BY-LAWS OF
LUCAS PLACE TOWNHOMES HOMEOWNERS ASSOCIATION

ARTICLE I.
OBJECT
(Plan of Apartment Ownership)

1. The purpose for which this non-profit Association is formed is to govern the condominium property situated in the County of Jefferson, State of Texas, which property is described and depicted in Exhibit "A", which by this reference is made a part hereof, and which property has been submitted to the provisions of the Condominium Ownership Act of the State of Texas.

2. All present or future owners, tenants, future tenants, or any other person that might use the facilities of the project in any manner, are subject to the regulations set forth in these By-laws. Ther mere acquisition or rental of any of the condominium units (hereinafter referred as "units") of the project or the mere act of occupancy of any of said units will signify that these By-laws are accepted, ratified, and will be complied with.

ARTICLE II.
MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM PROXIES

1. Membership. Member shall mean and refer to those persons or entities holding membership in the Association as provided in the Declaration. Such membership shall terminate without any formal Association action whenever such person ceases to own a condominium unit, but such termination shall not relieve or release any such former owner from any liability or obligation incurred under, or in any way connected with the condominium regime established by the foregoing Declaration, during the period of such ownership, and membership in this Association, or impair the rights or remedies which the Board of Directors of the Association or others may have against such former owner and member arising out of or in any way connected with such ownership and membership, and the covenants and obligations incident thereto. No certificates or stock shall be issued by the Assocation, but the Board of Directors may, if it so elects, issue one (1) membership card to the owner(s) of a condominium unit. Such membership card shall be surrendered to the Secretary whenever ownership of the condominium unit designated shall terminate.

2. Voting. Voting shall be based upon the percentage of the undivided interest of each unit owner in the general common elements, except the voting rights of declarant which shall be governed by the provisions contained in the declaration. An owner of an undivided fractional interest in and to the condominium unit shall be entitled to a vote equal to h i s fractional ownership in such unit. Cumulative voting is prohibited.

3. Majority of Unit Owners. As used in these By-Laws, the term "majority of Unit Owners" means the apartment owners with fifty-one (51%) percent or more of the votes weighted so as to coincide with percentages of ownership assigned in the foregoing Declaration to the respective units.

4. Quorum. Except as otherwise provided in these By-laws, the presence in person or by proxy of a "majority of unit owners" as defined in paragraph 3 of this Article shall constitute a quorum.

5. Proxies. Votes may be cast in person or by proxy. Proxies may be filed with the Secretary before the appointed time of each meeting.

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ARTICLE III.

ADMINISTRATION

1. Association Responsibilities. The owners of the Units will constitute the Association of Unit Owners, hereinafter referred to as "Association", who will have the responsibility of administering the project through a Board of Directors.

2. Place of Meetings. Meetings of the Assocation shall be held at such place as the Board of Directors determine.

3. Annual Meetings. The first annual meeting of the Association shall be held on or before one (1) year after the date hereof. Thereafter, the annual meetings of the Association shall be held on the fourth Monday of the month in which these By-laws are signed each succeeding year. At such meetings there shall be elected by ballot of the owners a Board of Directors in accordance with the requirements of Paragraph 5 of Article IV of these By-laws. The owners may also transact other business of the Association as may properly come before them.

4. Special Meetings. It shall be the duty of the President to call a special meeting of the owners as directed by resolution of the Board of Directors, or upon a petition signed by a majority of the owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths (4/5ths) of the owners present, either in person or by proxy.

5. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof, as well as the time and place where it is to be held to each owner of record, at least five (5), but not more than ten (10) days prior to such meeting. The mailing of a notice in the manner provided in this paragraph shall be considered notice served.

6. Adjourned Meeting. If any meeting of owners cannot be organized because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight hours (48) from the time the original meeting was called.

7. Order of Business. The order of business at all meetings of the owners of units shall be as follows:

(a) Roll Call
(b) Proof of notice of meeting or waiver of notice
(c) Reading of minutes or preceding meeting
(d) Reports of officers
(e) Reports of Committees
(f) Election of Managers
(g) Unfinished business
(h) New Business

ARTICLE IV

BOARD OF DIRECTORS

1. Number and Qualification. The Affiars of this Association shall be governed by a Board of Directors composed of three (3) persons. The following persons shall act in such capacity and shall manage the affairs of the Association until one (1) year after the date hereof, unless all of the apartment units of this regime are leased or sold prior to the end of such year (at which earlier time they will have the option to cease being members of the Board of Directors), or until their successors are elected, to-wit: Jack Rubinek, James Austin and Gearld Clark. Except for the initial Board of Directors named above, all members of the Board of Directors shall be owners or lessees of apartment units.

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2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of a first class residential condominium project. The Board of Directors may do all such acts and things as are not by these By-Laws or by the foregoing Condominium Declaration directed to be exercised and done by the owners.

3. Other Powers and Duties. The Board of Directors shall be empowered and shall have the duties as follows:

(a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations, and all other provisions set forth in the Condominium Declaration submitting the property to the provisions of the Condominium Ownership Act of the State of Texas.

(b) To establish, make and enforce compliance with such reasonable house rules as may be necessary for the operation, use and occupancy of this condominium project with the right to amend same from time to time. A copy of such rules and regulations shall be delivered or mailed to each member promptly upon the adoption thereof.

(c) To keep in good order, condition and repair all of the general and limited common elements and all items of personal property used in the employment of the entire premises.

(d) To insure and keep insured all of the insurable general common elements of the property to their maximum replacement value as provided for in the Delcaration, and further to obtain and maintain an owners, landlord and tenant comprehensive liability insurance covering the entire premises, but in no event to be less than $300,000.00 per accident and $50,000.00 property damages, ans such other types and kinds of insurance as a majority of unit owners may direct. To insure and keep insured all of the fixutres, equipment and personal property acquired by the Association for the benefit of the Association and the owners of the condominium units and their first mortgages.

(e) To fix, determine, levy, and collect the monthly prorated assessments. To levy and collect special assessments whenever in the opinion of the Board it is necessary to so do in order to meet increased operating or maintenance expenses or costs, or additional capital expense, or because of emergencies. All monthly or other assessments shall be in itemized statement form and shall set forth the detail of the various expenses for which the assessments are being made, if, during any assessment year, the amounts received by the Association from assessments levied on and collected from the unit owners (whether by way of regular or special assessment) shall exceed the aggregate of (i) total common expenses paid or for which liability has been incurred during such assessment year; (ii) reasonable reserves, as determined by the Board of Directors, for the payment of common expenses in the next succe ding assessment year; and (iii) reasonable reserves, as determined by the Board of Directors, for the anticipated replacement of the common elements of the condominium property; the Board of Directors shall refund the excess to the unit owners in proportion to the amount of common assessments paid by each unit owner which such assessment year.

(f) To collect delinquent assessments by suit or otherwise and to enjoin or seek damages from an owner as is provided in the Declaration and these By-laws.

(g) To protect and defend the entire premises from loss and damage by suit or otherwise.

(h) To borrow funds in order to pay for any expenditure or outlay required and to execute all such instruments evidencing

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such indebtedness which shall be the several obligation of all of the owners in the same proportion as their interest in the general common elements, subject however to the approval requirements of the members as set forth in the Declaration.

(i) To enter into contracts within the scope of their duties and powers.

(j) To establish a bank account for the common treasury and for all separate funds which are required, or may be deemed advisable by the Board of Directors.

(k) To keep add maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the owners, and to cause financial statement to be prepared by a competent certified public accountant, one each year.

(l) To designate the personnel necessary for the maintenance and operation of the general and limited common elements.

(m) In general, to carry on the administration of this Association and to do all of those things, necessary and reasonable in order to carry out the communal aspect of condominium ownership.

4. Election and Term of Office. At the first annual meeting of the Assocation there shall be elected a minimum of three persons to serve as the Board of Directors. The term of office for each director shall be one(1) year.

5. Vacancies. Vacancies on the Board of Directors caused by any reason shall be filled by vote of the majority of the remaining Direcotrs, even though they may constitute less than a quorum, and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Assocation.

6. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time, by a majority of the Directors. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

7. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice, to each Director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as herein-above provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Directors.

8. Waiver of Notice. Before or at any meeting of the Board of Directors, any Directore may, in writing, waive notice of such meeting and such waiver shall be deem equivalent to the giving of such notice. Attendance by a Manager at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

9. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there by less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

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10. Fidelity Bonds. The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE V.
OFFICERS

1. Designation. The officers of the Association shall be a President, a Secretary, and a Treasurer, all of whom shall be elected by and from the Board of Directors.

2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, an officer may be removed, either with out without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of President of an association, including, but not limited to, the power to appoint committee among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5. Secretary. The Secretary shall keep all the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

The Secretary shall compile and keep up to date at the principal office of the Association a complete list of members and their last known addresses as shown on the records of the Association. Such list shall also show opposite each member's name the number or other appropriate designation of the apartment unit owned by such members and the garage or parking space and storage space assigned for use in connection with such apartment unit. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular gusiness hours. The Secretary shall also maintain a list of mortgagees of the units, reflecting therein the name and address of each mortgagee and the unit or units mortgaged to such mortgagee.

6. Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts for all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VI.
INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify every Director or Officer, his heirs, executors and administrators, against all loss, costs and expense, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be

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made a party by reason of his being or having been a Director or officer of the Association, except as to matters as to which he shall be finally adjudged in such action, suit or preceedings to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covdred by the settlement as to which the Association is advised by counsel that theperson to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or officer may be entitled. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as common expenses; provided, however, that nothing in this Article VI contained shall be deemed to obligate the Association to indemnify any member or owner of a condominium unit, who is or has been a Director or officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the foregoing Declaration as a member or owner of a condominium unit covered thereby.

ARTICLE VII.

OBLIGATIONS OF THE OWNERS

1. Assessments. All owners, upon completion of the purchase thereof, or occupancy by such owner or tenant, whichever occurs first, shall be obligated to pay the monthly assessments imposed by the Association to meet the common expenses. The assessments shall be made pro rata according to the percentage interest in and to the general common elements and shall be due monthly in advance. A member shall be deemed to be in good standing and entitled to vote at any annual or special meeting of members, within the meaning of these By-laws, if and only if, he shall have fully paid all assessments made or levied against him and the condominium unit owned by him.

2. Maintenance and Repair.

(a) Every owner must perform promptly at his own expense all maintenance and repair work within his own apartment unit, which if omitted would affect the project in its entirety, or in a part belonging to other owners.

(b) All the repairs of internal installations of the unit such as water, light, gas, power, sewage, telephone, air conditioners, sanitary installations, electrical fixtures and all other accessories, equipment and fixtures belonging to the unit area shall be at the owner's expense. External installations of each unit, such as electric lines, wires, conduits and systems and hearing and air conditioning systems shall be maintained by the owner of the unit exclusively served by same. An owner shall also maintain all the plumbing serving his apartment exclusively, and maintenance of sewer lines serving more than one (1) apartment unit and running from the end of an apartment unit's single sewer line to the point where such sewer line becomes the property of the City of Beaumont shall be "Common expenses".

(c) Damage to exterior doors and windows, shall be repaired by and at the expense of the owner, provided, however, if such damage or loss is covered by insurance, such owner shall be entitled to reimbursement to the extent of the insurance payment. Replacement or repair of exterior doors or windows required because of ordinary wear and tear and deterioration shall be paid for out of the assessments levied and collected by the Board of Directors.

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(d) An owner shall be obligated to reimburse the Association promptly upon reciept of its statement for any expenditures incurred by it in repairing or replacing any general or limited common element damaged by his negligence or by the negligence of members of this family of his guests, tenants, or agents.

3. Mechanic's Lien. Each owner agrees to indmenify and to hold each of the other owners harmless from any and all claims of Mechanic's LIen filed against other apartment units and the appurtenant general common elements for labor, materials, services or other products incorporated in the owner's apartment unit. In the event suit for foreclosure is commenced, then within ninety (90) days thereafter such owner shall be required to deposit with the Assocation cash or negotiable securities equal to the amount of such claim, plus ten percent (10%) interest thereon for one (1) year, together with the sum of One Hundred Dollars ($100.00). Such sum or securites shall be held by the Association pending final adjustment or settlement of the litigation. Disbursements of such funds or proceeds shall be made to insure payment of or on account of such final judgment or settlement. Any deficiency shall be paid forthwith by the subject owner and his failure to pay shall entitle the Association to make such payment, and the amount thereof shall be a debt of the owner and a lien against his condominium unit which may be foreclosed as is provided in the Declaration.

4. General.

(a) Each owner shall comply strictly with the provisions of the foregoing Condominium Declaration.

(b) Each owner shall always endeavor to observe and promote the cooperative purposes for the accomplishment of which the project covered by the foregoing Declaration was built.

5. Use of Units - Internal Changes.

(a) All units shall be utilized for single family residential purposes only, and no unit shall be occupied other than on a temporary basis by more than two (2) persons per bedroom and the occupancy by more than such number continuing for a period of ten (10) days shall be deemed for this purpose to constitute permanent occupancy.

(b) An owner shall not make structural modifications or alterations to his unit or installations located therein, without previously notifying the Association in writing through the Managing Agent, or if no Managing Agent is employed, then through the President of the Board of Directors. The Association shall have the obligation to answer within five (5) days after such notice, and failure to do so within the stipulated time shall mean there is no objection to the proposed modification or alteration.

6. Use of General Common Elements and Limited Common Elements. Each owner may use the general common elements and the limited common elements in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful rights of the other owners.

7. Right of Entry.

(a) An owner shall grant the right of entry to the Managing Agent, or to any other person authorized by the Board of Directors, in case of an emergency originating in or threatening his unit, whether the owner is present at the time or not.

(b) An owner shall permit other owners, or their representatives, when so required, to enter his unit for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner. In case of an emergency, such right of entry shall be immediate.

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8. Rules and Regulations.

(a) All owners shall promptly and completely comply with each of the rules and regulations herein contained or hereafter properly adopted for the utilization of any recreational facilities that may be afforded. All owners and their guests shall achieve maximum utilization of such facilities consistant with the rights of each of the other owners thereto.

(b) Nothing shall be done in any residential unit, nor shall same be occupied or used for any purpose, nor shall any commodity, product or personal property be kept therein or thereon, which shall cause such improvements to be uninsurable against loss by fire, or the perils included in an extended coverage endorsement under the rules of the State of Texas Insurance Commission, or which might cause or warrant any policy or policies covering said premises to be cancelled or suspended by the issuing Company.

(c) Owners and occupants shall at all times exercise extreme care to avoid making or permitting to be made loud or objectionable noises, and in using or playing or permitting to be used or played musical instruments, radios, phonographs, television sets, amplifiers, and any other instruments or devices in such manner as may disturb or tend to disturb owners, tenants, or other occupants of conominium units in the condominium regime established by the foregoing Declaration. No unit shall be used or occupied in such manner as to obstruct or interfere with the enjoyment of occupants or other residents of adjoining units, nor shall any nuisance or immoral or illegal activity be committed or permitted to occur in or on any unit or upon any part of the common elements of the condominium regime established by the foregoing Declaration.

(d) The common area is intended for use for the purpose of affording vehicular and pedestrian movement within the condominium, and of providing access to the units; those portions thereof adapted therefor , for recreational use of and by the owners and occupants of units; and all thereof for the beautification of the condominium and for providing privacy for the residents thereof through landscaping and such other means as shall be deemed appropriate. No part of the common area shall be obstructed so as to interfere with its use for the purposes hereinabove recited, nor shall any part of the common area (common elements) be used for general storage purposes after the completion of the construction of the units by developer, nor anything done thereon in any manner which shall increase the rate for hazard and liability insurance covering said area and the improvements situated thereon. No owner or occupant shall park or store, or permit to be parked or stored, upon the common elements of the condominium, any boat, trailer, camping or travel trailer, mobile home, motorcycle, or any similar vehicle, except wholly within the carport assigned to such unit of such owner or wholly within the privacy fence assigned to such unit. No boats, trailers, camping trailers, mobile homes, motor homes or similar vehicles shall be parked, placed or stored in or on the streets, easements or alleyways in front of, behind or adjacent to the units on a "permanent basis", which shall be taken to mean any period or periods in excess of twelve (12) hours on any two (2) successive days. Not more than two (2) dogs, cats or other usual household pets may be kept in any unit, and provided always that such household pets may be allowed on the common areas only as may be specified under reasonable rules therefor promulgated by the Board of Directors. Except as hereinabove stated, no animal, livestock, bird or poultry shall be brought within the condominium or kept in or around any unit thereof.

(e) No resident of the condominium shall post any advertisements, signs or posters of any kind in or on the project except as authorized by the Board of Directors of the Association.

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(f) Parking of autombiles and other vehicles shall be only in the spaces designated for parking for each unit; no unattended vehicles shall at any time be left in the alleyways or in the driveways of the condominium in such a manner as to impede the passage of traffic or to impair proper access to parking areas. Carport and storage areas shall at all times be kept free of unreasonable accumulation of debris or fubbish of any kind.

(g) It is prohibited to hang garments, rugs and/or any other materials from the windows or from any of the facades of the project.

(h) It is prohibited to dust rugs or other materials from the windows, or to clean rugs by beating on the exterior part of the condominium units, or to throw any dust, trash, or garbage out of any of the windows of any of the units.

(i) It is prohibited to throw garbage or trash outside the disposal installations or areas established for such purpose.

(j) No owner, resident, or lessee shall install wiring for electrical or telephone installation, television antenna, machines or air conditioning units or any other devices whatsoever on the exterior of the project or that protrude through the walls or out of the windows, or on the roof of the project save as are expressly in writing previously approved by the Association.

(k) No owner or other occupant of any condominium unit shall make any alteration or improvement to the common elements of the condominium or remove any planting, structure, furnishings or other equipment or object therefrom except with the written consent of the Association.

9. Destruction or Obsolescence. Each owner shall, upon becoming an owner of a condominium unit, be deemed to have executed and granted a power of attorney in favor of the Association, irrevocably appointing the Association his attorney-in-fact to deal with the owner's condominium unit upon its destruction or obsolescence as is provided in the foregoing Condominium Declaration.

ARTICLE VIII.

AMENDMENTS TO PLAN OF APARTMENT OWNERSHIP

1. By-Laws. These By-Laws may be amended by the Association at a duly constituted meeting for such purpose, and no amendment shall take effect unless approved by owners representing at least seventy percent (70%) of the aggregate interest of the undivided ownership of the general common elements.

ARTICLE IX.

MORTGAGES

1. Notice to Associaton. An owner who mortgages his unit shall notify the Association through its Board of Directors, giving the name and address of his mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Units".

2. Notice of Default. A first mortgagee of any unit, at its request to the Association or Board of Directors thereof, shall be entitled to written notification from the Association of any default by the mortgagor of such unit in the performance of such mortgagor's obligations under the condominium documents which is not cured within thirty (30) days.

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3. Examination of Books and Records. A first mortgagee shall have the right to examine the books and records of the Association or the condominium project during normal business hours.

ARTICLE X.

COMPLIANCE

These By-Laws are set forth to comply with the requirements of the State of Texas Condominium Ownership Act. If any of these By-Laws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

ARTICLE XI.

NON-PROFIT ASSOCIATION

This Association is not organized for profit. No member, member of the Board of Directors or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or be distributed to, or inure to the benefit of any member of the Board of Directors; provided, however, always (1) that reasonable compensation may be paid to any member (other than Declarant), while acting as an agent or employee of the Association for services rendered in affecting one or more of the purposes of the Association, and (2) that any member of the Board of Directors may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XII

REGISTERED OFFICE

The registered office and the principal office for the transaction of business of this Association shall be, until changed in writing, 350 Dallon Road, Beaumont, Texas 77707, and the registed agent shall be Jack Rubinek at said same address.

ARTICLE XIII.

AUTHORIZED OFFICERS

The persons who shall be authorized to execute any and all instruments of conveyances or encumbrance, including promissory notes, for and on behalf of the Association shall be in the President and Secretary of the Association.

IN EVIDENCE WHEREOF, the undersigned have hereunto subscribed their names at Beaumont, Texas, this, the 14th day of September, 1978.

BOARD OF DIRECTORS

GEARLD CLARK

JACK RUBINEK

JAMES AUSTIN

DECLARANT

RMAC, INC. by its President

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THE STATE OF TEXAS *

COUNTY OF JEFFERSON *

BEFORE ME, the undersigned authority, on this day personally appeared Jack Roubinek, President of RMAC, INC., known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 14th day of September, 1978.

Virgie Frazier
NOTARY PUBLIC IN AND FOR
JEFFERSON COUNTY, TEXAS
Virgie Frazier
9-30-78

NOTARY PUBLIC JEFFERSON COUNTY, TEXAS

THE STATE OF TEXAS *

COUNTY OF JEFFERSON *

BEFORE ME, the undersigned authority, on this day personally appeared GEARLD CLARK, 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 puroses and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this, the 14th day of September, 1978.

Virgie Frazier
NOTARY PUBLIC IN AND FOR
JEFFERSON COUNTY, TEXAS

NOTARY PUBLIC JEFFERSON COUNTY, TEXAS

THE STATE OF TEXAS *

COUNTY OF JEFFERSON *

BEFORE ME, the undersigned authority, on this day personally appeared JACK RUBINEK, 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 and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this, the 14th day of September, 1978.

Virgie Frazier
NOTARY PUBLIC IN AND FOR
JEFFERSON COUNTY, TEXAS

NOTARY PUBLIC JEFFERSON COUNTY, TEXAS

COUNTY CLERK OF JEFFERSON COUNTY, TEXAS

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THE STATE OF TEXAS *

COUNTY OF JEFFERSON *

BEFORE ME, the undersigned authority, on this day personally appeared JAMES AUSTIN, known to me to be the person whose name s is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this, the 11 day of September, 1978.

Cheryl Wheeler
NOTARY PUBLIC IN AND FOR
JEFFERSON COUNTY, TEXAS
Cheryl Wheeler

NOTARY PUBLIC JEFFERSON COUNTY, TEXAS

Clerk's Note: Map Recorded in Volume 2, Page 97, of the Condominium Records, Jefferson County, Texas.

FILED FOR RECORD
R T Sand
COUNTY CLERK
JEFFERSON COUNTY, TEXAS
SEP 20 9 43 AM '78

999166

Vol. 106 Pg 139 Deed Records

I CERTIFY THIS IS A TRUE COPY
Witness my Hand and Seal of Office
JUL 01 2004
DEBBIE USOFF, COUNTY CLERK
JEFFERSON COUNTY, TEXAS
BY Dee Slesinos DEPUTY
Dee Slesinos

Grantee's executors, administrators, successors and assigns, against every person whomsoever, lawfully claiming or to claim the same or any part thereof, as fully as the Substitute Trustee can lawfully do, except as to the prior liens and other exceptions to conveyance and warranty in the Loan Documents; however, without covenants or warranties, expressed or implied, or any liabilities whatsoever on me personally.

TRUSTEE HAS NOT MADE, AND DOES NOT MAKE, ANY REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE PERSONAL PROPERTY AND THE PERSONAL PROPERTY IS SOLD TO GRANTEE "AS IS, WHERE IS, AND WITH ALL FAULTS."

EXECUTED this 7th day of January, 2015.

Margie Allen, Substitute Trustee
MARGIE ALLEN

STATE OF TEXAS §
§
COUNTY OF Jefferson §

BEFORE ME, the undersigned authority, on this day personally appeared MARGIE ALLEN, as Substitute Trustee, known to me to be the person whose name is subscribed to the foregoing instrument, and who acknowledged to me that the Substitute Trustee's Deed was executed for the purposes and consideration therein expressed and in the capacity therein stated.

Given under my hand and seal of office this the 7th day of January, 2015.

Billye G. Brockman
NOTARY PUBLIC, STATE OF TEXAS

After recording, please return to:
Federal National Mortgage Association
c/o RINEY PACKARD, PLLC
TWO LINCOLN CENTRE
5420 LBJ Freeway, Suite 220
Dallas, Texas 75240

BILLYE G. BROCKMAN
Notary Public, State of Texas
My Commission Expires
April 08, 2018

PROPERTY ADDRESS: 4117 Arthur Ln Unit 23 Beaumont, TX 77706	**RP FILE NO. GTFA02-127**	**BORROWER:** Pollard, Delores **GREEN TREE ACCOUNT #: 82528215** **FANNIE MAE ACCOUNT #: 1704738402**

CONDOMINIUM DECLARATION

FOR

999166

LUCAS PLACE TOWNHOMES
BEAUMONT, TEXAS

THE STATE OF TEXAS *
COUNTY OF JEFFERSON * KNOW ALL MEN BY THESE PRESENTS:

THAT WHEREAS, RMAC, INC., of Jefferson County, Texas, hereinafter called "Declarant", is the owner of real property situated in the County of Jefferson, State of Texas, being described as follows, to-wit:

> BEING a certain 1.49 acre tract of land consisting of Lots One (1) through Nine (9) inclusive in Block Thirty-four (34) of the Calder Highlands extension a subdivision of the City of Beaumont, Jefferson County, Texas according to the map or plat thereof recorded in the office of the County Clerk of Jefferson County, Texas.

which property is described and depicted on the Map or Plat thereof marked Exhibit "A", which by this reference is made a part hereof; and

WHEREAS, Declarant, as Developer desires to establish a condominium regime under the Condominium Act of the State of Texas; known and to be known as LUCAS PLACE TOWNHOMES, Beaumont, Texas; and

WHEREAS, Declarant has executed plans and has commenced construction of four (4) two-story buildings and other improvements appurtenant thereto on the property described in said Exhibit "A", which when completed shall consist of twenty-eight (28) separately designated condominium units; and

WHEREAS, Declarant does hereby establish a plan for the individual ownership in fee simple of estates consisting of the area or space contained in each of the apartment units in the four (4) building improvements and the ownership by the individual and separate owners thereof, as tenants in common, of all of the remaining property, which is hereinafter defined and referred to as the general common elements;

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NOW THEREFORE, Declarant does hereby publish and declare that the following terms, covenants, conditions, easements, restrictions, uses, limitations and obligations shall be deemed to run with the land, shall be a burden and benefit to Declarant, its successors and assigns, and any person acquiring or owning an interest in the real property and improvements, their grantees, successors, heirs, executors, administrators, devisees, and assigns.

1. DEFINITIONS, unless the context shall expressly provide otherwise:

(a) "Apartment" or "Apartment Unit" means an individual air space unit which is contained within the interior surfaces of the perimeter walls, floors and ceilings of a building as shown on the Map marked Exhibit "A".

(b) "Condominium Unit" means one individual air space unit, together with the interest in the general common elements appurtenant to such unit.

(c) "Owner" means a person, firm, corporation, partnership, association or other legal entity, or any combination thereof, who owns one or more condominium units.

(d) "Majority of Unit Owners" means the apartment owners with fifty-one percent (51%) or more of the votes weighted so as to coincide with percentages of ownership assigned in this Declaration to the respective units.

(e) "General Common Elements" means and includes:

(1) The land on which the buildings are located;

(2) The foundations, columns, girders, beams, supports, main walls and roofs;

(3) The yards, gardens, parking area, fences, storage spaces, street, service drives, walks and service easements;

(4) The installations consisting of the equipment and materials making up central services such as power, light, gas and the like;

(5) All other parts of the property necessary or convenient to its existance, maintenance and safety, or normally in common use.

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(f) "Limited Common Elements" means a part of the general common elements reserved for the exclusive use of the owner of a condominium unit; the heating and air conditioning systems serving one condominium unit only and garage or carport parking areas and patio areas indicated on the attached Map as appurtenant limited elements to a specific unit only shall be deemed "limited common elements".

(g) "Entire Premises" or "Property" means and includes the land, the building, all improvements and structures thereon, and all rights, easements and appurtenances belonging thereto.

(h) "Common Expenses" means and includes:

(1) All sums lawfully assessed against the general common elements by the Board of Directors;

(2) Expenses of administration and management, maintenance, repair or replacement of the general common elements;

(3) Expenses agreed upon as common expenses by the owners; and

(4) Expenses declared common expenses by provisions of this Declaration and by the By-Laws.

(i) "Association" means the LUCAS PLACE TOWNHOMES Homeowners Assocation, a Texas Non-Profit Association the by-laws of which shall govern the administration of this Condominium property.

(j) "Map, "Survey Map" or "Plans" means and includes the engineering survey of the land locating thereon all of the improvements, the floor plans and any other drawings or diagrammatic plan, same being herewith filed, labeled as Exhibit "A", and incorporated herein.

2. The Map shall be filed for record simultaneously with the recording of this Declaration as a part hereof, and prior to the first conveyance of any condominium unit. Such Map shall consist of and set forth (i) the legal description of the surface of the land; (ii) the linear measurements and locations, with reference to the exterior boundaries of the land, of the buildings and all other improvements built or to be built on said land by Declarant; (iii) floor plans of the buildings built or to be built thereon showing the location, the building designations, the apartment designation and the square footage of each apartment unit, and the limited common elements.

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3. The real property is hereby divided in the following simple fee simple estates:

(a) Twenty-Eight (28) fee simple estates consisting of twenty-eight (28) separately designated apartment units, each such unit identified by number and by building symbol or designation on the Map, the apartments in said building being described as follows:

BUILDING NUMBER 1- Containing seven (7) apartments, numbered Units 1, 2, 3, 4, 5, 6 and 7, the size, dimension, location and boundaries of each being detailed on the Map hereto attached and marked Exhibit "A".

BUILDING NUMBER 2 - Containing seven (7) apartments, designated Units 8, 9, 10, 11, 12, 13 and 14, the size, dimensions, location and boundaries of each being detailed on the Map hereto attached and marked Exhibit "A".

BUILDING NUMBER 3 - Containing seven (7) apartments, numbered Units 15, 16, 17, 18, 19, 20 and 21, the size, dimensions, location and boundaries of each being detailed on the Map hereto attached and marked Exhibit "A".

BUILDING NUMBER 4 - Containing seven (7) apartments, numbered Units 22, 23, 24, 25, 26, 27 and 28, the size, dimensions, location and boundaries of each being detailed on the Map hereto attached and marked Exhibit "A".

(b) The remaining portion of the entire premises referred to as the "general common elements", which shall be held in common by the owners, the interest of each therein being hereinafter set forth and each undivided interest being appurtenant to one of the twenty-eight (28) apartment units.

(c) The percentage of ownership in the common elements allocated to each apartment is as follows:

Unit Number	Percentage of Ownership
Building Number 1, Unit 1	3.571
Building Number 1, Unit 2	3.571
Building Number 1, Unit 3	3.571
Building Number 1, Unit 4	3.571
Building Number 1, Unit 5	3.571
Building Number 1, Unit 6	3.571
Building Number 1, Unit 7	3.571
Building Number 2, Unit 8	3.571
Building Number 2, Unit 9	3.571
Building Number 2, Unit 10	3.571
Building Number 2, Unit 11	3.571
Building Number 2, Unit 12	3.571
Building Number 2, Unit 13	3.571
Building Number 3, Unit 14	3.571
Building Number 3, Unit 15	3.571
Building Number 3, Unit 16	3.571
Building Number 3, Unit 17	3.571
Building Number 3, Unit 18	3.571
Building Number 3, Unit 19	3.571
Building Number 3, Unit 20	3.571
Building Number 3, Unit 21	3.571

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Building Number 4, Unit 22	3.571
Building Number 4, Unit 23	3.571
Building Number 4, Unit 24	3.571
Building Number 4, Unit 25	3.571
Building Number 4, Unit 26	3.572
Building Number 4, Unit 27	3.572
Building Number 4, Unit 28	3.572
Total:	100.000%

4. A portion of the general common elements is set aside and reserved for the exclusive use of individual owners, such areas being the "limited common elements". The limited common elements reserved for the exclusive use of the individual owners are the carport parking areas, storage spaces and patio spaces, which are shown on the Map. Such spaces are allocated and assigned by the Declaration to the respective condominium units as indicated on said Exhibit "A", the patio assigned to each apartment unit being designated by the language "patio". In like manner, heating and air conditioning systems serving only one condominium unit shall be limited common elements. Such limited common elements shall be used in connection with the particular apartment unit, to the exclusion of the use thereof by the other owners except by invitation.

5. Each apartment and its undivided interest in and to the general common elements appurtenant thereto shall be inseparable and may be conveyed, leased or encumbered only as a condominium unit.

6. Every deed, lease, mortgage, trust deed or other instrument may legally describe a condominium unit by its identifying apartment number and building symbol or designation as shown on the Map, followed by the words "LUCAS PLACE TOWN-HOMES, Beaumont, Jefferson County, Texas" and by reference to this recorded Declaration and Map. Every such description shall be deemed good and sufficient for all purposes to convey, transfer, encumber or otherwise affect the general common elements.

7. Declarant shall give written notice to the assessor-collector of the respective taxing jurisdictions of the creation

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of condominium ownership of this property, as is provided by law, so that each apartment unit and its percentage of undivided interest in the general common elements shall be deemed a separate parcel and subject to separate assessment and taxation.

8. A condominium unit may be held and owned by more than one person as joint tenants, or as tenants in common, or in any real property tenancy relationship recognized under the laws of the State of Texas.

9. The common elements, both general and limited, shall be owned in common by all of the owners of the apartment units and shall remain undivided, and no owner shall bring any action for partition or division of the general common elements. Nothing contained herein shall be construed as a limitation of the right of partition of a condominium unit between the owners thereof, but such partition shall not affect any other condominium unit.

10. Each owner shall be entitled to exclusive ownership and possession of his apartment. Each owner may use the general common elements in accordance with the purpose for which they are intended without hindering or encroaching upon the lawful rights of the other owners.

11. Each apartment shall be occupied and used by the owner only as and for a single family residential dwelling for the owner, his family, his social guests or his tenants.

12. If any portion of the general common elements encroaches upon an apartment unit or units, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. If any portion of an adjoining apartment unit or units encroaches upon any portion of the general common elements, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. For title or other purposes, such encroachment(s)

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CONDOMINIUM DECLARATION

FOR

999166

LUCAS PLACE TOWNHOMES
BEAUMONT, TEXAS

THE STATE OF TEXAS *
KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF JEFFERSON *

THAT WHEREAS, RMAC, INC., of Jefferson County, Texas, hereinafter called "Declarant", is the owner of real property situated in the County of Jefferson, State of Texas, being described as follows, to-wit:

> BEING a certain 1.49 acre tract of land consisting of Lots One (1) through Nine (9) inclusive in Block Thirty-four (34) of the Calder Highlands extension a subdivision of the City of Beaumont, Jefferson County, Texas according to the map or plat thereof recorded in the office of the County Clerk of Jefferson County, Texas.

which property is described and depicted on the Map or Plat thereof marked Exhibit "A", which by this reference is made a part hereof; and

WHEREAS, Declarant, as Developer desires to establish a condominium regime under the Condominium Act of the State of Texas; known and to be known as LUCAS PLACE TOWNHOMES, Beaumont, Texas; and

WHEREAS, Declarant has executed plans and has commenced construction of four (4) two-story buildings and other improvements appurtenant thereto on the property described in said Exhibit "A", which when completed shall consist of twenty-eight (28) separately designated condominium units; and

WHEREAS, Declarant does hereby establish a plan for the individual ownership in fee simple of estates consisting of the area or space contained in each of the apartment units in the four (4) building improvements and the ownership by the individual and separate owners thereof, as tenants in common, of all of the remaining property, which is hereinafter defined and referred to as the general common elements;

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and easement(s) shall not be considered or determined to be encumbrances either on the general common elements or the apartment units.

13. Subsequent to the completion of the improvements described on the Map, no labor performed or material furnished and incorporated in an apartment unit with the consent or at the request of the owner thereof, or his agent or his contractor, or subcontractor, shall be the basis for filing of a lien against the general common elements owned by such other owners. Each owner shall indemnify and hold harmless each of the other owners from and against all liability arising from the claim or any lien against the apartment unit of any other owner, or against the general common elements for construction performed or for labor, materials, services or other products incorporated in the owner's apartment unit at such owner's request.

14. The administration of this condominium property shall be governed by By-laws of the Non-Profit assocation hereinabove named and which shall hereinafter be referred to as "Association". A copy of such By-laws shall be furnished to each member of the Assocation and same shall be deemed adopted by a Declarant as sole owner of the property herein described and all future owners and members shall be bound thereby. Every owner of a unit shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of a unit. The Assocation shall have two classes of voting memberships as follows:

CLASS A "Class A Members" shall be all owners with the exception of Declarant and shall be entitled to one vote for each unit. When more than one person holds an interest in any unit all such persons shall be members. The vote for such unit shall be exercised as they determine but in no event shall more than one vote be cast with respect to any unit owned by a "Class A Member".

CLASS B "Class B Member" shall be the Declarant who shall be entitled to three votes for each unit owned. The "Class B Membership" shall cease and be converted to"Class A Membership" upon the happening of either the following events, whichever occurs earlier:

(a) When the total votes outstanding in the "Class A Membership" equal the total votes outstanding in the "Class B Membership" or

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(b) On January 1, 1986.

15. The owners shall have the irrevocable right, to be exercised by the Board of Directors of the Assocation, to have access to each apartment unit from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of any of the general common elements therein or accessible therefrom, or for making emergency repairs therein, necessary to prevent damage to the general or limited common elements or to another apartment unit or units.

16. An owner shall maintain and keep in repair the interior of his own apartment, including the fixtures theron. An owner shall also maintain all electric lines, wires, conduits or systems and the heating and air conditioning system serving his apartment unit, whether within or without same. An owner shall also maintain all the plumbing serving his apartment unit, and maintenance of sewer lines serving more than one (1) apartment unit and running from the end of an apartment unit's single sewer line to the point where such sewer line becomes the property of the City of Beaumont shall be a "common expense".

17. An owner shall do no act nor any work that will impair the structural soundness or integrity of the building or impair any easement or hereditament. No owner shall in any way alter, modify, add to or otherwise perform any work whatever upon any of the common elements, save with written consent of the Board of Directors first obtained.

18. An owner shall not be deemed to own the undecorated and/or unfinished surfaces of the permieter walls, ground and roof surrounding his apartment unit, nor shall such owner be deemed to own the utilities running through his apartment unit, except as a tenant in common. An owner, however, shall be deemed to own and shall maintain the inner decorated and/or finished surfaces of the perimeter and interior walls, floors,

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ceilings, doors, windows and such other elements consisting of paint, wallpaper, floor covering, carpeting and other such finishing materials.

19. Each owner shall comply strictly with the provisions of this Declaration, the By-Laws and the decisions and resolutions of the "Assocation" adopted pursuant thereto as the same may be lawfully amended form time to time. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages or injuctive relief or both, maintainable by the Board of Directors on behalf of the owners or, in a proper case, by an aggrieved owner.

20. This Declaration shall not be revoked, nor shall any of the provisions herein be amended unless all of the owners of Condominium Units and all of the holders of any recorded mortgages or deeds of trust covering or affecting any or all condominium units unanimously consent and agree to such revocation or amendment by instrument(s) duly recorded.

21. Declarant for each unit owned by it hereby covenants and each owner of a unit in the condominium regime is hereby deemed to covenant by acceptance of his deed for such unit whether or not it shall be so expressed in his deed to pay to the association:

(i) Annual assessments, and

(ii) Special assessment for capital improvements.

Such assessments will be established and collected as hereinafter provided. The annual and special assessments together with interest, cost, and reasonable attorney's fees shall be a charge on each unit against which such an assessment is made. Each such assessment together with interest, cost and reasonable attorney fees shall also be the personal obligation of the person or persons who own or owned the unit at the time the assessment fell due, but such personal obligation shall not

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pass to the successor's in title of such person or persons unless expressly assumed by them.

The annual assessments levied by the Association shall be used exclusively:

(i) To promote the health, safety, welfare and recreation of the condominium regime;

(ii) For the improvement and maintenance of the general and limited common areas within the regime;

(iii) For such other expenses, costs and liabilities reasonably necessary for the enjoyment of the condominium regime by its members.

Annual assessment shall include and the Association shall require and pay for out of the funds derived from annual assessments the following:

(a) Maintenance and repair of all common areas;

(b) Water, sewer, garbage, electrical, lighting, telephone, gas and other necessary utility service for the common areas.

(c) Acquisition of furnishings and equipment for the common areas as may be determined by the Assocation including, without limitation, all equipment, furnishings, and personnel necessary or proper for use and enjoyment of the general and limited common areas (however nothing contained in this provision shall be deemed to be a limitation or prohibition on the right of the Association to have special assessment for the purpose of acquiring such equipment and furnishings, subject only to the limitations set forth herein below).

(d) Fire insurance with extended coverage and with vandalism and malicious mischief endorsements attached, casualty and public liability insurance and such other insurance as may be required by the Board of Directors and in such amounts as may be required by the Board of Directors, issued by responsible insurance companies authorized to do business in the State of Texas. The insurance shall be carried in Blanket policy form naming the Board of Directors as Trustee for the unit owners or naming the association as Insured or Insureds, which policy or policies shall identify the interest of each condominium unit owner and which shall provide for a standard non-contributory mortgagee clause in favor of each first mortgagee. It shall also provide that it cannot be cancelled by either the Insured or the insurance company until after ten days prior written notice to each first mortgagee. The Board of Directors, upon request of any first mortgagee, shall furnish a certified copy of such Blanket policy and the separate certificate identifying the interest of each mortgagor. All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to that owner's interest,

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or who permits or fails to prevent the happening of any event, whether occuring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under such policy as to the interest of all other insured owners not guilty of any such act or omission shall not be invalidated or suspended and shall remain in full force and effect. Determination of maximum replacement value of all condominium units for insurance purposes shall be made anually by one or more written appraisals, copies of which shall be furnished to each mortgagee of a condominium unit, upon request. In addition, each owner shall be notified of such appraisals. Unit owners shall not be prohibited from carrying other insurance for their own benefit at their own expense provided that such policies contain waivers of subrogation and further provided that the liability of the carriers issuing insurance procurred by the Board of Directors shall not be affected or diminished by reason of any unit owners insurance.

(e) Liability insurance insuring the Association against any and all liability to the public, to any owner or to the invitee, tenants or contract purchaser of any owner arising out of their occupancy and/or use of the common area. Policy limits shall be set by the Assocation and shall be reviewed at least annually and increased or decreased in the discretion of the Board of Directors.

(f) Workmens Compensation Insurance to the extend necessary to comply with applicable law and any other insurance deemed as necessary by the Board of Directors of the Assocation.

(g) A standard Fidelity bond covering all members of the Board of Directors of the Assocation and all other employees of the Assocation in an amount to be determined by the Board of Directors.

(h) Any other material, supplies, furniture, labor services, maintenance repairs, insurance taxes or assessments which the Association is required to secure or pay pursuant to the terms of this declaration or by law or which shall be necessary or proper in the opinion of the Board of Directors of the Association for the operation of the common area, for the benefit of unit owners or for the enforcement of these restrictions.

22. The power and authority to fix and levy the annual assessments shall rest exclusively with the Board of Directors of the Assocation and when determined and fixed by the Board of Directors as herein provided same shall be final, conclusive, and binding upon each unit owner, his heirs, successors and assigns including contract purchaser. Except for insurance

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premiums the assessment shall be prorated according to each owners percentage interest, referred to hereinabove, in and to the general common elements but not necessarily in such exact proportion as the Board of Directors deems such proration improper or unfair. Assessments for insurance premiums shall be based upon the proportionate of the total premiums that the insurance carried on a condominium unit bears to the total coverage.

23. In addition to the annual maintenance assessments authorized above, the Assocation may levy in any assessment year a special assessment applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of a capital improvement upon or within the common areas, including fixtures and personal property related thereto. Any special assessment shall have the assent of two/thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for that purpose. Written notice of any meeting called for the purpose of taking any action authorized under this paragraph shall be sent to all members not less than ten (10) days or more than sixty (60) in advance of the meeting. At the first such meeting called the presence of members or of proxies entitled to cast fifty percent (50%) or more of all the votes of each class of membership shall constitute a quorum.

24. Assessments shall be due monthly in advance, on or before the fifth (5th) day of each month. Failure to pay an assessment by the fifteenth (15th) day of each month shall require the imposition and assessments of a late charge of five ($5.00) dollars. The Board of Directors shall prepare and deliver or mail regularly, but not less than every six (6) months, to each owner an itemized statement showing the various estimated or actual expenses for which the

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assessments are made.

25. Declarant shall not be liable for assessments prior to the sale or lease of all units.

26. Contribution for monthly assessments shall be prorated if the ownership of a condominium unit commences on a day other than the first day of the month.

27. No owner may exempt himself from liability for his contribution towards the common expenses by waiver of the use or enjoyment of any of the general or common elements, or by abandonment of his apartment.

28. All sums assessed but unpaid for the share of common expenses chargeable to any condominium unit, including interest thereon at ten percent (10%) per annum, shall constitute a lien on such unit superior (prior) to all other liens and encumbrances, except only for:

(a) Tax and Special assessment liens in favor of any assessing unit; and

(b) All sums unpaid on a first mortgage or first deed of trust of record, including all unpaid obligatory sums as may be provided by such encumbrances, and including additional advances made thereon prior to the arising of such a lien.

To evidence such lien the Board of Directors may, but shall not be rquired to, prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the owner of the condominium unit and a description of the condominium unit. Such notice shall be signed by one of the Board of Directors and may be recorded in the office of the Clerk and Recorder of Jefferson County, Texas. Such lien for the common expenses hsall attach from the date of the failure of payment of the assessment.

Such lien may be enforced by foreclosure of the defaulting owner's condominium unit by the Assocaion in like manner as a mortgage or real property upon the recording of a notice or claim thereof. In any such foreclosure, the owner

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shall be required to pay the costs and expenses of such proceedings, the costs and expenses for filing the notice or claim of lien, and all reasonable attorney's fees. The owner shall also be required to pay to the Association a reasonable rental for the condominium unit during the period of foreclosure, and the Association shall be entitled to a receiver to collect the same. The Association shall have the power to bid in the condominium unit at foreclosure sale and to acquire and hold, lease, mortgage and convey same.

Any encumbrancer holding a lien on a condominium unit may pay any unpaid common expense payable with respect to such unit, and upon such payment such encumbrancer shall have a lien on such unit for the amounts paid of the same rank as the lien of his encumbrance.

29. Upon written request of any owner or any enumbrancer or prospective encumbrancer of a condominium unit, the Association, by its Board of Directors, shall issue a written statement setting forth the unpaid common expenses, if any, with respect to the subject unit, the amount of the current monthly assessment and the date that such assessment becomes due, credit for advanced payments, or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Assocation in favor of all persons who rely thereon in good faith. Unless such request for a statement of indebtedness shall be complied with within ten (10) days, all unpaid common expenses which become due prior to the date of making of such request shall be subordinate to the lien of the person requesting such statement.

Upon the sale or conveyance of an apartment, all assessments against a co-owner for his prorate share in the expenses as herein described and levied shall first be paid out of the sales price or by the purchaser, in preference over

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any other assessments or charges of whatever nature except the following:

(a) Assessments, liens and charges in favor of the State and any political subdivision thereof for taxes past due and unpaid on the apartment; and

(b) Amounts due under first mortgage instruments duly recorded.

30. Any owner shall have the right from time to time to mortgage or encumber his interest by deed of Trust, mortgage or other security instrument. A first mortgage shall be one which has first and paramount priority under applicable law. The owner of a condominium unit may create a second mortgage on the following conditions: (1) That any such second mortgage shall always be subordinate to all of the terms, conditions, covenants, restrictions, uses, limitations, obligations, lien for common expenses, and other payments created by this Declaration and by the By-Laws; (2) That the mortgagee under any second mortgage shall release, for the purpose of restoration of any improvements upon the morgaged premises, all of his right, title and interest in and to the proceeds under all insurance policies upon said premises, which insurance policies were effected and placed upon the mortgaged premises by the Associaton. Such release shall be furnished fortwith by a second mortgagee upon written request to the Association.

31. In the event any owner of a condominium unit shall wish to sell the same, and shall have recieved a bona fide offer therefor from a prospective purchaser, the remaining owners shall be given written notice thereof, together with an executed copy of such offer and the terms thereof. Such notice and copy shall be given to the Board of Directors for all of the owners. The Board of Directors or its designee, shall have the right to purchase the subject unit upon the same terms and conditions as set forth in the offer therefor;

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provided written notice of such election to purchase is given to the selling owner, and a matching down payment or deposit is provided to the selling owner during the ten (10) day period immediately following the delivery of the notice of the bona fide offer and copy thereof to the Board of Directors. The right of first refusal shall be exercised by the Board of Directors only with the prior approval of a majority of unit owners.

The right of first refusal may be waived or released by the Board of Directors, either from time to time as the occasion arises or on a continuing basis (subject to right of recission of the continuing waiver or release by the Board of Directors), upon the prior approval of a majority of unit owners.

If the Board of Directors shall not exercise its right of first refusal within the time permitted or shall have waived or released its right as to a particular offering, the unit owner shall thereafter be free to sell his unit to the person(s) identified in the bona fide offer submitted with the notice to the Board of Directors in strict accord with the terms and price contained in said bona fide offer.

Acquisition of condominium units by the Board of Directors, or its designee, may be financed from acquisition reserves (if any), working capital, and common charges in the hands of the Board of Directors; provided that funds held for maintenance, operation or repairs and reserves for replacements shall not be used to acquire units. The Board of Directors is also authorized to borrow money to finance the acquisition of such units; provided, however, that no lien or encumbrance on any property, other than the unit to be acquired, may be given or permitted to secure such financing.

In no case shall the right of first refusal reserved herein affect the right of an owner to subject his interest in the project parcel to a trust deed, mortgage or other security instrument.

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The failure of or refusal by the Board of Directors to exercise the right to so purchase shall not constitute or be deemed to be a waiver of such right to purchase when an owner received any subsequent bona fide offer from a prospective purchaser.

The right of first refusal, as provided in this Article 31, shall not apply or extend to any sale made by Declarant at any time hereafter, whether same is a first sale or a resale of a condominium unit. Additionally, the right of first refusal, as herein provided, shall not apply or extend to any first sale by any unit owner who shall have acquired his unit directly from Declarant on Declarant's first sale of such condominium unit.

Declarant shall have the right to use any apartment unit as a sales office or display or model unit and to display advertising signs at the premises at any time hereafter until all units have been sold by Declarant.

The right of first refusal, as provided herein, shall extend and run from the date of execution of this Declaration for a period of sixty six (66) years.

Except as is otherwise provided in Article 32, and except upon a transfer of title to a Public Trustee, or to a first mortgagee, each Grantor of a condominium unit, upon transferring or conveying his interest, shall incorporate in such instrument of conveyance an agreement that the Grantee carry out the provisions of the "right of first refusal" as provided in this paragraph, which may be by reference generally to his Declaration.

32. This Declaration hereby makes mandatory the irrevocable appointment of an attorney-in-fact to deal with the property upon its destruction or obsolescence.

Title to any condominium unit is declared and expressly made subject to the terms and conditions hereof, and acceptance

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by any grantee of a deed from the Declarant or from any owner shall constitute appointment of the attorney-in-fact herein provided. All of the owners irrevocably constitute and appoint the non-profit association hereinafter named, or its successor non-profit corporation, if same be hereafter organized, their true and lawful attorney in their name, place and stead, for the purpose of dealing with the property upon its destructuion or obsolescence as is hereafter provided. As attorney in fact, the Assocation, by its President and Secretary, shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or any other instrument with respect to the interest of a condominium unit owner which are necessary and appropriate to exercise the powers herein granted. Repair and reconstruction of the improvement(s) as used in the succeeding subparagraphs means restoring the improvement(s) to substantially the same conditions in which same existed prior to the damage, with each unit and the general and limited common elements having the same vertical and horizontal boundaries as before. The proceeds of any insurance collected shall be made available to the Assocation for the purpose of repair, restoration or replacements, unless the owners and all first mortgagees agree not to rebuild.

33. If more than two-thirds (2/3) of all of the general common elements, not including land (as determined by the Assocation Board of Directors), are destroyed or damaged, and if the owners of all said condominium units do not voluntarily within one hundred twenty (120) days thereafter, make provision for reconstruction, which plan must have the unanimous approval or consent of every owner and every first mortgagee, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's President and Secretary, the entire remaining

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premises shall be sold by the Assocation, as attorney-in-fact for all the owners, free and clear of the provisions contained in this Declaration, the Map and the By-Laws. The insurance settlement proceeds shall be collected by the Assocation, and such proceeds shall be divided by the Association according to each unit owner's interest (as such interest appear on the policy or policies) and such divided proceeds shall be paid into as many separate accounts as there are units covered by this declaration, each such account representing one of the condominium units. Each such account shall be in the name of the Association, and shall be further indentified by the number of the apartment unit and the name of the owner. From each separate account, the Assocation, as attorney-in-fact shall use and disburse the total amount (of each) of such accounts, without contribution from any account to another toward the full payment of the lien of any first mortgage against the condominium unit represented by such separate account. There shall be added to each such account, the apportioned amount of the proceeds derived from the sale of the entire property. Such apportionment shall be based upon each condominium unit owner's percentage interest in the general common elements. The total funds, of each account shall be used and disbursed, without contribution from one account to another, by the Association, as attorney-in-fact.

If however, more than two-thirds (2/3) of all of the general common elements, not including land (as determined by the Association Board of Directors), are destroyed or damaged, and if, within one hundred twenty (120) days thereafter, the owners of all condominium units adopt a plan for a reconstruction, which plan has the unanimous approval of all owners and all first mortgagees, then all of the owners shall be bound by the terms and other provisions of such plan. Any assessment made in connection with such plan shall be a common

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expense and made pro rata according to each owner's percentage interest in the general common elements and shall be due and payable as provided by the terms of such plan but not sooner than thirty (30) days after written notice thereof.

The Association shall have the authority to cause the repair of restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an owner to pay the assessment.

The assessment provided for herein shall be a debt of each owner and a lien on his condominium unit and may be enforced and collected as is provided in Article 32.

34. Prior to the first conveyance of any condominium unit, Declarant shall execute and deliver a bill of sale to the Association transferring all items of personal property located on the entire premises and furnished by Declarant, which property is intended for the common use and enjoyment of the condominium unit owners and occupants. No owner shall have any other interest and right thereto, and all such right and interest shall absolutely terminate upon the owner's termination of possession of his condominium unit.

35. If any of the provisions of this Declaration or any paragraph, sentance, clause, phrase, or word, or the application thereof in any circumstances be invalidated, such invalidity shall not affect the validity of the remainder of this Declaration and the application of any such provision, paragraph, sentance, clause, phrase or word in any other circumstances shall not be affected thereby.

36. The provisions of this Declaration shall be in addition and supplemental to the Condominium Ownership Act of the State of Texas and to all other provisions of law.

37. That whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural,

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and the use of any gender shall include all genders.

38. At the request of and as an accommodation to the Declarant, FIDELITY SAVINGS AND LOAN ASSOCATION of Port Arthur, Texas being the owner and holder of a certain lien or certain liens upon the real property herein described joins with Declarant for the purpose of evidencing its subordination of the lien or liens held by it to the establishment of this condominium regime under the Condominium Act of the State of Texas and to the provisions of this declaration. It is however specifically stipulated that by the execution hereof, FIDELITY SAVINGS AND LOAN ASSOCATION does not bind itself, its successors or assigns to any of the affirmative covenants or duties of declarant and expressly disaffirms the assumption of any liability, duty or obligation herein contained on the part of Declarant, its successors or assigns.

IN EVIDENCE WHEREOF, Declarant, RMAC, INC., a Texas corporation acting herein by and through its duly authorized officers, joined herein by FIDELITY SAVINGS AND LOAN ASSOCIATION, has executed this Declaration effective the 14 day of September, 1978.

RMAC, INC.

By _____
President - Jack L. Roubinek

ATTEST:

_____
Secretary - Gearld Clark

FIDELITY SAVINGS AND LOAN ASSOCIATION

By _____
President - Wayne N. Beshears

ATTEST:

_____
Asst. Secretary - Robbie L. Romero

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THE STATE OF TEXAS *

COUNTY OF JEFFERSON *

BEFORE ME, the undersigned authority, on this day personally appeared Jack Roubinek, President of RMAC, INC., known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 14th day of September, 1978.

Virgie Frazier
NOTARY PUBLIC IN AND FOR
JEFFERSON COUNTY, TEXAS
MY COMMISSION EXPIRES: 7-31-79

THE STATE OF TEXAS *

COUNTY OF JEFFERSON *

BEFORE ME, the undersigned authority, on this day personally appeared Wayne W. Beshears, President of FIDELITY SAVINGS AND LOAN ASSOCIATION, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said corporation, and that he executed same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 15th day of September, 1978.

Christina B. LeBlanc
NOTARY PUBLIC IN AND FOR
JEFFERSON COUNTY, TEXAS
MY COMMISSION EXPIRES: 12/20/79
Christina B. LeBlanc

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NOW THEREFORE, Declarant does hereby publish and declare that the following terms, covenants, conditions, easements, restrictions, uses, limitations and obligations shall be deemed to run with the land, shall be a burden and benefit to Declarant, its successors and assigns, and any person acquiring or owning an interest in the real property and improvements, their grantees, successors, heirs, executors, administrators, devisees, and assigns.

1. DEFINITIONS, unless the context shall expressly provide otherwise:

(a) "Apartment" or "Apartment Unit" means an individual air space unit which is contained within the interior surfaces of the perimeter walls, floors and ceilings of a building as shown on the Map marked Exhibit "A".

(b) "Condominium Unit" means one individual air space unit, together with the interest in the general common elements appurtenant to such unit.

(c) "Owner" means a person, firm, corporation, partnership, association or other legal entity, or any combination thereof, who owns one or more condominium units.

(d) "Majority of Unit Owners" means the apartment owners with fifty-one percent (51%) or more of the votes weighted so as to coincide with percentages of ownership assigned in this Declaration to the respective units.

(e) "General Common Elements" means and includes:

(1) The land on which the buildings are located;

(2) The foundations, columns, girders, beams, supports, main walls and roofs;

(3) The yards, gardens, parking area, fences, storage spaces, street, service drives, walks and service easements;

(4) The installations consisting of the equipment and materials making up central services such as power, light, gas and the like;

(5) All other parts of the property necessary or convenient to its existance, maintenance and safety, or normally in common use.

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(f) "Limited Common Elements" means a part of the general common elements reserved for the exclusive use of the owner of a condominium unit; the heating and air conditioning systems serving one condominium unit only and garage or carport parking areas and patio areas indicated on the attached Map as appurtenant limited elements to a specific unit only shall be deemed "limited common elements".

(g) "Entire Premises" or "Property" means and includes the land, the building, all improvements and structures thereon, and all rights, easements and appurtenances belonging thereto.

(h) "Common Expenses" means and includes:

(1) All sums lawfully assessed against the general common elements by the Board of Directors;

(2) Expenses of administration and management, maintenance, repair or replacement of the general common elements;

(3) Expenses agreed upon as common expenses by the owners; and

(4) Expenses declared common expenses by provisions of this Declaration and by the By-Laws.

(i) "Association" means the LUCAS PLACE TOWNHOMES Homeowners Assocation, a Texas Non-Profit Association the by-laws of which shall govern the administration of this Condominium property.

(j) "Map, "Survey Map" or "Plans" means and includes the engineering survey of the land locating thereon all of the improvements, the floor plans and any other drawings or diagrammatic plan, same being herewith filed, labeled as Exhibit "A", and incorporated herein.

2. The Map shall be filed for record simultaneously with the recording of this Declaration as a part hereof, and prior to the first conveyance of any condominium unit. Such Map shall consist of and set forth (i) the legal description of the surface of the land; (ii) the linear measurements and locations, with reference to the exterior boundaries of the land, of the buildings and all other improvements built or to be built on said land by Declarant; (iii) floor plans of the buildings built or to be built thereon showing the location, the building designations, the apartment designation and the square footage of each apartment unit, and the limited common elements.

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3. The real property is hereby divided in the following simple fee simple estates:

(a) Twenty-Eight (28) fee simple estates consisting of twenty-eight (28) separately designated apartment units, each such unit identified by number and by building symbol or designation on the Map, the apartments in said building being described as follows:

BUILDING NUMBER 1- Containing seven (7) apartments, numbered Units 1, 2, 3, 4, 5, 6 and 7, the size, dimension, location and boundaries of each being detailed on the Map hereto attached and marked Exhibit "A".

BUILDING NUMBER 2 - Containing seven (7) apartments, designated Units 8, 9, 10, 11, 12, 13 and 14, the size, dimensions, location and boundaries of each being detailed on the Map hereto attached and marked Exhibit "A".

BUILDING NUMBER 3 - Containing seven (7) apartments, numbered Units 15, 16, 17, 18, 19, 20 and 21, the size, dimensions, location and boundaries of each being detailed on the Map hereto attached and marked Exhibit "A".

BUILDING NUMBER 4 - Containing seven (7) apartments, numbered Units 22, 23, 24, 25, 26, 27 and 28, the size, dimensions, location and boundaries of each being detailed on the Map hereto attached and marked Exhibit "A".

(b) The remaining portion of the entire premises referred to as the "general common elements", which shall be held in common by the owners, the interest of each therein being hereinafter set forth and each undivided interest being appurtenant to one of the twenty-eight (28) apartment units.

(c) The percentage of ownership in the common elements allocated to each apartment is as follows:

Unit Number	Percentage of Ownership
Building Number 1, Unit 1	3.571
Building Number 1, Unit 2	3.571
Building Number 1, Unit 3	3.571
Building Number 1, Unit 4	3.571
Building Number 1, Unit 5	3.571
Building Number 1, Unit 6	3.571
Building Number 1, Unit 7	3.571
Building Number 2, Unit 8	3.571
Building Number 2, Unit 9	3.571
Building Number 2, Unit 10	3.571
Building Number 2, Unit 11	3.571
Building Number 2, Unit 12	3.571
Building Number 2, Unit 13	3.571
Building Number 3, Unit 14	3.571
Building Number 3, Unit 15	3.571
Building Number 3, Unit 16	3.571
Building Number 3, Unit 17	3.571
Building Number 3, Unit 18	3.571
Building Number 3, Unit 19	3.571
Building Number 3, Unit 20	3.571
Building Number 3, Unit 21	3.571

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Building Number 4, Unit 22	3.571
Building Number 4, Unit 23	3.571
Building Number 4, Unit 24	3.571
Building Number 4, Unit 25	3.571
Building Number 4, Unit 26	3.572
Building Number 4, Unit 27	3.572
Building Number 4, Unit 28	3.572
Total:	100.000%

4. A portion of the general common elements is set aside and reserved for the exclusive use of individual owners, such areas being the "limited common elements". The limited common elements reserved for the exclusive use of the individual owners are the carport parking areas, storage spaces and patio spaces, which are shown on the Map. Such spaces are allocated and assigned by the Declaration to the respective condominium units as indicated on said Exhibit "A", the patio assigned to each apartment unit being designated by the language "patio". In like manner, heating and air conditioning systems serving only one condominium unit shall be limited common elements. Such limited common elements shall be used in connection with the particular apartment unit, to the exclusion of the use thereof by the other owners except by invitation.

5. Each apartment and its undivided interest in and to the general common elements appurtenant thereto shall be inseparable and may be conveyed, leased or encumbered only as a condominium unit.

6. Every deed, lease, mortgage, trust deed or other instrument may legally describe a condominium unit by its identifying apartment number and building symbol or designation as shown on the Map, followed by the words "LUCAS PLACE TOWN-HOMES, Beaumont, Jefferson County, Texas" and by reference to this recorded Declaration and Map. Every such description shall be deemed good and sufficient for all purposes to convey, transfer, encumber or otherwise affect the general common elements.

7. Declarant shall give written notice to the assessor-collector of the respective taxing jurisdictions of the creation

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of condominium ownership of this property, as is provided by law, so that each apartment unit and its percentage of undivided interest in the general common elements shall be deemed a separate parcel and subject to separate assessment and taxation.

8. A condominium unit may be held and owned by more than one person as joint tenants, or as tenants in common, or in any real property tenancy relationship recognized under the laws of the State of Texas.

9. The common elements, both general and limited, shall be owned in common by all of the owners of the apartment units and shall remain undivided, and no owner shall bring any action for partition or division of the general common elements. Nothing contained herein shall be construed as a limitation of the right of partition of a condominium unit between the owners thereof, but such partition shall not affect any other condominium unit.

10. Each owner shall be entitled to exclusive ownership and possession of his apartment. Each owner may use the general common elements in accordance with the purpose for which they are intended without hindering or encroaching upon the lawful rights of the other owners.

11. Each apartment shall be occupied and used by the owner only as and for a single family residential dwelling for the owner, his family, his social guests or his tenants.

12. If any portion of the general common elements encroaches upon an apartment unit or units, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. If any portion of an adjoining apartment unit or units encroaches upon any portion of the general common elements, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. For title or other purposes, such encroachment(s)

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and easement(s) shall not be considered or determined to be encumbrances either on the general common elements or the apartment units.

13. Subsequent to the completion of the improvements described on the Map, no labor performed or material furnished and incorporated in an apartment unit with the consent or at the request of the owner thereof, or his agent or his contractor, or subcontractor, shall be the basis for filing of a lien against the general common elements owned by such other owners. Each owner shall indemnify and hold harmless each of the other owners from and against all liability arising from the claim or any lien against the apartment unit of any other owner, or against the general common elements for construction performed or for labor, materials, services or other products incorporated in the owner's apartment unit at such owner's request.

14. The administration of this condominium property shall be governed by By-laws of the Non-Profit assocation hereinabove named and which shall hereinafter be referred to as "Association". A copy of such By-laws shall be furnished to each member of the Assocation and same shall be deemed adopted by a Declarant as sole owner of the property herein described and all future owners and members shall be bound thereby. Every owner of a unit shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of a unit. The Assocation shall have two classes of voting memberships as follows:

CLASS A "Class A Members" shall be all owners with the exception of Declarant and shall be entitled to one vote for each unit. When more than one person holds an interest in any unit all such persons shall be members. The vote for such unit shall be exercised as they determine but in no event shall more than one vote be cast with respect to any unit owned by a "Class A Member".

CLASS B "Class B Member" shall be the Declarant who shall be entitled to three votes for each unit owned. The "Class B Membership" shall cease and be converted to "Class A Membership" upon the happening of either the following events, whichever occurs earlier:

(a) When the total votes outstanding in the "Class A Membership" equal the total votes outstanding in the "Class B Membership" or

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(b) On January 1, 1986.

15. The owners shall have the irrevocable right, to be exercised by the Board of Directors of the Assocation, to have access to each apartment unit from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of any of the general common elements therein or accessible therefrom, or for making emergency repairs therein, necessary to prevent damage to the general or limited common elements or to another apartment unit or units.

16. An owner shall maintain and keep in repair the interior of his own apartment, including the fixtures theron. An owner shall also maintain all electric lines, wires, conduits or systems and the heating and air conditioning system serving his apartment unit, whether within or without same. An owner shall also maintain all the plumbing serving his apartment unit, and maintenance of sewer lines serving more than one (1) apartment unit and running from the end of an apartment unit's single sewer line to the point where such sewer line becomes the property of the City of Beaumont shall be a "common expense".

17. An owner shall do no act nor any work that will impair the structural soundness or integrity of the building or impair any easement or hereditament. No owner shall in any way alter, modify, add to or otherwise perform any work whatever upon any of the common elements, save with written consent of the Board of Directors first obtained.

18. An owner shall not be deemed to own the undecorated and/or unfinished surfaces of the permieter walls, ground and roof surrounding his apartment unit, nor shall such owner be deemed to own the utilities running through his apartment unit, except as a tenant in common. An owner, however, shall be deemed to own and shall maintain the inner decorated and/or finished surfaces of the perimeter and interior walls, floors,

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ceilings, doors, windows and such other elements consisting of paint, wallpaper, floor covering, carpeting and other such finishing materials.

19. Each owner shall comply strictly with the provisions of this Declaration, the By-Laws and the decisions and resolutions of the "Assocation" adopted pursuant thereto as the same may be lawfully amended form time to time. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages or injuctive relief or both, maintainable by the Board of Directors on behalf of the owners or, in a proper case, by an aggrieved owner.

20. This Declaration shall not be revoked, nor shall any of the provisions herein be amended unless all of the owners of Condominium Units and all of the holders of any recorded mortgages or deeds of trust covering or affecting any or all condominium units unanimously consent and agree to such revocation or amendment by instrument(s) duly recorded.

21. Declarant for each unit owned by it hereby covenants and each owner of a unit in the condominium regime is hereby deemed to covenant by acceptance of his deed for such unit whether or not it shall be so expressed in his deed to pay to the association:

(i) Annual assessments, and

(ii) Special assessment for capital improvements.

Such assessments will be established and collected as hereinafter provided. The annual and special assessments together with interest, cost, and reasonable attorney's fees shall be a charge on each unit against which such an assessment is made. Each such assessment together with interest, cost and reasonable attorney fees shall also be the personal obligation of the person or persons who own or owned the unit at the time the assessment fell due, but such personal obligation shall not

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pass to the successor's in title of such person or persons unless expressly assumed by them.

The annual assessments levied by the Association shall be used exclusively:

(i) To promote the health, safety, welfare and recreation of the condominium regime;

(ii) For the improvement and maintenance of the general and limited common areas within the regime;

(iii) For such other expenses, costs and liabilities reasonably necessary for the enjoyment of the condominium regime by its members.

Annual assessment shall include and the Association shall require and pay for out of the funds derived from annual assessments the following:

(a) Maintenance and repair of all common areas;

(b) Water, sewer, garbage, electrical, lighting, telephone, gas and other necessary utility service for the common areas.

(c) Acquisition of furnishings and equipment for the common areas as may be determined by the Assocation including, without limitation, all equipment, furnishings, and personnel necessary or proper for use and enjoyment of the general and limited common areas (however nothing contained in this provision shall be deemed to be a limitation or prohibition on the right of the Association to have special assessment for the purpose of acquiring such equipment and furnishings, subject only to the limitations set forth herein below).

(d) Fire insurance with extended coverage and with vandalism and malicious mischief endorsements attached, casualty and public liability insurance and such other insurance as may be required by the Board of Directors and in such amounts as may be required by the Board of Directors, issued by responsible insurance companies authorized to do business in the State of Texas. The insurance shall be carried in Blanket policy form naming the Board of Directors as Trustee for the unit owners or naming the association as Insured or Insureds, which policy or policies shall identify the interest of each condominium unit owner and which shall provide for a standard non-contributory mortgagee clause in favor of each first mortgagee. It shall also provide that it cannot be cancelled by either the Insured or the insurance company until after ten days prior written notice to each first mortgagee. The Board of Directors, upon request of any first mortgagee, shall furnish a certified copy of such Blanket policy and the separate certificate identifying the interest of each mortgagor. All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to that owner's interest,

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or who permits or fails to prevent the happening of any event, whether occuring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under such policy as to the interest of all other insured owners not guilty of any such act or omission shall not be invalidated or suspended and shall remain in full force and effect. Determination of maximum replacement value of all condominium units for insurance purposes shall be made anually by one or more written appraisals, copies of which shall be furnished to each mortgagee of a condominium unit, upon request. In addition, each owner shall be notified of such appraisals. Unit owners shall not be prohibited from carrying other insurance for their own benefit at their own expense provided that such policies contain waivers of subrogation and further provided that the liability of the carriers issuing insurance procurred by the Board of Directors shall not be affected or diminished by reason of any unit owners insurance.

(e) Liability insurance insuring the Association against any and all liability to the public, to any owner or to the invitee, tenants or contract purchaser of any owner arising out of their occupancy and/or use of the common area. Policy limits shall be set by the Assocation and shall be reviewed at least annually and increased or decreased in the discretion of the Board of Directors.

(f) Workmens Compensation Insurance to the extend necessary to comply with applicable law and any other insurance deemed as necessary by the Board of Directors of the Assocation.

(g) A standard Fidelity bond covering all members of the Board of Directors of the Assocation and all other employees of the Assocation in an amount to be determined by the Board of Directors.

(h) Any other material, supplies, furniture, labor services, maintenance repairs, insurance taxes or assessments which the Association is required to secure or pay pursuant to the terms of this declaration or by law or which shall be necessary or proper in the opinion of the Board of Directors of the Association for the operation of the common area, for the benefit of unit owners or for the enforcement of these restrictions.

22. The power and authority to fix and levy the annual assessments shall rest exclusively with the Board of Directors of the Assocation and when determined and fixed by the Board of Directors as herein provided same shall be final, conclusive, and binding upon each unit owner, his heirs, successors and assigns including contract purchaser. Except for insurance

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premiums the assessment shall be prorated according to each owners percentage interest, referred to hereinabove, in and to the general common elements but not necessarily in such exact proportion as the Board of Directors deems such proration improper or unfair. Assessments for insurance premiums shall be based upon the proportionate of the total premiums that the insurance carried on a condominium unit bears to the total coverage.

23. In addition to the annual maintenance assessments authorized above, the Assocation may levy in any assessment year a special assessment applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of a capital improvement upon or within the common areas, including fixtures and personal property related thereto. Any special assessment shall have the assent of two/thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for that purpose. Written notice of any meeting called for the purpose of taking any action authorized under this paragraph shall be sent to all members not less than ten (10) days or more than sixty (60) in advance of the meeting. At the first such meeting called the presence of members or of proxies entitled to cast fifty percent (50%) or more of all the votes of each class of membership shall constitute a quorum.

24. Assessments shall be due monthly in advance, on or before the fifth (5th) day of each month. Failure to pay an assessment by the fifteenth (15th) day of each month shall require the imposition and assessments of a late charge of five ($5.00) dollars. The Board of Directors shall prepare and deliver or mail regularly, but not less than every six (6) months, to each owner an itemized statement showing the various estimated or actual expenses for which the

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assessments are made.

25. Declarant shall not be liable for assessments prior to the sale or lease of all units.

26. Contribution for monthly assessments shall be prorated if the ownership of a condominium unit commences on a day other than the first day of the month.

27. No owner may exempt himself from liability for his contribution towards the common expenses by waiver of the use or enjoyment of any of the general or common elements, or by abandonment of his apartment.

28. All sums assessed but unpaid for the share of common expenses chargeable to any condominium unit, including interest thereon at ten percent (10%) per annum, shall constitute a lien on such unit superior (prior) to all other liens and encumbrances, except only for:

(a) Tax and Special assessment liens in favor of any assessing unit; and

(b) All sums unpaid on a first mortgage or first deed of trust of record, including all unpaid obligatory sums as may be provided by such encumbrances, and including additional advances made thereon prior to the arising of such a lien.

To evidence such lien the Board of Directors may, but shall not be rquired to, prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the owner of the condominium unit and a description of the condominium unit. Such notice shall be signed by one of the Board of Directors and may be recorded in the office of the Clerk and Recorder of Jefferson County, Texas. Such lien for the common expenses hsall attach from the date of the failure of payment of the assessment.

Such lien may be enforced by foreclosure of the defaulting owner's condominium unit by the Assocaion in like manner as a mortgage or real property upon the recording of a notice or claim thereof. In any such foreclosure, the owner

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shall be required to pay the costs and expenses of such proceedings, the costs and expenses for filing the notice or claim of lien, and all reasonable attorney's fees. The owner shall also be required to pay to the Association a reasonable rental for the condominium unit during the period of foreclosure, and the Association shall be entitled to a receiver to collect the same. The Association shall have the power to bid in the condominium unit at foreclosure sale and to acquire and hold, lease, mortgage and convey same.

Any encumbrancer holding a lien on a condominium unit may pay any unpaid common expense payable with respect to such unit, and upon such payment such encumbrancer shall have a lien on such unit for the amounts paid of the same rank as the lien of his encumbrance.

29. Upon written request of any owner or any enumbrancer or prospective encumbrancer of a condominium unit, the Association, by its Board of Directors, shall issue a written statement setting forth the unpaid common expenses, if any, with respect to the subject unit, the amount of the current monthly assessment and the date that such assessment becomes due, credit for advanced payments, or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Assocation in favor of all persons who rely thereon in good faith. Unless such request for a statement of indebtedness shall be complied with within ten (10) days, all unpaid common expenses which become due prior to the date of making of such request shall be subordinate to the lien of the person requesting such statement.

Upon the sale or conveyance of an apartment, all assessments against a co-owner for his prorate share in the expenses as herein described and levied shall first be paid out of the sales price or by the purchaser, in preference over

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any other assessments or charges of whatever nature except the following:

(a) Assessments, liens and charges in favor of the State and any political subdivision thereof for taxes past due and unpaid on the apartment; and

(b) Amounts due under first mortgage instruments duly recorded.

30. Any owner shall have the right from time to time to mortgage or encumber his interest by deed of Trust, mortgage or other security instrument. A first mortgage shall be one which has first and paramount priority under applicable law. The owner of a condominium unit may create a second mortgage on the following conditions: (1) That any such second mortgage shall always be subordinate to all of the terms, conditions, covenants, restrictions, uses, limitations, obligations, lien for common expenses, and other payments created by this Declaration and by the By-Laws; (2) That the mortgagee under any second mortgage shall release, for the purpose of restoration of any improvements upon the morgaged premises, all of his right, title and interest in and to the proceeds under all insurance policies upon said premises, which insurance policies were effected and placed upon the mortgaged premises by the Associaton. Such release shall be furnished fortwith by a second mortgagee upon written request to the Association.

31. In the event any owner of a condominium unit shall wish to sell the same, and shall have recieved a bona fide offer therefor from a prospective purchaser, the remaining owners shall be given written notice thereof, together with an executed copy of such offer and the terms thereof. Such notice and copy shall be given to the Board of Directors for all of the owners. The Board of Directors or its designee, shall have the right to purchase the subject unit upon the same terms and conditions as set forth in the offer therefor.

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provided written notice of such election to purchase is given to the selling owner, and a matching down payment or deposit is provided to the selling owner during the ten (10) day period immediately following the delivery of the notice of the bona fide offer and copy thereof to the Board of Directors. The right of first refusal shall be exercised by the Board of Directors only with the prior approval of a majority of unit owners.

The right of first refusal may be waived or released by the Board of Directors, either from time to time as the occasion arises or on a continuing basis (subject to right of recission of the continuing waiver or release by the Board of Directors), upon the prior approval of a majority of unit owners.

If the Board of Directors shall not exercise its right of first refusal within the time permitted or shall have waived or released its right as to a particular offering, the unit owner shall thereafter be free to sell his unit to the person(s) identified in the bona fide offer submitted with the notice to the Board of Directors in strict accord with the terms and price contained in said bona fide offer.

Acquisition of condominium units by the Board of Directors, or its designee, may be financed from acquisition reserves (if any), working capital, and common charges in the hands of the Board of Directors; provided that funds held for maintenance, operation or repairs and reserves for replacements shall not be used to acquire units. The Board of Directors is also authorized to borrow money to finance the acquisition of such units; provided, however, that no lien or encumbrance on any property, other than the unit to be acquired, may be given or permitted to secure such financing.

In no case shall the right of first refusal reserved herein affect the right of an owner to subject his interest in the project parcel to a trust deed, mortgage or other security instrument.

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The failure of or refusal by the Board of Directors to exercise the right to so purchase shall not constitute or be deemed to be a waiver of such right to purchase when an owner received any subsequent bona fide offer from a prospective purchaser.

The right of first refusal, as provided in this Article 31, shall not apply or extend to any sale made by Declarant at any time hereafter, whether same is a first sale or a resale of a condominium unit. Additionally, the right of first refusal, as herein provided, shall not apply or extend to any first sale by any unit owner who shall have acquired his unit directly from Declarant on Declarant's first sale of such condominium unit.

Declarant shall have the right to use any apartment unit as a sales office or display or model unit and to display advertising signs at the premises at any time hereafter until all units have been sold by Declarant.

The right of first refusal, as provided herein, shall extend and run from the date of execution of this Declaration for a period of sixty six (66) years.

Except as is otherwise provided in Article 32, and except upon a transfer of title to a Public Trustee, or to a first mortgagee, each Grantor of a condominium unit, upon transferring or conveying his interest, shall incorporate in such instrument of conveyance an agreement that the Grantee carry out the provisions of the "right of first refusal" as provided in this paragraph, which may be by reference generally to his Declaration.

32. This Declaration hereby makes mandatory the irrevocable appointment of an attorney-in-fact to deal with the property upon its destruction or obsolescence.

Title to any condominium unit is declared and expressly made subject to the terms and conditions hereof, and acceptance

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by any grantee of a deed from the Declarant or from any owner shall constitute appointment of the attorney-in-fact herein provided. All of the owners irrevocably constitute and appoint the non-profit association hereinafter named, or its successor non-profit corporation, if same be hereafter organized, their true and lawful attorney in their name, place and stead, for the purpose of dealing with the property upon its destructuion or obsolescence as is hereafter provided. As attorney in fact, the Assocation, by its President and Secretary, shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or any other instrument with respect to the interest of a condominium unit owner which are necessary and appropriate to exercise the powers herein granted. Repair and reconstruction of the improvement(s) as used in the succeeding subparagraphs means restoring the improvement(s) to substantially the same conditions in which same existed prior to the damage, with each unit and the general and limited common elements having the same vertical and horizontal boundaries as before. The proceeds of any insurance collected shall be made available to the Assocation for the purpose of repair, restoration or replacements, unless the owners and all first mortgagees agree not to rebuild.

33. If more than two-thirds (2/3) of all of the general common elements, not including land (as determined by the Assocation Board of Directors), are destroyed or damaged, and if the owners of all said condominium units do not voluntarily within one hundred twenty (120) days thereafter, make provision for reconstruction, which plan must have the unanimous approval or consent of every owner and every first mortgagee, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's President and Secretary, the entire remaining

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premises shall be sold by the Assocation, as attorney-in-fact for all the owners, free and clear of the provisions contained in this Declaration, the Map and the By-Laws. The insurance settlement proceeds shall be collected by the Assocation, and such proceeds shall be divided by the Association according to each unit owner's interest (as such interest appear on the policy or policies) and such divided proceeds shall be paid into as many separate accounts as there are units covered by this declaration, each such account representing one of the condominium units. Each such account shall be in the name of the Association, and shall be further indentified by the number of the apartment unit and the name of the owner. From each separate account, the Assocation, as attorney-in-fact shall use and disburse the total amount (of each) of such accounts, without contribution from any account to another toward the full payment of the lien of any first mortgage against the condominium unit represented by such separate account. There shall be added to each such account, the apportioned amount of the proceeds derived from the sale of the entire property. Such apportionment shall be based upon each condominium unit owner's percentage interest in the general common elements. The total funds, of each account shall be used and disbursed, without contribution from one account to another, by the Association, as attorney-in-fact.

If however, more than two-thirds (2/3) of all of the general common elements, not including land (as determined by the Association Board of Directors), are destroyed or damaged, and if, within one hundred twenty (120) days thereafter, the owners of all condominium units adopt a plan for a reconstruction, which plan has the unanimous approval of all owners and all first mortgagees, then all of the owners shall be bound by the terms and other provisions of such plan. Any assessment made in connection with such plan shall be a common

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expense and made pro rata according to each owner's percentage interest in the general common elements and shall be due and payable as provided by the terms of such plan but not sooner than thirty (30) days after written notice thereof.

The Association shall have the authority to cause the repair of restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an owner to pay the assessment.

The assessment provided for herein shall be a debt of each owner and a lien on his condominium unit and may be enforced and collected as is provided in Article 32.

34. Prior to the first conveyance of any condominium unit, Declarant shall execute and deliver a bill of sale to the Association transferring all items of personal property located on the entire premises and furnished by Declarant, which property is intended for the common use and enjoyment of the condominium unit owners and occupants. No owner shall have any other interest and right thereto, and all such right and interest shall absolutely terminate upon the owner's termination of possession of his condominium unit.

35. If any of the provisions of this Declaration or any paragraph, sentance, clause, phrase, or word, or the application thereof in any circumstances be invalidated, such invalidity shall not affect the validity of the remainder of this Declaration and the application of any such provision, paragraph, sentance, clause, phrase or word in any other circumstances shall not be affected thereby.

36. The provisions of this Declaration shall be in addition and supplemental to the Condominium Ownership Act of the State of Texas and to all other provisions of law.

37. That whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural,

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and the use of any gender shall include all genders.

38. At the request of and as an accommodation to the Declarant, FIDELITY SAVINGS AND LOAN ASSOCATION of Port Arthur, Texas being the owner and holder of a certain lien or certain liens upon the real property herein described joins with Declarant for the purpose of evidencing its subordination of the lien or liens held by it to the establishment of this condominium regime under the Condominium Act of the State of Texas and to the provisions of this declaration. It is however specifically stipulated that by the execution hereof, FIDELITY SAVINGS AND LOAN ASSOCATION does not bind itself, its successors or assigns to any of the affirmative covenants or duties of declarant and expressly disaffirms the assumption of any liability, duty or obligation herein contained on the part of Declarant, its successors or assigns.

IN EVIDENCE WHEREOF, Declarant, RMAC, INC., a Texas corporation acting herein by and through its duly authorized officers, joined herein by FIDELITY SAVINGS AND LOAN ASSOCIATION, has executed this Declaration effective the 14 day of September, 1978.

RMAC, INC.

By _____
President - Jack L. Roubinek

ATTEST:

_____
Secretary - Gearld Clark

FIDELITY SAVINGS AND LOAN ASSOCIATION

By _____
President - Wayne W. Beshears

ATTEST:

_____
Asst. Secretary - Robbie L. Romero

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THE STATE OF TEXAS *

COUNTY OF JEFFERSON *

BEFORE ME, the undersigned authority, on this day personally appeared Jack Roubinek, President of RMAC, INC., known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 14th day of September, 1978.

Virgie Frazier
NOTARY PUBLIC IN AND FOR
JEFFERSON COUNTY, TEXAS
MY COMMISSION EXPIRES: 10-1-79

THE STATE OF TEXAS *

COUNTY OF JEFFERSON *

BEFORE ME, the undersigned authority, on this day personally appeared Wayne W. Beshears, President of FIDELITY SAVINGS AND LOAN ASSOCIATION, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said corporation, and that he executed same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 15th day of September, 1978.

Christina B. LeBlanc
NOTARY PUBLIC IN AND FOR
JEFFERSON COUNTY, TEXAS
MY COMMISSION EXPIRES: 12/20/79
Christina B. LeBlanc

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APPENDIX 24

HUD LEGAL POLICIES. The attached policy statements will serve to assist attorneys certifying that legal documents meet HUD's objectives. Legal documents submitted to HUD for project approval must be accompanied by certification from the mortgagee's attorney or other attorney that the documents comply with State and local condominium laws, HUD regulations and with the HUM policy statements attached.

NOTE: HUD will accept legal documents that have been accepted by FNMA, FHLMC, and/or VA. Evidence shall be submitted that the documents have been approved.

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APPENDIX 24

October, 1980

REVISED LEGAL POLICIES*

1. TYPES OF CONDOMINIUMS

The following types of basic ownership arrangements are generally acceptable provided they are established in compliance with the applicable condominium law of the jurisdiction(s) in which the condominium is located:

(a) Ownership of units by individual owners coupled with an undivided interest in all common elements.

(b) Ownership of units by individual owners coupled with an undivided interest in general common elements and specified limited common elements.

The agencies and corporations will consider for approval, on an individual case basis, an arrangement involving

ownership of units by individual owners coupled with an undivided interest in the general common elements and/or limited common elements, with title to additional property for common use vested in an association of unit owners, where such a configuration of ownership is not precluded

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* The Revised Legal Policies set forth herein provide a listing of those general policies agreed to by HUD, VA, FNMA, and FHLMC with respect to provisions of legal significance usually contained in the constituent legal documentation for a condominium project. The applicable regulations and related publications of the Department of Housing and Urban Development and the Veterans Administration and the basic contracts and guides of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) should be consulted for a complete statement of the respective legal policies and requirements of each Task Force member organization governing their approval of condominiums or unit mortgages.

** Not applicable to conventionally financed existing condominium projects.

by the applicable condominium law. As to this type of ownership arrangement, in addition to compliance with the requirements of the organizations' respective condominium programs, there must be compliance with the applicable requirements of the organizations, respective planned unit development (PUD) programs.

The above descriptions of types of ownership arrangements are not intended to exclude other variations. Other forms of ownership may be acceptable, on an individual case basis, to any or all of the agencies and corporations.

2. ESTATE OF UNIT OWNER

The legal estate of each unit owner must generally be held in fee simple or acceptable leasehold estate. The acceptability of leasehold estates varies among the agencies and corporations.

The declaration or equivalent document shall allocate an undivided interest in the common elements to each unit. Such interest may be allocated equally to each unit, may be proportionate to that unit's relative size or value, or may be allocated according to any other specified criteria provided that the method chosen is equitable and reasonable for that condominium.

3. CONDOMINIUM DOCUMENTATION

(a) Compliance with applicable law. The declaration, by-laws and other enabling documentation shall conform to the

laws governing the establishment and maintenance of condominium regimes within the jurisdiction in which the condominium is located, and to all other laws which apply to the condominium.

(b) Recordation. The declaration and all amendments or modifications thereof shall be placed of record in the manner prescribed by the appropriate jurisdiction.

If recording of plats, plans, or by-laws or equivalent documents and all amendments or modifications thereof is the prevailing practice or is required by law within the jurisdiction where the project is located, then such documents shall be placed of record. If the by-laws are not recorded, then covenants, restrictions and other matters requiring record notice should be contained in the declaration or equivalent document.

(c) Availability. The owners association shall be required to make available to unit owners, lenders and the holders and insurers of the first mortgage on any unit, current copies of the declaration, by-laws and other rules governing the condominium, and other books, records and financial statements of the owners association. The owners association also shall be required to make available to prospective purchasers current copies of the declaration, by-laws, other rules governing the condominium, and the most recent annual audited financial statement, if such is prepared.

"Available" shall at least mean available for inspection upon request, during normal business hours or under other reasonable circumstances.

The declaration, or its equivalent, shall provide that upon written request from any of the agencies or corporations which has an interest or prospective interest in the condominium, the owners association shall be required to prepare and furnish within a reasonable time an audited financial statement of the owners association for the immediately preceding fiscal year.

4. REAL PROPERTY DESCRIPTION

(a) Property Description. The description of the units, common elements, any recreational facilities and other related amenities, and any limited common elements shall be clear and in conformity with the law of the jurisdiction where the project is located. Responsibility for maintenance and repair of all portions of the condominium shall be clearly set forth.

** (b) Developmental Plan. The description or other legally enforceable and binding document must state in a reasonable manner the overall development plan of the condominium, including building types, architectural style and the size of the units. Under the applicable

provisions of the declaration or such other legally

enforceable and binding document, the development of the condominium must be consistent with the overall plan, except that the declarant may reserve the right to change the overall plan or decide not to construct planned units or improvements to the common elements if the declaration sets forth the conditions required to be satisfied prior to the exercise of that right, the time within which the right may be exercised, and any other limitations and criteria that would be necessary or appropriate under the particular circumstances. Such conditions, time restraints and other limitations must be reasonable in light of the overall plan for the condominium.

5. DECLARANT'S RIGHTS AND RESTRICTIONS

(a) Disclosure and Reasonableness of Reserved Rights. Any right reserved by the declarant must be reasonable and set forth in the declaration.

(b) Examples of Acts and Reserved Rights Which are Usually Unacceptable. The following action on the part of the declarant, the developer, an affiliate of the declarant, the sponsor of a project, or any other party, (collectively referred to as "declarant") usually would be unacceptable.

Binding the owners association either directly or

indirectly to any of the following agreements unless the owners association shall have a right of termination thereof which is exercisable without penalty at any time after transfer of control, upon not more than 90 days' notice to the other party thereto:

(i) Any management contract, employment contract or lease of recreational or parking areas or facilities;

(ii) Any contract or lease, including franchises and licenses, to which a declarant is a party.

The requirements of (i) and (ii) of this subparagraph do not apply to acceptable ground leases.

As used in this section, "affiliate of a declarant" shall mean any person or entity which controls, is controlled by, or is under common control with, a declarant. A person or entity shall be deemed to control a declarant if that person or entity (i) is a general partner, officer, director, or employee of the declarant; (ii) directly or indirectly or acting in concert with one or more persons, or through one or more subsidiaries, owns, controls, or holds with power to vote, or holds proxies representing, more than 20 percent of the voting shares of the declarant; (iii) controls in any manner the election of a majority of the directors of the declarant; or (iv) has contributed more than 20 percent

of the capital of the declarant. A person or entity shall be deemed to be controlled by a declarant if the declarant (i) is a general partner, officer, director, or employee of that person or entity; (ii) directly or indirectly or acting in concert with one or more persons or through one or more subsidiaries, owns, controls, or holds with power to vote, or holds proxies representing, more than 20 percent of the voting share of that person or entity; (iii) controls in any manner the election of a majority of the directors of that person or entity; or (iv) has contributed more than 20 percent of the capital of that person or entity.

(c) Examples of Reserved Rights Which are usually Acceptable. The following rights in the common elements may usually be reserved by the declarant for a reasonable period of time, subject to a concomitant obligation to restore:

(1) Easement over and upon the common elements and upon lands appurtenant to the condominium for the purpose of completing improvements for which provision is made in the declaration, but only if access thereto is otherwise not reasonably available.

(2) Easement over and upon the common elements for the purpose of making repairs required pursuant to the declaration or contracts of sale made with unit purchasers.

(3) Right to maintain facilities in the common areas which are identified in the declaration and which are reasonably necessary to market the units. These may include sales and management offices, model units, parking areas, and advertising signs.

6. TRANSFER OF CONTROL

(a) The declarant shall relinquish all special rights, expressed or implied, through which the declarant may directly or indirectly control, direct, modify, or veto any action of the owners association, its executive board, or a majority of unit owners, and control of the owners association shall pass to the owners of units within the project, not later than the earlier of the following:

** (1) 120 days after the date by which 75 percent of the units have been conveyed to unit purchasers, or

** (2) The last date of a specified period of time following the first conveyance to a unit purchaser, such period of time to be reasonable for the particular project and to be subject to approval in each instance by the agency or corporation concerned. The maximum acceptable period usually will be from three to five years for single phased condominium regimes and five to seven years for expandable condominiums.

(b) The foregoing requirements shall not affect the declarant's rights, as a unit owner, to exercise the votes allocated to units which it owns.

** (c) Declarants should provide for and foster early participation of unit owners in the management of the project.

** (d) FNMA and FHLMC will consider on a case basis possible modifications or variations of the requirements in subparagraph (a) above particularly in circumstances involving very large condominium developments.

7. OWNERS ASSOCIATION'S RIGHTS AND RESTRICTIONS

(a) Right of Entry Upon Units and Limited Common Elements. The owners association shall be granted a right of entry upon unit premises and any limited common elements to effect emergency repairs, and a reasonable right of entry thereupon to effect other repairs, improvements, replacement or maintenance deemed necessary.

(b) Power to Grant Rights and Restrictions in Common Elements. The owners association should be granted other rights, such as the right to grant utility easements under, through or over the common elements, which are reasonably necessary to the ongoing development and operation of the project.

(c) Responsibility for Damage to Common Elements and Units. A provision may be made in the declaration or by-laws for allocation of responsibility for damages resulting from the exercise of any of the above rights.

(d) Assessments. (1) Levy and collection. The declaration or its equivalent shall describe the authority of the owners association to levy and enforce the collection of general and special assessments for common expenses and shall describe adequate remedies for failure to pay such common expenses. The common expenses assessed against any unit, with interest, costs and reasonable attorney's fees shall be a lien upon such unit in accordance with applicable law. Each such assessment, together with interest, costs, and attorney's fees shall also be the personal obligation of the person who was the owner of such unit at the time the assessment fell due. The personal obligation for delinquent assessments shall not pass to successors in title or interest unless assumed by them, or required by applicable law.

Common expenses as used in this Statement of Policies shall mean expenditures made or liabilities incurred by or on behalf of the owners association, together with any assessments for the creation and maintenance of reserves.

(2) Reserves and Working Capital. There shall be established an adequate reserve fund for the periodic maintenance, repair and replacement of the common elements, which fund shall be maintained out of regular assessments for common expenses. Additionally, a working capital fund must be established for the initial months of the project operations equal to at least a two months' estimated common area charge for each unit.

(3) Priority of Lien. To the extent permitted by applicable law, HUD, VA, FNMA and FHLMC require that the declaration shall provide any lien of the owners association for common expense charges and assessments becoming payable on or after the date of recordation of the first mortgage, shall be subordinate to the first mortgage on the unit. Such a lien for common expense charges and assessments shall not be affected by any sale or transfer of a unit, except that a sale or transfer of a unit pursuant to a foreclosure of a first mortgage shall extinguish a subordinate lien for common expense charges and assessments which became payable prior to such sale or transfer. Any such sale or transfer pursuant to a foreclosure shall not relieve the purchaser or transferee of a unit from liability for, nor

the unit so sold or transferred from the lien of, any common expense charges thereafter becoming due.

8. UNIT OWNERS' RIGHTS AND RESTRICTIONS

(a) Obligation to pay expenses. The declaration or equivalent document shall establish a duty on each unit owner, including the declarant, to pay a proportionate share of common expenses upon being assessed therefor by the owners association. Such share may be allocated equally to each unit, may be proportionate to that unit's common element interest, relative size or value, or may be allocated according to any other specified criteria provided that the method chosen is equitable and reasonable for that condominium.

(b) Voting Rights. The declaration or equivalent document shall allocate a portion of the votes in the association to each unit. Such portion may be allocated equally to each unit, may be proportionate to that unit's common expense liability, common element interest, relative size or value, or may be allocated according to any other specified criteria provided that the method is equitable and reasonable for that condominium. The declaration may provide different criteria for allocations of votes to the units on

particular specified matters and may also provide

different percentages of required unit owner approvals for such particular specified matters.

(c) Ingress and Egress of Unit owners. There may not be any restriction upon any unit owner's right of ingress and egress to his or her unit. It is recommended that the declaration affirmatively provide for the right of ingress to and egress from such unit, with such right being perpetual and appurtenant to the unit ownership.

(d) Easements for Encroachments - Units and Common Elements. In the event any portion of the common elements encroaches upon any unit or any unit encroaches upon the common elements or another unit as a result of the construction, reconstruction, repair, shifting, settlements, or movement of any portion of the improvements, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists. The declaration may provide, however, reasonable limits on the extent of any easement created by the overlap of units, common elements, and limited common elements resulting from such encroachments.

(e) Right of First Refusal. The right of a unit owner to sell, transfer, or otherwise convey his or her unit in

a condominium shall not be subject to any right of first refusal or similar restriction. It is recommended that

the declaration affirmatively provide that a unit owner may transfer his or her unit free of any such restriction.

(f) Leasing Restrictions. (1) All leases should be in writing and be subject to the declaration and by-laws. (2) FNMA, HUD and VA agree that unit owners should be prohibited from leasing their units for an initial term of less than 30 days. The three organizations would not object to a requirement that leases have a minimum initial term of up to six months; however, they agree that no prohibition related to the term of a lease shall apply to a lease having an initial term exceeding six months. While FHLMC does not have any requirements regarding minimum lease terms, it would not object to documents meeting the requirements of the other organizations.

9. FIRST LIEN HOLDERS' RIGHTS

(a) Notices of Action. A holder, insurer or guarantor of a first mortgage, upon written request to the owners association, (such request to state the name and address of such holder, insurer or guarantor and the unit number), will be entitled to timely written notice of:

(1) Any proposed amendment of the condominium instruments effecting a change in (i) the boundaries of

any unit or the exclusive easement rights appertaining thereto, (ii) the interests in the general or limited common elements appertaining to any

unit or the liability for common expenses appertaining thereto, (iii) the number of votes in the owners association appertaining to any unit or (iv) the purposes to which any unit or the common elements are restricted;

(2) Any proposed termination of the condominium regime;

(3) Any condemnation loss or any casualty loss which affects a material portion of the condominium or which affects any unit on which there is a first mortgage held, insured or guaranteed by such eligible holder;

(4) Any delinquency in the payment of assessments or charges owed by an owner of a unit subject to the mortgage of such eligible holder, insurer or guarantor, where such delinquency has continued for a period of 60 days;

(5) Any lapse, cancellation or material modification of any insurance policy maintained by the owners association pursuant to paragraph 14(a)(i) and (ii).

(b) Other Provisions for First Lien Holders. To the extent

possible under applicable law, the following protections for the benefit of first mortgage holders must be legally binding with respect to the condominium by virtue of the constituent documents, applicable law or otherwise:

(1) Any restoration or repair of the condominium after a partial condemnation or damage due to an insurable hazard shall be substantially in accordance with the declaration and the original plans and specifications unless the approval of the eligible holders of first mortgages on units to which at least 51% of the votes of units subject to mortgages held by such eligible holders are allocated, is obtained.

(2) Any election to terminate the condominium regime after substantial destruction or a substantial taking in condemnation of the condominium property must require the approval of the eligible holders of first mortgages on units to which at least 51% of the votes of units subject to mortgages held by such eligible holders are allocated.

(3) Unless the formula for reallocation of interests in the common elements after a partial condemnation or partial destruction of the condominium project

is fixed in advance by the declaration or by applicable law, no reallocation of interests in the common elements resulting from a partial condemnation or partial destruction of the condominium project may be effected without the approval of the eligible holders of first mortgages on units to which at least 51% of the votes of units subject

to mortgages held by such eligible holders are allocated.

NOTE: As used in this section, the term "eligible holder, insurer or guarantor" shall mean a holder, insurer or guarantor of a first mortgage on a unit in a condominium which has requested notice in accordance with the provisions of Section 9(a) above.

10. AMENDMENT TO DOCUMENTS

The following provisions do not apply to amendments to the constituent documents or termination of the condominium regime made as a result of destruction, damage or condemnation pursuant to Section 9 above, or to a reallocation of interests in the common elements which might occur pursuant to any plan of expansion or phased development previously approved by the agencies and corporations, to the extent such approval was required under the applicable condominium programs of the

agencies and corporations. VA will accept, but does not require, the provisions of this Section 10.

(a) The consent of owners of units to which at least 67 percent of the votes in the owners association are allocated and the approval of the eligible holders of first mortgages on units to which at least 67 percent of the votes of units subject to a mortgage appertain, shall be required to terminate the condominium regime.

(b) The consent of owners of units to which at least 67 percent of the votes in the owners association are allocated and the approval of eligible holders of first mortgages on units to which at least 51 percent of the votes of units subject to a mortgage appertain, shall be required to materially amend any provisions of the declaration, by-laws or equivalent documents of the condominium, or to add any material provisions thereto, which establish, provide for, govern or regulate any of the following:

(1) Voting;

(2) Assessments, assessment liens or subordination of such liens;

(3) Reserves for maintenance, repair and replacement of the common elements;

(4) Insurance or Fidelity Bonds;

(5) Rights to use of the common elements;

(6) Responsibility for maintenance and repair of the several portions of the condominium;

(7) Expansion or contraction of the condominium regime or the addition, annexation or withdrawal of property to or from the regime;

(8) Boundaries of any unit;

(9) The interests in the general or limited common elements;

(10) Convertibility of units into common elements or of common elements into units;

(11) Leasing of units;

(12) Imposition of any right of first refusal or similar restriction on the right of a unit owner to sell, transfer, or otherwise convey his or her unit in the condominium;

(13) Establishment of self-management by the condominium association where professional management has been required by any of the agencies or corporations.

(c) The consent of owners of units to which at least 67 percent of the votes in the owners association are allocated and the approval of eligible holders of first mortgages on units to which at least 51 percent of the

votes of units subject to a mortgage appertain, shall be required to amend any provisions included in the declaration, by-laws or equivalent documents of the condominium which are for the express benefit of holders or insurers of first mortgages on units in the condominium.

(d) For first mortgagees to be eligible holders under Section 10, they must request notice in accordance with the provisions of Section 9(a).

11. RIGHTS OF ACTION

The owners association and any aggrieved unit owner shall be granted a right of action against unit owners for failure to comply with the provisions of the declaration, by-laws, or equivalent documents, or with decisions of the owners association which are made pursuant to authority granted the owners association in such documents. Unit owners shall have similar rights of action against the owners association.

** 12. FLEXIBLE CONDOMINIUMS

(a) Expandable Condominiums. The following policies apply to condominium regimes which may be increased in size by the declarant.

(1) The declarant's right to expand the regime must be fully described in the declaration. The declaration

must contain provisions adequate to ensure that future improvements to the condominium will be consistent with initial improvements in terms of quality of construction.

(2) The reservation of a right to expand the condominium regime, the method of expansion and the result of

an expansion must not affect the statutory validity of the condominium regime or the validity of title to the units.

(3) The declaration or equivalent document must contain provisions satisfactory to HUD, VA and FNMA, requiring that no additional property may be added to the existing condominium without the prior written consent of each of them that holds, insures or guarantees any mortgage in such existing condominium at the time such property is to be added. Such consent will not be withheld if the property to be added substantially conforms to a plan of expansion which has been fully described in the declaration or equivalent document and the other requirements of these policies have been met.

(4) The declaration must provide that all improvements on the property to be added shall be substantially completed before such property is added to the

existing condominium.

(5) Liens arising in connection with the declarant's ownership of, and construction of improvements upon, the property to be added must not adversely affect the rights of existing unit owners, or the priority of first mortgages on units in the existing condominium property. All taxes and other assessments relating to such property, covering any period

prior to the addition of the property, must be paid or otherwise satisfactorily provided for by the declarant.

If FNMA holds any mortgage in the existing condominium at the time additional property is to be added, FNMA must be furnished with title evidence, in a form satisfactory to it, which discloses any lien, easement or other encumbrance affecting the property to be added or which will affect the existing condominium property after such addition.

(6) The declarant's right to expand the condominium must be for a reasonable period of time with a specific ending date. The maximum acceptable period usually will be from five to seven years after the date of recording the declaration.

(7) The declaration or equivalent document shall clearly

set forth the basis for reallocation of unit owners' ownership interests, common expense liabilities and voting rights in the event the number of units in the condominium is increased. Such reallocation shall be according to the applicable criteria set forth in Sections 2, 8(a) and 8(b) of these policies.

** (b) Other Flexible Condominiums. Condominiums containing withdrawable real estate (contractable condominiums)

and condominiums containing convertible real estate (portions of the condominium within which additional units or limited common elements, or both, may be created) will be considered by the agencies and corporations on an individual case basis.

13. POLICIES FOR BY-LAWS

The by-laws of the condominium should be sufficiently detailed for the successful governance of the condominium by unit owners. Among other things, such documents should contain adequate provisions for the election and removal of directors and officers.

14. INSURANCE AND RELATED REQUIREMENTS

The following provisions of (a) and (b) contain the requirements of HUD, FNMA and FHLMC regarding insurance of condominiums. VA suggests that the insurance requirements of

HUD, FNMA and FHLMC in (a) and (b) be followed. VA insurance requirements are governed by Sections 36.4326 and 36.4359(e) of Title 38 of the Code of Federal Regulations. The provisions in (c) relating to "Qualifications of Insurance Carriers" are applicable only to FNMA and FHLMC; HUD and VA take no position with respect to these provisions. Paragraph (d) of this section contains requirements regarding condemnation and total or partial loss or destruction of the condominium property, which requirements are applicable only to FNMA. FHLMC, HUD and VA have no specific requirements

related to condemnation and loss or destruction to the condominium property, but would accept a project which is in conformity therewith. In addition to the following provisions the owners association must maintain any insurance coverage required by law, such as workmen's compensation insurance. Without limiting or diminishing the responsibilities of the mortgagee under the HUD mortgage insurance contract to obtain and maintain insurance in an amount sufficient to protect the security against the risks or hazards to which the property may be subjected, HUD agrees that the owners association must be required to maintain adequate blanket property insurance, liability insurance, flood insurance, fidelity bond coverage and workmen's compensation insurance by virtue of provisions in the declaration or equivalent document or by

applicable law in accordance with the requirements in (a) and (b) of Section 14 hereof.

(a) Type and Scope of Insurance Coverage Required

(i) Insurance for Fire and Other Perils

The owners association must be required either by the terms of the declaration (or other appropriate constituent document of the condominium) or by applicable law, to obtain, maintain, and pay the premiums upon, as a common expense, a "master" or "blanket" type policy of property insurance covering all of the common

elements and limited common elements, (except land, foundation, excavation and other items normally excluded from coverage) including fixtures, to the extent they are part of the common elements of the condominium, building service equipment and supplies, and other common personal property belonging to the owners association. All references herein to a "master" or "blanket" type policy of property insurance, are intended to denote single entity condominium insurance coverage. In addition, any fixtures, equipment or other property within the units which are to be financed by a mortgage to be purchased by FNMA or FHLMC (regardless of whether or not such property is a part of the common elements)

must, by the terms of the declaration or equivalent document, be required to be covered in such "blanket" or "master" policy. The declaration or other appropriate constituent document of the condominium must contain a clear delineation of all property which is to be covered by such policy. For the purposes hereof, the term "limited common elements" shall have the meaning described by any applicable law of the jurisdiction or as defined in the declaration or other constituent document of the condominium.

Such policy must be consistent with state and local insurance laws and at least equal to such coverage as is commonly required by prudent institutional mortgage investors in the area in which the condominium is

located. The policy shall be in an amount equal to 100% of current replacement cost of the condominium exclusive of land, foundation, excavation and other items normally excluded from coverage.

The name of the insured under such solicits must be set forth therein substantially as follows:

"Association of Owners of the _____ Condominium for use and benefit of the individual owners (designated by name if required by law)."

The policies may also be issued in the name of an authorized

representative of the owners association, including any insurance trustee with whom the association has entered into an Insurance Trust Agreement, or any successor trustee, as insured, for the use and benefit of the individual owners. Loss payable shall be in favor of the owners association (or Insurance Trustee), as a trustee, for each unit owner and each such owner's mortgagee. The owners association or insurance trustee, if any, must be required to hold any proceeds of insurance in trust for unit owners and their first mortgage holders, as their interests may appear. Each unit owner and each unit owner's mortgagee, if any, shall be beneficiaries of the policy in the percentage of common ownership or in an amount determined pursuant to a reasonable formula prescribed in the declaration or appropriate

exhibit thereto. Certificates of insurance shall be issued to each unit owner and mortgagee upon request. Such policies shall contain the standard mortgage clause, or equivalent endorsement (without contribution), which is commonly accepted by private institutional mortgage investors in the area in which the property is located and which appropriately names FNMA and FHLMC if such corporations are holders of first mortgages on units within the condominium. Such policies must also provide

that they may not be cancelled or substantially modified, without at least 10 days' prior written notice to the owners association and to each holder of a first mortgage listed as a scheduled holder of a first mortgage in the policies.

Policies are unacceptable where: (i) under the terms of the insurance carrier's charter, by-laws, or policy, contributions or assessments may be made against borrowers, FNMA, FHLMC, or the designee of FNMA or FHLMC; or (ii) by the terms of the carrier's charter, by-laws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members, or (iii) the policy includes any limiting clauses (other than insurance conditions) which could prevent FNMA, FHLMC, or the borrowers from collecting insurance proceeds.

The policies must also provide for the following: recognition of any, Insurance Trust Agreement; a waiver of the right of subrogation against unit owners individually; that the insurance is not prejudiced by any act or neglect of individual unit owners which is not in the control of such owners collectively; and that the policy in primary in the event the unit owner has other insurance covering the same loss. The requirements

stated in this paragraph are generally provided by the insurer in the form of a "Special Condominium Endorsement" or its equivalent.

The insurance policy shall afford, as a minimum, protection against the following:

(1) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement;

(2) in the event the condominium contains a steam boiler, loss or damage resulting from steam boiler equipment accidents in an amount not less than $50,000 per accident per location (or such greater amount as deemed prudent based on the nature of the property);

(3) all other perils which are customarily covered with respect to condominiums similar in construction, location and use, including all perils

normally covered by the standard "all-risk" endorsement, where such is available.

** In addition, FNMA requires that such policies include an "Agreed Amount Endorsement" and, if available, an "Inflation Guard Endorsement". FHLMC requires the foregoing endorsements only if they are available and are commonly required by prudent institutional mortgage

investors in the area in which the condominium is located. FNMA and FHLMC may also require, on an individual case basis, construction code endorsements (such as a Demolition Cost Endorsement, a Contingent Liability from Operation of Building Laws Endorsement and an Increased Cost of Construction Endorsement) if the condominium is subject to a construction code provision which would become operative and require changes to undamaged portions of the building(s), thereby imposing significant costs in the event of partial destruction of the condominium by an insured hazard.

(ii) Liability Insurance

The owners association must be required either by the terms of the declaration (or other appropriate constituent document of the condominium) or by applicable law, to maintain comprehensive general liability insurance coverage covering all of the common elements, commercial space owned and leased by the owners association, and public ways of the condominium project. Coverage limits

shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location, and use. However, such coverage shall be for at least $1,000,000 for bodily injury, including deaths of persons and property damage arising

out of a single occurrence, with the exception that FHLMC does not require coverage in such amount if the condominium consists of 30 or fewer units. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the common elements, and legal liability arising out of lawsuits related to employment contracts of the owners association. Such policies must provide that they may not be cancelled or substantially modified, by any party, without at least 10 days' prior written notice to the owner's association and to each holder of a first mortgage on any unit in the condominium which in listed as a scheduled holder of a first mortgage in the insurance policy. FNMA and FHLMC may also require such

** coverage to include protection against such other risks as are customarily covered with respect to condominiums similar in construction, location and use, including, but not limited to, host liquor liability, employers liability insurance, contractual and all-written contract

insurance, and comprehensive automobile liability insurance.

(iii) Flood Insurance

FNMA and FHLMC will not purchase any mortgage secured by a condominium property located in an area which has been identified by the Secretary of Housing and Urban Development as having special flood hazards (by publication in the Federal Register of a Flood Insurance Boundary Map or Insurance Rate Map) for which flood insurance is not available because the community in which the condominium is located is ineligible for participation in the National Flood insurance Program, except for any mortgage which was closed prior to July 1, 1975 or is closed within one year following the publication of the Flood Hazard boundary Map, whichever is later.

Where the condominium is located within an area which has been officially identified by the Secretary of Housing and Urban Development as having special flood hazards and for which flood insurance has been made available under the National Flood Insurance Program (NFIP), the owners association must be required by the terms of the declaration or other appropriate constituent document of the condominium to obtain and pay the premiums upon, as a common expense, a "master" or "blanket" policy of flood insurance on the buildings and any

other property covered by the required form of policy (herein insurable property), in an amount deemed appropriate by the owners association, but not less than the following:

The lesser of: (a) the maximum coverage available under the NFIP for all buildings and other insurable property within the condominium to the extent that such buildings and other insurable property are within an area having special flood hazards; or (b) 100% of current replacement cost" of all such buildings and other insurable property within such area.

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

(iv) Fidelity Bonds

By the terms of the declaration or other appropriate constituent document of the condominium, blanket fidelity bonds shall be required to be maintained by the owners association for all officers, directors, and employees of the owners association and all other persons handling, or responsible for, funds of or administered by the owners association. Where the management agent has the responsibility for handling or administering funds of the owners association, the management

agent shall be required to maintain fidelity bond coverage for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the owners association. Such fidelity bonds shall name the owners association as an obligee and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the owners association or the management agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than a sum equal to 3 months aggregate assessments on all units plus reserve funds. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions. The premiums on all bonds required herein, except those maintained by the management agent, shall be paid by the owners association as a common expense. The bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least 10 days' prior written notice to the

** owners association or Insurance Trustee. The Federal National Mortgage Association also requires, as a condition to approval of condominium projects, that such bonds provide that the FNMA Servicer, on behalf of FNMA, also,

receive such notice of cancellation or modification.

Fidelity bond coverage is not required for condominiums consisting of 30 or fewer units.

(b) Insurance Trustees; Power of Attorney

The declaration or other appropriate constituent document of the condominium shall provide that, notwithstanding any of the foregoing provisions and requirements relating to property or liability insurance, there may be named as an insured, on behalf of the owners association, the owners association's authorized representative, including any trustee with whom such owners association may enter into any Insurance Trust Agreement or any successor to such trustee (each of whom shall be referred to herein as the "Insurance Trustee"), who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance and to perform such other functions as are necessary to accomplish this purpose.

Where appropriate under applicable law, the declaration shall contain a provision whereby each unit owner appoints the owners association, or any Insurance Trustee or substitute Insurance Trustee designated by the owners association, as attorney-in-fact for the purpose

of purchasing and maintaining such insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose.

(c) Qualifications of Insurance Carriers

FNMA and FHLMC reserve the right to set standards and qualifications for insurance carriers. The declaration shall require the owners association to use generally acceptable insurance carriers. Reference should be made to the FNMA Conventional Home Mortgage Selling Contract Supplement and the FHLMC Sellers Guide for specific requirements regarding the qualifications of insurance carriers.

Check Declaration

(d) Condemnation and Total or Partial Loss or Destruction

The following provisions contain the requirements of FNMA regarding condemnation and total or partial loss or destruction of the condominium property.

The owners association shall represent the unit owners in the condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the common elements, or part thereof, by the condemning authority. Where appropriate under

applicable law, the declaration should contain a

provision whereby each unit owner appoints the owners association as attorney-in-fact for such purpose.

The declaration may provide for the appointment of a Trustee to act on behalf of the unit owners, in carrying out the above functions, in lieu of the owners association.

In the event of a taking or acquisition of part or all of the common elements by a condemning authority, the award or proceeds of settlement shall be payable to the owners association, or any Trustee, to be held in trust for unit owners and their first mortgage holders as their interests may appear.

A reasonable method for dealing with any total or partial loss or destruction of the condominium property, and with any total or partial condemnation of such property, must be provided in the declaration or other appropriate constituent document of the condominium or by applicable law.