

CONDOMINIUM INFORMATION STATEMENT

EXHIBIT A
DECLARATION

FOREST CREEK CONDOMINIUMS

**DECLARATION OF
FOREST CREEK CONDOMINIUMS**

TABLE OF CONTENTS

	<u>PAGE</u>
ARTICLE 1 - <u>DEFINITIONS</u>	1
ARTICLE 2 - <u>PROPERTY SUBJECT TO DOCUMENTS</u>	3
2.1. PROPERTY	3
2.2. ADDITIONAL PROPERTY	3
2.3. SUBJECT TO DOCUMENTS	3
2.4. NOT SUBJECT TO MASTER RESTRICTIONS	3
2.5. MERGER	3
ARTICLE 3 - <u>UNITS AND LIMITED COMMON ELEMENTS</u>	4
3.1. UNIT BOUNDARIES	4
3.2. INITIAL DESIGNATIONS OF LIMITED COMMON ELEMENTS	5
3.3. SUBSEQUENT ALLOCATION OF LIMITED COMMON ELEMENTS	5
3.4. REALLOCATION OF LIMITED COMMON ELEMENTS	5
ARTICLE 4 - <u>ALLOCATED INTERESTS</u>	6
4.1. ALLOCATION OF INTERESTS	6
4.2. COMMON ELEMENT INTERESTS	6
4.3. COMMON EXPENSE LIABILITIES	6
4.4. VOTES	6
ARTICLE 5 - <u>COVENANT FOR ASSESSMENTS</u>	6
5.1. PURPOSE OF ASSESSMENTS	6
5.2. PERSONAL OBLIGATION.	6
5.3. CONTROL FOR ASSESSMENT INCREASES	6
5.4. TYPES OF ASSESSMENTS	7
5.5. REGULAR ASSESSMENTS	7
5.6. SPECIAL ASSESSMENTS	8
5.7. INDIVIDUAL ASSESSMENTS	8
5.8. DEFICIENCY ASSESSMENTS	8
5.9. DUE DATE	8
5.10. RESERVE FUNDS	9
5.11. ASSOCIATION'S RIGHT TO BORROW MONEY	9
5.12. TRANSFER-RELATED FEES	9
ARTICLE 6 - <u>ASSESSMENT LIEN</u>	9
6.1. ASSESSMENT LIEN	9
6.2. SUPERIORITY OF ASSESSMENT LIEN	10
6.3. EFFECT OF MORTGAGEE'S FORECLOSURE	10

6.4.	NOTICE AND RELEASE OF NOTICE	10
6.5.	POWER OF SALE.	10
6.6.	FORECLOSURE OF LIEN	10
ARTICLE 7 - <u>EFFECT OF NONPAYMENT OF ASSESSMENTS</u>		10
7.1.	INTEREST	10
7.2.	LATE FEES	11
7.3.	COLLECTION EXPENSES	11
7.4.	ACCELERATION	11
7.5.	SUSPENSION OF USE AND VOTE	11
7.6.	MONEY JUDGMENT	11
7.7.	NOTICE TO MORTGAGEE	11
7.8.	APPLICATION OF PAYMENTS	11
ARTICLE 8 - <u>MAINTENANCE AND REPAIR OBLIGATIONS</u>		11
8.1.	ASSOCIATION MAINTAINS	11
8.2.	OWNER RESPONSIBILITY	12
8.3.	WARRANTY CLAIMS	12
8.4.	OWNER'S DEFAULT IN MAINTENANCE	12
8.5.	SATELLITE DISH/ANTENNA	13
ARTICLE 9 - <u>PROPERTY EASEMENTS AND RIGHTS</u>		14
9.1.	GENERAL	14
9.2.	RECORDED EASEMENTS AND LICENSES	14
9.3.	OWNER'S EASEMENT OF ENJOYMENT	14
9.4.	OWNER'S MAINTENANCE EASEMENT	14
9.5.	OWNER'S INGRESS/EGRESS EASEMENT	14
9.6.	OWNER'S ENCROACHMENT EASEMENT	14
9.7.	ASSOCIATION'S ACCESS EASEMENT	14
9.8.	UTILITY EASEMENT	14
9.9.	SECURITY	15
9.10.	RISK	15
ARTICLE 10 - <u>ARCHITECTURAL COVENANTS AND CONTROL</u>		15
10.1.	PURPOSE	15
10.2.	ARCHITECTURAL CONTROL COMMITTEE	15
10.3.	LIMITS ON LIABILITY	16
10.4.	PROHIBITION OF CONSTRUCTION, ALTERATION & IMPROVEMENT	16
10.5.	ACC APPROVAL	16
10.6.	PROHIBITED ACTS	17
ARTICLE 11 - <u>USE RESTRICTIONS</u>		17
11.1.	VARIANCE	17
11.2.	ASSOCIATION'S RIGHT TO PROMULGATE RULES	17
11.3.	RULES AND REGULATIONS	17
11.4.	ANIMAL RESTRICTIONS	18
11.5.	ANNOYANCE	18
11.6.	APPEARANCE RESTRICTIONS	18

11.7.	DRAINAGE RESTRICTIONS	18
11.8.	DRIVEWAYS	18
11.9.	EVICION OF TENANTS	18
11.10.	GARAGE RESTRICTIONS	19
11.11.	HOOPS	19
11.12.	LANDSCAPING RESTRICTIONS	19
11.13.	LEASE CONDITIONS	19
11.14.	NOISE & ODOR	19
11.15.	OCCUPANCY OF UNITS	19
11.16.	RESIDENTIAL USE	19
11.17.	SIGN RESTRICTIONS	20
11.18.	SPECIFIC USES	20
11.19.	STRUCTURAL INTEGRITY	20
11.20.	TELEVISION	20
11.21.	VEHICLE RESTRICTIONS	20
11.22.	WINDOW RESTRICTIONS	20
 ARTICLE 12 - <u>MORTGAGEE PROTECTION</u>		21
12.1.	INTRODUCTION	21
12.2.	AMENDMENT	21
12.3.	KNOWN MORTGAGEES	21
12.4.	ELIGIBLE MORTGAGEES	21
12.5.	NOTICE OF ACTIONS	21
12.6.	AMENDMENTS OF A MATERIAL NATURE	22
12.7.	TERMINATION	23
12.8.	IMPLIED APPROVAL	23
12.9.	INSPECTION OF BOOKS	23
12.10.	FINANCIAL STATEMENTS	23
12.11.	ATTENDANCE AT MEETINGS	23
12.12.	RIGHT OF FIRST REFUSAL	23
12.13.	MANAGEMENT CONTRACT	23
12.14.	INSURANCE POLICIES	23
 ARTICLE 13 - <u>AMENDMENTS</u>		24
13.1.	CONSENTS REQUIRED	24
13.2.	METHOD OF AMENDMENT	24
13.3.	EFFECTIVE	24
13.4.	DECLARANT PROVISIONS	25
 ARTICLE 14 - <u>INSURANCE</u>		25
14.1.	GENERAL PROVISIONS	25
14.2.	PROPERTY INSURANCE	26
14.3.	LIABILITY INSURANCE	26
14.4.	WORKER'S COMPENSATION	27
14.5.	FIDELITY COVERAGE	27
14.6.	DIRECTORS AND OFFICERS LIABILITY	27
14.7.	MORTGAGEE REQUIRED POLICIES	27
14.8.	OTHER POLICIES	27

14.9. OWNER'S RESPONSIBILITY FOR INSURANCE	27
ARTICLE 15 - <u>RECONSTRUCTION OR REPAIR AFTER LOSS</u>	28
15.1. SUBJECT TO ACT	28
15.2. RESTORATION FUNDS	28
15.3. COSTS AND PLANS	28
15.4. OWNER'S DUTY TO REPAIR	29
15.5. OWNER'S LIABILITY FOR INSURANCE DEDUCTIBLE	29
ARTICLE 16 - <u>TERMINATION AND CONDEMNATION</u>	29
16.1. ASSOCIATION AS TRUSTEE	29
16.2. TERMINATION	30
16.3. CONDEMNATION	30
ARTICLE 17 - <u>ASSOCIATION OPERATIONS</u>	30
17.1. BOARD	30
17.2. INDEMNIFICATION	30
17.3. ASSOCIATION'S RIGHT TO ENFORCE DOCUMENTS	30
17.4. NOTICE AND HEARING	31
ARTICLE 18 - <u>DISPUTE RESOLUTION</u>	32
18.1. INTRODUCTION & DEFINITIONS	32
18.2. MANDATORY PROCEDURES	32
18.3. NOTICE	33
18.4. NEGOTIATION	33
18.5. MEDIATION	33
18.6. BINDING ARBITRATION	33
18.7. OTHER ADR	33
18.8. ALLOCATION OF COSTS	33
18.9. ENFORCEMENT OF RESOLUTION	34
18.10. GENERAL PROVISIONS	34
ARTICLE 19 - <u>GENERAL PROVISIONS</u>	34
19.1. COMPLIANCE	34
19.2. NOTICE	34
19.3. LIBERAL CONSTRUCTION	34
19.4. SEVERABILITY	34
19.5. CAPTIONS	34
19.6. INTERPRETATION	35
19.7. DURATION	35
19.8. PREPARER	35
19.9. APPENDIXES	35
<u>SIGNED AND ACKNOWLEDGED</u>	35

APPENDIX A - DESCRIPTION OF SUBJECT LAND

APPENDIX B - EASEMENTS AND LICENSES

APPENDIX C - SCHEDULE OF ALLOCATED INTERESTS

APPENDIX D - PLATS AND PLANS

APPENDIX E - DESCRIPTION OF ADDITIONAL LAND SUBJECT TO ANNEXATION

APPENDIX F - DECLARANT REPRESENTATIONS & RESERVATIONS F-1

- F.1. GENERAL PROVISIONS F-1
- F.2. DECLARANT CONTROL PERIOD RESERVATIONS & LIMITATIONS ... F-1
- F.3. DEVELOPMENT PERIOD RIGHTS, REPRESENTATIONS
& RESERVATIONS F-2
- F.4. SPECIAL DECLARANT RIGHTS F-4
- F.5. ADDITIONAL EASEMENTS & RIGHTS F-5
- F.6. EXPANSION BY PHASING F-6
- F.7. ACTIONS REQUIRING FHA/VA APPROVAL F-6
- F.8. WORKING CAPITAL FUND F-7
- F.9. SUCCESSOR DECLARANT F-7

APPENDIX G - LIENHOLDER CONSENT TO DECLARATION

**DECLARATION
OF
FOREST CREEK CONDOMINIUMS**

Forest Creek Condominiums, Ltd., a Texas limited partnership ("**Declarant**"), owns the real property described in Appendix A of this Declaration. By recording this Declaration, Declarant submits the property described in Appendix A to the provisions of the Uniform Condominium Act, Chapter 82 of the Texas Property Code, for the purpose of creating Forest Creek Condominiums.

Declarant **DECLARES** that the property described in Appendix A will be held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, and easements of this Declaration, including Declarant's representations and reservations in the attached Appendix E, which run with the real property and bind all parties having or acquiring any right, title, or interest in the property, their heirs, successors, and assigns, and inure to the benefit of each owner of the property.

**ARTICLE 1
DEFINITIONS**

DEFINITIONS. Unless defined otherwise in this Declaration, words and phrases defined in Section 82.003 of the Act have the same meaning when used in this Declaration. The following words and phrases, whether or not capitalized, have specified meanings when used in the Documents, unless a different meaning is apparent from the context in which the word or phrase is used.

1.1. "**Act**" means Chapter 82 of the Texas Property Code, the Texas Uniform Condominium Act, as it may be amended from time to time.

1.2. "**Assessment**" means any charge levied against a unit or owner by the Association, pursuant to the Documents and the Act, including but not limited to Annual Assessments, Special Assessments, Individual Assessments, and Deficiency Assessments, as defined in Article 5 of this Declaration.

1.3. "**Association**" means the association of owners of all units in the Property, initially organized as Forest Creek Condominiums Association, Inc., a Texas nonprofit corporation, and serving as the "association" defined by the Act, and as the "property owners' association" defined in Section 202.001(2) of the Texas Property Code. The failure of the Association to maintain its corporate charter from time to time does not affect the existence or legitimacy of the Association, which derives its authority from this Declaration, the bylaws, and the Act.

1.4. "**Bylaws**" means the bylaws of the Association, as they may be amended from time to time.

1.5. "**Declarant**" means Forest Creek Condominiums, Ltd., a Texas limited partnership, which is developing the Property, or the successors and assigns of Forest Creek Condominiums,

Ltd., which acquire any portion of the Property or the Additional Land described in Appendix E for the purpose of development and which are designated a Successor Declarant by Forest Creek Condominiums, Ltd., or by any such successor and assign, in a recorded document.

1.6. "Declarant Control Period" means that period of time, beginning the date this Declaration is recorded, during which Declarant controls the operation and management of the Association, pursuant to Appendix F of this Declaration.

1.7. "Declaration" means this document, as it may be amended from time to time.

1.8. "Development Period" means the 7-year period beginning the date this Declaration is recorded, during which the Property and the Additional Land described in Appendix E hereto are being developed, constructed, expanded, or marketed. Declarant may terminate the Development Period at any time by recording a notice of termination.

1.9. "Documents" means, singly or collectively as the case may be, this Declaration, the Plat and Plans recorded pursuant to the Act, the Bylaws, the Association's Articles of Incorporation, and the Rules of the Association, as any of these may be amended from time to time. An appendix, exhibit, schedule, or certification accompanying a Document is a part of that Document.

1.10. "Majority" means more than half.

1.11. "Member" means a member of the Association, each member being an owner of a unit, unless the context indicates that member means a member of the board or a member of a committee of the Association.

1.12. "Mortgagee" means a holder, insurer, or guarantor of a purchase money mortgage secured by a recorded senior or first deed of trust lien against a unit.

1.13. "Officer" means an officer of the Association.

1.14. "Owner" means a holder of recorded fee simple title to a unit. Declarant is the initial owner of all units. Sellers under contracts for deed are owners. Mortgagees who acquire title to a unit through a deed in lieu of foreclosure or through judicial or nonjudicial foreclosure are owners. Persons or entities having ownership interests merely as security for the performance of an obligation are not owners. Every owner is a member of the Association.

1.15. "Property" means all the land subject to this Declaration and all improvements, easements, rights, and appurtenances to the land.

1.16. "Resident" means an occupant of a unit, regardless of whether the person owns the unit.

1.17. "Rules" means rules and regulations adopted by the board in accordance with the Documents or the Act.

1.18. "Underwriting Lender" means Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Housing Administration (FHA), Federal National Mortgage Association (Fannie

Mae), or U. S. Department of Veterans Affairs (VA), singly or collectively. The use of this term and these institutions may not be construed as a limitation on an owner's financing options nor as a representation that the Property is approved by any institution.

ARTICLE 2 PROPERTY SUBJECT TO DOCUMENTS

2.1. PROPERTY. The name of the Property is Forest Creek Condominiums. The Property is located entirely in the City of Round Rock, Williamson County, Texas, on land described in Appendix A to this Declaration, and includes every unit and all common elements thereon.

2.2. ADDITIONAL PROPERTY. Additional real property may be annexed to the Property and subjected to the Declaration and the jurisdiction of the Association on approval of owners representing at least two-thirds of the units in the Property, or, during the Development Period, by Declarant as permitted in Appendix F. Annexation of additional property is accomplished by recording a declaration of annexation, including an amendment of Appendix A, in the county's real property records. If units are added to the Property, amendment of Appendix C is also required.

2.3. SUBJECT TO DOCUMENTS. The real property described in Appendix A is held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, liens, and easements of this Declaration, including Declarant's representations and reservations in the attached Appendix F, which run with the Property, bind all parties having or acquiring any right, title, or interest in the Property, their heirs, successors, and assigns, and inure to the benefit of each owner of the Property.

2.4. NOT SUBJECT TO MASTER RESTRICTIONS. The Property is not subject to the Master Declaration of Covenants, Conditions and Restrictions for Forest Creek, having been removed by the Amendment to Remove Land & Covenant Agreement Pertaining to Forest Creek & Forest Creek Condominiums, recorded February 18, 2000, as Document No. 200009991, Real Property Records, Williamson County, Texas. As a condition of the removal, the Association is required to pay a monthly fee to the master association of Forest Creek for maintenance of the landscaping along Forest Creek Drive. That is the only monetary obligation between the Property and the master association.

2.5. MERGER. Merger or consolidation of the Association with another association must be evidenced by an amendment to this Declaration. The amendment must be approved by owners representing at least two-thirds of the total allocated votes. On merger or consolidation of the Association with another association, the property, rights, and obligations of another association may, by operation of law, be added to the properties, rights, and obligations of the Association as a surviving corporation pursuant to the merger. The surviving or consolidated association may administer the provisions of the Documents within the Property, together with the covenants and restrictions established on any other property under its jurisdiction. No merger or consolidation, however, will effect a revocation, change, or addition to the covenants established by this Declaration within the Property.

ARTICLE 3
UNITS AND LIMITED COMMON ELEMENTS

3.1. UNIT BOUNDARIES. The boundaries and identifying number of each unit are shown on the Plat and Plans attached as Appendix D. The boundaries are further described as follows:

3.1.1. Lower Horizontal Boundary: The top surface of the concrete slab foundation is the unit's lower horizontal boundary. In other words, the concrete slab foundation is a common element. Anything on or affixed to the top of the slab is part of the unit.

3.1.2. Upper Horizontal Boundary: The bottom or inside surface of the roof sheathing is the unit's upper horizontal boundary.

3.1.3. Vertical Perimeter Boundaries - Exterior Walls: On perimeter walls, the unit's vertical boundaries are the planes defined by the inside-facing surfaces of the material comprising the outermost component of the exterior wall and by the outside-facing surfaces of the outermost component of doors and windows in the perimeter walls. For example, if the outermost material is brick veneer, the unit extends to the inside-facing surface of the brick wall, and includes the entire wall cavity.

NOTICE

The individually owned units created by this Declaration include some portions of the building outside of the traditional air-conditioned living areas. For example, the garage, attic area, firebox and fireplace flue, exterior wall cavities, windows, doors, and some components of the roof and exterior walls are included within the unit's boundaries.

3.1.4. Vertical Perimeter Boundaries - Party Walls: On party walls -- walls between 2 units -- the unit's vertical boundaries are the planes defined by the midpoints of the party wall. The unit on each side of a party wall extends to the middle of the party wall.

3.1.5. What the Unit Includes: Each unit includes the spaces and improvements within the above-described vertical and horizontal boundaries, including without limitation the windows, window screens and frames, exterior doors and door hardware, garage and garage door, the attic area, firebox and fireplace flue. Each unit also includes improvements, fixtures, and equipment serving the unit exclusively, whether located inside or outside the unit, whether or not attached to or contiguous with the unit, including but not limited to the following: water heaters, air conditioners, utility meters, fuse boxes, electrical switches, wiring, pipes, ducts, conduits, smoke detectors, security systems, television antennas, lighting fixtures, telephone and electrical receptacles, and skylights.

3.1.6. Exclusions: Except as specifically included above, each unit excludes the spaces and improvements lying outside of the vertical and horizontal boundaries. Each unit

also excludes any chute, pipe, flue, duct, wire, or conduit running through a unit for the purpose of furnishing utility and similar services to other units and/or common elements.

3.1.7. Inconsistency with Plans: If the foregoing description of unit boundaries is inconsistent with the Plats and Plans, then this Section will control.

3.1.8. Representations of Size. The space contained within the unit's vertical and horizontal boundaries is not related to the size of the unit's living areas. Similarly, the units are initially marketed on the basis of a limited number of representational floorplans, each of which is marked with a rounded and estimated size of air-conditioned space, taken from pre-construction architectural drawings. Those marketing sizes may vary from the size of the actual space contained within the unit's vertical and horizontal boundaries.

3.2. INITIAL DESIGNATIONS OF LIMITED COMMON ELEMENTS. The following portions of the common elements are limited common elements assigned to the units.

3.2.1. Shown on Plats and Plans. Portions of the common elements may be allocated as limited common elements on the Plats and Plans, attached hereto as Appendix D, by use of "LCE" and the identifying number of the unit to which the limited common element is appurtenant, or by use of a comparable method of designation.

3.2.2. Appurtenant Areas. Only to the extent they are not part of the unit, then front porches, front sidewalks, driveways, patios, decks, fenced yards, attached garages, and overhead attic spaces that are obviously intended for the sole and exclusive use of the unit to which the area is appurtenant are deemed limited common elements, whether or not the area is so designated on Plats and Plans. If the boundaries of an appurtenant area change -- with the board's approval -- the altered boundaries of the appurtenant area are the boundaries of the limited common element.

3.3. SUBSEQUENT ALLOCATION OF LIMITED COMMON ELEMENTS. A common element not allocated by this Declaration as a limited common element may be so allocated only pursuant to the provisions of this Article. Declarant reserves the right in Appendix F of this Declaration, to create and assign limited common elements within the Property.

3.4. REALLOCATION OF LIMITED COMMON ELEMENTS. A limited common element may not be reallocated, except by amendment. An amendment of reallocation requires the approval of all owners and mortgagees of units whose interests are to be allocated or reallocated. The parties executing the amendment will provide an executed copy of the amendment to the Association, which will record it, provided that the amendment complies with the provisions of this Declaration and the Act. The amendment must contain words of conveyance and must be recorded and indexed in the names of the parties and the Property. The amendment will specify to which unit or units the limited common element is allocated. The parties executing the amendment are responsible for the preparation of the amendment and will reimburse the Association for its reasonable attorneys' fees in connection with review and recording of the amendment.

ARTICLE 4
ALLOCATED INTERESTS

4.1. ALLOCATION OF INTERESTS. The table showing the identifying number and allocated interests of each unit is attached as Appendix C. The interests have been allocated in accordance with the formulas set out in this Article. The same formulas are to be used in reallocating interests if units are added to the Property. The date on which the amendment creating additional units is recorded in the county's real property records is the effective date for assigning allocated interests to those units. The interests allocated to each unit are calculated by the following formulas.

4.2. COMMON ELEMENT INTERESTS. The percentage of undivided interest in the common elements allocated to each unit is based on estimated square footage on architectural drawings for each plan type, compared to the total estimated square footage for all units (by plan type) in the Property. Percentages may be rounded up or down to facilitate calculations. Also, units of the same plan type may have allocations that differ slightly to facilitate the calculation of 100 percent.

4.3. COMMON EXPENSE LIABILITIES. The share of liability for common expenses allocated to each unit is uniform for all units. Each unit's fractional share is calculated by dividing the total liability by the total number of units in the Property, regardless of size, value, or location.

4.4. VOTES. The 1 vote appurtenant to each unit is weighted equally for all votes, regardless of the other allocations appurtenant to the unit. In other words, the one vote appurtenant to each unit is uniform and equal to the vote appurtenant to every other unit.

ARTICLE 5
COVENANT FOR ASSESSMENTS

5.1. PURPOSE OF ASSESSMENTS. The Association will use assessments for the general purposes of preserving and enhancing the Property, and promoting the recreation, common benefit, and enjoyment of owners and residents, including but not limited to maintenance of real and personal property, management and operation of the Association, and any expense reasonably related to the purposes for which the Property was developed. If made in good faith, the board's decision with respect to the use of assessments is final.

5.2. PERSONAL OBLIGATION. An owner is obligated to pay assessments levied by the board against the owner or his unit. Payments are made to the Association at its principal office or at any other place the board directs. Payments must be made in full regardless of whether an owner has a dispute with the Association, another owner, or any other person or entity regarding any matter to which this Declaration pertains. No owner may exempt himself from his assessment liability by waiver of the use or enjoyment of the common elements or by abandonment of his unit. An owner's obligation is not subject to offset by the owner. Payment of assessments is both a continuing affirmative covenant personal to the owner and a continuing covenant running with the unit.

5.3. CONTROL FOR ASSESSMENT INCREASES. This Section of the Declaration may not be amended without the approval of owners representing at least 67 percent of the votes in the

Association. In addition to other rights granted to owners by this Declaration, owners have the following powers and controls over the Association's budget. At least 30 days prior to the effective date of a special assessment or increase in regular assessments, the board will notify an owner of each unit of the amount of, the budgetary basis for, and the effective date of the special assessment or increase. The special assessment or increase will automatically become effective unless owners representing at least a majority of the votes in the Association disapprove the special assessment or increase by petition or at a meeting of the Association. In that event, the last-approved budget will continue in effect until a revised budget is approved.

5.4. TYPES OF ASSESSMENTS. There are 4 types of Assessments: Regular, Special, Individual, and Deficiency.

5.5. REGULAR ASSESSMENTS.

5.5.1. Purpose of Regular Assessments. Regular assessments are used for common expenses related to the reoccurring, periodic, and anticipated responsibilities of the Association, including but not limited to:

- a. Maintenance, repair, and replacement, as necessary, of the common elements, and improvements, equipment, signage, and property owned by the Association.
- b. The monthly contribution to Forest Creek Homeowners Association, Inc., for maintenance of the landscape easement along Forest Creek Drive.
- c. Utilities billed to the Association.
- d. Services billed to the Association and serving all units, such as trash removal and pest control.
- e. Taxes on property owned by the Association and the Association's income taxes.
- f. Management, legal, accounting, auditing, and professional fees for services to the Association.
- g. Costs of operating the Association, such as telephone, postage, office supplies, printing, meeting expenses, and educational opportunities of benefit to the Association.
- h. Insurance premiums and deductibles.
- i. Contributions to the reserve funds.
- j. Any other expense which the Association is required by law or the Documents to pay, or which in the opinion of the board is necessary or proper for the operation and maintenance of the Property or for enforcement of the Documents.

5.5.2. Annual Budget. The board will prepare and approve an estimated annual budget for each fiscal year. The budget will take into account the estimated income and common expenses for the year, contributions to reserve funds, and a projection for uncollected receivables. The board will make the budget or its summary available to an owner of each unit, although failure to receive a budget or summary does not affect an owner's liability for assessments. The board will provide copies of the detailed budget to owners who make written request and pay a reasonable copy charge.

5.5.3. Basis of Regular Assessments. Regular assessments will be based on the annual budget, minus estimated income from sources other than regular assessments. Each unit will be liable for its allocated share of the annual budget. If the board does not approve an annual budget or fails to determine new regular assessments for any year, or delays in doing so, owners will continue to pay the regular assessment as last determined.

5.5.4. Supplemental Increases. If during the course of a year the board determines that regular assessments are insufficient to cover the estimated common expenses for the remainder of the year, the board may increase regular assessments for the remainder of the fiscal year in an amount that covers the estimated deficiency.

5.6. SPECIAL ASSESSMENTS. In addition to regular assessments, and subject to the owners' control for assessment increases, the board may levy one or more special assessments against all units for the purpose of defraying, in whole or in part, common expenses not anticipated by the annual budget or reserve funds. Special assessments do not require the approval of the owners, except that special assessments for the following purposes must be approved by at least a majority of the votes in the Association: (1) acquisition of real property, (2) construction of additional improvements to the Property -- not repair or replacement of existing improvements, and (3) any expenditure that may reasonably be expected to significantly increase the Association's responsibility and financial obligation for operations, insurance, maintenance, repairs, or replacement.

5.7. INDIVIDUAL ASSESSMENTS. In addition to regular and special assessments, the board may levy an individual assessment against a unit and its owner. Individual assessments may include, but are not limited to: interest, late charges, and collection costs on delinquent assessments; reimbursement for costs incurred in bringing an owner or his unit into compliance with the Documents; fines for violations of the Documents; transfer-related fees and resale certificate fees; fees for estoppel letters and project documents; insurance deductibles; submetered utilities serving the unit; reimbursement for damage or waste caused by willful or negligent acts; common expenses that benefit fewer than all of the units, which may be assessed according to benefit received; fees or charges levied against the Association on a per-unit basis; and "pass through" expenses for services to units provided through the Association and which are equitably paid by each unit according to benefit received.

5.8. DEFICIENCY ASSESSMENTS. The board may levy a Deficiency Assessment against all units for the purpose of defraying, in whole or in part, the cost of repair or restoration if insurance proceeds or condemnation awards prove insufficient.

5.9. DUE DATE. Regular assessments are due on the first day of each month, and are delinquent if not received by the Association on or before the first day of the month. Special and

individual assessments are due on the date stated in the notice of assessment or, if no date is stated, within 10 days after notice of the assessment is given.

5.10. RESERVE FUNDS. The Association will establish, maintain, and accumulate reserves for operations and for replacement and repair. The Association will budget for reserves and use its best efforts to fund reserves out of regular assessments.

5.10.1. Operations Reserves. The Association will maintain operations reserves at a level sufficient to cover the cost of operational or maintenance emergencies or contingencies, including the full amount of deductibles on insurance policies maintained by the Association.

5.10.2. Replacement and Repair Reserves. The Association will maintain replacement and repair reserves at a level that anticipates the scheduled replacement or major repair of components of the common elements.

5.11. ASSOCIATION'S RIGHT TO BORROW MONEY. The Association is granted the right to borrow money, subject to the consent of owners representing at least a majority of the votes in the Association and the ability of the Association to repay the borrowed funds from assessments. To assist its ability to borrow, the Association is granted the right to encumber, mortgage, pledge, or deed in trust any of its real or personal property, and the right to assign its right to future income, as security for money borrowed or debts incurred, provided that the rights of the lender in the pledged property are subordinate and inferior to the rights of the owners hereunder.

5.12. TRANSFER-RELATED FEES. A number of independent fees may be charged in relation to the transfer of title to a unit, including but not limited to fees for resale certificates, estoppel certificates, copies of the Documents, compliance inspections, ownership record changes, and priority processing, provided the fees are customary in amount, kind, and number for the local marketplace. Transfer-related fees are not refundable and may not be regarded as a prepayment of or credit against regular or special assessments. Transfer-related fees do not apply to the following transfers unless a party to the transfer requests the corresponding documentation: (1) foreclosure of a deed of trust lien, tax lien, or the Association's assessment lien; (2) transfer to, from, or by the Association; (3) voluntary transfer by an owner to one or more co-owners, or to the owner's spouse, child, or parent. Transfer-related fees may be charged by the Association or by the Association's managing agent, provided there is no duplication of fees. Transfer-related fees charged by or paid to a managing agent must have the prior written approval of the Association, are not subject to the Association's assessment lien, and are not payable by the Association. This Section does not obligate the board or the managing agent to levy transfer-related fees.

5.13. LIMITATIONS OF INTEREST. The Association, and its officers, directors, managers, and attorneys, intend to conform strictly to the applicable usury laws of the State of Texas. Notwithstanding anything to the contrary in the Documents or any other document or agreement executed or made in connection with the Association's collection of assessments, the Association will not in any event be entitled to receive or collect, as interest, a sum greater than the maximum amount permitted by applicable law. If from any circumstances whatsoever, the Association ever receives, collects, or applies as interest a sum in excess of the maximum rate permitted by law, the excess amount will be applied to the reduction of unpaid special and regular assessments, or reimbursed to the owner if those assessments are paid in full.

ARTICLE 6
ASSESSMENT LIEN

6.1. ASSESSMENT LIEN. Each owner, by accepting an interest in or title to a unit, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay assessments to the Association. Each assessment is a charge on the unit and is secured by a continuing lien on the unit. Each owner, and each prospective owner, is placed on notice that his title may be subject to the continuing lien for assessments attributable to a period prior to the date he purchased his unit.

6.2. SUPERIORITY OF ASSESSMENT LIEN. The assessment lien is superior to all other liens and encumbrances on a unit, except only for (1) real property taxes and assessments levied by governmental and taxing authorities, (2) a deed of trust or vendor's lien recorded before this Declaration, (3) a recorded deed of trust lien securing a loan for construction of the original unit, and (4) a first or senior purchase money vendor's lien or deed of trust lien recorded before the date on which the delinquent assessment became due. The assessment lien is superior to a lien for construction of improvements to the unit, regardless of when recorded or perfected. It is also superior to any recorded assignment of the right to insurance proceeds on the unit, unless the assignment is part of a superior deed of trust lien.

6.3. EFFECT OF MORTGAGEE'S FORECLOSURE. A Mortgagee's foreclosure of its deed of trust lien extinguishes the Association's claim against the unit for unpaid assessments that became due before the sale, but does not extinguish the Association's claim against the former owner. The purchaser at the Mortgagee's foreclosure sale is liable for assessments coming due from and after the date of the sale, and for the owner's pro rata share of the pre-foreclosure deficiency as a common expense.

6.4. NOTICE AND RELEASE OF NOTICE. To evidence the assessment lien, the board may, but is not required to, cause a written notice of the lien to be recorded in the county's real property records. After the debt for which the notice was recorded has been cured, the Association will record a release of the notice. The Association may require reimbursement of its costs of preparing and recording the notices before granting the release.

6.5. POWER OF SALE. By accepting an interest in or title to a unit, each owner grants to the Association a private power of nonjudicial sale in connection with the Association's assessment lien. The board may appoint, from time to time, any person, including an officer, agent, trustee, substitute trustee, or attorney, to exercise the Association's lien rights on behalf of the Association, including the power of sale. The appointment must be in writing and may be in the form of a resolution recorded in the minutes of a board meeting.

6.6. FORECLOSURE OF LIEN. The assessment lien may be enforced by judicial or nonjudicial foreclosure. A nonjudicial foreclosure must be conducted in accordance with the provisions applicable to the exercise of powers of sale as set forth in Section 51.002 of the Texas Property Code, or in any manner permitted by law. In any foreclosure, the owner is required to pay the Association's costs and expenses for the proceedings, including reasonable attorneys' fees. The Association has the power to bid on the unit at foreclosure sale and to acquire, hold, lease, mortgage, and convey same.

ARTICLE 7
EFFECT OF NONPAYMENT OF ASSESSMENTS

An assessment is delinquent if the Association does not receive payment in full by the assessment's due date. The Association, acting through its board, is responsible for taking action to collect delinquent assessments. From time to time, the Association may delegate some or all of the collection procedures and remedies, as the board in its sole discretion deems appropriate, to the Association's manager, an attorney, or a debt collector. Neither the board nor the Association, however, is liable to an owner or other person for its failure or inability to collect or attempt to collect an assessment. The following remedies are in addition to and not in substitution for all other rights and remedies which the Association has.

7.1. INTEREST. Delinquent assessments are subject to interest from the due date until paid, at a rate to be determined by the board from time to time, not to exceed the lesser of 18 percent or the maximum permitted by law. If the board fails to establish a rate, the rate is 10 percent per annum.

7.2. LATE FEES. Delinquent assessments are subject to reasonable late fees, at a rate to be determined by the board from time to time.

7.3. COLLECTION EXPENSES. The owner of a unit against which assessments are delinquent is liable to the Association for reimbursement of reasonable costs incurred by the Association to collect the delinquent assessments, including attorneys fees and processing fees charged by the manager.

7.4. ACCELERATION. If an owner defaults in paying an assessment that is payable in installments, the Association may accelerate the remaining installments on 10 days' written notice to the defaulting owner. The entire unpaid balance of the assessment becomes due on the date stated in the notice.

7.5. SUSPENSION OF USE AND VOTE. If an owner's account has been delinquent for at least 30 days, the Association may suspend the right of owners and residents to use common elements and common services during the period of delinquency. Services include master-metered or sub-metered utilities serving the unit. The Association may not suspend an owner or resident's right of access to the unit. The Association may also suspend the right to vote appurtenant to the unit. Suspension does not constitute a waiver or discharge of the owner's obligation to pay assessments.

7.6. COLLECTION OF RENT. If a unit for which assessments are delinquent is occupied by a tenant who is obligated to pay rent to the owner, the Association may require that unit rents be used to pay the unit's delinquent assessments and may demand that the unit tenant deliver unit rent to the Association until the unit's delinquency is cured.

7.7. MONEY JUDGMENT. The Association may file suit seeking a money judgment against an owner delinquent in the payment of assessments, without foreclosing or waiving the Association lien for assessments.

7.8. NOTICE TO MORTGAGEE. The Association may notify and communicate with any holder of a lien against a unit regarding the owner's default in payment of assessments.

7.9. APPLICATION OF PAYMENTS. The Association may adopt and amend policies regarding the application of payments. After the Association notifies the owner of a delinquency, any payment received by the Association may be applied in the following order: individual assessments, special assessments, and (lastly) regular monthly assessments. The Association may refuse to accept partial payment, i.e., less than the full amount due and payable. The Association may also refuse to accept payments to which the payer attaches conditions or directions contrary to the Association's policy for applying payments. The Association's policy may provide that endorsement and deposit of a payment does not constitute acceptance by the Association, and that acceptance occurs when the Association posts the payment to the unit's account.

ARTICLE 8 MAINTENANCE AND REPAIR OBLIGATIONS

8.1. ASSOCIATION MAINTAINS. The Association's maintenance obligations will be discharged when and how the board deems appropriate. The Association maintains, repairs, and replaces, as a common expense, the portions of the Property listed below, regardless of whether the portions are units or common elements.

- a. The swimming pool area, private streets, water sediment pond, perimeter fences, access gates, front yard landscaping, and mailboxes.
- b. Fences and gates around backyards, front porches, driveways to garages, front sidewalks, front yard landscaping.
- c. Any exterior light fixtures served by the Association's electrical meter.
- d. The exterior materials of the buildings, including roof shingles and gutters, foundations, and exterior wall materials, such as brick veneer, stucco, or siding, but not windows and doors.
- e. Paint on the exterior (outside) surface of garage doors.
- f. All other general and limited common elements the maintenance for which is not assigned to the owners.

8.2. OWNER RESPONSIBILITY. Every owner has the following responsibilities and obligations for the maintenance, repair, and replacement of the Property:

- a. To maintain, repair, and replace his unit.
- b. To landscape and maintain the fenced backyard appurtenant to his unit.
- c. To keep the limited common elements appurtenant to his unit in a neat, clean, odorless, orderly, and attractive condition.

- d. To maintain, repair, and replace all portions of the Property for which he is responsible under this Declaration or by agreement with the Association.
- e. To not do any work or to fail to do any work which, in the reasonable opinion of the board, would materially jeopardize the soundness and safety of the Property, reduce the value thereof, or impair any easement or hereditament thereto.
- f. To be responsible for his own willful or negligent acts and those of his or the resident's family, guests, agents, employees, or contractors when those acts necessitate maintenance, repair, or replacement of common elements or the property of another owner.

8.3. WARRANTY CLAIMS. If the owner is the beneficiary of a warranty against major structural defects of the common elements, the owner irrevocably appoints the Association, acting through its board, as his attorney-in-fact to file, negotiate, receive, administer, and distribute the proceeds of any claim against the warranty that pertains to common elements.

8.4. OWNER'S DEFAULT IN MAINTENANCE. If the board determines that an owner has failed to properly discharge his obligation to maintain, repair, and replace items for which the owner is responsible, the board may give the owner written notice of the Association's intent to provide the necessary maintenance at owner's expense. The notice must state, with reasonable particularity, the maintenance deemed necessary and a reasonable period of time in which to complete the work. If the owner fails or refuses to timely perform the maintenance, the Association may do so at owner's expense, which is an individual assessment against the owner and his unit. In case of an emergency, however, the board's responsibility to give the owner written notice may be waived and the board may take any action it deems necessary to protect persons or property, the cost of the action being the owner's expense.

8.5. SATELLITE DISH/ANTENNA. A satellite dish or antenna that is permitted by the "Television" section of Article 11 of this Declaration or by public law is subject to this Section.

8.5.1. Definitions. As used in this Section "Antenna/Dish Unit" means the unit served by a satellite dish or antenna, or the unit that is obviously intended to be served by a satellite dish or antenna, regardless of whether the service is operational. "Antenna/Dish Owner" means the owner of a unit served by a satellite dish or antenna, regardless of whether the unit owner purchases, uses, or has actual knowledge of the satellite dish or antenna.

8.5.2. Owner Responsibility. The installation of an Antenna/Dish on common elements automatically subjects the Antenna/Dish Unit and its owner to this Section, regardless of who installs the Antenna/Dish and regardless of whether the Antenna/Dish Owner has actual notice of the installation. The Antenna/Dish Owner is solely responsible for (1) the cost of maintaining, repairing, replacing, and removing, as necessary, the Antenna/Dish, and (2) the cost of repairing common elements if such repairs are necessitated by the Antenna/Dish or its installation, maintenance, repair, or replacement, irrespective of whether the repairs are undertaken by the Antenna/Dish Owner or the Association. If required by the Association, the Antenna/Dish Owner will remove the Antenna/Dish, as

necessary, to permit the Association to maintain, repair, or replace common elements as the Association, in its sole discretion, deems necessary or desirable.

8.5.3. Association Controls. To the extent permitted by public law, the Association may adopt and amend reasonable standards for the color, appearance, location, method of installation, maintenance, camouflaging, screening, and use of Antenna/Dishes. The location and installation of an Antenna/Dish on the common elements must have the prior written approval of the Association, unless the location and installation comply with the most current standards that have been adopted and published by the Association.

8.5.4. Interference. An Antenna/Dish or the use of an Antenna/Dish may not interfere with satellite or broadcast reception to other units or the common elements, or otherwise be a nuisance to residents of other units or to the Association. The board of directors may determine what constitutes a nuisance to the Association.

8.5.5. Risk. An Antenna/Dish on the common elements exists at the sole risk of the owner and/or occupant of the Antenna/Dish Unit. The Association does not insure the Antenna/Dish and is not liable to the Antenna/Dish Owner or any other person for any loss or damage to the Antenna/Dish from any cause. The Antenna/Dish Owner indemnifies the Association, its directors and members, individually and collectively, against losses due to any and all claims for damages or lawsuits, by anyone, arising from his Antenna/Dish.

ARTICLE 9 PROPERTY EASEMENTS AND RIGHTS

9.1. GENERAL. In addition to other easements and rights established by the Documents, the Property is subject to the easements and rights contained in this Article.

9.2. RECORDED EASEMENTS AND LICENSES. The attached Appendix B contains a description of and the recording data for recorded easements and licenses appurtenant to or included in the Property or to which any portion of the Property is or may become subject by reservation in this Declaration.

9.3. OWNER'S EASEMENT OF ENJOYMENT. Every owner is granted a right and easement of enjoyment over the general common elements and to use of improvements therein, subject to other rights and easements contained in the Documents, including the right of the Association to reserve the use of general common elements for certain persons and purposes. An owner who does not occupy a unit delegates this right of enjoyment to the residents of his unit, and is not entitled to use the general common elements.

9.4. OWNER'S MAINTENANCE EASEMENT. Every owner is granted an easement over adjoining units and common elements for the maintenance or reconstruction of his unit, subject to the consent of the owner of the adjoining unit, or the Association in the case of common elements, and provided the easement does not damage or materially interfere with the use of the adjoining unit or common element. Requests for entry to an adjoining unit or common element will be made in advance for a time reasonably convenient for the adjoining owner, who may not unreasonably withhold consent. If an owner damages an adjoining unit or common element in

exercising this easement, the owner is obligated to restore the damaged property to its original condition, at his expense, within a reasonable period of time.

9.5. OWNER'S INGRESS/EGRESS EASEMENT. Every owner is granted a perpetual easement over the Property, as may be reasonably required, for vehicular ingress to and egress from his unit or the appurtenant limited common elements.

9.6. OWNER'S ENCROACHMENT EASEMENT. Every owner is granted an easement for the existence and continuance of any encroachment by his unit on any adjoining unit or common element now existing or which may come into existence hereafter, as a result of construction, repair, shifting, settlement, or movement of any portion of a building, or as a result of condemnation or eminent domain proceedings, so that the encroachment may remain undisturbed so long as the improvement stands.

9.7. ASSOCIATION'S ACCESS EASEMENT. The Association is granted an easement of access and entry into every unit and common element to perform maintenance, to enforce architectural and use restrictions, to respond to emergencies, and to perform any other duties required by the Documents.

9.8. UTILITY EASEMENT. The Association may grant permits, licenses, and easements over the common elements for utilities, roads, and other purposes necessary for the proper operation of the Property. A company or entity, public or private, furnishing utility service to the Property, is granted an easement over the Property for ingress, egress, meter reading, installation, maintenance, repair, or replacement of utility lines and equipment, and to do anything else necessary to properly maintain and furnish utility service to the Property; provided, however, this easement may not be exercised without prior notice to the board. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, master or cable television, and security.

**READERS, PLEASE PAY PARTICULAR HEED TO
THE NEXT 2 PROVISIONS TITLED "SECURITY" & "RISK".**

9.9. SECURITY. The Association may, but is not obligated to, maintain or support certain activities within the Property designed, either directly or indirectly, to improve safety in or on the Property. Each owner and resident acknowledges and agrees, for himself and his guests, that Declarant, the Association, and its directors, officers, committees, agents, and employees are not providers, insurers, or guarantors of security within the Property. Each owner and resident acknowledges and accepts his sole responsibility to provide security for his own person and property, and assumes all risks for loss or damage to same. Each owner and resident further acknowledges that Declarant, the Association, and its directors, officers, committees, agents, and employees have made no representations or warranties, nor has the owner or resident relied on any representation or warranty, express or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any fire, burglar, and/or intrusion systems recommended or installed, or any security measures undertaken within the Property. Each owner and resident acknowledges and agrees that Declarant, the Association, and its directors, officers, committees, agents, and employees may not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

9.10. RISK. Each resident uses all common amenities -- including the swimming pool and access gates -- at his own risk. All common amenities are unattended and unsupervised. Each resident is solely responsible for his own safety and that of his guests. The Association disclaims any and all liability or responsibility for injury or death occurring from use of the common amenities.

ARTICLE 10
ARCHITECTURAL COVENANTS AND CONTROL

10.1. PURPOSE. Because the units are part of a single, unified community, the Association has the right to regulate the exterior design, use, and appearance of the units and common elements in order to preserve and enhance the Property's value and architectural harmony. One purpose of this Article is to promote and ensure the level of taste, design, quality, and harmony by which the Property is developed and maintained. Another purpose is to prevent improvements and modifications that may be widely considered to be radical, curious, odd, bizarre, or peculiar in comparison to then existing improvements.

10.2. ARCHITECTURAL CONTROL COMMITTEE. The Architectural Control Committee (the "ACC") consists of 3 persons appointed by Declarant during the Development Period. After the Development Period, the ACC consists of 3 persons appointed by the board, pursuant to the bylaws, or, at the board's option, the board may act as the ACC. If the board acts as the ACC, all references in the Documents to the ACC are construed to mean the board. Members of the ACC need not be owners or residents.

10.3. LIMITS ON LIABILITY. The ACC has sole discretion with respect to taste, design, and all standards specified by this Article. The members of the ACC have no liability for the ACC's decisions made in good faith, and which are not arbitrary or capricious. The ACC is not responsible for: (1) errors in or omissions from the plans and specifications submitted to the ACC, (2) supervising construction for the owner's compliance with approved plans and specifications, or (3) the compliance of the owner's plans and specifications with city codes and ordinances, state and federal laws.

**BEFORE MAKING ANY IMPROVEMENT OR ALTERATION TO ANY
PART OF THE PROPERTY, A BUILDER OR OWNER MUST
APPLY FOR THE ACC'S PRIOR WRITTEN APPROVAL.**

10.4. PROHIBITION OF CONSTRUCTION, ALTERATION & IMPROVEMENT. Without the ACC's prior written approval, a person may not commence or continue any construction, alteration, addition, improvement, installation, modification, redecoration, or reconstruction of or to the Property, or do anything that affects the appearance, use, or structural integrity of the Property. The ACC has the right but not the duty to evaluate every aspect of construction and property use that may adversely affect the general value or appearance of the Property.

10.5. ACC APPROVAL. To request ACC approval, an owner must make written application and submit 2 identical sets of plans and specifications showing the nature, kind, shape, color, size, materials, and locations of the work to be performed. The application must clearly

identify any requirement of this Declaration for which a variance is sought. The ACC will return one set of plans and specification to the applicant marked with the ACC's response, such as "Approved," "Denied," or "Submit Additional Information." The ACC will retain the other set of plans and specifications, together with the application, for the Association's files. Verbal approval by an Association director or officer, a member of the ACC, or the Association's manager does not constitute ACC approval, which must be in writing.

10.5.1. Deemed Approval. If the ACC fails to respond in writing -- negatively, affirmatively, or requesting information -- within 60 days after the ACC's actual receipt of the owner's application, the owner may submit a second request for processing of its original application. If the board fails to respond within 45 days after the board's actual receipt of the owner's second request, the owner's application is deemed approved. The owner may then proceed with the improvement, provided he adheres to the plans and specifications which accompanied his application, and provided he initiates and completes the improvement in a timely manner. In exercising deemed approval, the burden is on the owner to document the board's actual receipt of the owner's initial application and second request.

10.5.2. Building Permit. If the application is for work that requires a building permit from the city, the owner must obtain the appropriate permit. The ACC's approval of plans and specifications does not mean that they comply with the city's requirements. Alternatively, approval by the city does not ensure ACC approval.

10.5.3. No Approval Required. No approval is required to rebuild a unit in accordance with originally approved plans and specifications. Nor is approval required for an owner to remodel or repaint the interior of a unit, provided the work does not impair the structural soundness of the building.

10.6. PROHIBITED ACTS. The types of acts that may not be commenced without the ACC's prior written approval include, but are not limited to the following:

- a. Installation of a receiving or transmitting tower, ornamental iron or burglar bars, storm window or door, exterior lighting, storage shed, basketball goal, treehouse, free standing mailbox, trash can enclosure, patio cover, chimney, or skylight -- if any are visible from another unit, a street, or the common elements.
- b. Installation of equipment that may create a noise annoyance, such as noise-producing security devices and exterior pumps.
- c. Installation of walls, screens, fences, gates, or carports.
- d. Enclosure of patios, balconies, yards, garages, or carports.
- e. Installation of impermeable decking or other improvement that may interfere with established drainage patterns.

ARTICLE 11
USE RESTRICTIONS

11.1. VARIANCE. The use of the Property is subject to the restrictions contained in this Article, and subject to Rules adopted pursuant to this Article. The board or the ACC, as the case may be, may grant a variance or waiver of a restriction or Rule on a case-by-case basis, and may limit or condition its grant.

11.2. ASSOCIATION'S RIGHT TO PROMULGATE RULES. The Association, acting through its board, is granted the right to adopt, amend, repeal, and enforce reasonable Rules, and penalties for infractions thereof, regarding the occupancy, use, disposition, maintenance, appearance, and enjoyment of the Property.

11.3. RULES AND REGULATIONS. In addition to the restrictions contained in this Article, each unit is owned and occupied subject to the right of the board to establish Rules, and penalties for infractions thereof, governing:

- a. Use of common elements.
- b. Hazardous, illegal, or annoying materials or activities on the Property.
- c. The use of Property-wide services provided through the Association.
- d. The consumption of utilities billed to the Association.
- e. The use, maintenance, and appearance of anything visible from the street, common elements, or other units.
- f. Landscaping and maintenance of yards.
- g. The occupancy and leasing of units.
- h. Animals.
- i. Vehicles.
- j. Disposition of trash and control of vermin, termites, and pests.
- k. Anything that interferes with maintenance of the Property, operation of the Association, administration of the Documents, or the quality of life for residents.

11.4. ANIMAL RESTRICTIONS. No animal, bird, fish, reptile, or insect of any kind may be kept, maintained, raised, or bred anywhere on the Property for any commercial purpose. Customary domesticated household pets may be kept subject to the Rules. The board may adopt, amend, and repeal Rules regulating the types, sizes, numbers, locations, and behavior of animals at the Property. If the Rules fail to establish animal occupancy quotas, no more than 2 dogs, or 2 cats, or 1 dog and 1 cat, may be maintained in each unit. Permission to maintain other types or additional numbers of household pets must be obtained in writing from the board.

11.5. ANNOYANCE. No unit or limited common element may be used in any way that: (1) may reasonably be considered annoying to neighbors; (2) may be calculated to reduce the desirability of the Property as a residential neighborhood; (3) may endanger the health or safety of residents; (4) may result in the cancellation of insurance on any portion of the Property, or (5) will violate any law. The board has the sole authority to determine what constitutes an annoyance.

11.6. APPEARANCE RESTRICTIONS. Both the exterior and interior of the units, must be maintained in a manner so as not to be unsightly when viewed from the street, common elements, or neighboring units. The board will be the arbitrator of acceptable appearance standards.

11.7. DRAINAGE RESTRICTIONS. No person may interfere with the established drainage pattern over any part of the Property unless an adequate alternative provision for proper drainage has been approved by the board.

11.8. DRIVEWAYS. Sidewalks, driveways, and other passageways may not be used for any purpose that interferes with their ongoing use as routes of vehicular or pedestrian access.

11.9. EVICITION OF TENANTS. Every lease agreement on a unit is subject to and is deemed to include the following provisions:

11.9.1. Violation Constitutes Default. Failure by the tenant or his invitees to comply with the Documents, federal or State law, or local ordinance is deemed to be a default under the lease. When the Association notifies an owner of his tenant's violation, the owner will promptly obtain his tenant's compliance or exercise his rights as a landlord for tenant's breach of lease. If the tenant's violation continues or is repeated, and if the owner is unable, unwilling, or unavailable to obtain his tenant's compliance, then the Association has the power and right to pursue the remedies of a landlord under the lease or State law for the default, including eviction of the tenant, subject to the terms of this Section.

11.9.2. Association as Attorney-in-Fact. Notwithstanding the absence of an express provision in the lease agreement for enforcement of the Documents by the Association, each owner appoints the Association as his attorney-in-fact, with full authority to act in his place in all respects, solely for the purpose of enforcing the Documents against his tenants, including but not limited to the authority to institute forcible detainer proceedings against his tenant on his behalf, provided the Association gives the owner at least 10 days' notice, by certified mail, of its intent to so enforce the Documents.

11.9.3. Association Not Liable for Damages. The owner of a leased unit is liable to the Association for any expenses incurred by the Association in connection with enforcement of the Documents against his tenant. The Association is not liable to the owner for any damages, including lost rents, suffered by the owner in relation to the Association's enforcement of the Documents against the owner's tenant.

11.10. GARAGE RESTRICTIONS. The original garage area of a unit may not be enclosed or used for any purpose that would prohibit the parking of operable vehicles therein, without the board's written authorization. The automatic garage door opener is to be maintained by its owner. Garage doors are to be kept closed at all times except when a vehicle is entering or leaving.

11.11. HOOPS. Without the ACC's prior written approval, basketball goals and other recreational or sporting equipment may not be used, attached, mounted, or installed in a front yard, on a front driveway, in an unfenced portion of a side yard, or on the street side exterior portion of a unit. This prohibition applies to portable goals and equipment.

11.12. LANDSCAPING RESTRICTIONS. No person may perform landscaping, planting, or gardening anywhere upon the Property, except within fenced or enclosed limited common areas, without the board's prior written authorization.

11.13. LEASE CONDITIONS. The leasing of units is subject to the following conditions: (1) no unit may be rented for transient or hotel purposes or for a period less than 7 days; (2) no unit may be subdivided for rent purposes, and not less than an entire unit may be leased; (3) all leases must be in writing and must be made subject to the Documents; (4) an owner is responsible for providing his tenant with copies of the Documents and notifying him of changes thereto; and (5) each tenant is subject to and must comply with all provisions of the Documents, federal and State laws, and local ordinances.

11.14. NOISE & ODOR. A resident must exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb or annoy residents of neighboring units. The Rules may prohibit the use of noise-producing security devices and windchimes.

11.15. OCCUPANCY OF UNITS. The board may adopt Rules regarding the occupancy of units. If the Rules fail to establish occupancy standards, no more than 2 persons per bedroom may occupy a unit, subject to the exception for familial status. The Association's occupancy standard for residents who qualify for familial status protection under the fair housing laws may not be more restrictive than the minimum (*i.e., the fewest people per unit*) permitted by the U. S. Department of Housing and Urban Development. A person may not occupy a unit if the person constitutes a direct threat to the health or safety of other persons, or if the person's occupancy would result in substantial physical damage to the property of others.

11.16. RESIDENTIAL USE. The use of a unit is limited exclusively to residential purposes or any other use permitted by this Declaration. This residential restriction does not, however, prohibit a resident from using the unit for personal business or professional pursuits provided that: (1) the uses are incidental to the use of the unit as a dwelling, (2) the uses conform to applicable governmental ordinances, (3) there is no external evidence of the uses, (4) the uses do not entail visits to the unit by employees or the public, and (5) the uses do not interfere with residents' use and enjoyment of neighboring units.

11.17. SIGN RESTRICTIONS. No signs advertising the units for sale or lease, other advertising signs, or unsightly objects may be erected, placed, or permitted to remain on the Property or to be visible from windows in the units without written authorization of the board. The board's authorization may specify the location, nature, dimensions, number, and time period of any advertising sign.

11.18. SPECIFIC USES. Except for ingress and egress, the front yards, sidewalks, and driveways on the Property may not be used for any purpose that has not been authorized in writing by the board.

11.19. STRUCTURAL INTEGRITY. No person may directly or indirectly impair the structural soundness or integrity of a building or another unit, nor do any work that will impair an easement or hereditament.

11.20. TELEVISION. Each resident of the Property will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, electronic, microwave, cable, or satellite reception on the Property. Without the prior written consent of the ACC, no person may install the following equipment on the common elements or the exterior of

buildings if it would be visible from a street: an antenna, microwave or satellite dish, receiving or transmitting tower; provided, however, that (1) reception-only tv antennas, (2) direct broadcast satellites (DBS) that are one meter or less in diameter, and (3) multipoint distribution service (MDS) antennas that are one meter or less in diameter may be installed, subject to the "Satellite Dish/Antenna" section of Article 8 of this Declaration.

11.21. VEHICLE RESTRICTIONS. All vehicles on the Property, whether owned or operated by the residents or their families and guests, are subject to this Section and Rules adopted by the board. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on the Property. The board may prohibit any vehicle which the board deems to be a nuisance, unsightly, or inappropriate. The board may prohibit sales, storage, washing, repairs, or restorations of vehicles on the Property. Vehicles that transport inflammatory or explosive cargo are prohibited from the Property at all times. No vehicle may obstruct the flow of traffic, constitute a nuisance, or otherwise create a safety hazard on the Property. The Association may effect the removal of any vehicle in violation of this Section or the Rules without liability to the owner or operator of the vehicle.

11.22. WINDOW RESTRICTIONS. All window treatments within the unit, that are visible from the street or another unit, must appear to be white in color.

ARTICLE 12 MORTGAGEE PROTECTION

12.1. INTRODUCTION. This Article is supplemental to, not a substitution for, any other provision of the Documents. In case of conflict, this Article controls. Some sections of this Article apply to "Mortgagees," as defined in Article 1. Other sections apply to "Eligible Mortgagees," as defined below.

12.2. AMENDMENT. This Article establishes certain standards for the benefit of Underwriting Lenders, and is written to comply with their requirements and guidelines in effect at the time of drafting. If an Underwriting Lender subsequently changes its requirements, the board, without approval of owners or mortgagees, may amend this Article and other provisions of the Documents, as necessary, to meet the requirements of the Underwriting Lender.

12.3. KNOWN MORTGAGEES. An owner who mortgages his unit will notify the Association, giving the complete name and address of his mortgagee and the loan number. The Association's obligations to mortgagees under the Documents extend only to those mortgagees known to the Association. All actions and approvals required by mortgagees will be conclusively satisfied by the mortgagees known to the Association, without regard to other holders of mortgages on units. The Association may rely on the information provided by owners and mortgagees.

12.4. ELIGIBLE MORTGAGEES. "Eligible Mortgagee" means the holder, insurer, or guarantor of a first purchase money mortgage secured by a recorded deed of trust lien against a unit who has submitted to the Association a written notice containing its name and address, the loan number, and the identifying number and street address of the mortgaged unit. A single notice per unit will be valid so long as the Eligible Mortgagee holds a mortgage on the unit. The board will maintain this information. The Association will treat the notice as the Eligible Mortgagee's request to be notified of any proposed action requiring the consent of Eligible Mortgagees. A provision

of the Documents requiring the approval of a specified percentage of Eligible Mortgagees will be based on the number of units subject to mortgages held by Eligible Mortgagees. For example, "51 percent of Eligible Mortgagees" means Eligible Mortgagees of 51 percent of the units that are subject to mortgages held by Eligible Mortgagees.

12.5. NOTICE OF ACTIONS. The Association will use its best efforts to send timely written notice to Eligible Mortgagees of the following actions:

- a. Any condemnation or casualty loss that affects a material portion of the Property or the mortgaged unit.
- b. Any 60-day delinquency in the payment of assessments or charges owed by the owner of the mortgaged unit.
- c. A lapse, cancellation, or material modification of any insurance policy maintained by the Association.
- d. Any proposed action that requires the consent of a specified percentage of Eligible Mortgagees.
- e. Any proposed amendment of a material nature, as provided in this Article.
- f. Any proposed termination of the condominium status of the Property.

12.6. AMENDMENTS OF A MATERIAL NATURE. A Document amendment of a material nature must be approved by owners representing at least 67 percent of the votes in the Association, and by at least 51 percent of Eligible Mortgagees. This approval requirement does not apply to amendments effected by the exercise of a Development Right. A change to any of the provisions governing the following would be considered material:

- a. Voting rights.
- b. Increases in assessments that raise the previously assessed amount by more than 25 percent, assessment liens, or the priority of assessment liens.
- c. Reductions in reserves for maintenance, repair, and replacement of common elements.
- d. Responsibility for maintenance and repairs.
- e. Reallocation of interests in the general or limited common elements, or rights to their use; except that when limited common elements are reallocated by agreement between owners, only those owners and only the Eligible Mortgagees holding mortgages against those units need approve the action.
- f. Redefinitions of boundaries of units, except that when boundaries of only adjoining units are involved, or a unit is being subdivided, then only those owners and the

Eligible Mortgagees holding mortgages against the unit or units need approve the action.

- g. Convertability of units into common elements or common elements into units.
- h. Expansion or contraction of the Property, or the addition, annexation, or withdrawal of property to or from the Property.
- i. Property or fidelity insurance requirements.
- j. Imposition of any restrictions on the leasing of units.
- k. Imposition of any restrictions on owners' right to sell or transfer their units.
- l. If the Property consists of 50 units or more, a decision by the Association to establish self-management when professional management had been required previously by the Documents or an Eligible Mortgagee.
- m. Restoration or repair of the Property, in a manner other than that specified in the Documents, after hazard damage or partial condemnation.
- n. Any provision that expressly benefits mortgage holders, insurers, or guarantors.

12.7. TERMINATION. An action to terminate the legal status of the Property after substantial destruction or condemnation must be approved by owners representing at least 67 percent of the votes in the Association, and by at least 51 percent of Eligible Mortgagees. An action to terminate the legal status for reasons other than substantial destruction or condemnation must be approved by at least 67 percent of Eligible Mortgagees.

12.8. IMPLIED APPROVAL. The approval of an Eligible Mortgagee is implied when the Eligible Mortgagee fails to respond within 30 days after receiving the Association's written request for approval of a proposed amendment, provided the Association's request was delivered by certified or registered mail, return receipt requested.

12.9. INSPECTION OF BOOKS. The Association will maintain current copies of the Documents and the Association's books, records, and financial statements. Mortgagees may inspect the Documents and records, by appointment, during normal business hours.

12.10. FINANCIAL STATEMENTS. If the Property consists of 50 units or more, and if a Mortgagee submits a written request, the Association will give the Mortgagee an audited statement for the preceding fiscal year within 120 days after the Association's fiscal year-end. A Mortgagee may have an audited statement prepared at its own expense.

12.11. ATTENDANCE AT MEETINGS. A representative of an Eligible Mortgagee may attend and address any meeting which an owner may attend.

12.12. RIGHT OF FIRST REFUSAL. Any right of first refusal imposed by the Association with respect to a lease, sale, or transfer of a unit does not apply to a lease, sale, or transfer by a Mortgagee, including transfer by deed in lieu of foreclosure or foreclosure of a deed of trust lien.

12.13. MANAGEMENT CONTRACT. If professional management of the Association is required by this Article, the contract for professional management may not require more than 90 days' notice to terminate the contract, nor payment of a termination penalty.

12.14. INSURANCE POLICIES.

12.14.1. Notice of Cancellation. Insurance policies maintained by the Association should require the insurer to notify in writing each Mortgagee named in the mortgage clause at least 10 days before the insurer cancels or substantially changes the Association's coverage. Additionally, the Association will use its best efforts to send timely written notice to Eligible Mortgagees of a lapse, cancellation, or material modification of any insurance policy maintained by the Association.

12.14.2. Insurance Carrier. The Association's property insurance policy must be written by an insurance carrier that meets or exceeds the requirements, from time to time, of an Underwriting Lender. The initial requirements are those of Section 701.01, Part VI, Fannie Mae's Selling Guide, revised May 12, 1993, which are incorporated herein by reference.

12.14.3. Policy Deductible. The deductible on the Association's property insurance policy must not exceed the maximum limits permitted by an Underwriting Lender. The initial deductible requirements for property insurance policies are those of Section 701.03, Part VI, Fannie Mae's Selling Guide, revised May 12, 1993, which requires a maximum deductible in an amount that is the lesser of \$10,000 or 1 percent of the policy face amount. Funds to cover the deductible should be included in the Association's operating reserve account.

12.14.4. Full Replacement Cost. The Association's property insurance policy should cover 100 percent of the insurable replacement cost of the insurable improvements, as required by an Underwriting Lender. The initial amount requirements are those of Section 701.03, Part VI, Fannie Mae's Selling Guide, revised May 12, 1993, which permits use of a guaranteed replacement cost endorsement, or a replacement cost endorsement, together with an agreed amount endorsement in case of coinsurance.

12.14.5. Endorsements. The Association will obtain endorsements to its property insurance policy as required by an Underwriting Lender. The initial endorsement requirements are those of Section 701.03, Part VI, Fannie Mae's Selling Guide, revised May 12, 1993, which requires an inflation guard endorsement, if available; building ordinance or law endorsement; and steam boiler and machinery coverage endorsement, if applicable.

12.14.6. Liability Coverage. The amount of the Association's liability insurance should be at least that required by an Underwriting Lender. The initial endorsement requirements are those of Section 703, Part VI, Fannie Mae's Selling Guide,

revised May 12, 1993, which requires a minimum of \$1 million for bodily injury and property damage per single occurrence.

ARTICLE 13 AMENDMENTS

13.1. CONSENTS REQUIRED. As permitted by the Act or by this Declaration, certain amendments of this Declaration may be executed by Declarant alone, or by certain owners alone, or by the board alone. Otherwise, amendments to this Declaration must be approved by owners representing at least 67 percent of the votes in the Association.

13.2. METHOD OF AMENDMENT. This Declaration may be amended by any method selected by the board from time to time, pursuant to the bylaws, provided the method gives an owner of each unit the substance if not exact wording of the proposed amendment, a description in layman's terms of the effect of the proposed amendment, and an opportunity to vote for or against the proposed amendment. For amendments requiring the consent of Eligible Mortgagees, the Association will send each Eligible Mortgagee a detailed description, if not exact wording, of any proposed amendment.

13.3. EFFECTIVE. To be effective, an amendment must be in the form of a written instrument (1) referencing the name of the Property, the name of the Association, and the recording data of this Declaration and any amendments hereto; (2) signed and acknowledged by an officer of the Association, certifying the requisite approval of owners and, if required, Eligible Mortgagees; and (3) recorded in the real property records of every county in which the Property is located.

13.4. DECLARANT PROVISIONS. No amendment may affect Declarant's rights under this Declaration or the Act without Declarant's written and acknowledged consent, which must be part of the recorded amendment instrument. Because Appendix F of this Declaration is destined to become obsolete, beginning 15 years after the date this Declaration is first recorded, the board may restate, rerecord, or publish this Declaration without Appendix F, provided the other appendixes are not relettered. The automatic expiration and subsequent deletion of Appendix F does not constitute an amendment of this Declaration. This section may not be amended without Declarant's written and acknowledged consent.

ARTICLE 14 INSURANCE

14.1. GENERAL PROVISIONS. All insurance affecting the Property is governed by the provisions of this Article, with which the board will make every reasonable effort to comply, including the following:

14.1.1. Common Expense. The cost of insurance coverages and bonds maintained by the Association is a common expense.

14.1.2. Insurer. Insurance policies and bonds obtained and maintained by the Association must be issued by responsible insurance companies authorized to do business in the State of Texas. The property insurance policy must be written by a company that

complies with the "Insurance Carrier" subsection of the Mortgagee Protection article of this Declaration.

14.1.3. Insured. The Association must be the named insured on all policies obtained by the Association. The loss payee clause should show the Association as trustee for each owner and Mortgagee.

14.1.4. Subrogation. Policies of property and general liability insurance maintained by the Association must provide that the insurer waives its rights to subrogation under the policy against an owner.

14.1.5. Association as Trustee. Each owner irrevocably appoints the Association, acting through its board, as his trustee to negotiate, receive, administer, and distribute the proceeds of any claim against an insurance policy maintained by the Association.

NOTICES

1. Under some circumstances, a unit owner may be required to pay the deductible on the Association's property insurance policy.
2. Prospective purchasers and mortgagees should determine if the Association maintains property insurance on the units. This Declaration does not require the Association to insure the individually owned units.

14.1.6. Notice of Cancellation or Modification. Each insurance policy maintained by the Association should contain a provision requiring the insurer to give prior written notice, as provided by the Act, to the board before the policy may be canceled, terminated, materially modified, or allowed to expire, by either the insurer or the insured. To the extent required by the "Insurance Carrier" paragraph of the Mortgagee Protection article of this Declaration, the board will give to Eligible Mortgagees, and the insurer will give to Mortgagees, prior notices of cancellation, termination, expiration, or material modification.

14.1.7. Deductibles. An insurance policy obtained by the Association may contain a reasonable deductible. The Association may require that the deductible be paid, in whole or in part, by the party who would be liable for the loss or repair in the absence of insurance. If a loss is due wholly or partly to an act or omission of an owner or resident or their invitees, the Association may require the owner to reimburse the Association for the amount of the deductible that is attributable to the act or omission. The Association's property insurance policy must be written with deductibles that meet or exceed the requirements of the "Policy Deductible" paragraph of the Mortgagee Protection article of this Declaration.

14.1.8. Mortgage Clause. The Association's policies should contain the standard mortgage clause naming either the Mortgagee or its servicer followed by "its successors and assigns."

14.1.9. Prejudice. The insurance will not be prejudiced by the act or omission of any owner or resident who is not under the Association's control.

14.2. PROPERTY INSURANCE. The Association will obtain blanket all-risk insurance, if reasonably available, for all improvements insurable by the Association. If blanket all-risk insurance is not reasonably available, then at a minimum, the Association will obtain an insurance policy providing fire and extended coverage. This insurance must be in an amount sufficient to cover 100 percent of the replacement cost of any repair or reconstruction in event of damage or destruction from any insured hazard.

14.2.1. Common Property Insured. The Association will insure (1) general common elements; (2) limited common elements; and (3) property owned by the Association including, if any, records, furniture, fixtures, equipment, and supplies.

14.2.2. Units Insured by Association. In addition to insuring the common elements against casualty loss, the Association may, but is not obligated to, maintain property insurance on the units as originally constructed. The Association may insure betterments and improvements installed by current or previous owners. In insuring units, the Association may be guided by types of policies customarily available for similar types of properties.

14.2.3. Endorsements. To the extent reasonably available, the Association will obtain endorsements to its property insurance policy as required by the "Endorsements" paragraph of the Mortgagee Protection article of this Declaration.

14.3. LIABILITY INSURANCE. The Association will maintain a commercial general liability insurance policy over the common elements -- expressly excluding the liability of each owner and resident within his unit -- for bodily injury and property damage resulting from the operation, maintenance, or use of the common elements. The amount of coverage should be at least that required by the "Liability Insurance" paragraph of the Mortgagee Protection article of this Declaration. If the policy does not contain a severability of interest provision, it should contain an endorsement to preclude the insurer's denial of an owner's claim because of negligent acts of the association or other owners.

14.4. WORKER'S COMPENSATION. The Association may maintain worker's compensation insurance if and to the extent necessary to meet the requirements of state law or if the board so chooses.

14.5. FIDELITY COVERAGE. To the extent reasonably available, the Association will maintain blanket fidelity coverage for any person who handles or is responsible for funds held or administered by the Association, whether or not the person is paid for his services. The policy should be for an amount that exceeds the greater of (1) the estimated maximum funds, including reserve funds, that will be in the Association's custody at any time the policy is in force; or (2) an amount equal to 3 months of regular assessments on all units. A management agent that handles Association funds should be covered for its own fidelity insurance policy with the same coverages.

14.6. DIRECTORS AND OFFICERS LIABILITY. The Association may maintain directors and officers liability insurance, errors and omissions insurance, indemnity bonds, or other insurance

the board deems advisable to insure the Association's directors, officers, committee members, and managers against liability for an act or omission in carrying out their duties in those capacities.

14.7. MORTGAGEE REQUIRED POLICIES. Unless coverage is not available or has been waived in writing, the Association will maintain any insurance and bond required by an Underwriting Lender for condominium developments as long as an Underwriting Lender is a Mortgagee or an owner.

14.8. OTHER POLICIES. The Association may maintain any insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association.

14.9. OWNER'S RESPONSIBILITY FOR INSURANCE.

14.9.1. Insurance by Owners. Notwithstanding the foregoing, the board may establish minimum insurance requirements, including types and minimum amounts of coverage, to be individually obtained and maintained by owners if the insurance is deemed necessary or desirable by the board to reduce potential risks to the Association or other owners. If an owner fails to maintain required insurance, the board may obtain it on behalf of the owner who will be obligated for the cost as an individual assessment.

14.9.2. Owners' Responsibilities. On request, an owner will give the board written notification of any and all structural changes, additions, betterments, or improvements to his unit, and any other information the board may require to maintain adequate levels of insurance coverage. Each owner will comply with reasonable requests by the board for periodic inspection of the unit for purposes of insurance appraisal. Each owner, at his expense, will maintain any insurance coverages required of owners by the Association pursuant to this Article. Each owner, at his expense, is entitled to obtain additional insurance coverage of his real property, improvements, and betterments thereto, or personal property.

14.9.3. Association Does Not Insure. The Association does not insure an owner or resident's personal property. Each owner and resident is solely responsible for insuring his personal property in his unit and on the Property, including furnishings, vehicles, and stored items. The Association strongly recommends that each owner and resident purchase and maintain insurance on his personal belongings.

ARTICLE 15
RECONSTRUCTION OR REPAIR AFTER LOSS

15.1. SUBJECT TO ACT. The Association's response to damage or destruction of the Property will be governed by Section 82.111(i) of the Act. The following provisions apply to the extent the Act is silent.

15.2. RESTORATION FUNDS. For purposes of this Article, Restoration Funds include insurance proceeds, condemnation awards, Deficiency Assessments, individual assessments, and other funds received on account of or arising out of injury or damage to the Property. All funds paid to the Association for purposes of repair or restoration will be deposited in a financial institution in which accounts are insured by a federal agency. Withdrawal of Restoration Funds

requires the signatures of at least 2 Association directors or that of an agent duly authorized by the board.

15.2.1. Sufficient Proceeds. If Restoration Funds obtained from insurance proceeds or condemnation awards are sufficient to repair or restore the damaged or destroyed Property, the Association, as trustee for the owners, will promptly apply the funds to the repair or restoration.

15.2.2. Insufficient Proceeds. If Restoration Funds are not sufficient to pay the estimated or actual costs of restoration as determined by the board, the board may levy a Deficiency Assessment against the owners to fund the difference.

15.2.3. Surplus Funds. If the Association has a surplus of Restoration Funds after payment of all costs of repair and restoration, the surplus will be applied as follows. If Deficiency Assessments were a source of Restoration Funds, the surplus will be paid to owners in proportion to their contributions resulting from the Deficiency Assessment levied against them; provided that no owner may receive a sum greater than that actually contributed by him, and further provided that any delinquent assessments owed by the owner to the Association will first be deducted from the surplus. Any surplus remaining after the disbursement described in the foregoing paragraph will be common funds of the Association to be used as directed by the board.

15.3. COSTS AND PLANS.

15.3.1. Cost Estimates. Promptly after the loss, the board will obtain reliable and detailed estimates of the cost of restoring the damaged Property. Costs may include premiums for bonds and fees for the services of professionals, as the board deems necessary, to assist in estimating and supervising the repair.

15.3.2. Plans and Specifications. Common elements will be repaired and restored substantially as they existed immediately prior to the damage or destruction. Units will be repaired and restored substantially in accordance with original construction plans and specifications, unless the Association insures betterments and improvements made by owners, in which case the units will be repaired and restored substantially as they existed immediately prior to the damage or destruction. Alternate plans and specifications for repair and restoration of either common elements or units must be approved by owners representing at least two-thirds of the votes in the Association and by certain mortgagees if so required by the Mortgagee Protection article of this Declaration.

15.4. OWNER'S DUTY TO REPAIR.

15.4.1. Uninsured Loss. Within 60 days after the date of damage, the owner will begin repair or reconstruction of any portion of his unit not covered by the Association's blanket insurance policy, subject to the right of the Association to supervise, approve, or disapprove repair or restoration during the course thereof.

15.4.2. Insured Loss. If the loss to a unit is covered by the Association's insurance policy, the owner will begin repair or restoration of damage on receipt of the

insurance proceeds or any portion thereof from the Association, subject to the rights of the Association to supervise, approve, or disapprove the repair or restoration during the course thereof.

15.4.3. Failure to Repair. If an owner fails to repair or restore damage as required by this Section, the Association may effect the necessary repairs and levy an individual assessment against the owner and unit for the cost thereof, after giving an owner of the unit reasonable notice of the Association's intent to do so.

15.5. OWNER'S LIABILITY FOR INSURANCE DEDUCTIBLE. If repair or restoration of common elements or units is required as a result of an insured loss, the board may levy an individual assessment, in the amount of the insurance deductible, against the owner or owners who would be responsible for the cost of the repair or reconstruction in the absence of insurance.

ARTICLE 16 TERMINATION AND CONDEMNATION

16.1. ASSOCIATION AS TRUSTEE. Each owner hereby irrevocably appoints the Association, acting through its board, as trustee to deal with the Property in the event of damage, destruction, obsolescence, condemnation, or termination of all or any part of the Property. As trustee, the Association will have full and complete authority, right, and power to do all things reasonable and necessary to effect the provisions of this Declaration and the Act, including, without limitation, the right to receive, administer, and distribute funds, awards, and insurance proceeds; to effect the sale of the Property as permitted by this Declaration or by the Act; and to make, execute, and deliver any contract, deed, or other instrument with respect to the interest of an owner.

16.2. TERMINATION. Termination of the terms of this Declaration and the condominium status of the Property will be governed by Section 82.068 of the Act, subject to the following provisions:

16.2.1. Substantial Taking. In the event of substantially total damage, destruction, or condemnation of the Property, an amendment to terminate must be approved by owners representing at least 67 percent of the votes in the Association and by certain mortgagees pursuant to the Mortgage Protection article of this Declaration.

16.2.2. Total Taking. In the event of condemnation of the entire Property, an amendment to terminate may be executed by the board without a vote of owners or mortgagees.

16.2.3. Other Circumstances. In all other circumstances, an amendment to terminate must be approved by owners representing at least 80 percent of the votes in the Association and by certain mortgagees pursuant to the Mortgage Protection article of this Declaration.

16.3. CONDEMNATION. The Association's response to condemnation of any part of the Property will be governed by Section 82.007 of the Act. On behalf of owners, but without their consent, the board may execute an amendment of this Declaration to reallocate allocated interests

following condemnation and to describe the altered parameters of the Property. If the Association replaces or restores common elements taken by condemnation by obtaining other land or constructing additional improvements, the board may, to the extent permitted by law, execute an amendment without the prior consent of owners to describe the altered parameters of the Property and any corresponding change of facilities or improvements.

ARTICLE 17 ASSOCIATION OPERATIONS

17.1. BOARD. Unless the Documents expressly reserve a right, action, or decision to the owners, Declarant, or another party, the board acts in all instances on behalf of the Association. Unless the context indicates otherwise, references in the Documents to the "Association" may be construed to mean "the Association acting through its board of directors."

17.2. INDEMNIFICATION. The Association indemnifies every officer, director, and committee member (for purposes of this Section, "Leaders") against expenses, including attorney's fees, reasonably incurred by or imposed on the Leader in connection with any threatened or pending action, suit, or proceeding to which the Leader is a party or respondent by reason of being or having been a Leader. A Leader is not liable for a mistake of judgment, negligent or otherwise. A Leader is liable for his willful misfeasance, malfeasance, misconduct, or bad faith. This right to indemnification does not exclude any other rights to which present or former Leaders may be entitled. As a common expense, the Association may maintain general liability and directors and officers liability insurance to fund this obligation.

17.3. ASSOCIATION'S RIGHT TO ENFORCE DOCUMENTS. The remedies provided in this Section for breach of the Documents are cumulative and not exclusive. In addition to other rights and remedies provided by the Documents and by law, the Association has the following right to enforce the Documents:

17.3.1. Nuisance. The result of every act or omission that violates any provision of the Documents is a nuisance, and any remedy allowed by law against a nuisance, either public or private, is applicable against the violation.

17.3.2. Fine. The Association may levy reasonable charges, as an individual assessment, against an owner and his unit if the owner or resident, or the owner or resident's family, guests, employees, agents, or contractors violate a provision of the Documents. Fines may be levied for each act of violation or for each day a violation continues, and does not constitute a waiver or discharge of the owner's obligations under the Documents.

17.3.3. Suspension. The Association may suspend the right of owners and residents to use common elements (except rights of ingress and egress) for any period during which the owner or resident, or the owner or resident's family, guests, employees, agents, or contractors violate the Documents. A suspension does not constitute a waiver or discharge of the owner's obligations under the Documents.

17.3.4. Self-Help. The Association has the right to enter a common element or unit to abate or remove, using force as may reasonably be necessary, any erection, thing,

animal, person, vehicle, or condition that violates the Documents. In exercising this right, the board is not trespassing and is not liable for damages related to the abatement. The board may levy its costs of abatement against the unit and owner as an individual assessment. Unless an emergency situation exists in the good faith opinion of the board, the board will give the violating owner 15 days' notice of its intent to exercise self-help.

17.3.5. No Waiver. The Association and every owner has the right to enforce all restrictions, conditions, covenants, liens, and charges now or hereafter imposed by the Documents. Failure by the Association or by any owner to enforce a provision of the Documents is not a waiver of the right to do so thereafter.

17.4. NOTICE AND HEARING. Before levying a fine for violation of the Documents, or before levying an individual assessment for property damage, the Association will give the owner written notice of the levy and an opportunity to be heard, to the extent required by the Act. The Association's written notice must contain a description of the violation or property damage; the amount of the proposed fine or damage charge; a statement that not later than the 30th day after the date of the notice, the owner may request a hearing before the board to contest the fine or charge; and a stated date by which the owner may cure the violation to avoid the fine -- unless the owner was given notice and a reasonable opportunity to cure a similar violation within the preceding 12 months. The Association may also give a copy of the notice to the resident. Pending the hearing, the Association may continue to exercise its other rights and remedies for the violation, as if the declared violation were valid. The owner's request for a hearing suspends only the levy of a fine or damage charge. The owner may attend the hearing in person, or may be represented by another person or written communication. The board may adopt additional or alternative procedures and requirements for notices and hearing, provided they are consistent with the Act's requirements.

ARTICLE 18 DISPUTE RESOLUTION

18.1. INTRODUCTION & DEFINITIONS. The Association, the owners, Declarant, all persons subject to this Declaration, and any person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, the "Parties") agree to encourage the amicable resolution of disputes involving the Property and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, each Party hereby covenants and agrees that this Article applies to all claims as hereafter defined. As used in this Article only, the following words, when capitalized, have the following specified meanings:

18.1.1. "Claim" means any claim, grievance, or dispute between Parties involving the Properties, except Exempt Claims as defined below, and including without limitation:

- a. Claims arising out of or relating to the interpretation, application, or enforcement of the Documents.
- b. Claims relating to the rights and/or duties of Declarant as Declarant under the Documents.
- c. Claims relating to the design, construction, or maintenance of the Property.

18.1.2. "Claimant" means any Party having a Claim against any other Party.

18.1.3. "Declarant" means, individually and collectively, the Declarant as defined in Article 1; Declarant's architect, engineer, other design professionals, builder, general contractor, and broker; and their respective officers, directors, principals, employees, and agents.

18.1.4. "Exempt Claims" means the following claims or actions, which are exempt from this Article:

- a. The Association's claim for assessments, and any action by the Association to collect assessments.
- b. An action by any Party to obtain a temporary restraining order or equivalent emergency equitable relief, and such other ancillary relief as the court deems necessary to maintain the status quo and preserve the Party's ability to enforce the provisions of this Declaration.
- c. Enforcement of the easements, architectural control, maintenance, and use restrictions of this Declaration.
- d. A suit to which an applicable statute of limitations would expire within the notice period of this Article, unless a Party against whom the Claim is made agrees to toll the statute of limitations as to the Claim for the period reasonably necessary to comply with this Article.

18.1.5. "Respondent" means the Party against whom the Claimant has a Claim.

18.2. MANDATORY PROCEDURES. Claimant may not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of its Claim until Claimant has complied with the procedures of this Article.

18.3. NOTICE. Claimant must notify Respondent in writing of the Claim (the "Notice"), stating plainly and concisely: (1) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim; (2) the basis of the Claim (i.e., the provision of the Documents or other authority out of which the Claim arises); (3) what Claimant wants Respondent to do or not do to resolve the Claim; and (4) that the Notice is given pursuant to this Section.

18.4. NEGOTIATION. Claimant and Respondent will make every reasonable effort to meet in person to resolve the Claim by good faith negotiation. Within 60 days after Respondent's receipt of the Notice, Respondent and Claimant will meet at a mutually-acceptable place and time to discuss the Claim. At such meeting or at some other mutually-agreeable time, Respondent and Respondent's representatives will have full access to the property that is subject to the Claim for the purposes of inspecting the property. If Respondent elects to take corrective action, Claimant will provide Respondent and Respondent's representatives and agents with full access to the property to take and complete corrective action.

18.5. MEDIATION. If the parties negotiate but do not resolve the Claim through negotiation within 120 days from the date of the Notice (or within such other period as may be agreed on by the parties), Claimant will have 30 additional days within which to submit the Claim to mediation under the auspices of a mediation center or individual mediator on which the parties mutually agree. The mediator must have at least 5 years of experience serving as a mediator and must have technical knowledge or expertise appropriate to the subject matter of the Claim. If Claimant does not submit the Claim to mediation within the 30-day period, Claimant is deemed to have waived the Claim, and Respondent is released and discharged from any and all liability to Claimant on account of the Claim.

18.6. TERMINATION OF MEDIATION. If the Parties do not settle the Claim within 30 days after submission to mediation, or within a time deemed reasonable by the mediator, the mediator will issue a notice of termination of the mediation proceedings indicating that the Parties are at an impasse and the date that mediation was terminated. Thereafter, Claimant may file suit or initiate administrative proceedings on the Claim, as appropriate.

18.7. ALLOCATION OF COSTS. Except as otherwise provided in this Section, each Party bears all of its own costs incurred prior to and during the proceedings described in the Notice, Negotiation, and Mediation sections above, including its attorneys fees. Respondent and Claimant will equally divide all expenses and fees charged by the mediator.

18.8. ENFORCEMENT OF RESOLUTION. Any settlement of the Claim through negotiation or mediation will be documented in writing and signed by the Parties. If any Party thereafter fails to abide by the terms of the agreement, then the other Party may file suit or initiate administrative proceedings to enforce the agreement without the need to again comply with the procedures set forth in this Article. In that event, the Party taking action to enforce the agreement is entitled to recover from the non-complying Party all costs incurred in enforcing the agreement, including, without limitation, attorneys fees and court costs.

18.9. GENERAL PROVISIONS. A release or discharge of Respondent from liability to Claimant on account of the Claim does not release Respondent from liability to persons who are not party to Claimant's Claim. A Party having an Exempt Claim may submit it to the procedures of this Article.

ARTICLE 19 GENERAL PROVISIONS

19.1. COMPLIANCE. The owners hereby covenant and agree that the administration of the Association will be in accordance with the provisions of the Documents and all applicable laws, regulations, and ordinances, as same may be amended from time to time, of any governmental or quasi-governmental entity having jurisdiction over the Association or Property.

19.2. NOTICE. All demands or other notices required to be sent to an owner or resident by the terms of this Declaration will be sent by ordinary or certified mail, postage prepaid, to the party's last known address as it appears on the records of the Association at the time of mailing. If an owner fails to give the Association an address for mailing notices, all notices may be sent to the owner's unit, and the owner is deemed to have been given notice whether or not he actually receives it.

19.3. LIBERAL CONSTRUCTION. The terms and provision of each Document are to be liberally construed to give effect to the purposes and intent of the Document. All doubts regarding a provision, including restrictions on the use or alienability of property, will be resolved in favor of the operation of the Association and its enforcement of the Documents, regardless which party seeks enforcement.

19.4. SEVERABILITY. Invalidation of any provision of this Declaration by judgment or court order does not affect any other provision, which remains in full force and effect. The effect of a general statement is not limited by the enumeration of specific matters similar to the general.

19.5. CAPTIONS. The captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer.

19.6. INTERPRETATION. Whenever used in the Documents, unless the context provides otherwise, a reference to a gender includes all genders. Similarly, a reference to the singular includes the plural, the plural the singular, where the same would be appropriate.

19.7. DURATION. Unless terminated or amended by owners as permitted herein, the provisions of this Declaration run with and bind the Property, and will remain in effect perpetually to the extent permitted by law.

19.8. PREPARER. This Declaration was prepared by Sharon Reuler, P.C., of Palmer, Allen & McTaggart, L.L.P., 8111 Preston Road, Suite 300, Dallas, Texas 75225.

19.9. APPENDIXES. The following appendixes are attached to this Declaration and are incorporated herein by reference:

- A - Description of Subject Land
- B - Easements and Licenses
- C - Schedule of Allocated Interests
- D - Plats and Plans
- E - Description of Additional Land
- F - Declarant Representations & Reservations
- G - Consent to Declaration

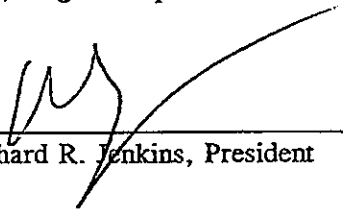
[END OF PROVISIONS]

SIGNED AND ACKNOWLEDGED

SIGNED on this 8th day of December 2000.

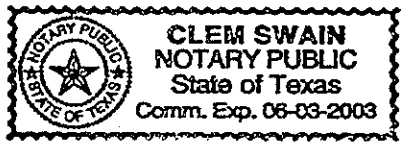
FOREST CREEK CONDOMINIUMS, LTD., a
Texas limited partnership

BY: FC REALTY, INC., a Texas
corporation, its general partner

By: 
Richard R. Jenkins, President

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this 8th day of December 2000 by Richard R. Jenkins, President of FC Realty, Inc., a Texas corporation, on behalf of said corporation in its capacity as general partner of Forest Creek Condominiums, Ltd., a Texas limited partnership, on behalf of the limited partnership.




Notary Public, The State of Texas