

BY-LAWS
OF
KARANKAWA TOWN HOUSE OWNERS ASSOCIATION

ARTICLE I: Name and Location

The name of the corporation is Karankawa Town House Owners Association, Inc., hereinafter referred to as the "Association." The principal office of the Association shall be located at Box 453, Port Boliver, Texas 77650, but meetings of Members and Directors may be held at such places within the State of Texas, County of Galveston, or other Counties and Cities as may be designated by the Board of Directors.

ARTICLE II: Definitions

Section 1. All terms used herein shall have the meanings given thereto in the Declaration unless expressly stated to the contrary herein.

Section 2. "Articles of Incorporation" shall mean the articles of incorporation of the Association, as amended from time to time.

Section 3. "Architectural Control Committee," (ACC) shall be a committee elected or appointed by the Board Members, which has the responsibility to, advise the Board relating to, "Requests for Modification" of our deed restrictions or other building, landscaping, or property changes.

Section 4. "By-Laws" shall mean the By-Laws of the Association, as amended from time to time.

Section 5. "Declaration" shall mean the declaration of reservations, restrictions, and easements applicable to the Properties recorded in the official Map Records of Real Property in Galveston County, Texas, under Volume 16, Page 46 and all amendments thereto made from time to time:

Section 6. "Director" shall mean a member of the Association's Board of Directors.

Section 7. "Member" shall mean those persons entitled to membership in the Association as provided in the Declaration.

Section 8. "Nominating Committee" shall mean a committee formed for the purpose of nominating candidates for election to the Board of Directors as contemplated by Article IV, Section 2 of the By-Laws.

Section 9. "Properties" shall mean that real property known as Karankawa Townhomes, Section 2, a subdivision in Galveston County, Texas, according to replat thereof recorded at Volume 16, Page 46 of the Map Records in the office of County Clerk of Galveston County, Texas as replatted from time to time.

ARTICLE III: Members, Meetings and Voting Rights

Section 1. Composition and Powers. Every owner shall be a member of the Association and shall continue to be a member as long as he owns a building site. The forgoing is not intended to, include persons or entities holding an interest in a Karankawa Townhouse merely as security for an obligation.

Membership shall be appurtenant to, and may not be separated from, the ownership of any building site. Except as otherwise provided in these By-Laws or in the Declaration, all action to be taken or authorized by the Members shall be deemed validly taken or authorized upon adoption by vote of majority of the Members.

Section 2. Annual Meetings. The annual meeting of the Members shall be held in ~~August of each year.~~ *last Saturday in January of each year*

Section 3. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of 1/3 of the Members who are entitled to vote.

Section 4. Notice of Meetings. Written notice of each annual and special meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least thirty (30) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last

appearing on the books of the Association, or supplied in writing by such Member to the Association for the purpose of notice.

Such notice shall specify the place, date and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 5. Quorum and Adjournment. The presence at any meeting, in person or by proxy, of Members entitled to cast a majority of the votes of the Members shall constitute a quorum for any action, except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws.

Any meeting of the Association, whether annual or special, may be adjourned from time to time, whether a quorum by present or not, without notice other than the announcement of the meeting, and such Adjournment may be to such time, date and place as may be determined by a majority of the votes cast at such meeting. At any such reconvened adjourned meeting provided a quorum is present, any business may be transacted which might have been transacted at the original meeting.

Section 6. Proxies. At all meeting of Members, each *proposed* Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his building site.

Section 7. Voting. No Member shall have any greater rights than any other Member regardless of any variation in size, value, or otherwise of his building site. One (1) vote only for each site.

ARTICLE IV: Board of Directors

Section 1. Composition. The affairs of the Association shall be managed by a Board of three (3) to five (5) Directors, who must be Owners within the Association. At each annual meeting, the Members shall elect one director for a term of three (3) years.

Section 2. Nomination. Nominations for election to the Board of Directors shall be made by the Nominating Committee or by any Member at a monthly Members' meeting prior to July 1, for inclusion on the proxy / ballot to be mailed with the annual meeting notice.

Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a chairman, who shall be on the

Board of Directors, and two or more other persons who shall be either Directors or Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting.

The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members.

Section 3. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration and these By-Laws. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 4. Removal. Any Director may be removed from the Board of Directors, with or without cause, by a majority vote of the Members. In the event of death, resignation, or removal of a Director, his successor shall be elected by the remaining members of the Board of Directors and shall serve for the unexpired term of his predecessor.

Section 5. Compensation. No Director shall receive compensation for any service he may render to the Association; however, any Director may be reimbursed for his actual reasonable expenses incurred in the performance of his duties.

Section 6. Quorum. A majority of members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of such Board of Directors. A vote of the Directors shall be valid if concurred in by a majority present at a meeting.

Directors shall abstain from voting on personal matters or on matters where a conflict of interest may exist.

Section 7. Action Taken Without a Meeting. The Directors shall have the right to take any action without a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action

so approved shall have the same effect as though taken at a meeting of the Directors.

Section 8. Meetings. Regular meetings of the Board of Directors shall be held at such place and hour as may be fixed from time to time by resolution of the Board of Directors.

Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) Directors, after not less than three (3) days' notice to each Director, which notice may be waived by attendance at the meeting or by written waiver.

Section 9. Powers and Duties. The Board of Directors, for the benefit of the Members, shall have the following powers and duties,

(a) To exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the Members by other provisions of these By-Laws, Articles of Incorporation, or the Declaration.

(b) To take all such lawful action as the Board of Directors may determine to be necessary, advisable, or conducive to the purposes and provisions of the Declaration, the Articles of Incorporation, and the By-Laws.

(c) To perform any and all duties imposed on or powers allowed to the Board of Directors by applicable law.

ARTICLE V: Officers, their Duties, and Committees

Section 1. Election of Officers. The officers of the Association shall be the President, one or more Vice Presidents, Secretary, and Treasurer, and, in addition thereto, in the discretion of the Board of Directors, such other officers with such duties as the Board of Directors shall from time to time determine.

All officers shall be elected annually by the Board of Directors as the Board may determine. All officers shall serve until their successors shall have been elected or until they have been removed or have resigned. All officers shall be subject to removal at any time by the Board of Directors.

The Board of Directors may in its discretion, elect acting or temporary officers and elect officers to fill vacancies occurring for any reason

whatsoever, and may, in its discretion, limit or enlarge the duties and powers of any officer elected by it. Any person may simultaneously hold more than one of any offices, except the offices of President and Secretary.

Section 2. The President. The President shall preside at all meetings of the Board of Directors and the Members; see that orders and resolutions of the Board of Directors are carried out; and, unless otherwise provided by the Board of Directors, sign all leases, mortgages, deeds and other written instruments that have been approved by the Board of Directors or pursuant to the authority granted by the Board of Directors.

Section 3. The Vice President. Each Vice President shall have such power and duties as may be assigned to him by the Board of Directors. If more than one Vice President is elected, the Board of Directors shall designate who is the First Vice President, who is the Second Vice President, etc. In the absence of the President, the First Vice President shall perform the duties of the President. Such authority to act for the President shall vest to the Vice Presidents in the order of their numerical designation by the Board of Directors.

Section 4. The Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings in conformity with these By-Laws; keep appropriate current records showing the Members of the Association together with their addresses; and perform such other duties assigned by the Board of Directors.

Section 5. The Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all money of the Association and shall disburse such funds as directed by resolution of the Board of Directors, provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board of Directors; sign all checks and promissory notes of the Association; keep proper books of accounts in accordance with the Deed restrictions; prepare an annual budget and a statement of income and expenditures to be presented to the Members at its regular annual meeting, and deliver a copy of each to the Members; and perform all other duties assigned to him by the Board of Directors.

Section 6. Committees. In addition to the committees provided for in the Declaration, the Board of Directors may appoint such other committees as may be deemed appropriate by the Board.

These committees shall have the level of authority necessary to execute their duties, not exceeding limitations established for Board authority. Actions outside of established limits should be handled in a manner consistent with those required of the Board.

ARTICLE VI: Books and Records

The books, records, and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member and any first mortgage of a building site. The Declaration, By-Laws, and Articles of Incorporation of the Association shall be available for inspection by any Member or first mortgage of a building site at the principal office of the Association.

ARTICLE VII: Corporate Seal

The Association shall have a seal in the form prescribed by the Board of Directors.

ARTICLE VIII: Miscellaneous

Section 1. Covenant to Obey Laws, Rules, and Regulations. Each Member shall be subject to the Declaration and shall abide by the By-Laws and any other rules and regulations as the same are or may from time to time be established by the Board of Directors or the membership.

Each Member shall observe, comply with and perform all rules, regulations, ordinances, and laws made by the Board of Directors or Members and any other governmental authority of the municipal, state, and Federal government, applicable to the Properties, or any building site or townhouse built thereon.

Section 2. Fiscal Year. The fiscal year of the Association shall begin on the first day of ~~July~~ and end on the ~~31st day~~ of ~~June~~ of every year.
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Section 3. Amendment. These By-Laws may be amended, at an annual, monthly, or special meeting of the Members, by a majority vote of the Members cast in person or by proxy.

Section 4. Conflicts. In the case of any conflict between the Articles of Incorporation, these By-Laws, the Articles of Incorporation shall control. In the case of any conflict between the Declaration, these By-Laws, the Articles of Incorporation, the Declaration shall control.

KARANKAWA TOWNHOUSE OWNER'S ASSOCIATION RULES AND REGULATIONS

SECTION 1. LEASES

- 1.1 All leases of any units must
- Be in writing
 - Provide that such leases are specifically subject in all respects to the provisions of the Declaration, Articles of Incorporation, By-Laws, and Rules & Regulations of the Association, and that any failure by the lessee to comply with the terms and conditions of the Documents shall be a default under such leases.
 - Must clearly state the liability of the tenant and his responsibility to and under the Document.
 - Must be submitted to the Association.
- 1.2 Each owner shall furnish his tenant (s) with a current copy of the Documents on or before the effective date of the lease.
- 1.3 Unit owner must submit a signed statement to the Association stating, that upon leasing/renting any Unit that a copy of the Documents was given to the lessee prior to the time the transaction was completed.
- 1.4 Damage to the Properties during move-in or move-out by owners or tenants is the responsibility of the owner.

SECTION 2. PETS

- 2.1 Must be leashed at all times in accordance with Galveston County leash laws and have ID tags.
and Pick Restrictions, Article 12, Section 20
- 2.2 Animal droppings are expected to be immediately cleaned up and sanitarly disposed of by the person controlling the animal.
- 2.3 Residents are limited to 2 pets in each unit.
- 2.4 Homeowners are not to store any pet food on the decks, stairs, carport area or in the storage room.
randomly
- 2.5 Pets should not be fed on the stairs, carport area, or in the storage room.
randomly
- 2.6 All rental agencies must be notified of regulations relating to pets.

SECTION 3. VEHICULAR CONTROL, PARKING & USE OF DRIVEWAYS

- 3.1 Carports shall always be kept free of unreasonable accumulation of DEBRIS & RUBBISH.
- 3.2 Car washing is permitted only in the carport area or in each units driveway and may only be performed on vehicles belonging to residents of the properties.

SECTION 4. ARCHITECTURAL/UNIT USE CONTROL

- 4.1 No iteration, addition, deletion, improvements or storage upon the properties or to the unit shall be made by any owner or resident without the prior written approval of the Board.
- 4.2 No visible outdoor draping of clothes, bedding, or similar items on the deck railings or carport area.
- 4.3 No planting or transplanting is allowed in the General Common Elements, except with the Board approved list of plants.
- 4.4 Small portable LPG Tanks, not to exceed 20 lb cylinder may be stored above ground, but not inside a residence or in public view.
- 4.5 No window air conditioners.
- 4.6 No lighting shall be placed upon any unit in such a manner as to cause unreasonable glare or illumination on any other unit.
- 4.7 No exterior speakers, horns, whistles, bells, or other sound devices (except security devices used exclusively for security purposes), shall be located on any units in the premises.
- 4.8 No outside television, radio antenna, satellite dish will be allowed on any unit.

SECTION 5. USE OF GENERAL COMMON ELEMENTS

- 5.1 Any activity detrimental to the grassy areas and shrub and flowerbeds is prohibited. Plastic pools, water slides, sports play, etc. is not allowed.
- 5.2 No activity shall be carried on upon any unit, or the General Common Element which might reasonably be considered as giving annoyances to neighbors of ordinary sensibilities, and which might be calculated to reduce the desirability of the properties as a residential neighborhood, even though such activity may be in the nature of a hobby and not carried on for profit. Residents are entitled to peaceful enjoyment of their unit. No musical instruments, any musical device, televisions, radios, or any noise may be played or made that can disturb others. The Board of Directors of the association shall have sole and exclusive discretion to determine what constitutes an annoyance.
- 5.3 For the protection of residents and property, no fireworks or firearms shall be discharged or used within the property. Violation shall result in a \$ 1,000.00 fine per occurrence, and the non-resident violators will be instructed to leave the property.

SECTION 6. TRASH DISPOSAL

- 6.1 The following items are not allowed in the trash due to governmental restrictions, trash personnel or community safety, and/or protection of trash pick-up equipment: gasoline, motor oil, used oil filters, paint and other similar liquids (ie hazardous waste), vehicle tires and batteries, large pieces of metal, carpeting, rocks, bricks, concrete, and other construction material, large pieces of glass, potentially dangerous materials such as glass, sharp objects, etc. should be properly identified and separated from other trash. All hazardous waste/material must be disposed of in compliance with any governmental agency.

SECTION 7. SINGLE FAMILY RESIDENTIAL USE

- 7.1 Each owner shall use his unit for single family residential purposes only.

SECTION 8. INSURANCE REQUIREMENTS

- 8.1 Each owner shall furnish proof that townhouse homeowners insurance coverage is in effect on his/her unit to the Association upon request by the association.

SECTION 9. MONTHLY ASSESSMENTS

- 9.1 Assessments are payable monthly by each owner to the appropriate remittance address specified on the statement coupon book, or notice.
- 9.2 Assessments shall be due and payable on the first of each month and shall be past due on the 16th of each month.
- 9.3 A late charge of \$ 5.00 shall be added to the assessment if not paid by the 16th of the month, plus interest at the rate of 1 ¼% per month shall be added to the assessment if not paid by the 30th of the month.
- 9.4 All payments will be applied in the following categorical order:
- Miscellaneous charges (including fines and attorney's fees)
 - Late charges & interest
 - Special assessments
 - Monthly assessments

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Plat 2

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

This Declaration, made on the date hereinafter set forth, by WILLIAM SANDERS and R.E. TRESCH CO., INC., hereinafter referred to as "Declarant":

WITNESSETH

WHEREAS, Declarant is the owner of certain property in the City of Galveston, Galveston County, Texas, to be known as KARANKAWA TOWNHOUSES, which is more particularly described as follows:

Karankawa Subdivision, Section 2, a Subdivision in Galveston County, Texas, according to the map or plat thereof of record in Volume 16, Page 46, of the Map Records in the Office of the County Clerk of Galveston County, Texas.

NOW, THEREFORE, Declarant hereby declares that all the property described above shall be held, sold and conveyed, subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability, and which shall run with the real property and be binding on all parties having any right, title or interest in the described properties, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I.

Definitions

Section 1. "Association" shall mean and refer to KARANKAWA TOWNHOUSE OWNERS ASSOCIATION, INC., its successors and assigns.

Section 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 3. "Properties" shall mean and refer to that certain real property hereinbefore described, and such additions thereto as may be hereafter brought within the jurisdiction of the Association.

Section 4. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the owners or as shown as "Common Area" on the dedicated map or plat hereinbefore described.

Section 5. "Lot" shall mean and refer to any plot of land as shown upon any recorded subdivision map of the properties, with the exception of the Common Area.

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Section 6. "Declarant" shall mean and refer to WILLIAM SANDERS, his heirs and assigns, if such heirs or assigns shall acquire more than one undeveloped lot from the Declarant for the purpose of development.

Section 7. "Manager" shall mean and refer to the party or parties under contract in compliance with the provisions of this instrument.

ARTICLE II.

Property Rights

Section 1. Owner's Easements of Enjoyment. Each owner shall have the right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass for the title to every lot, subject to the following provisions:

- a) The right of the Association to charge reasonable admission and other fees for the use of any recreational facilities situated upon the Common Area.
- b) The right of the Association to suspend the voting rights and right to use of the recreational facilities by an Owner for any period during which any assessment against his lot remains unpaid; and for a period not to exceed thirty (30) days from any infraction of its published rules and regulations.
- c) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed by the members. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of each class of members and all holders of first mortgages on individual lots agreeing to such dedication or transfer has been recorded.
- d) The right of the Association to limit the number of guests of members.
- e) The right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purposes of improving the Common Area and facilities and, in aid thereof, to mortgage said properties and the rights of such mortgages and such properties shall be subordinate to the rights of the homeowners hereunder.
- f) The right of the Association, through its Board of Directors, to determine the time and manner of the use of the recreational facilities by the members.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers, who reside on the property.

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ARTICLE III.

Membership and Voting Rights

Section 1. Every Owner of a lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment.

Section 2. The Association shall have two (2) classes of voting memberships.

Class A. Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any lot.

Class B. Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs later:

(i) When the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership; or

(ii) Five (5) years from the date on which the first lot is conveyed by Declarant to another Owner.

ARTICLE IV.

Covenant for Maintenance Assessment

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each lot owned within the properties, hereby covenants, and each Owner of any lot by acceptance of a Deed therefor, whether or not it shall be so expressed in such Deed, is deemed to covenant and agree to pay to the Association (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, cost and reasonable attorney's fees, shall be a charge on the land, and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, cost and reasonable attorney's fees, shall also be the personal obligation of the person who is the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them, but shall constitute a lien against and on the property.

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Section 2. Purposes of Assessment. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the property; for the improvement, maintenance and management of the Common Area, and of townhomes situated upon the properties and for the payment of insurance premiums as provided for herein. The assessments shall include, but not be limited to, all charges for taxes (except real property taxes and such other taxes assessed separately on each lot or the personal property, or any other interest of the Owner), assessments, insurance (including fire and other casualty and liability insurance) on the Common Area, yard, janitorial, maintenance of the septic system, providing for collecting and disposing of garbage, trash or rubbish, maintenance of the walkways over any sand dunes, and other similar services, wages, accounting or legal fees, management fees, and other expenses of upkeep, maintenance, and management actually incurred by the Association on or for the Common Area, or the properties; the costs of operation of the Common Area, and the costs of and reserve for maintenance, repair, reinstatement, rebuilding, and replacement of the Common Area or other properties, which may be required, from time to time.

Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment shall be \$600.00 per lot. The maximum annual assessment for each calendar year thereafter, commencing on January 1 of the year immediately following the conveyance of the first lot to an Owner, may be increased or decreased over the amount of annual assessment imposed for the immediately preceding year by action of the Board of Directors of the Association, without approval of the Membership, by such amount as the Board of Directors, in its sole discretion, shall deem to be required in order to carry out the purposes of the Association, and for the assessments herein provided.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment, applicable to that year, only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, which is not covered by the reserve in the annual assessment, provided that any such assessment shall have the consent of two-thirds (2/3) of each Class of Members who are voting in person or by proxy, at a meeting duly called for this purpose.

Section 5. Notice and Quorum for Any Action Authorized under Section 4. Written notice of any meeting called for the

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purpose of taking any action authorized under Section 4 shall be sent to all Members not less than thirty (30) days or more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each Class of Membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (½) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6. Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all lots owned by Class A members, and may be collected on a monthly basis. Class B member(s) assessments, both annual and special, shall be fixed by actual out-of-pocket expenses, on a prorata basis, based on the number of lots owned by Class B member(s) as it relates to the total number of lots in KARANKAWA TOWNHOUSES, and shall be collected on a monthly basis.

Section 7. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to all lots with completed houses not owned by Declarant on the first (1st) day of the month more than thirty (30) days following conveyance of that portion of the Common Area not shown on the dedicated map. The annual assessments as to all other lots shall commence on the first (1st) day of the month more than ninety (90) days following the conveyance of that portion of the Common Area not shown on the dedicated map. The annual assessment shall be due and payable in monthly installments equal to one-twelfth (1/12) of the annual assessment, commencing on the date provided hereinbefore. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessments against each lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due date shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an Officer of the Association, setting forth whether the assessments on a specified lot have been paid.

Section 8. Collection of Annual Assessment by Manager. The Manger is empowered, and the Manager agrees, to collect the annual assessment for each lot in installments of one-twelfth (1/12) of the assessment. The Manager shall remit such collections to the Association at such time as the Manager and the Association

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may agree. Each purchaser of a lot agrees to this provision. Nothing contained in this Section 8 shall be construed to impose any liability on the Manager for such collections other than to remit to the Association any sums collected by the Manager representing prorated annual assessments under this Declaration.

Section 9. Effect of Non-Payment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest at the rate of eighteen percent (18%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property. Each such Owner, by his acceptance of a Deed to a lot, hereby expressly vests in KARANKAWA TOWNHOUSE OWNERS ASSOCIATION, INC., its agents, successors or assigns, the right and power to bring all actions against such Owner, personally, for the collection of such charges as a debt, and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association, its agents, successors or assigns, in a like manner as a mortgage or Deed of Trust lien on real property, and such Owner hereby expressly grants to the Association a power of sale in connection with said lien, the same to be exercised in compliance with the terms of Article 3810 of Texas Civil Statutes.

The lien provided for in this Section shall be in favor of the Association, its successors or assigns, and shall be for the benefit of all other lot Owners. The Association, acting on behalf of all other lot Owners, shall have the power to bid in an interest foreclosed at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. No Owner may waive, or otherwise escape, liability for the assessments provided for herein by non-use of the Common Area, or abandonment of his lot.

Section 10. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any mortgage or mortgages imposed on the Townhouse lots to secure debt incurred for the purchase price thereof or for improvements thereto. Sale, transfer or other disposition of any Townhouse lot shall not affect the assessment lien. However, the sale or transfer of any Townhouse lot which is subject to any mortgage, pursuant to the foreclosure under such mortgage, or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as to payments thereof which became due prior to such sale or transfer. No sale or transfer of any kind, including foreclosure, shall relieve such Townhouse lot from liability for any assessments thereafter becoming due, or from the lien thereof.

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ARTICLE V.

Architectural Control

No building, fence, wall or other structure shall be commenced, erected or maintained upon the properties, nor shall any exterior addition, or change or alteration therein, be made, including the color of the exterior until the plans and specifications showing the nature, kind, shape, height, materials, location and color of the same shall have been submitted to and approved in writing as to harmony of external design, color and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design, color and location, within sixty (60) days after said plans and specifications have been submitted to it, approval will not be required, and this Article shall be deemed to have been fully complied with.

ARTICLE VI.

Exterior Maintenance

Section 1. In addition to the maintenance upon the Common Area, the Association shall provide exterior maintenance upon each lot which is subject to assessment hereunder, as follows: paint, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks and other exterior improvements. Such exterior maintenance shall not include glass surfaces. The times and extents of such maintenance and repair shall be determined by the Board, in its sole discretion. The exterior maintenance to be performed by the Association shall extend only to maintenance and repair of normal wear and tear, and not to exterior damage caused by casualty (casualty damage). Each Owner shall be responsible for, and shall promptly cause to be made, the repair of any such casualty damage to the exterior in a good and workmanlike manner, and in accordance with the original plans and specifications. In the event any such Owner shall fail or refuse to repair such casualty damage within thirty (30) days, the Association is hereby irrevocably authorized by such Owner to repair such casualty damage. The Owner shall promptly repay to the Association for all amounts expended in making such repairs of casualty damage, and the Association shall have a lien to secure payment thereof in like manner as the lien to secure payment of the assessments provided for in Article III above, with the right of foreclosure.

There is hereby reserved in favor of the Association the right to enter upon all of the lots and buildings located thereon for the purpose of conducting a periodic program of exterior

maintenance and repair.

Section 2. In the event that the need for maintenance or repair of a lot, or the improvements thereon, is caused through the willful or negligent act of the Owner, his family or guests, or invitees, the cost of such maintenance or repair shall be added to and become a part of his assessment to which such lot or property is subject.

Section 3. Owner's Maintenance. The Owner shall maintain and keep in repair the following equipment and lines located outside the residence: air conditioning, compressor, condenser, including pipes and electrical lines connecting the same to the residence, sanitary sewer lines connecting the residence to the septic tank collection system, electric power service conductors from the exterior of the building to the point of connection of the electric utility company's junction box or transformer, electrical circuit breakers, any portion of natural gas and/or telephone service lines located on the lot, but not maintained by the gas and/or telephone service companies, and water service lines from the lot line to and throughout the dwelling unit, and all other portions not maintained by the Association.

An Owner shall do no act nor any work that will impair the structural soundness or integrity of another residence, or impair any easement or hereditament, nor do any act, nor allow any condition to exist which will adversely affect the other residences, or their owners.

Section 4. Outside Antennae. Without prior written approval of the Board of Directors, no exterior television or radio antennae of any sort shall be placed, allowed or maintained upon any portion of the improvements to be located upon the property, nor upon any structure situated upon the property.

ARTICLE VII.

Use Restrictions

In order to provide for a congenial occupation of the KARANKAWA TOWNHOUSES and to provide for the protection of the value of the entire development, the use of the residences and Common Area shall be in accordance with the following provisions:

a) Each of the townhouses shall be occupied by only the family, its servants and guests, as a residence, and for no other purpose. No townhouse may be divided or sub-divided into a smaller unit nor any portion thereof sold or otherwise transferred.

b) The Common Area shall be used only for the purposes for which it is intended and the furnishing of services and facilities for the enjoyment of the townhouses. No use or practice shall be permitted in any townhouse, (or in the Common Area) which is the source of annoyance to the residents, or which interferes with the peaceful possession and proper use of the property by

its residents. All parts of the property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage shall be allowed to accumulate, nor fire hazard allowed to exist. No immoral, improper, offensive or unlawful use shall be made of the townhouse property, or any part thereof. All valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof, shall be observed. No townhouse Owner shall permit any use of his townhouse, or of the Common Area, which will increase the rate of insurance upon the properties.

c) Until the Declarant, his heirs or assigns, has sold all the townhouses, neither the Owners nor the Association shall interfere with the sale of the townhouses. The Declarant, his heirs or assigns, may make such use of the unsold townhouses and Common Area as may facilitate sale, including, but not limited to, the maintenance of a sales office, the showing of the property and the display of signs.

d) Except as provided in Paragraph "c" above, no signs of any kind, or for any use or purpose whatsoever, shall be erected, posted, painted or displayed upon any exterior wall or roof, or any part thereof, without the prior consent of the Association, which consent will not be unreasonably withheld.

e) Except as herein provided, no animals shall be kept or allowed to be kept in any townhouse, or in the Common Area, nor shall any commercial dog raising or cat raising, or any kind of commercial business, be conducted on the premises, except that household pets may be permitted in written rules adopted by the Association. Any household pets permitted shall be leashed when not in the townhouses.

f) No recreational vehicles, or commercial vehicles, including but not limited to, boats, boat trailers, house trailers, camping trailers, motorcycles, pickup trucks or similar-type items, shall be kept, other than in a carport or garage of the Owner's townhouse.

g) Reasonable rules and regulations concerning the use of the townhouse property may be made and amended, from time to time, by the Association, in the manner provided by its By-Laws.

h) An Owner shall not, without the prior written consent of the Association, make any structural alterations in the townhouse, or in the water, gas, steam pipes, electrical conduits, plumbing or other fixtures connected therewith, or remove any additions, improvements or fixtures from the townhouse or Common Area.

ARTICLE VIII.

Easements

Each lot shall include the following easements from each lot Owner to each other lot Owner, and the same shall pass

with each lot and shall vest in the Grantee thereof as an inseparable appurtenance thereto.

Section. Ingress and Egress. Easements through the Common Area are ingress and egress for all persons making use of such Common Area in accordance with the terms of the Declaration.

Section 2. Maintenance, Repair and Replacement. Easements through the Lots and Common Area for Maintenance, Repair and Replacement of the Townhouse and Common Area Elements. Use of these easements, however, for access to the lots shall be limited to reasonable hours except that access may be had at any time in case of an emergency, originating in an Owner's townhouse or threatening the safety of his or other townhouses, whether the Owner be present or not.

Section 3. Utilities. Easements through the Lots and Common Area for all facilities for furnishing of utility services within the property and to the various lots, which facilities shall include, but not be limited to, conduits, ducts, plumbing and wiring; provided, however, that the easements for such facilities through a lot shall be substantially in acceptance with the plans and specifications of the property.

Section 4. Roof Projections. Each roof, projection and the like, which is built as a part of the original construction of the residences upon the properties, which projects onto adjacent lots, shall constitute permissible encroachments, and each Owner of a residence which, as originally built, projects onto adjacent lots, shall have a right and easement of enjoyment in and to said encroachment, which easement shall be appurtenant to and shall pass for the title to each said lot, whether expressly provided in the Deed to said lot or not, and every lot onto which such roof, projection and the like encroaches, shall be subject to the aforesaid easement, whether expressly stated in the Deed to said lot or not.

ARTICLE IX.

Party Walls

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the homes upon the properties and placed on the dividing line between the lots, shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions, shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

001-25-1012

Section 3. Destruction by Fire or Other Casualty.

If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereof make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use, without prejudice, however, subject to the rights of any such Owners to call for a larger contribution from the others under any rules of law regarding liability for negligence or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any

other provisions of this Article, an Owner who by his negligent or willful act, causes the party wall to be exposed to the elements, shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs with Land.

The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

ARTICLE X.

Management Agreements

It shall be the duty of the Board of Directors of the Association to manage the project, or to effect a contract for the management of the properties and to delegate to such manager the management duties of the Board of Directors, to be performed by such manager under the supervision of the Board of Directors. Should the Board of Directors enter into a Management Contract, the Board shall not enter into any new Management Agreement without thirty (30) days' prior written notice to the holder of any first mortgage or Deed of Trust upon any lot. Any and all Management Agreements may be cancelled by an affirmative vote of sixty percent (60%) of the votes of each Class of the members of the Association. Each Owner of a lot hereby agrees to be bound by the terms and conditions of any Management Contract or Agreements entered into by the Board of Directors. A copy of any such Agreements shall be available to each Owner. No Management Agreement shall be for a term in excess of two (2) years.

ARTICLE XI.

Stage Developments

Additional land which is described as follows, may be annexed by the Declarant without the consent of other members, within five (5) years of the date of recording of this instrument; said land being described as follows, to-wit:

Lots 28, 29 and 30 of Karankawa Subdivision, a Subdivision in Galveston County, Texas, according to the map thereof recorded in Vol. 16, Page 23, of the Map Records, in the Office of the County Clerk of Galveston County, Texas.

001-25-1013

In the event of such annexation and development, Declarant covenants, for himself, his heirs and assigns, that the townhouses and improvements constructed will be of comparable style, quality and size as those presently either situated or being constructed on the properties.

Such action shall be effected by Declarant executing and filing for record in Galveston County, Texas, a written Declaration that such additional land, as it may be re-subdivided or not, shown on any such recorded plat, so identify therein, or thereby covered by and made subject to all the terms and provisions of this instrument. Upon execution and filing of such Declaration, the additional lots of land covered by such recorded plat, shall comprise a part of the property covered hereby to the full extent as if such land had been listed, described and designated herein (except that its liability for assessment shall not accrue until the date such Declaration is filed for record, as aforesaid) and the subsequent Owners of the lots included in such additional land, shall thereafter be bound by the terms and provisions hereof and entitled to all the rights, privileges and benefits of the Owners.

ARTICLE XII.

Additional Rights of Mortgagees

Section 1. Notice to Mortgagee. Upon request to the Association, the holder of a first mortgage on a lot shall be entitled to receive written notice of:

- a) All meetings, both annual and special, of the Association at least thirty (30) days, but not more than sixty (60) days, prior thereto;
- b) Any material amendment to this Declaration, the By-Laws, or Articles of Incorporation;
- c) Substantial damage to or destruction of the Common Area and facilities, or any individual townhouse, or any condemnation or eminent domain proceedings; and
- d) Any default under the Declaration or By-Laws by an Owner which is not cured within sixty (60) days.

Section 2. Books and Records. The holder of a first mortgage on a lot shall have the right to examine the books and records of the Association during normal business hours, and upon written request to the Association, shall be entitled to receive a copy of the annual audited financial statement of the Association within ninety (90) days following the end of the fiscal year of the Association.

Section 3. Rights to Pay Amounts in Default. The holder(s) of a first mortgage on a lot may, jointly and singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area, and may pay over the premiums on hazard insurance policies, or secure new hazard in-

03-25-1014

and the holder(s) making such payments shall be owed immediate reimbursement therefor from the Association.

Section 4. Prior Written Approval. Unless at least seventy-five percent (75%) of the holders of a first mortgage on individual lots have given their prior written approval, the Association shall not be entitled to:

a) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area, or any part thereof, or improvements thereon. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area, shall not be deemed a transfer within the meaning of this clause.

b) Change of method of determining the obligations, assessments, dues or other charges which may be levied against an Owner.

c) By act or omission change, waive, or abandon any of the restrictions, or enforcement thereof, pertaining to architectural control, exterior maintenance, or party walls.

d) Fail to maintain insurance in accordance with the provisions hereof, or to use the proceeds of such insurance for losses to the Common Area for other than the repair, replacement or reconstruction of such improvements.

ARTICLE XIII.

General Provisions.

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained, shall in no event, be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by Judgment or Court Order shall in no wise effect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions to this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall automatically be extended for successive periods of ten (10) years. This Declaration may be amended by instrument signed by not less than seventy-five percent (75%) of the total votes of the membership of the Association as defined in Article III hereof. It is the specific intention of this provision that ownership of a lot by a member entitles that member to vote on questions of amendment in accordance with provisions

27-25-101

of Article III hereof.

Section 4. Joinder of Mortgagee. Mid-America Mortgage, Inc., owner and holder of a mortgage indebtedness secured by Deed of Trust on the property described herein, joins herein for the purpose of evidencing its consent to this Declaration of Covenants, Conditions and Restrictions.

IN WITNESS WHEREOF, Declarant and Mid-America Mortgage, Inc have executed this instrument this 10th day of November, 1982.

William Sanders
WILLIAM SANDERS

R.E. TRESCH CO., INC.

BY R.E. Tresch
President

MID-AMERICA MORTGAGE, INC.

BY Burton Linn
Its PRESIDENT

ATTEST:

BY Jennifer Todd
Its Treasurer

STATE OF TEXAS
COUNTY OF Galveston

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

Given under my hand and seal of office this 10th day of November, 1982.

Bonnie B. Hau-jitt
NOTARY PUBLIC in and for
Galveston County, Texas.

STATE OF TEXAS
COUNTY OF HARRIS

01-25-1016

Before me, the undersigned authority, on this day personally appeared R. E. Tresch, President of R.E. Tresch Co., Inc., a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

Given under my hand and seal of office this 1st day of November, 1982.

[Signature]
NOTARY PUBLIC in and for
Harris County, Texas.

STATE OF TEXAS
COUNTY OF Harris

Before me, the undersigned authority, on this day personally appeared Samuel R. Miller, President of Mid-America Mortgage, Inc., a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office this 1st day of November, 1982.

[Signature]
NOTARY PUBLIC in and for
Harris County, Texas.

STATE OF TEXAS COUNTY OF GALVESTON
I hereby certify that this instrument was filed on this date and time stamped herein by me and was duly recorded in the Official Public Records of Real Property of Galveston County, Texas, on

NOV 10 1982



[Signature]
COUNTY OF GALVESTON County, Texas

FILED FOR RECCR
Nov 10 10 09 AM '82

Return to **PAID**
Patricia Reilly
6941 Laska
Galveston, Texas 77551

AMENDMENT TO DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS

This Amendment Declaration, made on the date hereinafter set forth, by the undersigned, the Owners of all lots in Karankawa Subdivision, Section 2, a Subdivision in Galveston County, Texas, according to the map or plat thereof of record in Vol. 16, Page 46, of the Map Records in the Office of the County Clerk of Galveston County, Texas, in regard to Karankawa Townhouses.

WHEREAS, the Declaration of Covenants, Conditions and Restrictions executed by William Sanders and R.E. Tresch Co., Inc., dated November 1, 1982, and filed for record under Film Code No. 001-95-1602, in the Official Public Records of Real Property in Galveston County, Texas, the Declarant, as set forth in said document, placed certain covenants, conditions and restrictions on certain property as more particularly described therein; and

WHEREAS, the undersigned, being the Owners of all lots in said Karankawa Subdivision, Section 2, wish to amend said Covenants, Conditions and Restrictions as hereinafter set forth; and

WHEREAS, Article XIII, Section 3, allowed said Covenants and Restrictions to be amended by an instrument signed by not less than seventy-five percent (75%) of the total votes of the membership of the Association as defined therein;

NOW, THEREFORE, Article IV, Section 2, is hereby deleted and there is substituted in its place the following which shall be Article IV, Section 2:

Section 2. Purposes of Assessment. The Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the Property; for the improvement, maintenance and management of the Common Area, and of townhomes situated upon the Properties and for the payment of insurance premiums as provided for herein. The Assessments shall include, but not be limited to, all charges for taxes (except real property taxes and such other taxes assessed separately on each Lot or the personal property, or any other interest of the Owner), assessments, insurance (including fire and other casualty and liability insurance) on the Common Area, and, if the Association so determines, a master or blanket policy of multi-peril insurance on the townhouses, providing as a minimum fire and extended coverage and all other coverages in kinds and amounts commonly required by private institutional mortgage investors for projects similar in construction, location and use on a replacement-cost basis in an amount not less than ninety percent (90%) of the insurable value (based upon replacement costs) of all improvements on the Lots, yard, janitorial, maintenance to the walkways over any sand dunes, and other similar services, wages, accounting or legal fees, management fees and other expenses of upkeep, maintenance and management actually incurred by the Association on or for the Common Area, or the Properties the costs of operation of the Common Area, and the costs of and reserve for maintenance, repair, reinstatement, rebuilding and replacement of the Common Area or other Properties, which may be required, from time to time.

Article IV, Section 3, is hereby deleted and there is substituted in its place the following which shall be Article IV, Section 3:

see p 4 (amendment)

Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$1,300.00 per Lot. The maximum annual assessment for each calendar year thereafter, commencing on January 1 of the year immediately following the conveyance of the first Lot to an Owner, may be increased or decreased over the amount of annual assessment imposed for the immediately preceding year by action of the Board of Directors of the Association, without approval of the Membership, by such amount as the Board of Directors, in its sole discretion, shall deem to be required in order to carry out the purposes of the Association, and for the assessments herein provided. Notwithstanding anything herein to the contrary, the maximum annual assessment for each calendar year shall not be increased by more than ten percent (10%) of the maximum annual assessment for the immediately preceding year.

*3/15/83
WWS*

Article VII(a) shall be amended to add the following as the last sentence of said Article VII(a), to-wit:

"Nothing herein shall prevent any Owner from leasing or renting his townhouse upon such terms and conditions as he may deem appropriate."

Except as herein amended, all other terms and provisions of the said Declaration of Covenants, Conditions and Restrictions shall remain in full force and effect.

Mid-America Mortgage, Inc., owner and holder of a mortgage indebtedness secured by Deed of Trust on over seventy-five percent (75%) of the Property described herein, joins herein for the purpose of evidencing its consent to this Amendment to the Declaration of Covenants, Conditions and Restrictions.

IN WITNESS WHEREOF, this instrument has been executed this _____ day of March, 1983.

William Sanders
WILLIAM SANDERS

R.E. TRESCH CO., INC.

By Robert V. Wood Jr.
V-President

Frank Sinseri
FRANK SINSERI

Cynthia Sinseri
CYNTHIA SINSERI

MID-AMERICA MORTGAGE, INC.

By _____
Its _____

ATTEST:

By _____
Its _____

AMENDMENT TO DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS

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WHEREAS, Article XIII, Section 3, allowed said Covenants and Restrictions to be amended by an instrument signed by not less than seventy-five percent (75%) of the total votes of the membership of the Association as defined therein;

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William Sanders

 WILLIAM SANDERS

R.E. TRESCH CO., INC.

By *Robert V. Vresch, Jr.*

 V-President

Frank Sunseri

 FRANK SUNSERI

Cynthia S. Sunseri

 CYNTHIA SUNSERI

MID-AMERICA MORTGAGE, INC.

By _____
 Its _____

ATTEST:

By _____
 Its _____