation of this Declaration and agrees that the Liens shall be inferior and subordinate to this Declaration; provided, however, that this consent and subordination shall in no way effect any term or provision of any instrument creating any of the Liens, or the enforceability thereof, except to the extent of subordinating same to this Declaration.

PHILLIPSBORN COMPANY OF TEXAS, INC.