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DECLARATION OF CONDOMINIUM REGIME

LE CLUB GALVESTON CONDOMINIUMS

PHASE ONE

917-1

Return to:
Crouch, Crouch & DeWitt
P. O. Drawer 1141
Alvin, TX 77512

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JOINDER OF LIENHOLDER		

DECLARATION OF CONDOMINIUM REGIME
LE CLUB GALVESTON CONDOMINIUMS
PHASE ONE

This Declaration of Condominium Regime is made and executed this _____ day of _____, 1985, by LE CLUB condominiums, 1983, LTD., a Texas Limited Partnership, (hereinafter referred to as "Developer"), pursuant to the provisions of the Texas Condominium Act, Title 7 of the Texas Property Code (hereinafter referred to as the "Act"), for the purposes of submitting the hereinafter described real property and the improvements located thereon to a condominium regime;

W I T N E S S E T H:

WHEREAS, Developer is the owner of certain real property in the County of Galveston, State of Texas, (herein called the "Subject Property") more particularly described as Phase One in the attached Exhibit "A"; and

WHEREAS, Developer has caused to be prepared plant for the construction of one (1) building and other improvements appurtenant thereto on the Subject Property which when completed will consist of one hundred fifty-nine (159) separately designated condominium units; and,

WHEREAS, Developer desires by recording this Declaration of Condominium Regime, together with the By-Laws attached hereto as Exhibit "B" and the condominium subdivision plans and specifications attached hereto to establish a condominium project known as LE CLUB GALVESTON CONDOMINIUMS under the provisions of the Act, sometimes hereinafter the "Project"; and,

WHEREAS, Developer further desires to permit the expansion of the Project in order to provide for interval estates, and additional units and general common elements; and,

WHEREAS, Developer by declaring the condominium regime desires to establish a plan for the individual ownership in fee simple of the area of space contained within each unit and the co-ownership by the individual and separate owners thereof, as tenants in common, of all of the Subject Property and the related improvements thereon;

NOW, THEREFORE, Developer does upon the recording hereof, establish LE CLUB GALVESTON CONDOMINIUMS as a condominium project under the Act and does declare that LE CLUB GALVESTON CONDOMINIUMS shall, after such establishment, be held, conveyed, hypothecated, encumbered, leased, rented, occupied, improved and in any other manner utilized, subject to the provisions of the Act and to the covenants, conditions, restrictions, uses, limitations and affirmative obligations set forth in this Declaration of Condominium Regime all of which shall be deemed to run with the title to all or any portion of LE CLUB GALVESTON CONDOMINIUMS and shall be a burden and a benefit to Developer, LE CLUB CONDOMINIUMS 1983, LTD., and any persons acquiring or owning any interest in LE CLUB GALVESTON CONDOMINIUMS, their grantees, heirs, executors, administrators, successors and assigns. In furtherance of the establishment of this condominium project, it is provided as follows:

I.

DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used herein shall have the following meanings:

1.1 "Assessment" shall mean and refer to the funds required to pay Common Expenses, other lawfully agreed upon expenses, plus surplus and reserves, as such costs, expenses and reserves are determined by the Managing Agent or Board of Directors and are levied by the Board of Directors upon all of the Owners.

1.2 "Association" shall mean and refer to the Le Club Galveston Owners Association, Inc., its successors and assigns, comprised of the Owners of all the Units of a non-profit association, the By-Laws of which shall govern the administration of this Condominium Project and the members of which shall be all of the Owners of the Units; which Association may be, at Developer's election and as herein provided, a corporation organized pursuant to the Texas Non-Profit Corporation Act.

1.3 "Building" means the building or the buildings within the Condominium Project.

1.4 "By-Laws" means the By-Laws of the Association attached hereto as Exhibit "B" for reference and any amendment, modification or revision thereto as therein permitted.

1.5 "Common Elements" shall mean and refer to both the General and Limited Common Elements as described herein.

1.6 "Common Expenses" means and includes:

A. All sums lawfully assessed against the General Common Elements by the managing agent or Board of Directors of the Condominium Project;

B. Expenses of administration and management, maintenance, repair or replacement of the General Common Elements or Limited Common Elements;

C. Expenses agreed upon as Common Expenses by the Owners; and,

D. Expenses declared Common Expenses by provisions of this Declaration and by the By-Laws.

E. Common Expenses may include, but are not limited to, the overhead expenses of the Association, costs of maintenance, repair and operation of the Common Elements, taxes and special assessments unless separately assessed, insurance premiums for insurance coverage as deemed desirable or necessary by the Association, utility charges for the General Common Elements (including gas, electricity, water, and sewer) trash and garbage collection, guard service, burglar alarm service, landscape maintenance, janitorial service, manager's salary, legal and accounting fees, management fees.

F. Common expenses shall not include any reserve fund.

1.7 "Condominium" shall mean and refer to the separate ownership of a Unit and Interval Estate therein, together with an undivided ownership interest in the Limited and General Common Elements expressed as a fraction of the entire ownership interest in the Common Elements as set forth and defined herein.

1.8 "Condominium Project" shall mean and refer to Le Club Galveston Condominiums, Phase One as a condominium project established in conformance with the provisions of the Act.

1.9 "Entire Premises" or "property" means and includes the land, buildings, all improvements and structures thereon, and all rights, easements and appurtenances belonging thereto.

1.10 "First Mortgagee" means any holder of a security interest in a Unit or Interval Estate therein, represented by a deed of trust, mortgage or security agreement giving such holder a first and paramount priority under Texas law.

1.11 The General and Limited Common Elements of the Condominium Project are as follows:

A. The General Common Elements consists of:

(1) The land in the Condominium Project, as more particularly described in Exhibit "A" (and the additional land which may be described in a supplement hereto as herein permitted);

(2) The foundations, bearing walls and columns (including any windows, doors, and chimneys therein), roofs, attics, ceilings and floors, or communication ways and any other portion of the Buildings located on the land within the boundaries of the Project not included within any Unit;

(3) The premises and facilities, if any, used for maintenance or repair of the Condominium Project;

(4) All other common facilities, including without limitation any office, the grounds, driveways and walkways, and tennis courts, if any;

(5) Parking spaces not designated with a Unit number and described on the condominium subdivision plan as unassigned parking spaces; provided however, Developer expressly reserves the right at any time and from time to time to assign, any unassigned parking space to any Owner; and provided further, coincident with the assignment of any unassigned parking space the condominium subdivision plan attached hereto as Exhibit "A" shall be amended for the purposes of designating such parking space with a number corresponding to a Unit number, and thereafter such parking space shall be a Limited Common Element appurtenant to such Unit. Such amendment shall not require the joinder of any Owner or mortgagee.

(6) The laundry room facilities, if owned by the Association;

(7) All other element desirable or rationally of common use or necessary to the existence, upkeep and safety of the Condominium Project.

B. The Limited Common Elements, being those Common Elements reserved for the use of specific Units and Interval Estates therein, to the exclusion of others, consist of:

(1) Compartments or installations of central services such as power, light, electricity, telephone, gas, cold and hot water, plumbing, reservoirs, water tanks and pumps, incinerators, and all similar devices and installations corresponding to a building within the Condominium Project or corresponding to a Unit;

(2) Storage rooms, patios, balconies and decks designated with a number as described on the condominium subdivision plan and specifications attached hereto as Exhibit "C";

(3) Parking spaces and mail boxes not located at individual Units which are designated with a number corresponding to a Unit number;

(4) All of the portions of the General Common elements which are specifically reserved for the exclusive use of the Owner of a Condominium Unit as shown on Exhibit "C" attached hereto or as may hereafter be shown by supplement, annexation or amendment hereto.

1.12 "Interval Estate" shall mean an undivided interest in fee simple comprised of a time period of one week or seven (7) days the same being from Friday, Saturday or Sunday (as applicable) at noon to the following Friday, Saturday or Sunday at noon (as applicable), in a Unit or other Interval Estate, coupled with the exclusive right to possession and occupancy of that Unit during such time period. Every deed or conveyance of an Interval Estate shall set forth the specific one week or seven day period by date and hour being conveyed.

1.13 "Map", "Survey Map", or "Plans" means and includes the engineering survey of the land with all of the improvements located thereon, the floor plans and any other drawing or diagrammatic plan depicting a part of or all of the improvements, same being attached hereto and filed herewith, consisting of ten (10) sheets labeled Exhibits "A-1" through "A-3" and "C-1" through "C-7".

1.14 "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who or which is the record owner of fee simple title to one or more Units or Interval Estates in the Condominium Project.

1.15 "Special Assessment" shall mean an additional assessment created for any purpose of the Association as a whole.

1.16 "Unit" shall mean and refer to an enclosed air space consisting of one or more rooms occupying all or

part of one or more floors in a building in the Condominium Project, as such space may be further described, delineated and delimited in the plats attached hereto as Exhibit "C" (and as may hereafter be described, delineated and delimited by an amendment or supplement hereto as herein permitted). A "Residential Unit" is a type of Unit intended for use solely as a residence and dwelling. A "Commercial Unit" is a type of Unit which shall be used for commercial or business purposes only. A Unit may be owned in Interval Estates, and reference herein to "Unit" may, where appropriate, refer to an Interval Estate.

II.

ESTABLISHMENT OF REGIME

2.1 GRANT AND SUBMISSION

Developer hereby grants and submits to condominium ownership all of the Subject Property, the improvements to be constructed thereon, the Condominium Project and all attachments and appurtenants thereto and in anywise belonging.

2.2 DESCRIPTION OF PROPERTY

The Condominium plans and specifications attached hereto as Exhibits "A" and "C" shall be filed for record simultaneously with the recording of this Declaration as a part hereof, and prior to the first conveyance of any Condominium Unit. Such Condominium plans and specifications consists of and sets forth (1) the legal description of the surface of the land; (2) the linear measurements and location, with reference to the exterior boundaries of the land, of the buildings and all other improvements built or to be built on said land by Developer; (3) floor plans of the building built or to be built thereon showing the location; and (4) the building designation, the Unit designation and the linear dimensions of each Unit, and the Limited Common Elements; Developer hereby expressly reserves the right to amend said Exhibits to conform the map to actual location of the constructed improvements to establish, vacate and relocate outside utility easements, access and parking facilities as same may be located on the ground, all as more fully provided herein. Such amendment shall not require the joinder of any Owner or mortgagee.

2.3 DIVISION OF FEE ESTATES

The real property is hereby divided into the following separate fee simple estates:

A. One hundred fifty-nine (159) fee simple estates consisting of one hundred fifty-nine (159) separately designated residential or commercial Units, in one Building, called Building "A" each such Unit identified by number and being described as follows:

Section A - Containing thirteen (13) units, numbered Commercial Unit 1, and Units 101 through 104, inclusive, 201 through 204, inclusive, and 301 through 304, inclusive, the size, and location of each Unit being detailed on the survey plat of Section A, attached hereto for reference as Exhibits "C-1" "C-2", "C-3", "C-4" and "D"

Section B - Containing twenty-four (24) Units numbered 105 through 119, odd numbers inclusive, 205 through 219, odd numbers inclusive, and 305 through 319, odd numbers inclusive, the size, and location of each Unit being detailed on the survey plat of Section B attached hereto for reference as Exhibits "C-1", "C-2", "C-3" and "D".

Section C - Containing thirty-nine (39) units, numbered 106 through 130, even numbers inclusive, 206 through 230, even numbers inclusive, and 306 through 330, even numbers inclusive, the size, and location of each Unit being detailed on the survey plat of Section C, attached hereto for reference as Exhibits "C-1", "C-2", "C-3" and "D".

Section D - Containing twelve (12) units, numbered 121 through 127, odd numbers inclusive, 221 through 227, odd numbers inclusive and 321 through 327, odd numbers inclusive, the size, and location of each Unit being detailed on the survey plat of Section D, attached hereto for reference as Exhibits "C-1", "C-2", "C-3" and "D".

Section E - Containing thirty-nine (39) units, numbered 132 through 156, even numbers inclusive, 232 through 256, even numbers inclusive, and 332 through 356, even numbers inclusive, the size, and location of each Unit being detailed on the survey plat of Section E attached hereto for reference as Exhibits "C-1", "C-2", "C-3" and "D".

Section F - Containing twenty-one (21) units, numbered 129 through 141, odd numbers inclusive, 229 through 241, odd numbers inclusive, and 329 through 341, odd numbers inclusive, the size and location of each Unit being detailed on the survey plat of Section F, attached hereto for reference as Exhibits "C-1", "C-2", "C-3" and "D".

Section G - Containing ten (10) units, numbered Commercial Units 2 and 3, and Units 145, 245 through 251, odd numbers inclusive, and 345 through 351, odd numbers inclusive, the size and location of each Unit being detailed on the survey plat of Section G, attached hereto for reference as Exhibits "C-1", "C-2", "C-3", "C-4" and "D".

As set forth on the plan and specifications attached hereto as Exhibits "C" for reference, the architectural design of each of the Units within the Condominium Project is labeled Unit Type A, A1, B, B1, C and D with varying modifications to the basic architectural designs. Accordingly, references on the attached plans and specifications should be keyed to the basic Unit Types as they relate to the various Unit numbers.

B. Any Unit established pursuant to this condominium declaration may be owned in Interval Estates. Each Unit shall be deemed to be composed of 52 separate Interval Estates. In the event of a conveyance of an Interval Estate, the Owner thereof shall be entitled to share pro rata in all benefits derived therefrom, and shall be liable for pro rata expenses, assessments, taxes, and

all other charges assessed against the Unit. An Interval Estate Owner shall not be responsible for any liability, claim, cost, charge, expense or other encumbrance placed upon the interest of any other Interval Estate Owner. Interval Estate Owners shall not be jointly and severally liable for the payment of any charges levied against the Unit as a whole. Any requirement placed upon the Unit as a whole shall be deemed to be a requirement levied against each Interval Estate Owner on a pro rata basis. Use of the General Common Elements of the Condominium by Owners of Interval Estates or by any person using the Common Elements shall be limited to the Interval Estate time period conveyed to or which may be reserved by an Owner. No Owner of an Interval Estate shall exercise any rights of ownership with respect to the Unit or its appurtenances other than the rights herein provided during the time period of Interval Estate ownership. No Owner of a Interval Estate may be exempt from liability to pay the assessment provided herein by waiver of the use or enjoyment of the Common Elements or the Unit, or the abandonment thereof. Each Owner of an Interval Estate shall have the exclusive right to occupy the Unit and, as between and among Owners, to use and enjoy the Unit and the rights and easements appurtenant to the Unit during the Interval Estate time period. Each Owner of an Interval Estate shall have the right to mortgage or otherwise to encumber his Interval Estate. No Owner shall attempt to mortgage or otherwise encumber in any manner whatsoever the Unit or any part thereof except the Interval Estate owned. Every Owner of an Interval Estate in a unit shall own 1.92307% of the ownership interest of the Unit as a whole, in accordance with the ownership interest for said unit as set forth in Exhibit "D" attached hereto for each one week or 7 day Interval Estate owned. An Interval Estate Owner shall own an equal amount in the undivided interest in the General Common Elements of the Condominium. Any decision requiring the vote of the Unit Owner or Owners shall be determined by a majority vote of all Interval Estate Owners for the Unit. All voting by the Interval Estate Owners shall be conducted in accordance with the voting procedures set forth in the Bylaws for the election of directors of the Association. Any vote required on an Association matter shall be cast by the Unit as a whole, and not by separate individual Interval Estate Owners. As to the assessments for the General Common Elements and any special assessments provided in this declaration, the Association is hereby granted the authority to require the Interval Estate Owners of a Unit to designate an agent for receipt of a payment of such assessments. Upon such request from the Association, the Interval Estate Owners shall designate such agent within 30 days from the date of receipt of such notice requiring same. No Interval Estate Owner or other person or entity acquiring right, title or interest in a unit subject to Interval Estate ownership shall have the right of partition of the Interval Estate ownership in any manner whatsoever.

C. The remaining portion of the entire premises, referred to as the General Common Elements, shall be held in common by the Owners, the percentage interest in the General Common Elements attributable to the respective Units being set out in Exhibit "D" hereto, each such undivided interest being appurtenant to one of the

Units covered hereby as scheduled, subject to revision as set forth in Article 2.5 hereof.

2.4 TITLE

Title to any Unit is declared and expressly made subject to the terms and conditions hereof, and acceptance by any grantee of a Deed from Developer or any Owner shall be deemed an acknowledgment of and consent to this Declaration and its provisions.

2.5 EXPANSION OF PROJECT

The Developer anticipates that the Condominium Regime created hereunder will be expanded to include future Phases with additional Units, Interval Estates, and Common Elements, a part of which is to be constructed on the real property additionally described in Exhibit "E" as Phase Two. All Units or Interval Estates in a future Phase may be designed, modified or revised as Developer may deem advisable in its sole discretion, provided however, in no event shall more than two hundred twenty-five (225) additional Units, for a total of three hundred eighty-one (381) Units, be constructed. All additional units must be of the same basic style, floor plan, size and quality as those in the Le Club Galveston Condominiums. In this connection, it is hereby stipulated that the undivided interests set forth on Exhibit "D" hereto, which is appurtenant to the Units covered hereby will be revised as additional Units and Common Elements are built or scheduled to be built, based upon the ratio that the number of square feet contained in each Unit bears to the number of square feet contained in all of the Units, including the additional Units, and correspondingly each Owner will own a percentage interest in the additional Common Elements at such time as the hereinafter annexation or supplement is filed. In order to annex and include the additional Units within the Condominium Regime created hereby, and solely for such purpose, Developer reserves the right to supplement this Declaration at any time prior to December 1, 1989. Prior to any such annexation of a future Phase, all improvements scheduled to be built in each future Phase shall have been substantially completed. Such annexation or supplementation may be made by the Developer without the joinder of any Owner or mortgagee of Owner and the filing of such Annexation or Supplement shall be binding upon each Owner and mortgagee. In no event, however, may any such Annexation or Supplement serve to dilute or reduce the respective percentage ownership interests of each Owner as set forth on Exhibit "D" hereto, except to the extent provided above and to the extent that each Owners' voting rights in the Association will be diluted since more votes will be required to equal the specified number to pass or reject the matter being considered. Further, if the Annexation or Supplement herein permitted to be filed is not filed prior to December 1, 1989, the Developer shall not thereafter be entitled to Supplement this Declaration for the limited purpose set forth in this Article 2.5.

III.

OCCUPATION AND USE

3.1 CONVEYANCE OF CONDOMINIUM UNITS

Each Unit and the undivided ownership interest in the Common Elements appurtenant thereto shall be inseparable and

may be conveyed, leased or encumbered only as a Condominium Unit or Interval Estate thereof. Any conveyance of a Unit shall be deemed to include the Common Elements appurtenant thereto.

3.2 DESCRIPTION OF CONDOMINIUM UNITS

Every deed, lease, mortgage, trust deed or other instrument may legally describe a Condominium Unit by its number or letter followed by the words "Le Club Galveston Condominiums" with further reference to this Declaration and the Map. Every such description shall be deemed good and sufficient for all purposes to convey, transfer, encumber, or otherwise affect a Unit, the Common Elements appurtenant thereto and such Unit's percentage of interest in the Common Elements. Every instrument describing an Interval Estate shall set forth the specific 24 hour periods by date and hour being described.

3.3 COMBINATION OF UNITS

In the event that one Owner shall own two or more Units adjacent to each other, such Owner shall have the right, upon the express written consent of the First Mortgagee of each such unit, to combine such Units into one area, to create entries, door openings and stairways between such Units so long as such changes do not affect load-bearing walls or pipes, conduits, ducts, shafts and wiring for the utility services of the Building and so long as the same is approved by all relevant governmental bodies and by the Association.

3.4 DIVISION OF UNIT

Subject to the express written consent of all First Mortgagees, the Developer, or a successor developer, hereby reserves the right to divide any Unit into two (equal or unequal) separate Units, by the filing of a supplement to this Declaration and to the Map, which shall describe the Units in the same manner as in this original Declaration and Map. No supplement is required to create or convey an Interval Estate. In the event of division, the percentage interest of ownership in Common Elements allocated to the original Unit being divided shall be divided among the two new separate Units in the ratio that the square footage area of each such new Unit bears to the total square footage area of the original Unit. This reserved right in the Developer shall not run with the land and shall not inure to the benefit of any subsequent Owner of a Unit. However, this right is restricted in that only one division into said Units may be made as to any Unit. The parking and storage spaces originally assigned to the Unit shall be reassigned, in the event of division, to the newly created Units.

3.5 MODIFICATION OF BUILDING

Prior to the sale of any Unit within a Building, the Developer reserves the right to modify any proposed Unit or Building for any purpose whatsoever, provided that the aggregated ownership percentage interests in Exhibit "D" does not change and further provided that the aggregate number of the Units in LE CLUB GALVESTON CONDOMINIUMS is not increased.

3.6 RIGHT OF ACCESS AND EMERGENCY REPAIRS

The Association shall have the right of access to each Unit and its appurtenant Limited Common Elements from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of Common Elements, or at any time deemed necessary for the making of emergency repairs to prevent damage to the Common Elements or to the Unit or to another Unit. In the event any damage occurs to an individual Unit as a result of the repair of or repairs to the Common Elements, the cost for restoration of said damaged Unit shall be a Common Expense. Further, in the event a Common Element is damaged as a result of actions or inactions of a Unit Owner or his guests, invitees, tenants or others taking or occupying through said Owner, then such Owner shall be liable for any and all costs incurred for the repair and restoration of the damaged Common Element.

3.7 NO PARTITION

Except as provided herein, no Owner shall bring an action for partition of his Condominium Unit or of the Common Elements. This restriction shall not, however, prohibit the division of a Unit as provided in Section 3.4 hereof.

3.8 TAX ASSESSMENTS

It is specifically stipulated that each Unit and Interval Estate shall be subjected to separate tax assessments and taxation by the appropriate governmental authority.

3.9 ENCROACHMENTS AND EASEMENTS

If any portion of the General Common Elements encroaches upon a Unit or Units, for any reason whatsoever, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. If any portion of an adjoining Unit or Units encroaches upon another Unit or Units, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. For title or other purposes, such encroachment(s) and easement(s) shall not be considered or determined to be encumbrances either on the Common Elements or the Units.

3.10 LABOR AND MATERIALMAN LIEN

Subsequent to the completion of the improvements described on the Map, no labor performed or materials furnished and incorporated in a Unit with the consent or at the request of the Owner thereof or his agent or his contractor or subcontractor shall be the basis for filing of a lien against the Unit and Common Elements owned by such other Owners. Each Owner shall indemnify and hold harmless each of the other Owners, the Developer and the Association from and against all liability arising from the claim of any lien against the Unit of any other Owner or against the General Common Elements for construction performed or for labor, materials, services or other products incorporated in the Owner's Unit at such Owner's request. Upon written request of any Owner the Association shall have the right to enforce such indemnity.

3.11 USE RESTRICTIONS

A. PROJECT RESTRICTIONS

1. Structural Alterations or Modifications. No Owner shall make alterations or modifications to his Unit or to any of the Common Elements, including the erection of antennae, aerials, awnings, the placement of any reflective or other material in the windows of the Unit (other than uniform window coverings approved by the Board of Directors) or other exterior attachments without the written approval of the Association. The Association shall have the right to authorize any and all structural alteration or modifications, provided, however, the Association shall not approve any alterations, decorations or modifications which would jeopardize or impair the soundness, safety or appearance of the Condominium Project and such alterations shall not affect the percentage of value assigned to each Unit Owner in Exhibit "b" hereof.

2. Nuisance. No immoral, improper, unlawful or offensive activity shall be carried on, in, or about any Unit or upon the Common Elements, nor shall anything be done which may be or become an annoyance or a nuisance to the Owners. No Owner shall do or permit anything to be done or keep or permit to be kept in his Unit or on the Common Elements anything that will increase the rate of insurance on the Condominium Project. No Owner shall store any dangerous explosive or inflammable liquids or other materials either in, at, or upon his Unit or upon the Common Elements.

3. Pets. No animals shall be kept except household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint so as not to be obnoxious or offensive on account of noise, odor or unsanitary conditions. No savage or dangerous animal shall be kept. No more than one household pet may be kept without written permission of the Board of Directors of the Association which shall not be unreasonably withheld. No pets may be permitted to run loose upon the Common Elements, and any Owner who causes any animal to be brought or kept upon the premises of the Condominium Project shall indemnify and hold harmless the Association for any loss it may sustain or which may be claimed against the Association as a result of the presence of such animal on the premises, whether or not the Association has given its permission therefor. Notwithstanding the generality of the foregoing, after (i) repeated violations of this provision, (ii) fining of the Owner, (iii) ten (10) days prior written notice to the Owner of such pet(s) behavior and notice of such hearing, and (iv) an opportunity for such Owner to have a hearing before the Board of Directors, such pet(s) may be taken from such Owner and given to the Society for the Prevention of Cruelty to Animals of Galveston County, Texas.

4. Use of Common Elements. The Common Elements shall not be used for storage of supplies, personal property, trash or refuse of any kind (except common trash receptacles, storage buildings or other similar structures which may from time to time be placed upon the Common Elements at the discretion of the Board of Directors of the Association). Stairs, entrances, sidewalks, yards, driveways and parking areas shall not

be obstructed in any way nor shall unauthorized persons or pets play therein or thereon or use such areas for other than their intended purposes. In general, no activities shall be conducted nor condition maintained by any Owner either in, on, or about his Unit or upon the Common Elements which despoils the appearance of the Condominium Project.

5. Maintenance. Each Owner shall maintain his Unit and any Limited Common Elements appurtenant thereto in clean, safe and sanitary condition. Each Owner shall also use due care to avoid damaging any of the Common Elements, including, but not limited to, the central air-conditioning and heating, telephone, water, gas, plumbing, power or other utility systems throughout the Condominium Project and each Owner shall be responsible for his negligence or misuse of any of the Common Elements or of his own facilities resulting in damage to the Common Elements.

6. Rules and Regulations. Non-discriminatory regulations concerning the use of the Condominium Project shall be promulgated from time to time by the Developer or the Board of Directors of the Association and such regulations, and subsequent regulations duly adopted from time to time, shall be binding on all members of the Association unless duly amended by a majority of the percentage of value assigned to the Owners.

7. Vehicles. Vehicles not in operating condition shall not be parked upon the premises of the Condominium Project for more than 24 hours. No parking space shall be converted for living, recreational or business purposes, nor shall anything be stored in any parking space so as to prevent the parking of a vehicle therein.

8. Sales Office. None of the restrictions contained in this Section 3.11 shall apply to the sales office, sales models and other commercial activities or signs or billboards, if any, of Developer during the sales period of the Condominium Project or of the Association in furtherance of its powers and purposes set forth herein and/or in its Articles of Incorporation and By-Laws as the same may be amended from time to time, including without limitation the power of the Association to own a Unit for the use and enjoyment of the resident manager of the Condominium Project. The Developer shall use due diligence to sell all units at the Project, but the Developer shall be able to sell any unit for any condominium project from the clubhouse at the Project.

9. Enforceability. These restrictive covenants as to the use of the Units and the Common Elements shall be a burden upon the fee title to the property herein described shall run with the title to the land of same until duly amended by the Association as herein permitted.

B. RESIDENTIAL UNIT RESTRICTIONS

1. Residential Use. No Residential Unit in the Condominium Project shall be used for other than residential purposes or co-tenancy purposes. Any Unit not designated as a "Commercial Condominium" on the attached "C" Exhibits is designated as Residential Unit.

2. Right to Lease. Unit Owners shall be permitted to lease their Unit for transient or hotel purposes. No Unit or Interval Estate Owner may lease less than the entire Unit. Any lease agreement shall be in writing and shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the By-Laws, and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. A copy of said lease shall be filed with the Association.

3. Signs. No signs or other advertising devices which are visible from the exterior of any Unit or upon the Common Elements shall be displayed, including "For Sale" signs, without written permission from the Association.

C. COMMERCIAL UNIT RESTRICTIONS

1. Commercial Use. Commercial Units are indicated as Commercial Units on the attached "C" Exhibits. Commercial Units shall be used for commercial, business or retail purposes only, including but not limited to, a restaurant, a private club, a gift or souvenir shop, a leasing office, a business office, a drug store, or other business use. No video game parlour or other game shop shall be allowed in a Commercial Unit except with the prior written permission and authority from the Board and Officers of the Association.

2. Use of Project Facilities. No business invitees or guests of any Commercial Unit shall be permitted to use the swimming pool, tennis courts, or other General Common Element facilities of the Project; provided however, the business invitees and guests of any Commercial Unit shall be permitted to use the General Common Element parking facilities, and upon proper arrangement and payment of fees to the Association, the Owner of a Commercial Unit may provide permission for the Commercial Units' business invitees and guests to use such previously listed restricted General Common Elements. At all times the Owner of a Commercial Unit, and their family members, or if the Owner of the Club Unit is a partnership or corporation, all of the family members of each partner or of each officer of the corporation, shall be permitted to use all of the General Common Elements of the Project. The Owner of a Commercial Unit shall at all times keep a list of all such family members, their names, and addresses, on file with the Association.

3.12 ELECTRICAL METERS.

The Association shall maintain all pre-wired modular-type metering cabinets installed in the Condominium, including the maintenance of replacement parts with respect thereto, it being understood that Houston Lighting & Power Company will not maintain any such spare parts nor perform any repairs on such modular-type metering cabinets and that failure by the Association to timely repair such modular metering cabinets (or maintain an adequate number of spare parts with respect thereto) may result in termination of electrical service to the Condominium (or a particular Residence Unit) until such repairs are completed or such spare parts obtained.

3.13 AGREEMENT OF SQUARE FOOTAGE.

It is expressly agreed and each and every purchaser of a Unit, his heirs, executors, administrators, assigns and grantees hereby agrees that the square footage, size and dimensions of each Unit as set out or shown in this Declaration or in the survey Plats exhibited hereto are approximate and are shown for descriptive purposes only. The Developer does not warrant, guarantee or represent that any Unit actually contains the area, square footage or dimensions shown by the Plat thereof. Each purchaser and Owner of a Unit or interest therein agrees that the Unit has been or will be purchased as actually and physically existing at the time such purchase is closed. Each purchaser of a Unit expressly waives any claim or demand which he may have against the Developer or any person whatsoever on account of any difference, shortage or discrepancy between the Unit as actually and physically existing and as it is shown on the respective Plat thereof exhibited hereto. It is specifically agreed that in interpreting deeds, mortgages, deeds of trust and other instruments for any purposes whatsoever or in connection with any matter, the existing physical boundaries of the Unit shall be conclusively presumed to be the boundaries regardless of settling, rising or lateral movements of the Building, and regardless of variances between boundaries as shown on the Plat and those of the Buildings.

IV.

ADMINISTRATION

The administration of this Condominium Project shall be governed by this Declaration and the By-Laws of Le Club Galveston Owners Association, Inc., a non-profit association, and the Articles of Incorporation of such Association (if any), hereinafter referred to as the "Association". A copy of "By-Laws" is hereto attached marked Exhibit "B" and incorporated herein; and same shall be deemed adopted by Developer as sole owner of the Property herein described, and all Owners shall be bound thereby. Developer may, at its election, cause to be formed a Texas non-profit corporation bearing said name, in which event such non-profit corporation shall thereafter act and do all things to be done by "Association", and the said non-profit corporation, if formed, shall be bound by, adopt and observe its By-Laws, the By-Laws hereto attached marked Exhibit "B". "Association" as here used shall refer to the member Owners as a group, both before and after incorporation. In the event of incorporation, a certified copy of the Certificate of Incorporation of Le Club Galveston Condominium Owners Association, Inc., shall be recorded and shall provide that three (3) persons shall act as a Board of Directors and shall serve as the Directors until their successors have been elected and qualified. An Owner of a Condominium Unit, upon becoming an Owner, shall be a member of the Association and shall remain a member for the period of his ownership. The aggregate number of votes for all members of the Association shall be one hundred (100) and shall be divided among the respective Unit Owners in accordance with their respective percentages of ownership interest in the Common Elements as set forth in Exhibit "D" hereto. The Board of Directors shall retain a Managing Agent, for Le Club Galveston Condominium responsibilities of management as may be determined by the Board of Directors. Any management agreement shall not have a term of more than one (1) year, and shall be terminable without cause upon thirty (30) days written notice. The "Association Date" shall be (i) the date on

which Developer elects to call the first meeting of the Unit Owners for election of a Board of Directors, or (ii) December 1, 1989, or, (iii) one hundred twenty (120) days after seventy-five percent (75%) of Units, as annexed, shall have been purchased at a real estate closing by Owners, whichever first occurs. On the Association Date, all powers of the Declarant, as Developer, shall terminate with regard to the administration and control of the Association.

V.

MAINTENANCE

5.1 UNIT AND LIMITED COMMON ELEMENTS

An Owner shall maintain and keep in repair the interior of his own Unit, including the fixtures thereof. All fixtures and equipment, including the heating and air conditioning system, installed within the Unit, commencing at a point where the utility lines, pipes, wires, conduits or systems (which for brevity are hereafter referred to as "utilities") enter the Unit shall be maintained and kept in repair by the Owner thereof. Without limitation on the generality of the foregoing, an Owner shall maintain and keep in good repair (and replace, if so required) the air conditioning compressor, hot water heater units, fans, ductwork, heating unit and cooling coils, utilized in and for his Unit; as well as all other fixtures situated within or installed into the Limited Common Elements appurtenant to such Unit; and an Owner shall be obliged to promptly repair and replace any broken or cracked windows and doors. The Owner's obligation to maintain and repair as set forth herein shall also extend to any damage cause by Owner's guests, tenants and invitees. Should an Owner fail to maintain or repair the Limited Common Elements within his Unit, then the Association shall have the right to perform such maintenance and repair as it deems reasonably necessary for the benefit of the Association, and the costs thereof shall become a Special Assessment against such Unit.

5.2 LIMITATION ON WORK

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

5.3 OWNERSHIP

An Owner shall not be deemed to own the undecorated and/or unfinished surfaces of the perimeter walls, floors and ceilings surrounding his Unit, nor shall such Owner be deemed to own the utilities running through his Unit which are utilized for, or serve more than one Unit, except as a tenant-in-common with the other Owners. An Owner, however, shall be deemed to own and shall maintain the inner decorated and/or finished surfaces of the perimeter and interior walls, floors, and ceilings, doors, windows, and other such elements consisting of paint, wallpaper, and other such finishing materials.

5.4 COMPLIANCE

Each Owner shall comply strictly with the provisions of this Declaration, By-Laws, and the decisions and resolutions

of the Association adopted pursuant thereto as the same may be lawfully amended from time to time. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages or injunctive relief, or both, maintainable by the Managing Agent or Board of Directors on behalf of the Owners, or, in proper cases, by an aggrieved Owner.

VI.

EXPENSES

6.1 COMMON EXPENSES AND RESERVE

The costs and expenses of administration and of maintenance and repairs, of the General Common Elements, and in the proper case, the Limited Common Elements of the Condominium Project and the Condominium Units, and any other expenses lawfully agreed upon by the Association, shall be borne pro-rata by all Owners, which expenses have been herein before defined as "Common Expenses." The Common Expenses for the fiscal year will be estimated by the Managing Agent or the Developer, and each Owner shall pay their pro-rata share of the Common Expenses on a monthly basis, with the exception of the Developer which shall pay its pro-rata share on the Association Date. Prior to the Association Date, the Developer shall pay all deficiency for the Common Expenses, and such payment shall not be limited by the amount of the assessments for the Common Expenses. Furthermore, such payment shall never be less than the Developer's pro-rata share of the Common Expenses, but it shall not include any reserve or surplus. The Developer shall be exempt from paying its pro-rata Common Expenses monthly. At the Association Date, the actual Common Expenses shall be determined from the date of this Declaration until the Association Date. The actual Common Expenses will be determined on a pro-rata basis for each unit per month. If after determination of the actual per unit Common Expenses, an Owner, other than the Developer, has paid more than their actual pro-rata share of the Common Expenses, then that Owner's excess may be retained by the Association and credited to the account for future Assessments of said Owner, or the excess may be refunded to said Owner, as the members of the Association may determine. Prior to the Association Date, the Developer shall not be entitled to any refund for the deficiency paid on behalf of the Association. The Association shall provide for future contingencies through the creation of a reserve or surplus fund. Payment of an Assessment into the reserve fund shall not be a part of, nor be considered to be, a Common Expense. After the Association Date, the Developer shall pay its full Assessment, including Common Expenses and the reserve or surplus requirement.

6.2 ASSESSMENTS

The Assessments made to provide funds for Common Expenses shall be based upon the cash operating requirements deemed to be such aggregate sum as the Association shall from time to time determine is to be paid by all of the Owners. Such Assessments shall be to provide for the payment of all estimated expenses arising out of or connected with the maintenance and operation of the General Common Elements or Limited Common Elements, which sum may include, in addition to the costs set forth in Article 1.6E hereof, among other things, cost of management, taxes,

assessments, fire insurance with extended coverage and vandalism and malicious mischief with endorsements attached, issued in the amount of the maximum and public liability and other insurance premiums, landscaping and care of grounds, common lighting, repairs and renovations, garbage collections, wages, water charges, legal and accounting fees, management fees, expenses and liabilities incurred by the Managing Agent or Board of Directors under or by reason of the Declaration, and the payment of any deficit remaining from a previous period, (except for operating deficits incurred by the Developer prior to the Association Date), the reserve fund provided in Article 10.4, as well as other costs and expenses relating to the General Common Elements or Limited Common Elements. The Association may levy a Special Assessment on all Owners of the Association. The Association shall vote as provided in Article VIII, Section 2B of the By-laws for LE CLUB GALVESTON CONDOMINIUMS. The omission or failure of the Board to fix the Assessment for any month shall not be deemed a waiver, modification, or a release of the Owners from the obligation to pay.

6.3 INSURANCE

The Managing Agent or Board of Directors shall obtain and maintain at all times insurance of the type and kind provided herein, and including for such other risks, of a similar or dissimilar nature, as are or shall hereafter customarily be covered with respect to other condominium buildings, fixtures, equipment and personal property, similarly in construction, design and use, issued by responsible insurance companies authorized to do business in the State of Texas. Additionally, the Association shall carry fidelity insurance as related to the officers and directors of the Association and the Association's administration thereof. The insurance shall be carried in Blanket policy form naming the Association the insured, which policy or policies shall identify the interest of each condominium Unit Owner and which shall provide for a standard, non-contributory mortgage clause in favor of each First Mortgagee. It shall also provide that it cannot be cancelled by either the insured or the insurance company until after ten (10) days prior written notice to each First Mortgagee. Said Managing Agent or Board of Directors shall, upon request of any First Mortgagee, furnish a certified copy of such blanket policy and the separate certificate identifying the interest of the mortgagor. All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Owner guilty of a breach of warranty, act, omission, negligence or non-compliance with any provision of such policy, including payment of the insurance premium applicable to that Owner's interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under such policy, as to the interest of all other insured Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect. Further, such policies shall contain provisions requiring that the insurer waive its subrogation rights with respect to asserting any claim it might have against negligent Unit Owners.

6.4 PAYMENT DATE

All Owners shall be obligated to pay the assessments imposed by the Board of Directors or Managing Agent of the

Association. Assessments for the Common Expenses, including insurance, and reserves when established, shall be due monthly in advance on or before the fifteenth day of each month and shall require the imposition and assessment of a late charge of \$10.00 per month for each assessment not paid when due. Contribution for monthly assessments shall be pro rated if the ownership of a condominium Unit commences on a day other than on the first day of the month. Special Assessments shall be due and payable at such time as established by the Board of Directors.

6.5 ALL OWNERS OBLIGATED

No Owner may exempt himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the General or Limited Common Elements, or by abandonment of his Unit or Interval Estate.

6.6 LIEN FOR ASSESSMENTS

All sums assessed but unpaid, by any condominium Unit, including interest thereon at the maximum non-usurious annual rate allowed by law, cost of collection and attorneys fees incurred for collection shall constitute a lien on such Unit superior (prior) to all other liens and encumbrances, except only for:

(a) Tax and special assessment liens in favor of any governmental body with taxing authority over the Units, and

(b) A First Mortgage or first Deed of Trust of record prior to the delinquency of payment, including all unpaid obligatory sums as may be provided by such encumbrance.

To evidence such lien the Board of Directors or Managing Agent may, but shall not be required to, prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of the Condominium unit and a description of the Unit or Interval Estate. Such a notice shall be signed by one of the Board of Directors or by the Managing Agent and may be recorded in office of the Clerk of Galveston County, Texas. Such lien for the Common Expenses shall attach from the date of the failure of payment of the assessment. Such lien may be enforced by foreclosure of the lien affecting the defaulting Owner's Unit or Interval Estate, by the Association, in like manner as a mortgage on real property upon the recording of a notice or claim thereof. In such foreclosure, the Owner shall be required to pay the costs and expenses of such proceedings, the costs and expenses for filing the notice or claim of lien and all reasonable attorney's fees. The Owner shall also be required to pay to the Association a reasonable rental for the Unit or Interval Estate during the period of foreclosure, and the Association shall be entitled to a receiver to collect the same. The Association shall have the power to purchase the Unit or Interval Estate at foreclosure sale and to acquire and hold, lease, mortgage and convey same. The lien attaching hereunder may be foreclosed judicially. The acquisition of a Unit or Interval Estate shall be deemed the consent of an Owner to such lien, and each Owner shall execute such document as may be reasonably required by the Managing Agent or Board of Directors to evidence this lien. If the Owner refuses, the Board of Directors shall be irrevocably vested with a power

of attorney for such non-signing Owner, to execute and deliver such documents to the Association.

In addition to the lien herein imposed, a Vendor's Lien may be retained in each deed from Developer to a Unit or Interval Estate in order to secure the payment of all sums due under this Declaration, subordinate, however, as above set forth.

The amount of the Common Expenses assessed against each Unit or Interval Estate shall also be a debt of the Owner thereof at the time the assessment is made. Suit to recover a money judgment for unpaid Common Expenses shall be maintainable without foreclosing or waiving the lien securing same.

Any encumbrances holding a lien on a Unit or Interval Estate may pay any unpaid Common Expenses payable with respect to suit Unit or Interval Estate, and upon such payment such encumbrances shall have a lien on such Unit or Interval Estate for the amounts paid of the same rank as the lien of his encumbrance.

A foreclosure by any First Mortgagee shall be held in accordance of the Laws of the State of Texas.

The Association shall have the right to prevent the use and enjoyment of a Unit or Interval Estate by an Owner, or Owner's family, guests or invitees, if Owner has not paid all Assessments due to the Association.

6.7 ESTOPPEL STATEMENTS

Upon the written request of any Owner or any encumbrancer or prospective encumbrancer or a Condominium Unit, and upon payment of a reasonable fee as may from time to time be set by the Association, the Association, by its Managing Agent or Board of Directors shall issue a written statement setting forth the unpaid common expenses, if any, with respect to the subject Unit, the amount of the current monthly assessments and the date that such assessment becomes due, credit for advanced payments or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Association for all persons who rely thereon in good faith. Unless such request for a statement of indebtedness shall be complied with within twenty (20) days, all unpaid assessments which become due prior to the date of making of such request shall be subordinate to the lien of the person requesting such statement.

6.8 LIABILITY

The grantee of a Unit or Interval Estate shall be jointly and severally liable with the grantor for all unpaid assessments against the latter for his proportionate share of the assessments up to the time of the grant or conveyance, without prejudice to the grantee's right to recover

from the grantor the amounts paid by the grantee therefor; provided, however, that upon written request, and payment of a reasonable fee as determined by the Association any such prospective grantee shall be entitled to a statement from the Managing Agent or Board of Directors, setting forth the amount of the unpaid assessments, if any, with respect to the subject unit, the amount of the current monthly assessment and the date that such assessment becomes due, credit for advanced payments or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Association. Unless such request for a statement of indebtedness shall be complied with within twenty (20) days of such request, then such grantee shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments against the subject Unit.

VII.

FINANCING

7.1 RIGHT TO FINANCE

Any Owner shall have the right from time to time to mortgage or encumber his interest by deed of trust, mortgage or other security instrument, provided that such first deed of trust, mortgage and security agreement shall be subordinate to this Declaration, unless herein specifically provided to the contrary. A first mortgage shall be one which has first and paramount priority under applicable law. The Owner of a Unit or Interval Estate may create a second mortgage on the following conditions: (1) that any such second mortgage shall always be subordinate to all of the terms, conditions, covenants, restrictions, uses, limitations, obligations, lien for assessments, and other payments created by this Declaration and by the By-Laws; and (2) that the mortgagee under any second mortgage shall release, for the purpose of restoration of any improvements upon the mortgaged premises, all of his right, title and interest in and to the proceeds under all insurance policies upon said premises, which insurance policies were effected and placed upon the mortgaged premises by the Association. Such release shall be furnished forthwith by a second mortgagee upon written request to the Association.

7.2 FORECLOSURE

Any First Mortgagee, upon foreclosure of its lien on a Unit, or upon acceptance of a deed in lieu of foreclosure thereon, shall not be required to pay any unpaid assessments owing on said Unit. Any assessment lien created or claimed under the provisions of this Declaration of Condominium Regime shall be subject and subordinate to the rights of any First Mortgagee of any duly recorded First Mortgage upon one or more Units made in good faith and for value. No lien created under the provisions hereof shall in any way defeat, invalidate or impair the rights of any first mortgagee under any such duly recorded first mortgage unless such mortgage shall expressly subordinate its interest, in writing, to such lien.

7.3 AMENDMENT AFFECTING FINANCING

No amendment to this Declaration of Condominium Regime shall affect the rights of the mortgagee of any such mortgage which is made in good faith and for value; provided that any such mortgage is recorded prior to the recordation

of such amendment and written notice of delivery and recordation of such mortgage is given to the Association; provided further that the benefit of this paragraph shall not apply to the mortgagee of any such prior mortgage unless such mortgagee shall either join in the execution of such amendment or shall approve said amendment in writing as a part of said amendment.

7.4 BREACH

No breach of any provision of this Declaration of Condominium Regime shall impair or invalidate any lien of any duly recorded mortgage made in good faith and for value encumbering one or more Units; provided however, that all the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration of Condominium Regime shall be binding upon and effective against any person who acquires title to or any beneficial interest in any Unit by way of foreclosure, or otherwise.

VIII.

DAMAGE, REPLACEMENT AND REPAIR

8.1 POWER OF ATTORNEY

All of the Owners, by the acceptance of any deed or other conveyance of a Unit, irrevocably name, designate, constitute and appoint the Le Club Galveston Condominium Owners Association, Inc., a non-profit corporation, or its successor non-profit corporation, if same be hereafter organized, their true and lawful attorney in their name, place, and stead, for the purpose of dealing with the property upon its destruction or obsolescence as is hereafter provided, and for the purpose of execution by all the Owners, all easements, rights-of-way, plats, subordinations to plats or liens, or any other document which may be required by any governmental authority. This power of attorney shall be coupled with an interest and irrevocable. As attorney-in-fact, the Association, by its President and Secretary, shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or any other instrument with respect to the interest of a condominium Unit Owner which are necessary and appropriate to exercise the powers herein granted.

8.2 DEFINITION OF REPAIRS

Repair and reconstruction of the improvement(s) as used in the succeeding subparagraphs means restoring the improvement(s) to substantially the same conditions in which it existed prior to the damage, with each Unit and the General and Limited Common Elements having the same vertical and horizontal boundaries as before. The proceeds of any insurance collected shall be made available to the Association for the purpose of repair, restoration or replacements unless the Owners and all First Mortgagees agree not to rebuild in accordance with the provisions set forth hereinafter.

8.3 RECONSTRUCTION WITH INSURANCE PROCEEDS

In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to re-

construct the improvement(s), shall be applied by the Association, as attorney-in-fact, to such reconstruction, and the improvement(s) shall be promptly repaired and reconstructed.

8.4 ASSESSMENT IF INSURANCE IS INSUFFICIENT

If the insurance proceeds are insufficient to repair and reconstruct the improvement(s), and if such damage is not more than two-thirds (2/3) of all of the General Common Elements, not including land, such damage or destruction shall be promptly repaired and reconstructed by the Association, as attorney-in-fact, using the proceeds of insurance and the proceeds of an assessment to be made against all of the Owners and their Condominium Units. Such deficiency assessment shall be a Common Expense made pro rata according to each Owner's percentage interest in and to the General Common Elements and shall be due and payable within thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the assessment. The assessment provided for herein shall be a debt of each Owner and a lien on his condominium Unit and may be enforced and collected as is provided in Paragraph 6.6. In addition thereto, the Association as attorney-in-fact, shall have the absolute right and power to sell the Condominium Unit of any Owner refusing or failing to pay such deficiency assessment within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Condominium Unit of the delinquent Owner shall be sold by the Association, and each Owner by the acceptance of the conveyance of a Unit does hereby grant to the Association the limited power of sale as herein stipulated. The proceeds derived from the sale of such Condominium Unit shall be used and disbursed by the Association, as attorney-in-fact, in following order:

- A. For payment of taxes and special assessments
liens in favor of any assessing entity;
- B. For payment of the balance of the lien of any
first mortgage;
- C. For payment of unpaid common expenses;
- D. For payment of junior liens and encumbrances
in order of and to the extent of their priority; and
- E. The balance remaining, if any, shall be paid
to the Condominium Unit Owner.

8.5 SALE AFTER DESTRUCTION.

If more than two-thirds (2/3) of all of the General Common Elements, not including land, are destroyed or damaged, and if all the Owners of the Units then under construction or completed do not voluntarily, within one hundred and twenty (120) days thereafter, make provision for reconstruction, which plan must have the unanimous approval or consent of every First Mortgagee, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's president and secretary, the entire remaining premises shall be sold by the Association, as attorney-in-fact for all of the Owners, free and clear of the provisions contained in

this Declaration, the Map and the By-Laws. The insurance settlement proceeds shall be collected by the Association, and such proceeds shall be divided by the Association according to each Unit Owner's interest (as such interests appear on the policy or policies), and such dividend proceeds shall be paid into separate accounts, each such account representing one of the Condominium Units. Each such account shall be in the name of the Association, and shall further be identified by the number of the Unit and the name of the Owner. From each separate account, the Association, as attorney-in-fact, shall use and disburse the total amount (of each) of such accounts, without contribution from any account to another, toward the full payment of the lien of any first mortgage against the condominium Unit represented by such separate account. There shall be added to each such account, the apportioned amount of the proceeds derived from the sale of the entire property. Such apportionment shall be based upon each condominium Unit Owner's percentage interest in the General Common Elements. The total funds of each account shall be used and disbursed, without contribution from one account to another, by the Association, as attorney-in-fact, for the same purposes and in the same order as is provided in this article.

8.6 PLAN FOR RECONSTRUCTION.

Any assessment made in connection with such reconstruction plan shall be a Common Expense and made pro-rata according to each Owner's percentage interest in the General Common Elements and shall be due and payable as provided by the terms of such plan, but not sooner than thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the assessment. The Assessment provided for herein shall be a debt of each Owner and a lien on his condominium Unit and may be enforced and collected as is provided in paragraph 6.6. In addition thereto, the Association, as attorney-in-fact, shall have the absolute right and power to sell the Condominium Unit of any Owner refusing or failing to pay such assessment within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Condominium Unit of the delinquent Owner shall be sold by the Association. Each Owner by the acceptance of a conveyance of any Unit hereby grants to the Association the limited power of sale herein set forth. The proceeds derived from sale of such Condominium Unit shall be used and disbursed by the Association, as attorney-in-fact, for the same purposes and in the same order as is provided in Paragraph 8.4 hereof.

8.7 OBSOLESCENCE AND REPLACEMENT.

Subject to the approval of all First Mortgagees, the Owners representing an aggregate ownership interest of seventy-five percent (75%) of the Units then under construction or completed, or more, may agree that the General Common Elements of the property are obsolete and that the same should be renewed or reconstructed. In such instance, then the expense thereof shall be payable by all of the Owners as Common Expense, or if determined by the Board of Directors, a Special Assessment.

8.8 OBSOLESCENCE AND SALE

Subject to the approval of all mortgagees, all of the Owners of the Units then under construction or completed, may agree that the General Common Elements of the property are obsolete and that the same should be sold. In such instance, the Association shall forthwith record a notice setting for the such fact or facts, and upon the recording of such notice by the Association's president and secretary, the entire premises shall be sold by the Association, as attorney-in-fact, for all of the Owners, free and clear of the provisions contained in this Declaration, the Map and the By-Laws. The sales proceeds shall be apportioned between the Owners on the basis of each Owner's percentage interest in the General Common Elements, and such apportioned proceeds shall be paid into separate accounts, each such account representing one condominium Unit. Each such account shall be in the name of the Association, and shall be further identified by the number of the apartment and the name of the Owner. From each separate account, the Association, as attorney-in-fact, shall use and disburse the total amount (of each) of such funds, without contribution from one fund to another, for the purposes and in the same order as is provided in this article.

IX.**OPERATION DURING CONSTRUCTION, ETC.**

Notwithstanding any other provision expressly or impliedly to the contrary in this Declaration, the Developer reserves the right to exercise the rights, duties, and functions of the Association, Board of Directors, or managing agent, until management of the Condominium Project has been transferred to the Owners as provided in Article IV, including the exclusive right and power to delegate to others and duties of the manager or managing agent, or both. The compensation or fee to be paid therefor shall be reasonable, and shall be a part of the Common Expenses. At the option of the Developer, at an earlier date, the Developer shall give written notice thereof to the condominium Unit Owners, at which time the first meeting of the Association members shall be called as indicated earlier, and the powers herein held by the Developer by this Article IX shall be eliminated.

X.**PROTECTION OF MORTGAGEE****10.1 NOTICE TO ASSOCIATION.**

An Owner who mortgages his Unit shall notify the Association, giving the name and address of his Mortgagee. Each Mortgagee shall be permitted to notify the Association of the fact that such Mortgagee holds a deed of trust or mortgage on a Condominium Unit. The Board shall maintain such information in a book entitled "Mortgagees of Condominium Units".

10.2 NOTICE OF DEFAULT.

The Association shall notify a First Mortgagee in writing, upon request of such Mortgagee, of any default by the Mortgagor in the performance of such Mortgagor's obligations as set forth in the Declaration which is not cured within thirty (30) days.

10.3 EXAMINATION OF BOOKS.

The Association shall permit First Mortgagees, the Veterans Administration, Federal Housing Administration, Federal National Mortgage Association and any other similarly secured or guaranteed mortgage agency or authority with an interest in any loan related to the condominium project, to examine the books and records of the Association upon request.

10.4 RESERVE FUND.

The Association shall establish adequate reserve funds, as hereinabove provided in Article 6.1, for replacement of Common Element components and the same shall be paid by an Owner in the monthly Assesment. In addition, there shall be established a working capital fund for the initial operation of the Condominium Project equal to at least two (2) months estimated Common Expenses charge for each Unit or the proportionate amount thereof for each Interval Estate, with said deposit to be collected at the initial closing or sale of each Unit or each Interval Estate.

10.5 ANNUAL AUDITS.

The Association shall furnish each First Mortgagee on request an annual audited financial statement of the Association within ninety (90) days following the end of each fiscal year of the Association.

10.6 NOTICE OF MEETINGS.

The Association shall furnish each First Mortgagee upon request of such Mortgagee, prior written notice of all meetings of the Association and permit the designation of a representative of such Mortgagee to attend such meetings.

10.7 APPROVAL FOR AMENDMENTS TO DECLARATION, ETC.

The prior written approval of each First Mortgagee, and all governmental agencies, if any, purchasing or insuring any indebtedness secured by a lien on a unit herein, shall be required for the following:

- (a) Abandonment or termination of LE CLUB GALVESTON CONDOMINIUMS as a Condominium Regime, except for abandonment or termination provided by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain; and
- (b) Any material amendment to the Declaration or to the Bylaws of the Association; and
- (c) The effectuation of any decision by the Owners Association to terminate professional management and assume self-management of the Project.

10.8 NOTICE OF DAMAGE OR DESTRUCTION.

The Association shall furnish the First Mortgagees timely written notice of any substantial damage or destruction of any Unit if such loss exceeds One Thousand Dollars (\$1,000.00) and of any part of the Common Elements and facilities if such loss exceeds Ten Thousand Dollars (\$10,000.00).

10.9 MANAGEMENT AGREEMENTS.

Any management agreement and/or service contracts entered into by the Association shall be terminable by the Association without cause upon not more than ninety (90) days written notice, and the term of such management agreement shall not exceed the period of one (1) year, renewable by agreement of the parties to such agreement for successive one (1) year periods. In the event of the termination of the management agreement, as provided herein, the Association shall enter into a new management agreement with a new management corporation prior to the effective date of the termination of the old management agreement.

10.10 TAXES, ASSESSMENTS AND CHARGES.

All taxes, assessments and charges which may become liens prior to the First Mortgage under local law shall relate only to the individual Condominium Units and not to the Condominium Project as a whole.

10.11 OTHER ACTS BY ASSOCIATION REQUIRING APPROVAL OF FIRST MORTGAGEES OR OWNERS.

Unless all of the First Mortgagees and two-thirds (2/3) Owners of the individual Condominium Units have given their written approval, the Association shall not be entitled to use hazard insurance proceeds for losses to any Condominium Property (whether to Units or to Common Elements) for other than the repair, replacement or reconstruction of such improvements, except as provided by statute in case of substantial loss to the Units or as otherwise provided in this Declaration. The Association may not sell, convey, or encumber the General Common Elements without obtaining prior written approval of all of the First Mortgagees. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Condominium Project shall not be deemed a transfer within the meaning of this paragraph.

XI.**TERMINATION AND REVOCATION**

This Declaration may be revoked and the condominium terminated, only, as provided herein:

(a) if such revocation and termination is approved by all Owners and all mortgagees. Such agreement must be evidenced by an instrument in writing and executed in a manner to provide for the conveyance of the property and as otherwise required by the Association. Such termination shall comply with the requirements set out in Article XI(d) below and shall become effective when the agreement has been recorded in the public records of the County of Galveston, State of Texas.

(b) if destruction should occur as indicated herein, and the property is not reconstructed as provided herein, the condominium form of ownership will be terminated and the documents herein will be revoked according to procedures provided by law and at the direction of the Board of Directors.

(c) except as otherwise provided herein, if such termination occurs, the Owners shall own their indivi-

dual Units as earlier provided, and all Common Elements which are General Elements shall be owned as tenants in common and the Limited Common Elements shall be owned as tenancy-in-common between those who previously shared the Limited Common Elements. Further, the holders of mortgages and liens against the owners properties shall have mortgages and liens respectively according to the undivided tenancy in common interest and the separate interest of the individual Owners. All funds and other property of the Association, including insurance proceeds, if any, shall be held by the Association to be distributed in proportion to the ownership shares after all other claims on said funds are paid as determined in the discretion of the Association. The costs incurred by the Association in connection with the termination and winding up of the condominium ownership shall be borne as a Common Expense.

(d) except as otherwise provided herein, following the termination, if any, of the condominium ownership, the subject property, including General and Limited Common Elements, may be partitioned and sold upon the application by any Owner to a court for such partition agreement. Further, if the Board of Directors determines that a termination of the Declaration and Association, including articles, By-Laws, and minutes, is most advantageous, and if such determination is ratified by the written consent of all the Owners of the Association, then the directors, upon unanimous vote by said directors, may seek out the means, terms, and provisions to seek sale of the condominium property. However, such sale shall not work to the disadvantage of any parties who claim a lien on said property. Further, the determination as to any disposition of the condominium must be approved by all said parties holding mortgages or liens on any condominium unit. If the directors comply with the provision herein for such disposition of property, each Owner shall be bound to execute any documents, including Deed, necessary or required by said directors to conform with their decision as to disposition of the condominium property and appoint the Board of Directors or the Managing Agent as agent and attorney-in-fact to execute such documents and consummate the sale.

XII.

MISCELLANEOUS

12.1 COMPLIANCE WITH DECLARATION

Each Owner shall comply strictly with the provisions of this Declaration, the Articles of Incorporation, By-Laws, rules, regulations and resolutions of the Association and any management agreement entered into by the Association as the same may from time to time be in force and effect. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages, attorneys fees, or injunctive relief or both, maintainable by the Association in behalf of the Owners, or by an aggrieved Owner.

12.2 SEVERABILITY

If any of the provisions of this Declaration or any paragraph, sentence, clause, phrase, word or section, or the

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

12.3 AMENDMENT

Except as permitted herein, none of the provisions of this Declaration shall be amended unless the Owners representing an aggregate ownership interest of seventy-five percent (75%) of the Condominium Units, or more, and all of the holders of any recorded mortgage or deed of trust covering or affecting any or all condominium units unanimously consent and agree to such revocation or amendment by instrument(s) duly recorded; provided, however, that the foregoing shall not prevent the making of physical changes in the interior of a Unit or Units coming into the possession of a mortgagee by virtue of foreclosure of any first mortgage; and physical changes to and alterations of the Unit or Units owned by virtue of foreclosure of any first mortgage may be made without the consent of the other Owners or mortgagees and this Declaration may be amended without other Owners' or mortgagees' consent, by the Owner acquiring same by such foreclosure, to correspond with such physical changes; provided further, that the percentage of the undivided interest of each Unit Owner in General Common Elements as expressed in this Declaration shall have a permanent character and shall not be altered (except as permitted in Article 2.5 hereof) without the consent of all of the Unit Owners expressed in an amended Declaration duly recorded, and those entities set forth in Article 10.7 hereof.

In addition to the rights reserved in Article 2.5, the Developer reserves, and shall have the continuing right until December 1, 1989, without the joinder of Owner or any person or entity (whether or not condominium units have been conveyed) to amend this Declaration or the By-Laws for the purposes set forth in Article 2.5 or for the purpose of clarifying or resolving any ambiguities or conflicts herein, or correcting any inadvertent misstatements, errors or omissions herein, or to meet any requirement specified by the Veterans' Administration, Federal Housing Administration, Federal National Mortgage Association and any other similarly secured or guaranteed mortgage agency or authority with an interest in any loan related to the Condominium Project, provided that no such Amendment shall change the stated number of units nor the percentage interest in the Common Elements attributable thereto, nor materially adversely affect the interest of any Owner.

12.4 NOTICE

All notices, demands or other notices intended to be served upon an Owner shall be sent by ordinary or certified mail, postage prepaid, addressed in the name of such Owner in care of the Unit number and building address of such Owner. All notices, demands or other notices intended to be served upon the Managing Agent, or the Board of Directors of the Association or the Association shall be sent by ordinary or certified mail, postage prepaid to 1880 Dairy Ashford, Suite 505, Houston, Texas 77077, until such address is changed by a notice of address change duly recorded.

12.5 CONSTRUED UNDER LAWS OF TEXAS

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

12.6 WORD CONSTRUCTION

That whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the singular and the use of any gender shall include all genders.

EXECUTED in multiple originals on the date first above written.

LE CLUB CONDOMINIUMS 1983, LTD.

BY: Robert J. Thompson
General Partner, Robert J. Thompson

ATTEST:
BY: Michael Greene
Secretary, Michael Greene

THE STATE OF TEXAS §
COUNTY OF ^{SRAZOR 14} ~~HARRIS~~ §

BEFORE ME, the undersigned authority, on this day personally appeared Robert J. Thompson, General Partner of LE CLUB CONDOMINIUMS 1983, LTD., a Texas Limited Partnership, known to me to be the person and officer 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 on this 28th day of January, 1985.

Bonnie Beddingfield
Notary Public in and for
The State of Texas
Bonnie Beddingfield
Printed Name of Notary
My Commission expires: 7-7-85

RETURN TO:
A. G. CROUCH
CROUCH, CROUCH & DE WITT
P. O. Drawer 1141
Alvin, TX 77512-1141
(713) 331-5288

003-62-0143

EXHIBIT "A"-1"

The surface only of part of Lots 295 and 310, Section 1 of Trimble and Lindsey Survey of Galveston Island, in Galveston County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at the Northeast corner of Lot 310, same being the Northwest corner of Lot 295;

THENCE South 25 deg. East, along the common line between Lots 310 and 295, a distance of 672.00 feet to the place of beginning of the tract hereinafter described;

THENCE from said beginning point North 65 deg. East, across Lot 295, parallel to the Northwest line of Lot 295, a distance of 151.03 feet to a point for corner;

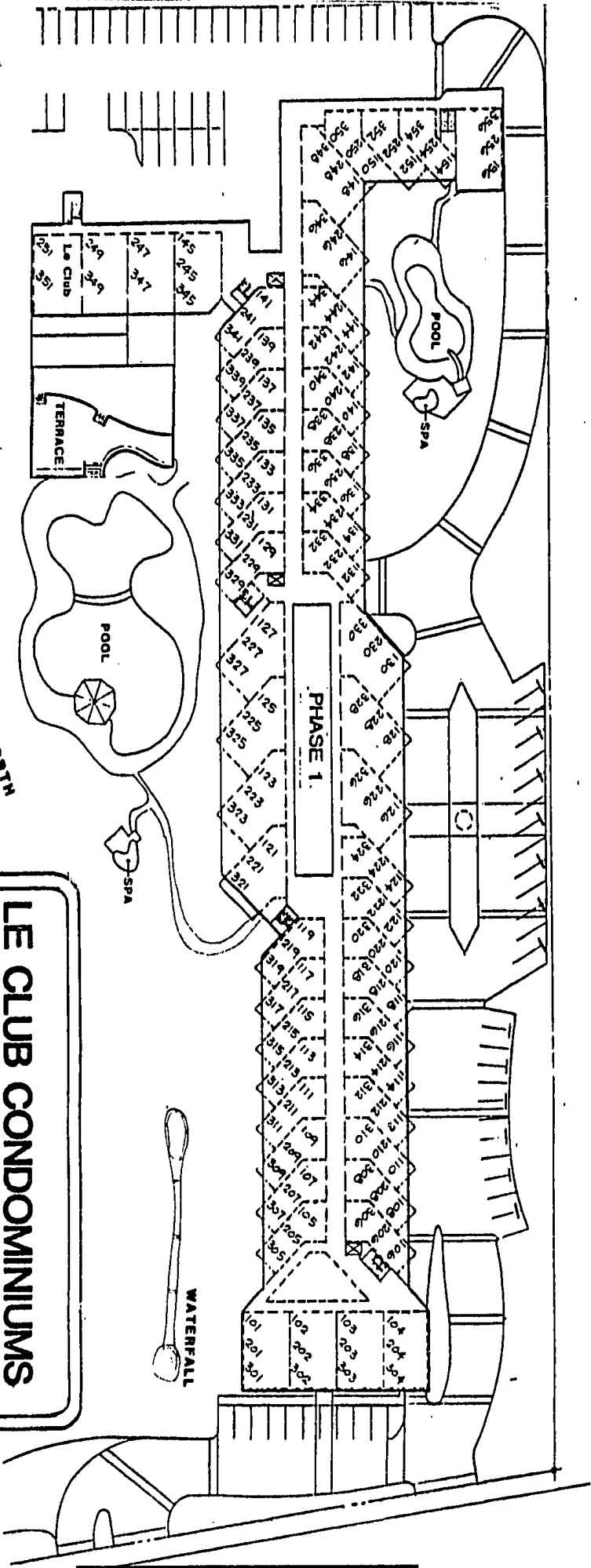
THENCE South 25 Deg. East, parallel to the Southwest line of Lot 295, a distance of 715.34 feet to a point for corner;

THENCE South 55 deg. 52 min. West, along the Northerly right of way line of Seawall Boulevard, 150 foot right of way, a distance of 286.48 feet to a point for corner;

THENCE North 25 deg. 00 min. West, a distance of 760.81 feet to a point for corner;

THENCE North 65 deg. East, parallel to the Northwest line of Lot 310, a distance of 131.82 feet to the PLACE OF BEGINNING.

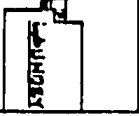
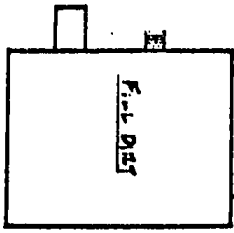
003-62-0144



LE CLUB CONDOMINIUMS
SITE PLAN - PHASE ONE

EXHIBIT: A2

003-62-0145



PARKING

PARKING

PARKING

DRIVE

PARKING

DRIVE

DRIVE



LE CLUB CONDOMINIUMS
 PARKING FLOOR PLAN

EXHIBIT: A3

EXHIBIT "B"
TO DECLARATION OF CONDOMINIUM REGIME
CONDOMINIUM BY-LAWS
OF
LE CLUB GALVESTON CONDOMINIUMS

ARTICLE I

Section 1. Definitions.

All definitions herein contained shall have the same meanings as set forth in the Declaration of Condominium Regime to which these By-Laws are attached, reference being here made for all purposes. All other definitions are expressly set forth elsewhere in this document.

Section 2. Administration.

Le Club Galveston Condominiums (hereinafter referred to as the "Condominium Project") shall be administered by the association of all of the Owners of Units or Interval Estates or by a non-profit corporation incorporated under the laws of the State of Texas, under the name of "Le Club Galveston Owners Association, Inc." (herein referred to as the "Association"). The Association shall be responsible for the management, maintenance, operation and administration of the Condominium Project, the Common Elements and easements appurtenant thereto in accordance with the Declaration of Condominium Regime, to which this Exhibit "B" is attached, these by-Laws, the Articles of Incorporation, by-laws and duly adopted rules and regulations of the Association and the laws of the State of Texas.

Section 3. Members and Voting.

Membership in the Association and voting by members of the Association shall be in accordance with the following provisions:

- A. Each Unit or Interval Estate Owner shall be a member of the Association and no other person or entity shall be entitled to membership. No Owner shall be required to pay any consideration whatsoever solely for his membership in the Association.
- B. The share of an Owner in the funds and assets of the Association cannot be assigned, pledged or transferred in any manner except as an appurtenance to his Unit in the Condominium Project.
- C. The aggregate number of votes for all Unit or Interval Estate Owners shall be one hundred (100), and shall be divided among the respective Unit or Interval Estate Owners, in accordance with their respective percentages of ownership interest in the Common Elements. Developer may exercise the voting rights with respect to Units owned by it.
- D. No Owner shall be entitled to vote at any meeting of the Association until such Owner has presented evidence of ownership of a Unit or Interval Estate in the Condominium Project to the Association.

The vote of each Owner may only be cast by such Owner or by a proxy given by such Owner to his duly authorized representative. If title to a Unit or Interval Estate shall be in the name of two or more owners, any one of such Owners may vote as the Owner of the Unit or Interval Estate at any meeting of the Association and such vote shall be binding on such other Owners who are not present at such meeting until written notice to the contrary has been received by the Association in which case the unanimous action of all such Owners (in person or by proxy) shall be required to cast their vote as Owners. If two or more of such Owners are present at any meeting of the Association then unanimous actions shall also be required to cast their vote as Owners.

E. When a quorum is present at any meeting of the Association, the vote of fifty-one percent (51%) or more of the Units or Interval Estates represented and qualified to vote and present in person or proxy at such meeting shall decide any question brought before such meeting, unless the question is one upon which by express provision of any statute, the Declaration of Condominium Regime, the Articles of Incorporation of the Association or these By-laws a different vote is required, in which case such express provision shall govern and control the decision of such question. The Owners present in person or by proxy at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough Owners to leave less than a quorum.

F. At all meetings of the Owners cumulative voting shall not be permitted.

ARTICLE II

OFFICES

Section 1. Principal Office.

The principal office of the Association shall be in the City of Galveston, Galveston County, Texas.

Section 2. Registered Office.

The registered office of the Association required by the Texas Business Corporation Act to be maintained in the State of Texas, may be, but need not be, identical with the principal office, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Place of Meetings.

The meetings of Members of the Association shall be held at Le Club Galveston Condominiums in Galveston, Galveston County, Texas, with the place of meetings being set by the Board of Directors of the Association. To the extent possible, said meetings shall be held within the boundaries of Le Club Galveston Condominiums.

Section 2. Annual Meeting.

The annual meeting of the Members of the Association, shall be held each year at 7:00 o'clock p.m., Central Standard Time on the third Thursday of the month of March, and if such day is a legal holiday, then on the next secular day following at 7:00 o'clock p.m., at which time the Members shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

Section 3. First Meeting.

The first meeting of the Members of the Association shall be held within one hundred twenty (120) days after conveyance by Developer of more than seventy-five percent (75%) in number of the Units in the Condominium Project. Until the first meeting of members, the affairs of the Association shall be managed by the Managing Agent, as set in the Condominium Declaration, or by first Board of Directors named in the Articles of Incorporation of the Association, or their replacements.

Section 4. Special Meeting.

Special meetings of the Members for any purpose or purposes, unless otherwise prescribed by law or by the Articles of Incorporation, may be called by the President, the Board of Directors or one-tenth (1/10th) of all of the Members entitled to vote at the meetings. Business transacted at all special meetings shall be confined to the purpose or purposes stated in the call.

Section 5. Notice of Meetings.

Written or printed notice of all meetings of Members stating the place, day and hour thereof, and in the case of a special meeting the purpose or purposes for which the meeting is called, shall be personally served upon or mailed to each Member entitled to vote thereat at the address of the Unit owned by the aforesaid Member, or at any other address, provided that prior written notice of the other address is furnished to the Association at least thirty (30) days in advance of the meetings. If the Owner shall fail to give an address to the Association for the mailing of notices, the address of the Unit owned by the Owner shall be deemed to be the address for the giving of notice.

Section 6. Quorum.

Except as otherwise provided by statute or these by-laws, the presence in person or by proxy of sixty percent (60%) of the Owners qualified to vote shall constitute a quorum for holding any meeting of the members of the Association. If, however, such quorum shall not be present or represented at any meeting of the Owners, the Owners present in person or represented at any meeting of the Owners, the Owners present in person or represented by proxy, shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present or represented. At the first adjourned meeting the presence in person or by proxy of fifty percent (50%) of the Owners qualified to vote shall constitute a quorum. Should a second or subsequent adjourned meeting be required, the presence in person or by proxy of forty percent (40%) of the Owners qualified to vote shall

constitute a quorum. If a quorum shall be present or represented by proxy at such meeting held in lieu of the adjourned meeting(s), any business may be transacted at such meeting as originally notified.

Section 7. Organization.

The President shall preside at all meetings of the Members. In his absence a Vice President shall preside. In the absence of all of these officers any Member or the duly appointed proxy of any Member may call the meeting to order and a chairman shall be elected from among the Members present.

The Secretary of the Association shall act as secretary at all meetings of the Members. In his absence an Assistant Secretary shall so act and in the absence of all of these officers the presiding officer may appoint any person to act as secretary of the meeting.

Section 8. Proxies.

At any meeting of the Members every Member entitled to vote thereat shall be entitled to vote in person or by proxy appointed by instrument in writing executed by such Member or by his duly authorized attorney-in-fact. No appointment of a proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless such proxy otherwise provides. A proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law.

ARTICLE IV

DIRECTORS

Section 1. Number and Qualification.

The property, business and affairs of the Association shall be managed and controlled by a Board of not more than three (3) Directors who shall be elected annually by the Members. Each Member of the Board of Directors of the Association must be a member of the Association with the exception of the first Board of Directors (and any replacement directors selected by Developer prior to the first meeting of the Association) elected or appointed by the Developer or designated in the Articles of Incorporation of the Association. The number of Directors may be increased or decreased but not to a number less than one (1) by amendment of By-Laws. No decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director.

Section 2. Election and Term of Office.

The Directors shall be elected at the annual meeting of the Members (except as provided in Section 5 of this Article) and each Director elected shall hold office until the next annual meeting of the Members and until his successor shall be elected and shall qualify or until his death or until he shall resign or be removed in the manner herein after provided.

Section 3. Resignation.

Any Director may resign at any time by giving written notice to the President or Secretary. Such resignation

shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal.

Any Director may be removed at any time either with or without cause and another person may be elected to serve for the remainder of his term at any special meeting of the Members called for the purpose of removal by a vote of a majority of the Owners. In case any vacancy so created shall not be filled by the Members at such meeting, such vacancy may be filled by the Directors as provided in Section 5 of this Article.

Section 5. Vacancies.

If any vacancy shall occur in the Board of Directors such vacancy may, subject to the provisions of Section 4 of this Article, be filled by the affirmative vote of the remaining Directors though less than a quorum of the Board of Directors; provided, however, any Directorship to be filled by reason of an increase in the number of Directors shall be filled by election at an annual meeting or at a special meeting of Members called for that purpose. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 6. General Powers.

In addition to the powers and authorities expressly conferred upon them by these By-Laws, the Board of Directors may exercise all such powers of the Association and do all such lawful acts and things as are not by law or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the Members.

Section 7. Compensation.

Directors as such shall not receive any stated salary for their services, but by resolution of the Board a fixed sum for expenses of attendance, if any, may be allowed for attendance at any regular or special meeting of the Board provided that nothing herein contained shall be construed to preclude any Director from serving the Association in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE V

MEETING OF DIRECTORS

Section 1. Place of Meetings.

The Directors of the Association shall hold their meetings, both regular and special at Galveston, Galveston County, Texas. To the extent possible, said meeting shall be held within the boundaries of Le Club Galveston Condominiums.

Section 2. Annual Meeting.

The first meeting of each newly elected Board shall be held at such time and place as shall be fixed by the initial Board of Directors or by the vote of the Members at their annual meeting and no notice of such meeting shall be

necessary to the newly elected Directors in order legally to constitute the meeting, provided a quorum shall be present, or they may meet at such time and place as shall be fixed by the consent in writing of all of the Directors.

Section 3. Regular Meetings.

Regular meetings of the Board may be held without notice at such time and place as shall from time to time be determined by the Board.

Section 4. Special Meetings.

Special meetings of the Board may be called by the President on one (1) day notice to each Director given either personally, by mail or by telegram. Special meetings shall be called by the President or Secretary in like manner and like notice on the written request of two (2) Directors. Neither the purpose of nor the business to be transacted at any special meeting of the Board of Directors need to be specified in the notice or waiver of notice of such meeting. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

Section 5. Quorum and Action.

At all meetings of the Board the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors at any meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law, the Articles of Incorporation or these By-Laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present.

Section 6. Presumption of Assent to Action.

A Director who is present at a meeting of the Board at which action or any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the secretary of the meeting before the adjourn thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

ARTICLE VI

EXECUTIVE COMMITTEE

Section 1. Membership and Authorities.

The Board of Directors, by resolution adopted by a majority of the whole Board, may designate one (1) or more Directors to constitute an Executive Committee, which Committee to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the business and affairs of the Association,

except where action of the full Board of Directors is specified by applicable law, but the designation of such Committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law.

Section 2. Minutes.

The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board when required.

Section 3. Vacancies.

The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve, the Executive Committee.

ARTICLE VII

OFFICERS

Section 1. Number.

The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also choose additional Vice Presidents and one or more Assistant Secretaries and/or Assistant Treasurers. One person may hold any two or more of said offices except those of President and Secretary.

Section 2. Election, Term of Office and Qualifications.

The officers of the Association shall be elected by the Board of Directors at its first meeting after each annual meeting of Members. The Board shall elect a President, one or more Vice Presidents, a Secretary and a Treasurer, none of whom need be a member of the Board. Each officer so elected shall hold office until his successor shall have been duly chosen and qualify or until his death or his resignation or removal in the manner hereinafter provided.

Section 3. Subordinate Officers.

The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such term and have such authority and perform such duties as the Board of Directors may delegate to any committee or officer the power to appoint any such subordinate officer or agent.

Section 4. Resignation.

Any officer may resign at any time by giving written notice thereof to the Board of Directors or to the President or Secretary of the Association. Any such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Removal.

Any officer elected or appointed by the Board of Directors may be removed by the Board at any time with or

without cause by the Board of Directors or by any committee or superior officer in whom such power of removal may be conferred by the Board of Directors.

Section 6. Vacancies.

A vacancy in any office shall be filled for the unexpired portion of the term by the Board of Directors, but in case of a vacancy occurring in an office filled in accordance with the provisions of Section 3 of this Article, such vacancy may be filled by any committee or superior officer upon whom such power may be conferred by the Board of Directors.

Section 7. The President.

The President shall be the chief executive officer of the Association; the President shall, when present, preside at all meetings of the Members and Directors; shall be ex officio a member of all standing committees, shall have general and active management of the business of the Association and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President may sign, with any other proper officer, any contracts and other documents which the Board of Directors has authorized to be executed, except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors or these By-Laws, to some other officer or agent of the Association.

Section 8. The Vice President.

Vice Presidents shall perform the duties as are given to them by these By-Laws and as may from time to time be assigned to them by the Board of Directors or by the President and may sign, with any other proper officer any documents authorized by the Board of Directors. At the request of the President, or in his absence or disability, the Vice President designated by the President (or in the absence of such designation, the senior Vice President) shall perform the duties and exercise the powers of the President.

Section 9. The Secretary.

The Secretary shall attend all meetings of the Board of Directors and all meetings of the Members and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the Executive Committee and standing committees when required. He shall give, or cause to be given, notice of all meetings of the Members and special meetings of the Board of Directors as required by law or these By-Laws, be custodian of the corporate records and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. He shall keep in safe custody the seal of the Association, and, when authorized by the Board, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary.

Section 10. Assistant Secretaries.

The Assistant Secretaries shall perform the duties as are given to them by these By-Laws or as may from time to

time be assigned to them by the Board of Directors or by the Secretary. At the request of the Secretary, or in his absence or disability, the Assistant Secretary designated by the Secretary (or in the absence of such designation the senior Assistant Secretary) shall perform the duties and exercise the powers of the Secretary.

Section 11. The Treasurer.

The Treasurer shall have the custody and be responsible for all corporate funds and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall deposit all moneys and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Association as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Association.

Section 12. Assistant Treasurers.

The Assistant Treasurers shall perform the duties as are given to them by these By-Laws or as may from time to time be assigned to them by the Board of Directors or by the Treasurer. At the request of the Treasurer, or in his absence or disability, the Assistant Treasurer designated by the Treasurer (or in the absence of such designation the senior Assistant Treasurer) shall perform the duties and exercise the powers of the Treasurer.

Section 13. Treasurer's Bond.

If required by the Board of Directors, the Treasurer and any Assistant Treasurer shall give the Association a bond such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Association, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Association, provided, however, that the cost of the bond shall be paid for by the Association.

Section 14. Management.

As provided in Article IV of the Declaration, the Association shall provide for independent management of the Condominium Project, with the responsibilities of such management being determined by the Board of Directors. Such independent management may jointly manage the Condominium Project and other property. In such event, the Association shall not be required to bear in excess of its pro rata share (based on the ratio that the number of Units in the Condominium Project bears to the number of total units of whatever type so jointly managed) of such independent management expense. Any agreement for independent professional management of the Condominium Project shall provide that the management contract may be terminated without cause within a period of time not exceeding thirty (30) days written notice and the term of any such contract shall not exceed one (1) year. Any officer or stockholder of the

Association or any Owner (or any of their respective affiliates, nominees, employers or companies) may be employed as the independent management so long as the fees paid to such related party are reasonable.

ARTICLE VIII

ASSESSMENTS

Section 1. Expenses.

All costs incurred by the Association, including but not limited to any costs incurred in satisfaction of any liability arising within, caused by or in connection with the Association's operation, maintenance or use of the Condominium Project, costs for insurance, personal property taxes of any tangible personal property of the Condominium Project owned or possessed in common by the Owners, and all other Common Expenses set forth in the Condominium Declaration shall be Association expenses. All sums received by the Association, including but not limited to all sums received as proceeds of, or pursuant to, any policy of insurance carried by the Association, shall be Association receipts.

Section 2. Assessments.

A. The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium Project, including a reasonable allowance for contingencies and reserves. Such reserves shall include without limitation an adequate reserve fund for the replacement of the Common Elements. The assessment for such year shall be established by the adoption of such annual budget by the Board of Directors of the Association. Copies of such budget shall be delivered to each Owner, although the delivery of a copy of the budget to each Owner shall not affect the liability of any Owner for any existing or future assessment. Should the Board of Directors at any time determine, in the sole discretion of said Board of Directors, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Condominium Project in any fiscal year, then the Board of Directors shall have the authority at any time and from time to time to levy such additional assessment or assessments as it shall deem to be necessary for that purpose.

B. Special assessments, assessments other than those described in Subsection A above, may be made by the Board of Directors of the Association at any time, and from time to time, to meet other needs or requirements of the Association and the Condominium Project including, but not limited to, assessments for costs described herein and capital improvements. However, any such special assessment shall not be levied without the prior approval of at least seventy-five percent (75%) of the Owners representing each of the Units in the Condominium Project.

C. Assessments levied by the Association against each Owner pursuant to Subsection A and/or Subsection B above which are expended on capital expenditures, or

which are set aside in a reserve for future repairs or improvements within the Condominium Project (whether or not such repairs or improvements would otherwise be considered capital in nature pursuant to Section 263 of the Internal Revenue Code of 1954, as amended), shall be treated as capital contributions by such Owners to the Association and shall be shown on the books of the Association as such.

The provisions of this Subsection C may be amended by a majority vote of the Board of Directors of the Association if, in the sole discretion of said Board of Directors, such action is necessary to conform to any change in the Internal Revenue Code of 1954, as amended, or any Treasury Regulation or Ruling promulgated thereunder. Notwithstanding anything contained in this Declaration of Condominium Regime to the contrary, any amendment to this Subsection C duly authorized by the Board of Directors of the Association shall not require the consent of any Owner or mortgagee.

Section 3. Apportionment of Assessments.

All assessments levied against an Owner to cover expenses of the Association and the Condominium Project shall be apportioned among and paid by the Owners in accordance with the undivided percentage of value assigned to each Unit according to this Declaration of Condominium Regime without increase or decrease for the existence appurtenant to such Unit. Assessments shall be due and payable monthly, except as to the Developer, in such manner as the Association shall determine, commencing on the date of delivery of a deed to a Unit from the Developer to the subsequent Owner. Prior to such conveyance and the Association Date, the Developer shall be obligated to pay for Common Expenses as stated in Article 6.1 of the Declaration. After the Association Date, the Developer shall bear all of the assessments against Units owned by Developer in accordance with the aggregate percentage of value assigned thereto. The payment of an assessment shall be in default if such assessment, or any part thereof, is not paid to the Association in full on or before the due date for such payment. Assessments in default shall bear interest at the rate of fifteen percent (15%) per annum from the due date until paid. Each Owner shall be, and remain, personally liable for the payment of all assessments which may be levied against such Owner by the Association in accordance with these By-Laws, and any unpaid assessments with accrued interest thereon owed with respect to a Unit may, at the option of the Association, be collected out of the sale proceeds of such Unit or Interval Estate in accordance with the Condominium Act of the State of Texas, as recorded at Title 7 of the Texas Property Code, (the "Act"). In addition, to the extent permitted by law, unpaid assessments shall become a lien against the Unit and each deed from Developer may expressly retain a Vendor's Lien to secure the payment of all assessments, subject only to: (i) assessments, liens and charges in favor of the state and any political subdivision thereof for taxes past due and unpaid on such Unit; and (ii) amounts due under any mortgage instruments duly recorded. Any First Mortgagee, upon foreclosure of its lien on a Unit or Interval Estate, or upon acceptance of a deed in lieu of foreclosure thereon, shall not be required to pay any unpaid assessments owing on said Unit or Interval Estate. Such unpaid assessment lien may be recorded in the Condominium Records of Galveston County, Texas, and may be

enforced by foreclosure, and the expenses incurred therefor including interest, costs and attorneys' fees shall be chargeable to the Owner in default. Each Owner, by his acceptance of a deed to a Unit or Interval Estate, shall expressly vest in the Association 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 in a like manner as a mortgage or deed of trust lien on real property as provided in Article 3810 of the Texas Revised Civil Statutes, as amended and as codified into Section 51, of The Texas Property Code, and such Owner by acceptance of a deed to Unit expressly grants to the Association a power of sale in connection with said lien, and agrees to the creation of (and by the acceptance of deed grants) a Vendor's Lien to secure the payment of the assessments. The lien provided for in this section shall be in favor of the Association and shall be for the common benefit of all Owners. The Association acting on behalf of the Owners shall have the power to bid upon an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same and to treat the proceeds of any such lease, mortgage or conveyance in the same manner as assessments hereunder.

Section 4. No Exemption.

No Owner may exempt himself from liability for his contribution toward the expenses of the Association and the Condominium Project by waiver of the Use or enjoyment of any of the Common Elements or by the abandonment, sale or other disposition of his Unit or Interval Estate.

Section 5. Enforcement.

The Association may, in addition to its rights under Article 6.6 of the Declaration, Section 3 hereof, and the Act, enforce collection of delinquent assessments by suit at law for a money judgment, and the expenses incurred in collecting unpaid assessments including interest, costs and attorneys' fees shall be chargeable to the Owner in default. The Association may also discontinue the furnishing of any utilities or other services to an Owner in default of his obligations to the Association or other Owners as set forth herein upon seven (7) days written notice to such Owner of its intent to do so. An Owner in default of his obligations to the Association or other Owner as set forth herein shall not be entitled to vote at any meeting of the Association so long as such default is in existence, and such defaulting Owner's name shall be placed in the announcements of the Association or on a bulletin board of the Association.

ARTICLE IX

OWNER ACTION

Without limiting the other legal rights of any Owner or the Association, legal action may be brought by the Association at its sole discretion on behalf of two (2) or more Owners as their respective interest may appear with respect to any cause of action relating to the Common Elements of more than one (1) Unit.

ARTICLE X

INSURANCE

The Association shall carry a master policy of fire and extended coverage, vandalism and malicious mischief and liability insurance, and, if required by law, workmen's compensation insurance (hereinafter referred to as the "Master Policy"), and shall carry such other and additional insurance as the Board of Directors may deem advisable or necessary in its sole discretion with respect to the Condominium Project, the officers and directors of the Association and the Association's administration thereof, commonly referred to as "fidelity insurance," in accordance with the following provisions:

A. The Master Policy shall be purchased by the Association for the benefit of the Association, the Owners and their mortgagees as their interests may appear (subject to the provisions of these By-Laws, the Declaration of Condominium Regime and the Act), and provision shall be made for the issuance of appropriate mortgagee endorsements to the mortgagees of the Owners. The Owners shall obtain insurance coverage upon their personal property at their own expense. The Association and the Owners shall use their best efforts to see that all property and liability insurance carried by an Owner or the Association shall contain appropriate provisions whereby the insurer waives its right of subrogation as to any claims against the Owners or the Association and the respective tenants, servants, agents, and guests of the Owners or the Association, as the case may be.

B. All buildings, improvements, personal property of the Condominium Project and other Common Elements of the Condominium Project shall be insured against fire and other perils covered by a standard extended coverage endorsement, in an amount equal to the maximum insurable value thereof (based upon replacement cost), excluding the cost of excavations, foundations and footings, as determined annually by the Board of Directors of the Association. The Association may, in its sole discretion, elect to carry insurance to cover such other perils as from time to time shall be customarily covered with respect to buildings and improvements similar in construction, location and use. The Association shall use its best efforts to see that the liability insurance carried by the Association shall cover the common elements and shall contain, if available, cross-liability and co-insurance endorsements or appropriate provisions for the benefit of the Owners, individually and as a group, the members of the Board of Directors, and the management company, if any, insuring each insured against liability to each other insured. The Association shall also carry fidelity coverage against dishonest acts on the part of members of the Board of Directors, Owners, the management company, if any, and any other persons (including volunteers, with an appropriate endorsement, if required) handling funds belonging to or administered by the Association. Such fidelity coverage shall be in an amount equal to one and one-half times the estimated annual expenses and reserves of the Association.

C. All premiums upon insurance purchased by the Association pursuant to these By-Laws shall be included in the Association's budget in accordance with Subsection 2A, Article VIII hereof, except that the amount

of increase over such premiums occasioned by the use, misuse, occupancy or abandonment of a Unit or the Common Elements by an Owner shall be assessed only against such Owner.

D. Proceeds of all insurance policies owned by the Association shall be received by the Association, held in a separate account and distributed to the Association, the Owners and their mortgagees (subject to the provisions of these By-Laws, the Declaration of Condominium Regime and the Act) as their interest may appear; provided, however, whenever repair or reconstruction of the Condominium Project shall be required as provided in Article XI of these By-Laws, the proceeds of any insurance received by the Association as a result of any loss requiring repair or reconstruction under the Declaration of Condominium Regime and these By-Laws shall be applied to such repair or reconstruction.

E. Each Owner, by ownership of a Unit in the Condominium Project, shall be deemed to appoint the Association as his true and lawful attorney-in-fact to act in connection with all matters concerning the maintenance of the Master Policy. Without limiting the generality of the foregoing, the Association as said attorney shall have full power and authority to purchase and maintain such insurance, to collect and remit the premiums therefor, to collect proceeds and to distribute the same to the Association, the Owners and their mortgagees (subject to the provisions of these By-Laws, the Declaration of Condominium Regime and the Act) as their interests may appear, to execute releases of liability and to execute all documents and to do all things on behalf of such Owner and the Condominium Project as shall be necessary or convenient to the accomplishment of the foregoing; and any insurer may deal exclusively with the Association in regard to such matters. The Association shall not be responsible for procurement or maintenance of any insurance covering the contents or the interior of any Unit nor the liability of any Owner for occurrences therein not caused by or connected with the Association's operation, maintenance or use of the Condominium Project.

Nothing herein contained shall require or impose a duty on the Association to maintain insurance on personal items of the Owners of the Units, such personal items to include, but not be limited to, jewelry, furniture, household items, or other personal property; such insurance for personal items shall be the sole and express obligation of each Owner.

ARTICLE XI

RECONSTRUCTION OR REPAIR

Section 1. Damage and Reconstruction.

If less than two-thirds (2/3) of the buildings in the Condominium Project (as determined by the vote or written consent of the majority of the Owners representing each of the Units in the exercise of their sole discretion) shall be damaged by fire or any other casualty, then the buildings in the Condominium Project shall be rebuilt or repaired. If more than two-thirds (2/3) of the buildings in the Condominium Project (as determined by the vote or written

consent of a majority of the Owners representing each of the Units in the exercise of such discretion) shall be damaged by fire or other casualty, then reconstruction shall not be compulsory without the unanimous consent of each Owner and each mortgagee. In the event that such Owners decide not to reconstruct the Condominium Project, the land (more particularly described on Exhibit "A" of this Declaration of Condominium Regime) shall be sold and such sale proceeds along with any insurance proceeds shall be distributed to each Owner and his mortgagee, as their interests may appear, in accordance with each Owner's percentage of value in the Condominium Project, and in accordance with the Declaration.

Section 2. Reconstruction Guidelines.

Any reconstruction or repair of the building in the Condominium Project or any Unit located therein shall be substantially in accordance with the Declaration of Condominium Regime and the original plans and specifications for the buildings in the Condominium Project unless the Owners and their mortgagees shall unanimously decide otherwise.

Section 3. Owner's Responsibilities.

Each Owner shall be responsible for the reconstruction, repair or replacement of the interior of his Unit, including but not limited to, floor coverings, wall coverings, window shades, draperies, interior walls, furniture, furnishings, decorative light fixtures, and all appliances located therein irrespective of whether or not such appliances are "built-in" to the Unit. Each Owner shall also be responsible for the costs not otherwise covered by insurance carried by the Association of any reconstruction, repair or replacement of any portion of the Condominium Project necessitated by his negligence or misuse, or the negligence or misuse by his family, tenants, guests, agents, servants, employees or contractors. In the event damage to all or any part of the interior of an Owner's Unit is covered by insurance held by the Association for the benefit of such Owner, then such Owner shall begin reconstruction or repair of such damage upon receipt of the insurance proceeds or any portion thereof from the Association, but in no event later than sixty (60) days after the date of such damage, subject to the rights of the Association to supervise, approve or disapprove such reconstruction or repair during the course thereof. In the event damage to all or any part of the interior of an Owner's Unit is not covered by insurance held by the Association for the benefit of such Owner, then such Owner shall begin reconstruction or repair of his Unit within sixty (60) days after the date of such damage, subject to the right of the Association to supervise, approve or disapprove such reconstruction or repair during the course thereof. Should an Owner fail to maintain or repair the Limited Common Elements within his Unit, then the Association shall have the right to perform such maintenance and repair as it deems necessary for the benefit of the Association, and the costs thereof shall become a Special Assessment against such Unit.

Section 4. Assessments of Damage.

As soon as possible after the occurrence of a casualty which causes damage to any part of the Condominium Project for which the Association has insurance coverage (hereinafter referred to as the "Casualty") the Association shall obtain reliable and detailed cost estimates of the following:

A. The cost of restoring all damage caused by the Casualty to the general and limited common elements (hereinafter referred to as the "Common Elements Costs"); and

B. The cost of restoring that part of the damage caused by the Casualty to each Unit which is or would be covered by insurance held by the Association without regard to the policy limits of such insurance (hereinafter referred to as the "Unit Costs").

All insurance proceeds available to the Association with respect to the Casualty shall first be applied to the payment of the actual Common Element Costs and the balance thereof, if any, shall thereafter be applied to the payment of the actual Unit Costs. However, if such insurance proceeds are not sufficient to cover such estimated costs, then an assessment shall be made against the Owners by the Association in the following manner:

C. All Owners shall be assessed on the basis of their percentage of value in the Condominium Project as set forth on Exhibit "D" to the Condominium Declaration for the payment of the estimated Common Element Costs not otherwise paid for by insurance held by the Association.

D. Each Owner of a damaged Unit shall be assessed an amount equal to the difference between his estimated Unit Costs less a sum calculated by multiplying the amount, if any, of the remaining insurance proceeds held by the Association with respect to the Casualty by a fraction, the Numerator of which is his estimated Unit Costs and the Denominator of which is the total of all of the estimated Unit Costs.

If actual costs exceed such estimated costs, then an additional assessment shall be made against the Owners by the Association in the above manner based upon actual costs.

Section 5. Eminent Domain.

In the event of any taking of any Unit or Interval Estate in the Condominium Project by eminent domain, or private purchase in lieu thereof, the Association shall give timely written notice of the existence of such proceedings to all First Mortgagees. The Owner of such Unit or Interval Estate and his mortgagee shall jointly be entitled to receive the award for such taking and, after acceptance thereof, if such Owner shall vacate his Unit or Interval Estate by virtue of such taking, he and his mortgagee shall be divested of all interest in the Condominium Project. If any repair or rebuilding of the remaining portions of the Condominium Project is required as a result of such taking, a majority of the Owners of each of the Units or Interval Estates shall determine by vote or written consent whether to rebuild or repair the Condominium Project or to take such other action as such remaining Owners deem appropriate. If part of the General Common Elements are taken hereunder, any award shall be paid to each Unit or Interval Estate Owner and his First Mortgagee pro rata in accordance with said Owner's percentage ownership in the project. If no repair or rebuilding shall be required, or shall be undertaken, then the remaining portion of the Condominium Project shall be resurveyed and the Declaration of Condominium Regime and Exhibit "D" shall be amended to reflect such taking and to

proportionately readjust the percentages of value assigned to the remaining Owners based upon a continuing value of the Condominium Project of one hundred percent (100%).

ARTICLE XII

MORTGAGES

Section 1. Notice.

Any Owner who mortgages his interest in a Unit or Interval Estate shall, within ten (10) days after the execution of such mortgage, give notice to the Association in writing of the name and address of his mortgagee and the amount secured by said mortgage, and the Association shall maintain such information in a book entitled "Mortgages of Units". Said written notice shall be separately maintained by the Association or by a person designated by the Association. Such Owner shall, in the same manner, notify the Association as to release or discharge of any such mortgage.

Section 2. Duties.

The Association shall perform the following duties within a reasonable time after request:

A. The Association shall, at the request of any mortgagee of any Unit or Interval Estate, report to such mortgagee any unpaid assessments due from the Owner of such Unit or Interval Estate to the Association.

B. The Association shall notify each mortgagee appearing in the book described in Section 1 of this Article XIII of the name of each company insuring the Condominium Project under the Master Policy and the amounts of the coverages thereunder.

C. The Association shall notify each mortgagee appearing in the book described in Section 1 of this Article XIII of any default by any Owner in the performance of such Owner's obligations hereunder which is not cured within thirty (30) days from the date of such default.

ARTICLE XIII

TAXATION

Each Unit or Interval Estate shall be assessed and taxed for all purposes as a separate parcel of real estate entirely independent of the building of which such Unit or Interval Estate is a part, and independent of the Condominium Project or Common Elements thereof, and each Owner shall be solely responsible for the payment of all taxes, municipal claims, charges and assessments of any nature whatsoever assessed against such Unit or Interval Estate. Such payment shall be made prior to the due date of such taxes, municipal claims, charges and assessments.

ARTICLE XIV

AMENDMENT

Subject to the requirements of Article 10.7 of the Declaration, the By-Laws (as opposed to the Declaration of

Condominium Regime of which they are a part) may be amended by the members of the Association from time to time by approval of a majority of the Owners representing each Unit unless otherwise provided herein, or in the Act. Any such amendment may be evidenced by an instrument in writing signed and acknowledged by the President and Secretary of the Association certifying that such amendment has been approved by the vote or written consent of a majority of the percentage of values assigned to the Owners in the Condominium Project, and such amendment shall be effective upon its recordation in the Condominium Records of Galveston County, Texas. The procedure for proposing amendments hereto shall be set by the Board of Directors.

ARTICLE XV

DEFAULT

Section 1. Compliance.

Failure to comply with the Declaration of Condominium Regime, these By-Laws, the Articles of Incorporation or By-Laws or duly adopted rules and regulations of the Association shall constitute an event of default and shall be grounds for relief, which may include, without intending to limit the same, an action to recover sums due for damages and injunctive relief, or any combination thereof.

Section 2. Attorneys Fees.

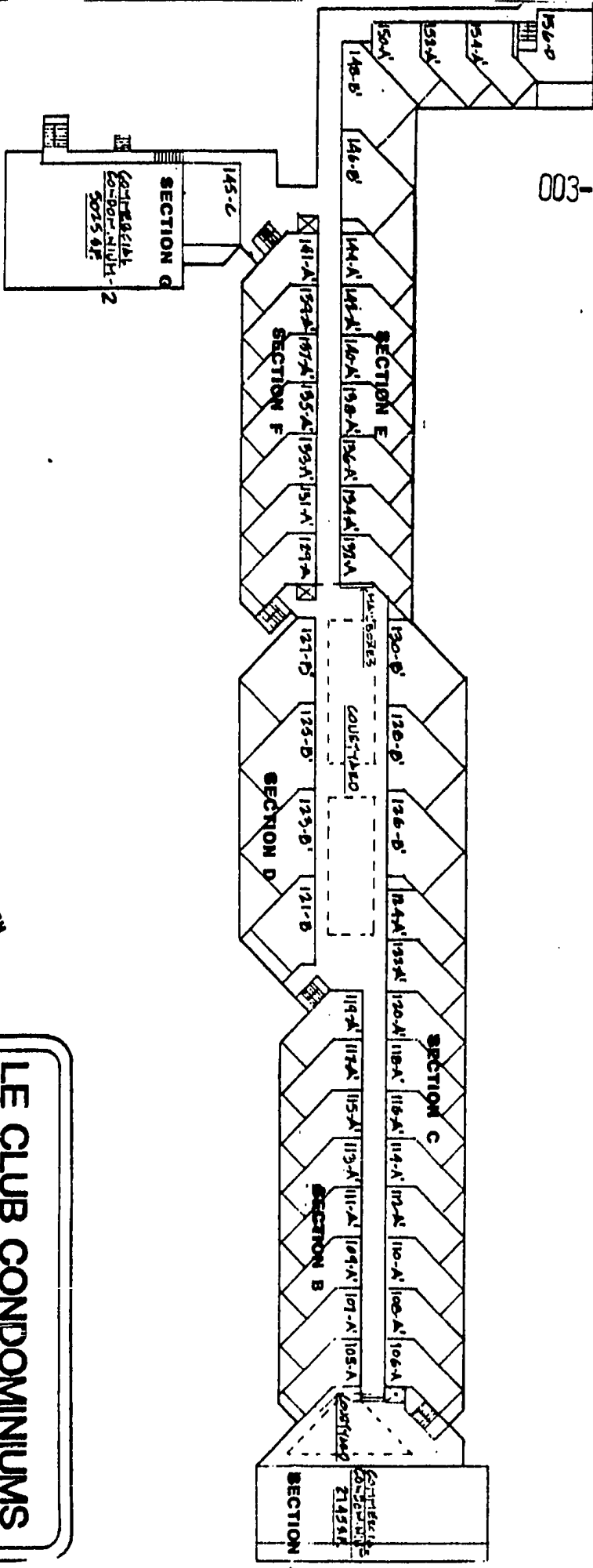
In any proceeding arising because of an alleged default by any Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding including without limitation reasonable attorneys' fees.

ARTICLE XVI

BOOKS AND RECORDS

The Association shall keep or cause to be kept detailed books of account showing all expenditures and receipts of the administration of the Condominium Project which shall specify the maintenance and repair expenses of the Common Elements and any other expenses incurred by or on behalf of the Association and the Owners. Such books shall be open for inspection by the Owners and their mortgagees during reasonable working hours on weekdays and shall be audited annually by qualified auditors. The cost of such audit shall be an expense of administration of the Condominium Project.

003-62-0164



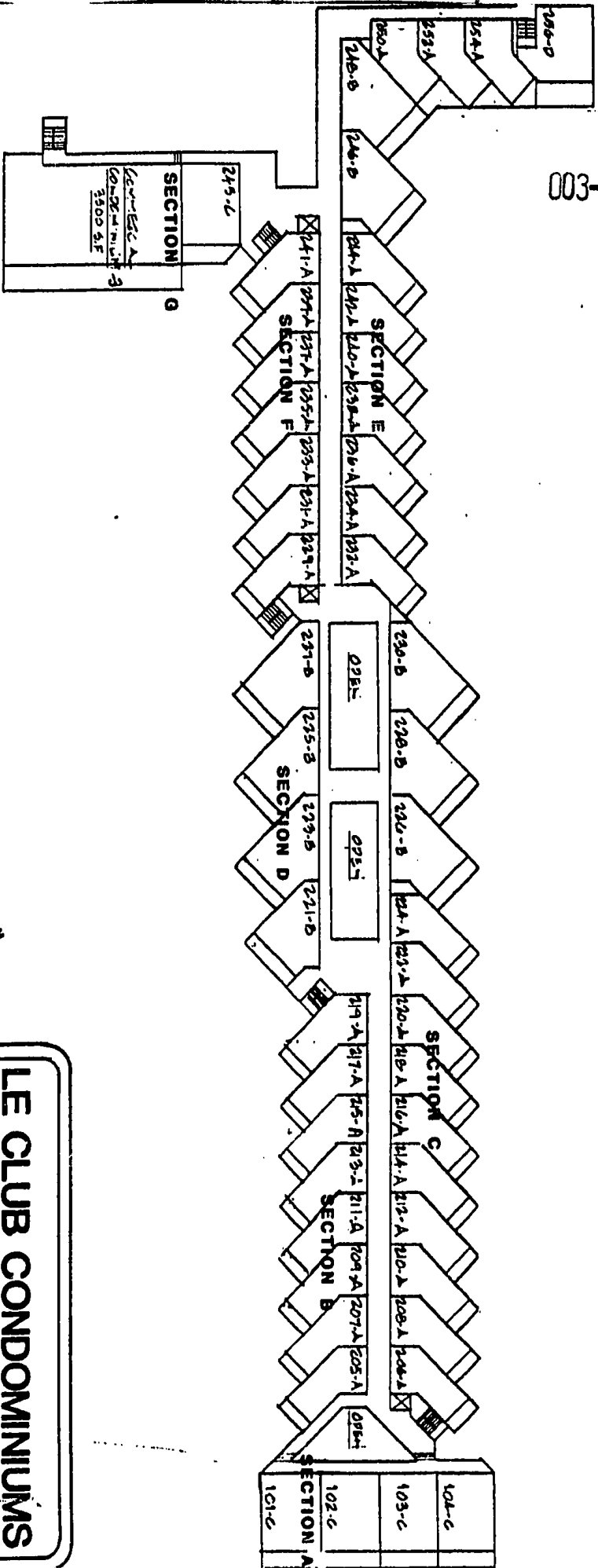
LE CLUB CONDOMINIUMS
FIRST FLOOR PLAN

EXHIBIT: C1

LEGEND
Unit No./Unit Type



003-62-0165



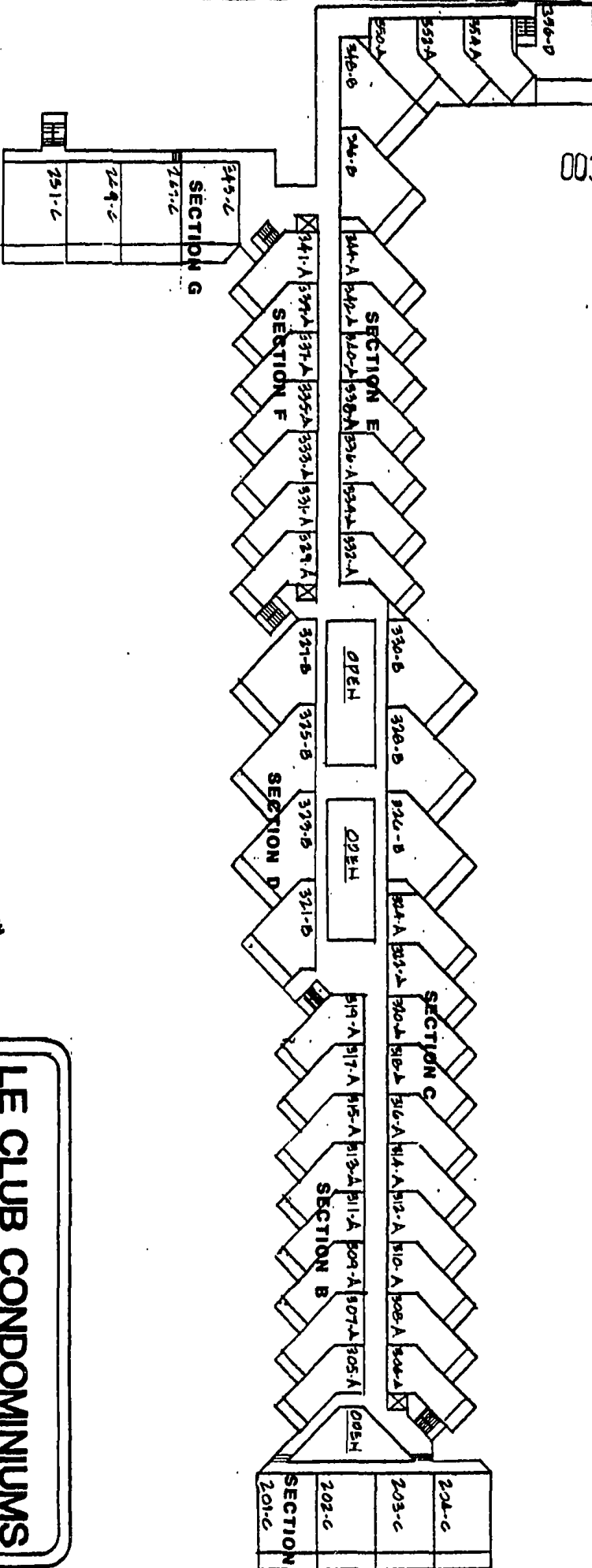
LE CLUB CONDOMINIUMS
SECOND FLOOR PLAN

EXHIBIT: C2

LEGEND
 208-A
 Unit No | Unit Type



003-62-0166



LE CLUB CONDOMINIUMS
THIRD FLOOR PLAN

EXHIBIT: C3

LEGEND
 305-A
 Unit No. | Unit Type

003-62-0167

2202

SECTION G		
347-C	349-C	351-C

G

OPEN

OPEN

2205

SECTION A		
301-C	303-C	305-C

A

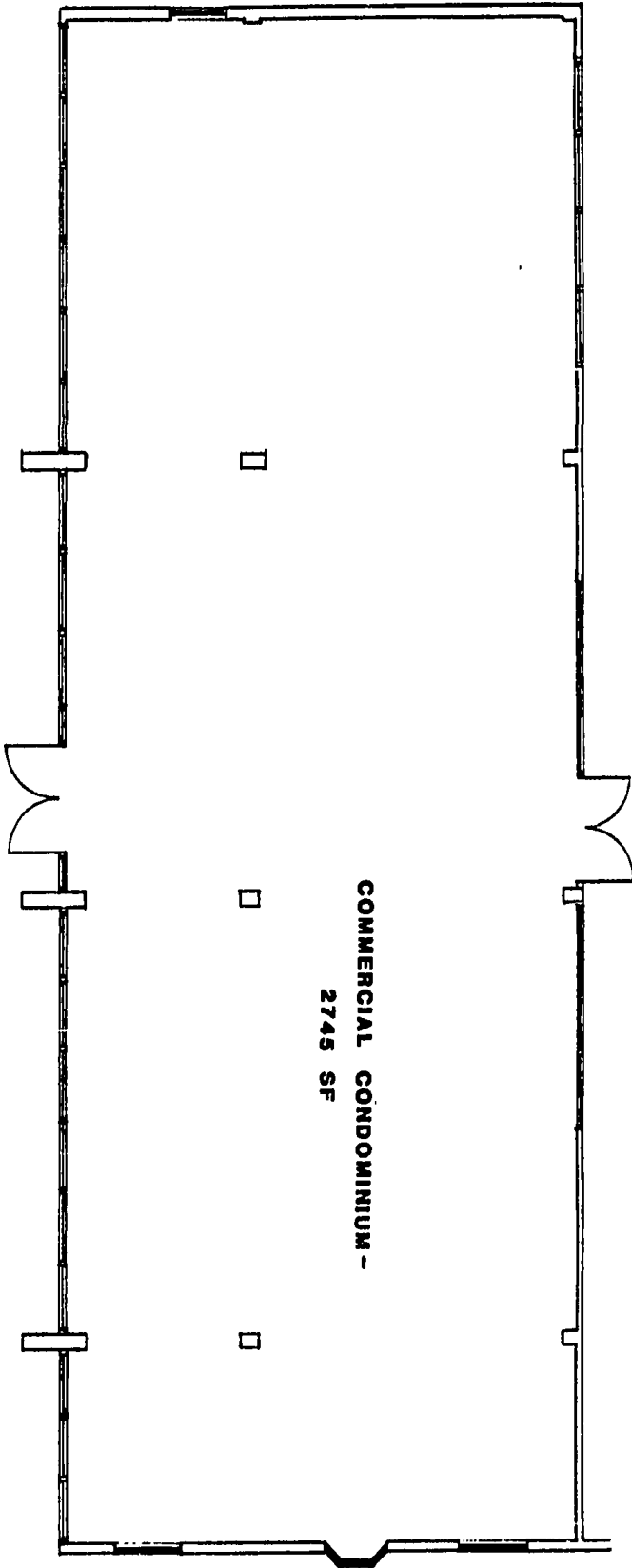


LE CLUB CONDOMINIUMS
FOURTH FLOOR PLAN

EXHIBIT: C4

LEGEND
 001-A Unit No. | Unit Type

003-62-0168



COMMERCIAL CONDOMINIUM -
2745 SF



LE CLUB CONDOMINIUMS
COMMERCIAL CONDOMINIUM-1
FLOOR PLAN

EXHIBIT: C5

AREA:
2745 SF

003-62-0169

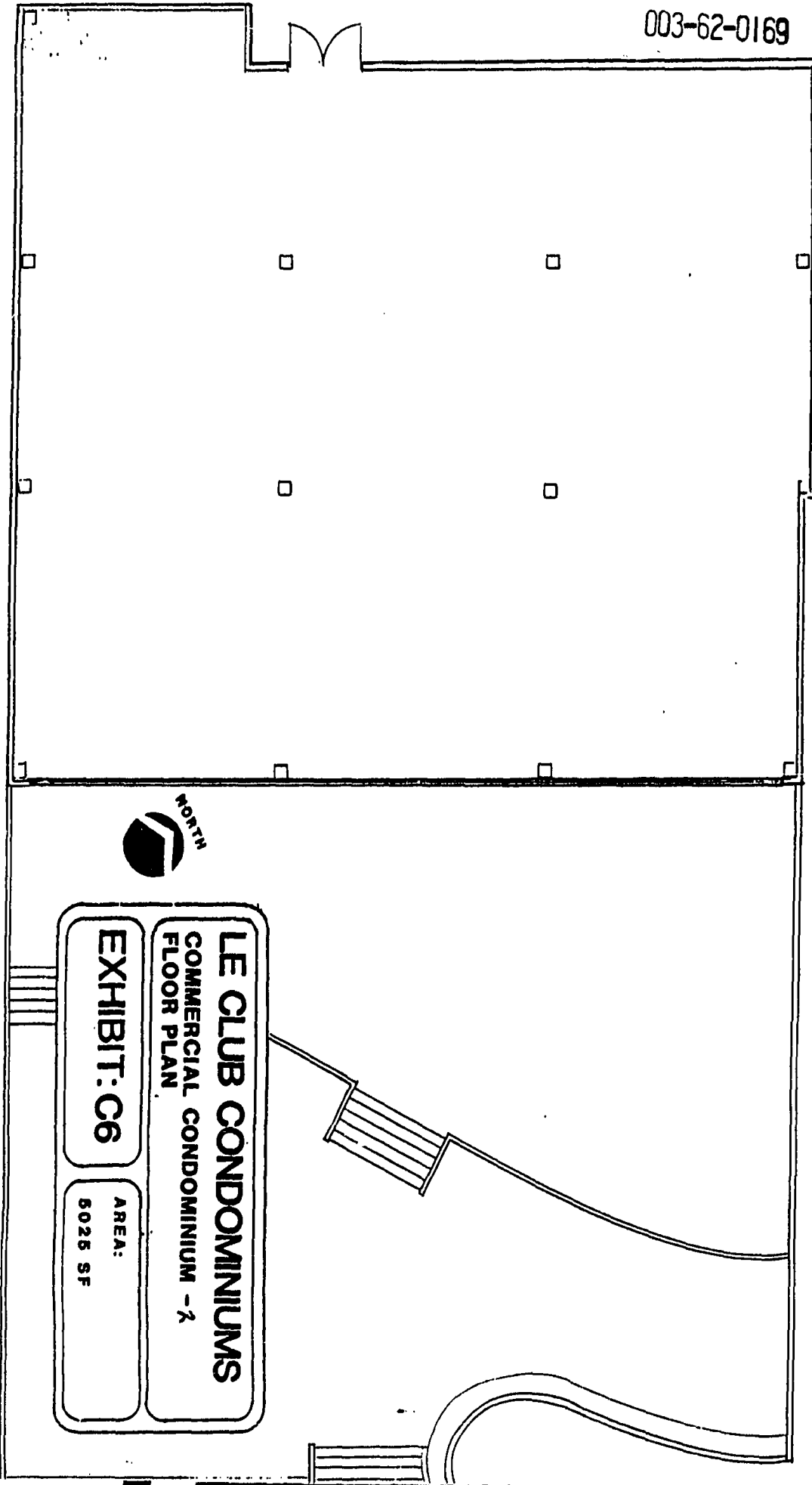
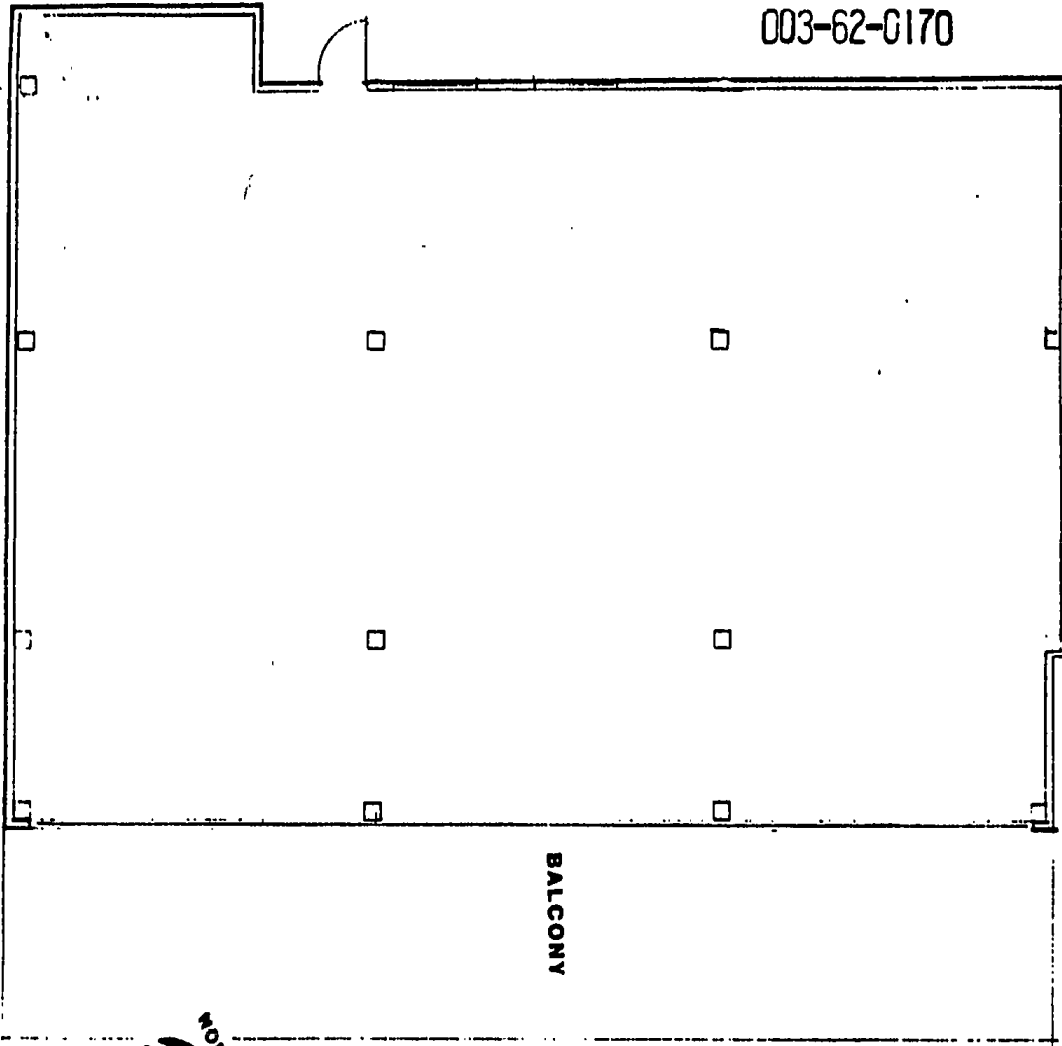


EXHIBIT: C6

**LE CLUB CONDOMINIUMS
COMMERCIAL CONDOMINIUM - 2
FLOOR PLAN**

**AREA:
5025 SF**

003-62-0170



BALCONY



LE CLUB CONDOMINIUMS
COMMERCIAL CONDOMINIUM-3
FLOOR PLAN

EXHIBIT: C7

AREA:
3600 SF

003-62-0171

EXHIBIT "D"
LE CLUB GALVESTON CONDOMINIUMS
PHASE ONE

<u>UNIT TYPE</u>	<u>SQUARE FOOTAGE</u>	<u>PERCENTAGE OWNERSHIP</u>	<u>TOTAL UNIT TYPE</u>	<u>TOTAL PERCENTAGE</u>
A	521	.49657	74	36.75
A1	521	.49657	31	15.39
B	756	.72056	19	13.69
B1	756	.72056	8	5.76
C	766	.73009	21	15.33
D	815	.77679	3	2.33
Commercial Unit #1	2475	2.61632	1	2.62
Commercial Unit #2	5025	4.78945	1	4.79
Commercial Unit #3	<u>3500</u>	3.33593	<u>1</u>	<u>3.34</u>
	104,918		159	100.00%

*Unit Types are Residential Units unless otherwise noted.

003-62-0172

JOINDER OF LIENHOLDER

The undersigned, Delta Savings of Texas being the owner and holder of an existing mortgage and lien upon and against the real property described in the foregoing Declaration of Condominium Regime ("Declaration") and defined as the "Property" in said Declaration, as such mortgagee and lienholder, does hereby consent to and join in said Declaration.

The consent and joinder shall not be construed or operate as a release of said mortgage or liens owned and held by the undersigned, or any part thereof, but the undersigned agrees that its said mortgage and liens shall hereafter be upon and against each and all of the Units and all appurtenances thereto, and all of the undivided, equitable shares and interests in the Common Elements, subject to the said Condominium Regime.

SIGNED AND ATTESTED by the undersigned officers of Delta Savings of Texas hereto authorized, this the 25 day of JANUARY, 1984.

DELTA SAVINGS OF TEXAS

BY: [Signature]
President

ATTEST:

[Signature]
Secretary

THE STATE OF TEXAS

COUNTY OF BRAZORIA

BEFORE ME, the undersigned authority, on this day personally appeared CARL G. GERTES, — President of Delta Savings of Texas, 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 25 day of January, 1984.

[Signature]
NOTARY PUBLIC, STATE OF TEXAS
ROSE RANZAU
Printed Name of Notary

My Commission Expires: 1-26-88

003-62-0173

TRACT TWO:

DESCRIPTION OF A TRACT OUT OF LOT 310, TRIMBLE AND LINDSEY
SURVEY, SECTION ONE, CITY AND COUNTY OF GALVESTON, TEXAS

COMMENCING at the Northeast corner of Lot 310;

THENCE S25°E, along the Northeast line of Lot 310, a distance
of 672.00 feet;

THENCE S65°W, parallel to the Northwest line of Lot 310, a
distance of 131.82 feet to the place of beginning of the tract
hereinafter described;

THENCE from said beginning corner continuing S65°W, parallel to
the Northwest line of Lot 310, a distance of 198.18 feet to a
point for corner in the Southwest line of Lot 310;

THENCE S25°E, along the Southwest line of Lot 310 and along the
Northeast right of way line of 97th Street, 50 foot right of way,
a distance of 792.68 feet to a point for corner;

THENCE N55°52'E, along the Northerly right of way line of Seawall
Boulevard, 150 foot right of way, a distance of 200.73 feet to a
point for corner;

THENCE N25°00'W, a distance of 760.81 feet to the place of beginning
and containing 153,935.6 square feet, more or less.

March 16, 1983

RECORDER'S MEMORANDUM:

At the time of recordation, this instrument was found to be inadequate for the best photographic reproduction because of illegibility, carbon or photo copy, discolored paper, etc. All blockouts, additions and changes were present at the time the instrument was filed and recorded.

TRACT THREE:

DESCRIPTION OF A TRACT OUT OF LOT 311, TRIMBLE AND LINDSEY SURVEY, SECTION ONE, CITY AND COUNTY OF GALVESTON, TEXAS

COMMENCING at the Northeast corner of Lot 311, said point lying in the West right of way line of 97th Street, 50 foot right of way;

THENCE S25°E, along the Northeast line of Lot 311 and along the West right of way line of 97th Street, a distance of 672.00 feet to the place of beginning of the tract hereinafter described;

THENCE from said beginning point continuing S25°E, along the Northeast line of Lot 311 and along the West line of 97th Street a distance of 800.71 feet to a point for corner in the Northerly right of way line of Seawall Boulevard, 150 foot right of way;

THENCE S55°52'W, along the Northerly right of way line of Seawall Boulevard, a distance of 18.93 feet to a point for corner;

THENCE N25°W, parallel to the Northeast line of Lot 311 and being 18.69 feet perpendicular Westerly therefrom, a distance of 803.72 feet to a point for corner;

THENCE N65°E, parallel to the Northwest line of Lot 311, a distance of 18.69 feet to the place of beginning and containing 14,993.5 square feet, more or less.

March 16, 1993

STATE OF TEXAS

COUNTY OF GALVESTON

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

JAN 29 1985



Mary Jane Christman
COUNTY CLERK, Galveston County, Texas

FILED FOR RECORD
JAN 29 2 19 PM '85

Mary Jane Christman
COUNTY CLERK, GALVESTON COUNTY, TEXAS

8604856

004-38-2054

AMENDMENT
TO
DECLARATION OF CONDOMINIUM REGIME
THE GALLEON OF GALVESTON CONDOMINIUMS

STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

This Amendment to Declaration of Condominium Regime is made on the date hereinafter set forth by United Export Trading Company (of Texas), Inc., a Texas corporation, acting herein for all purposes by and through its hereunto duly authorized officers, hereinafter referred to as "Declarant".

W I T N E S S E T H

WHEREAS, Declarant is the owner of more than seventy-five percent (75%) of the aggregate ownership interest of the condominium units in the condominium project situated on that certain tract of land described as part of Lots 295 and 310, Section 1 of Trimble and Lindsey Survey of Galveston Island, in Galveston County Texas, and being more particularly described by metes and bounds on Exhibit A attached hereto and made apart hereof for all purposes; and

WHEREAS, Declarant is the successor in interest to Le Club Condominiums 1983, Ltd., a Texas limited partnership, the "developer" under that certain Declaration of Condominium Regime, Le Club Galveston Condominiums, Phase One, filed for record in the Official Public Records of Real Property of Galveston County, Texas, on January 29, 1985, under Clerk's File No. 8503861 and recorded under Film Code Reference No. 003-62-0110 (the "Declaration");

WHEREAS, Declarant desires to amend the Declaration as hereinafter set forth.

NOW, THEREFORE, Declarant, upon the recording of this Amendment, hereby amends the Declaration as follows:

1. The condominium project established under the Declaration shall henceforth be known as THE GALLEON OF GALVESTON CONDOMINIUMS and all references to Le Club Galveston Condominiums or Le Club Galveston Condominiums, Phase One contained in the Declaration, including all exhibits attached thereto, are hereby deleted and replaced with the name THE GALLEON OF GALVESTON CONDOMINIUMS.

2. "Association", as defined in Article I, Section 1.2 of the Declaration, shall henceforth mean The Galleon of Galveston Owners Association, Inc., and any references to the Association elsewhere in the Declaration, including all exhibits attached thereto, shall henceforth mean the The Galleon of Galveston Owners Association, Inc.

3. Article II, Section 2.3 of the Declaration shall be amended as follows:

"2.3 Division of Fee Estates. The real property is hereby divided into the following fee simple estates:

A. One hundred fifty-nine (159) fee simple estates consisting of one hundred fifty-nine (159) separately designated residential or commercial Units, in one Building, called Building "A", each such Unit identified by number, with the size and location of each Unit being detailed on the survey plats attached hereto for reference as Exhibits "C-1", "C-2", "C-3", "C-4" and "D".

As set forth in the plans and specifications attached hereto as Exhibit "C" for reference, the architectural design of each of the Units within the Condominium Project is labeled Unit Type A, B, C and D with varying modifications to the basic architectural designs. Accordingly, references on the attached plans and specifications are keyed to the basic Unit Types as they relate to the various Unit numbers.

- B. Any Unit established pursuant to this Condominium Declaration may be owned in Interval Estates. Each Unit shall be deemed to be composed of fifty-two (52) separate Interval Estates. In the event of a conveyance of an Interval Estate, the Owner thereof shall be entitled to share pro rata in all benefits derived therefrom, and shall be liable for pro rata expenses, assessments, taxes and all other charges assessed against the Unit. An Interval Estate Owner shall not be responsible for any liability, claim, cost, charge, expense or other encumbrance placed upon the interest of any other Interval Estate Owner. Interval Estate Owners shall not be jointly and severally liable for the payment of any charges levied against the Unit as a whole. Any requirement placed upon the Unit as a whole shall be deemed to be a requirement levied against each Interval Estate Owner on a pro rata basis. Use of the General Common Elements of the Condominiums by Owners of Interval Estates or by any person using the Common Elements shall be limited to the Interval Estate time period conveyed to or which may be reserved by an Owner. No Owner of an Interval Estate shall exercise any rights of ownership with respect to the Unit or its appurtenances other than the rights herein provided during the time period of Interval Estate ownership. No Owner of an Interval Estate may be exempt from liability to pay the assessments provided herein by waiver of the use or enjoyment of the Common Elements or the Unit, or the abandonment thereof. Each Owner of an Interval Estate shall have the exclusive right to occupy the Unit and, as between and among Owners, to use and enjoy the Unit and the rights and easements appurtenant to the Unit during the Interval Estate time period. Each Owner of an Interval Estate shall have the right to mortgage or otherwise to encumber his Interval Estate. No Owner shall attempt to mortgage or otherwise encumber in any manner whatsoever the Unit or any part thereof except the Interval Estate owned. Every Owner of an Interval Estate in a Unit shall own 1.92307% of the ownership interest of the Unit as a whole, in accordance with the ownership interest for said Unit as set forth in the Exhibit "D" attached hereto for each one week or seven (7) day Interval Estate owned. An Interval Estate Owner shall own an equal amount in the undivided interest in the General Common Elements of the Condominium. Any decision requiring the vote of the Unit Owner or Owners shall be determined by a majority vote of all Interval Estate Owners for the Unit. All voting by the Interval Estate Owners shall be conducted in accordance with the voting procedures set forth in the Bylaws for the election of directors of the Association. Any vote required on an Association matter shall be cast by the Unit as a whole, and not by separate individual Interval Estate Owners. As to the assessments for the

General Common Elements and any special assessments provided in this Declaration, the Association is hereby granted the authority to require the Interval Estate Owners of a Unit to designate an agent for receipt of payment of such assessments. Upon such requests from the Association, the Interval Estate Owners shall designate such agent within thirty (30) days from the date of receipt of such notice requiring same. No Interval Estate Owner or other person or entity acquiring right, title or interest in a Unit subject to Interval Estate ownership shall have the right of partition of the Interval Estate ownership in any manner whatsoever.

- C. The remaining portion of the entire premises, referred to as the General Common Elements, shall be held in common by the Owners, the percentage interest in the General Common Elements attributable to the respective Units being set out in Exhibit "D" hereto, each such undivided interest being appurtenant to one of the Units covered hereby as scheduled, subject to revision as set forth in Article 2.5 hereof."

4. The Exhibit "D" attached to the Declaration is hereby deleted in its entirety and the Exhibit D attached to this Amendment is hereby inserted in its place and stead.

5. Article IV of the Declaration shall be amended as follows:

"Administration. The administration of the Condominium Project shall be governed by the Declaration and the Bylaws of The Galleon of Galveston Owners Association, Inc., a nonprofit corporation, and the Articles of Incorporation of such Association (if any), hereinafter referred to as the "Association". A copy of the "Bylaws" is attached hereto as Exhibit "B" and incorporated herein; and same shall be deemed adopted by Declarant as sole owner of the property herein described, and all Owners shall be bound thereby. Declarant, may at its election, cause to be formed a Texas non-profit corporation bearing said name, in which event such non-profit corporation shall thereafter act and do all things to be done by "Association", and the said non-profit corporation, if formed, shall be bound by, adopt and observe as its Bylaws, the Bylaws attached hereto as Exhibit "B". "Association" as here used shall refer to the member Owners as a group, both before and after incorporation. In the event of incorporation, a certified copy of the Certificate of Incorporation of The Galleon of Galveston Owners Association, Inc. shall be recorded and shall provide that three (3) persons shall act as a Board of Directors and shall serve as the Directors until their successors have been elected and qualified. An Owner of a Condominium Unit, upon becoming an Owner, shall be a member of the Association and shall retain a membership for the period of his ownership. The aggregate number of votes for all members of the Association shall be one hundred fifty-nine (159), with each Unit, both residential and commercial, entitled to one (1) vote. The vote of each Unit shall be determined by a simple majority vote of all Owners or Interval Estate Owners for the Unit. The Board of Directors may retain a Managing Agent for The Galleon of Galveston Condominiums, with responsibilities of the Managing Agent as may be determined by the Board of Directors. Any management agreement shall not have a term of more than one (1) year, and shall be terminable

without cause upon thirty (30) days written notice. The "Association Date" shall be (i) the date on which Declarant elects to call the first meeting of the Unit Owners for election of a Board of Directors; or (ii) December 1, 1989, or, (iii) one hundred twenty (120) days after seventy-five percent (75%) of Units, as annexed, shall have been purchased at a real estate closing by Owners, whichever occurs first. On the Association Date, all powers of the Declarant, as "developer", shall terminate with regard to the administration and control of the Association."

6. Article VI, Section 6.4 of the Declaration shall be amended as follows:

"6.4 Payment Date. All Owners shall be obligated to pay the assessments imposed by the Board of Directors or Managing Agent of the Association. Assessments for the Common Expenses, including, without limitation, insurance premiums, ad valorem taxes, and reserves when established, shall be due annually within thirty (30) days after the date of the assessment statement. The annual assessment shall commence on the date fixed by the Board of Directors or the Managing Agent of the Association. Any assessments for the Common Expenses which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the date of the assessment statement, the assessment shall bear interest from the due date at the maximum lawful rate of interest and the Association may bring an action at law against the Owner personally obligated to pay the assessment or foreclose the lien against the Owner's Unit or Interval Estate as set forth in Article VI, Section 6.6 of the Declaration. The obligation for the annual assessment shall be pro rated if the ownership of a Unit or Interval Estate commences on a day other than the first day of the annual assessment period. Special Assessments shall be due and payable at such time as the Board of Directors shall establish. Any reference to the "monthly" payment of assessments elsewhere in the Declaration, including all exhibits attached thereto, shall henceforth mean "annual" payment of Assessments."

7. Article X, Section 10.9 of the Declaration shall be amended as follows:

"10.9 Management Agreements. Any management agreements and/or service contracts entered into by the Association shall be terminable by the Association without cause upon not more than thirty (30) days written notice, and the term of such management agreement shall not exceed the period of one (1) year, renewable by agreement of the parties to such agreement for successive one (1) year periods. In the event of the termination of a management agreement, as provided herein, the Association shall enter into a new management agreement with the new management entity prior to the effective date of the termination of the old management agreement."

8. Article XII, Section 12.4 of the Declaration shall be amended as follows:

"12.4 Notice. All notices, demands or other notices intended to be served upon an Owner shall be sent by certified mail, postage prepaid, addressed in the name of such Owner in care of the Unit number and building address of such Owner. All notices, demands or other notices intended to be served upon the Board of Directors of the Association, or the Association, or

upon the Managing Agent shall be sent by certified mail, postage prepaid to 1500 South Dairy Ashford, Suite 250, Houston, Texas 77077, until such address is changed by notice of address change duly recorded."

9. Article I, Section 3.C of the Condominium Bylaws of The Galleon of Galveston Condominiums attached to the Declaration as Exhibit "B" thereto shall be amended as follows:

Section 3. Members and Voting.

C. The aggregate number of votes for all members of the Association shall be one hundred fifty-nine (159), with each Unit, both residential and commercial, entitled to one (1) vote. The vote of each Unit shall be determined by a simple majority vote of all Owners or Interval Estate Owners for the Unit. Declarant may exercise the voting rights with respect to Units owned by it."

Delta Saving Association of Texas is the present owner and holder of liens upon and against the real property described in the Declaration and this Amendment and has executed this Amendment to evidence its joinder in, consent to and ratification of the provisions of the Declaration and this Amendment.

Except as specifically amended hereby, the Declaration is hereby ratified, confirmed and continued as being in full force and effect.

IN WITNESS WHEREOF, Declarant and Delta Savings Association of Texas have caused this instrument to be executed on this 4th day of February, 1986.

UNITED EXPORT TRADING COMPANY
(OF TEXAS), INC.

By: [Signature]
Name: Roger D. Crooks
Capacity: President

"DECLARANT"

DELTA SAVING ASSOCIATION OF
TEXAS

By: [Signature]
(Name) Morgan Jones
(Capacity) Senior Vice President

"LIENHOLDER"

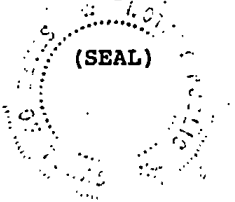
[Signature]
Shirley Williams, Assist. Secretary

When Recorded ~~Return~~ To:
Katy Farley
Byrnes & Martin
1990 Post Oak Blvd.
Suite 1400
Houston, Texas 77056

004-38-2059

THE STATE OF TEXAS §
COUNTY OF HARRIS §

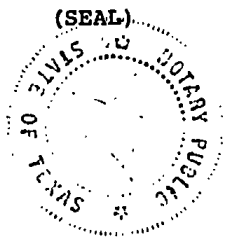
This instrument was acknowledged before me on the 4th
day of February, 1986, by Roger D. Crooks
J, who is the President of
United Export Trading Company (of Texas), Inc., a Texas
corporation, on behalf of said corporation.



Bonnie Taylor
By: BONNIE Taylor
Notary Public in and for
The State of T e x a s
My commission expires: 5/25/86

THE STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the Fifth
day of February, 1986, by Morgan Jones
J, who is the Sr. Vice President of Delta
Savings Association of Texas, a Texas savings and loan
association, on behalf of said association.



Pamela L. Hollifield
By: Pamela L. Hollifield
Notary Public in and for
The State of T e x a s
My commission expires: 6-10-86

EXHIBIT "A"

004-38-2060

The surface only of part of Lots 295 and 310, Section 1 of Trimble and Lindsey Survey of Galveston Island, in Galveston County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at the Northeast corner of Lot 310, same being the Northwest corner of Lot 295;

THENCE South 25 deg. East, along the common line between Lots 310 and 295, a distance of 672.00 feet to the place of beginning of the tract hereinafter described;

THENCE from said beginning point North 65 deg. East, across Lot 295, parallel to the Northwest line of Lot 295, a distance of 151.03 feet to a point for corner;

THENCE South 25 deg. East, parallel to the Southwest line of Lot 295, a distance of 715.34 feet to a point for corner;

THENCE South 55 deg. 52 min. West, along the Northerly right of way line of Seawall Boulevard, 150 foot right of way, a distance of 286.48 feet to a point for corner;

THENCE North 25 deg. 00 min. West, a distance of 760.81 feet to a point for corner;

THENCE North 65 deg. East, parallel to the Northwest line of Lot 310, a distance of 131.82 feet to the PLACE OF BEGINNING.

004-38-2061

EXHIBIT "D"

THE GALLEON OF GALVESTON

<u>UNIT TYPE</u>	<u>SQUARE FOOTAGE</u>	<u>PERCENTAGE OWNERSHIP</u>	<u>TOTAL UNIT TYPE</u>	<u>TOTAL PERCENTAGE</u>
A	521	.49785	105	52.27
B	756	.72242	27	19.51
C	766	.73197	21	15.37
D	815	.77880	3	2.33
Commercial Unit #1	2475	2.36507	1	2.37
Commercial Unit #2	5025	4.80181	1	4.80
Commercial Unit #3	<u>3500</u>	3.34454	<u>1</u>	<u>3.35</u>
	104,648		159	100.00%

*Unit types are Residential Units unless otherwise noted.

FILED FOR RECORD
FEB 5 11 24 AM '86

Mary Jane Christensen
COUNTY CLERK, GALVESTON COUNTY, TEXAS

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

FEB 5 1986



Mary Jane Christensen
COUNTY CLERK, Galveston County, Texas

Please return

W.F.F.

St. American Title Co

8743016

005-55-1749

AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
THE GALLEON OF GALVESTON CONDOMINIUMS

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005-55-1754

AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
THE GALLEON OF GALVESTON CONDOMINIUMS

This Amended and Restated Declaration of Condominium Regime (hereinafter "Declaration") is made and executed this ~~23rd~~ day of October, 1987, by The Galleon of Galveston Owners Association, Inc. (hereinafter the "Association") and United Export Trading Company (of Texas), Inc. a Texas corporation (hereinafter "United Export"), the successor to Le Club Condominiums 1983, Ltd., a Texas limited partnership, the original developer (hereinafter the "Developer"), pursuant to the provisions of the Texas Condominium Act, Title 7 of the Texas Property Code and the Texas Timeshare Act, Title 11 of the Texas Property Code (hereinafter collectively referred to as the "Act"), for the purpose of submitting the hereinafter described real property and the improvements located thereon to a condominium regime;

W I T N E S S E T H:

WHEREAS, United Export is the successor in interest to Le Club Condominiums 1983, Ltd., a Texas limited partnership, the "Developer" under that certain Declaration of Condominium Regime, Le Club Galveston Condominiums, Phase One, filed for record in the Official Public Records of Real Property of Galveston County, Texas, on January 29, 1985, under Clerk's File No. 8503861 and recorded under Film Code Reference No. 003-62-0110, as amended by that certain Amendment to Declaration of Condominium Regime, The Galleon of Galveston Condominiums, filed for record in the Official Public Records of Real Property of Galveston County, Texas on February 5, 1986, under Clerk's File No. 8604856 and recorded under Film Code Reference No. 004-38-2054 (collectively the "Original Declaration"); and

WHEREAS, United Export is the owner of a majority interest in more than seventy-five percent (75%) of the Condominium Units (as defined in the Original Declaration) in The Galleon of Galveston Condominiums; and

WHEREAS, United Export desires to amend the Original Declaration and cause to be adopted an Amended and Restated Declaration as hereinafter set forth; and

WHEREAS, United Export has caused to be called a special meeting of The Galleon of Galveston Owners Association, Inc. for the purpose of voting upon said Amended and Restated Declaration; and

WHEREAS, at the special meeting of The Galleon of Galveston Owners Association, Inc., the Amended and Restated Declaration was adopted by the owners of a majority interest in more than seventy-five percent (75%) of the Condominium Units;

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NOW, THEREFORE, this Amended and Restated Declaration of Condominium Regime of The Galleon of Galveston Condominiums is hereby adopted to amend and restate the Original Declaration as follows:

I.

DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used herein shall have the following meaning:

1.1 "Assessment" shall mean and refer to the funds required to pay Common Expenses, other lawfully agreed upon expenses, plus surplus and reserves, as such costs, expenses and reserves are determined by the Managing Agent or Board of Directors and are levied by the Board of Directors upon all of the Owners.

1.2 "Association" shall mean and refer to the The Galleon of Galveston Owners Association, Inc., its successors and assigns, comprised of all the Owners of Timeshare Interests, the By-Laws of which shall govern the administration of this Project and the members of which shall be all of the Owners of Timeshare Interests.

1.3 "Building" means the building or the buildings within the Project.

1.4 "By-Laws" means the Amended and Restated By-Laws of the Association attached hereto as Exhibit "B" for reference and any amendment, modification or revision thereto as therein permitted.

1.5 "Common Elements" shall mean and refer to both the General and Limited Common Elements as described herein.

1.6 "Common Expenses" means and includes:

A. All sums lawfully assessed against the General Common Elements by the Managing Agent or Board of Directors of the Association;

B. Expenses of administration and management, maintenance, repair or replacement of the General Common Elements or Limited Common Elements;

C. Expenses agreed upon as Common Expenses by the Owners; and,

D. Expenses declared Common Expenses by provisions of this Declaration and by the By-Laws.

E. Common Expenses may include, but are not limited to, the overhead expenses of the Association, costs of maintenance, repair and operation of the Common Elements, taxes and Special Assessments unless separately assessed, insurance premiums for insurance coverage as deemed desirable or necessary by the Association, utility charges for the General Common Elements (including gas, electricity, water, and sewer) trash and garbage collection, guard service, burglar alarm service, landscape maintenance, janitorial service, manager's salary, legal and accounting fees, management fees.

F. Common Expenses shall not include any reserve fund.

1.7 "Entire Premises" or "Property" means and includes the Land, Building, all improvements and structures thereon, and all rights, easements and appurtenances belonging thereto.

1.8 "First Mortgagee" means any holder of a security interest in a Timeshare Interest, represented by a deed of trust, mortgage or security agreement giving such holder a first and paramount priority over the Timeshare Interest except only for taxes and assessment liens by governmental bodies with taxing authority.

1.9 The General and Limited Common Elements of the Project are as follows:

A. The "General Common Elements" consists of:

1. The Land in the Project, as more particularly described in Exhibit "A-1" (and the additional land which may be described in the supplement hereto as herein permitted);

2. The foundations, bearing walls and columns (including any windows, doors, and chimneys therein), roofs, attics, ceilings and floors, halls, lobbies, stairways, entrances, exits and communication ways and any other portion of the Buildings located on the land within the boundaries of the Project not included within any Timeshare Unit;

3. The premises and facilities, if any, used for maintenance or repair of the Project;

4. All other common facilities, including without limitation any office, the grounds, driveways and walkways, tennis courts, swimming pools, exercise facilities, and dressing rooms if any;

5. Parking spaces not designated with a Timeshare Unit number and described on the subdivision plan as unassigned parking spaces; provided however, Developer or the Association expressly

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reserves the right at any time and from time to time to assign, any unassigned parking space to any Owner; and provided further, coincident with the assignment of any unassigned parking space, the parking floor plan attached hereto as Exhibit "A-3" shall be amended for the purposes of designating such parking space with a number corresponding to a Timeshare Unit number, and thereafter such parking space shall be a Limited Common Element appurtenant to such Timeshare Unit. Such amendment shall not require the joinder of any Owner or mortgagee.

6. The laundry room facilities, if owned by the Association;
 7. All other elements desirable or rationally of common use or necessary to the existence, upkeep and safety of the Project.
- B. The "Limited Common Elements", being those Common Elements reserved for the use of specific Timeshare Units therein, to the exclusion of others, consists of:
1. Compartments or installations of central services such as power, light, electricity, telephone, gas, cold and hot water, plumbing, reservoirs, water tanks and pumps, incinerators, and all similar devices and installations corresponding to a building within the Project or corresponding to a Timeshare Unit;
 2. Storage rooms, patios, balconies and decks designated with a number as described on the floor plan attached hereto as Exhibits "C-1" - "C-11";
 3. Parking spaces and mail boxes not located at individual Timeshare Units which are designated with a number corresponding to a Timeshare Unit number;
 4. All of the portions of the General Common Elements which are specifically reserved for the exclusive use of the Owner of a Timeshare Unit as shown on Exhibits "C-1" - "C-11" attached hereto, or as may hereafter be shown by supplement, annexation or amendment hereto.

1.10 "Land" means and includes all that certain real property described on Exhibit "A-1" attached hereto.

1.11 "Map", "Survey Map", or "Plans" means and includes the engineering survey of the land with all of the improvements located thereon, the floor plans and any other drawing or diagrammatic plan depicting a part of or all of the improvements, same being attached hereto and filed herewith, consisting of fourteen (14) sheets labeled Exhibits "A-1" through "A-3" and "C-1" through "C-11".

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1.12 "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who or which is the record owner of fee simple title to one or more Timeshare Interests in the Project.

1.13 "Project" shall mean and refer to The Galleon of Galveston Condominiums as a timeshare condominium project established in conformity with the provisions of this Declaration and the Act.

1.14 "Special Assessment" shall mean an additional assessment created for any purpose of the Association as a whole.

1.15 "Timeshare Interest" means a freehold estate in a Timeshare Unit at The Galleon of Galveston Condominiums, together with an undivided ownership interest in the Common Elements expressed as a fraction of the entire ownership interest in the Common Elements as set forth and defined herein, and the right to use the amenities in the Project for a Timeshare Period on a recurring basis.

1.16 "Timeshare Period" means the period within which the purchaser of a Timeshare Interest at The Galleon of Galveston Condominiums is entitled to the exclusive use, possession, and occupancy of the Timeshare Unit in which an interest is purchased, and the general use of all amenities.

1.17 "Timeshare Week" means the one week period commencing on a Saturday at noon and ending the next following Saturday at noon, with check-in to the Timeshare Unit allowed according to Rules promulgated by the Association or its management company (to allow for the cleaning of a Timeshare Unit at the beginning or expiration of a Timeshare Week).

1.18 "Timeshare Unit" shall mean and refer to an enclosed air space consisting of one or more rooms occupying all or part of one or more floors in a building in the Project, as such space may be further described, delineated and delimited in the floor plans attached hereto as Exhibits "C-1" - "C-11" (and as may hereafter be described, delineated and delimited by an amendment or supplement hereto as herein permitted). A "Commercial Unit" is a type of Timeshare Unit intended for use for commercial or business purposes only. A "Residential Unit" is a type of Timeshare Unit intended for use for residential purposes only.

1.19 "United Export" shall mean United Export Trading Company (of Texas), Inc. and its successors or assigns.

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II.

ESTABLISHMENT OF REGIME

2.1 GRANT AND SUBMISSION

Developer hereby grants and submits to timeshare condominium ownership all of the Property, the improvements to be constructed thereon, the Project and all attachments and appurtenants thereto and in anywise belonging thereto.

2.2 DESCRIPTION OF PROPERTY

The plans and specifications attached hereto as Exhibits "A-1" - "A-3" and "C-1" - "C-11" shall be filed for record simultaneously with the recording of this Declaration as part hereof. Such plans and specifications consist of and set forth (1) the legal description of the surface of the land; (2) the linear measurements and location, with reference to the exterior boundaries of the Land, of the buildings and all other improvements built or to be built on said Land; (3) floor plans of the building built or to be built thereon showing the location of each Timeshare Unit; and (4) the building designation, the Timeshare Unit designation and the linear dimensions of each Timeshare Unit, and the Limited Common Elements; Developer and the Association hereby expressly reserve the right to amend said Exhibits to conform the map to actual location of the constructed improvements to establish, vacate and relocate outside utility easements, access and parking facilities as same may be located on the ground, all as more fully provided herein. Such amendments shall not require the joinder of any Owner or mortgagee.

2.3 DIVISION OF FEE ESTATES

The Property is hereby divided into the following fee simple estates:

A. One hundred fifty-nine (159) fee simple estates consisting of one hundred fifty-nine (159) separately designated residential or commercial Timeshare Units, in one Building, called Building "A", each such Timeshare Unit identified by number, with the size and location of each Timeshare Unit being detailed on the survey plats attached hereto for reference as Exhibits "C-1" - "C-11" and "D". The architectural design of each of the Timeshare Units within the Project as set forth on Exhibits "C-1" through "C-4" are labeled Timeshare Unit Type A, B, C and D. Such references on Exhibits "C-1" through "C-4" to the basic Timeshare Unit Types as they relate to the various Timeshare Unit numbers indicate one of the floor plans set forth on Exhibits "C-5" - "C-11", with varying minor modifications to the basic architectural designs.

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B. Any Timeshare Unit established pursuant to this Declaration may be divided into Timeshare Periods of one or more Timeshare Weeks. Each Timeshare Unit shall be deemed to be composed of fifty-two (52) separate Timeshare Weeks. Such Timeshare Weeks shall be numbered with Timeshare Week Number 1 commencing on the first Saturday of the calendar year, and the successive weeks being numbered consecutively. Every Owner of a one week Timeshare Interest shall own an undivided ownership interest, equal to 1.92307%, in and to such Timeshare Unit and the undivided percentage ownership of the Common Elements allowable to such Timeshare Unit as specified in Exhibit "D" attached hereto. Such Timeshare Period and undivided interest in the Timeshare Unit and Common Elements shall be referred to as a Timeshare Interest. Upon the acquisition of a Timeshare Interest, the Owner thereof shall be entitled to share pro rata in all benefits derived therefrom, and shall be liable for pro rata expenses, assessments, taxes, and all other charges assessed against the Timeshare Interest. An Owner shall not be responsible for any liability, claim, cost, charge, expense or other encumbrance placed upon the Timeshare Interest of any other Owner. Timeshare Interest Owners shall not be jointly and severally liable for the payment of any charges levied against the Timeshare Unit as a whole. Any requirement placed upon the Timeshare Unit as a whole shall be deemed to be a requirement levied against each Owner of a Timeshare Interest in such Timeshare Unit on a pro rata basis. Use of the General Common Elements by Owners or by their invitees shall be limited to the Timeshare Period conveyed to or which may be reserved by such Owner. No Owner of a Timeshare Interest shall exercise any rights of ownership with respect to the Timeshare Unit or its appurtenances other than the rights herein provided during the Timeshare Period of such Owner's Timeshare Interest. No Owner of a Timeshare Interest shall be exempt from liability to pay the assessments provided herein by waiver of the use or enjoyment of the Common Elements or the Timeshare Unit, or the abandonment thereof. Each Owner shall have the exclusive right to occupy the Timeshare Unit and, as between and among Owners, to use and enjoy the Timeshare Unit and the rights and easements appurtenant to the Timeshare Unit, during such Owner's Timeshare Period. Each Owner shall have the right to mortgage or otherwise to encumber his Timeshare Interest. No Owner shall attempt to mortgage or otherwise encumber in any manner whatsoever the Timeshare Unit or any part thereof except the Timeshare Interest so owned. Any decision requiring the vote of a Timeshare Unit shall be determined by a majority vote of all Owners of a Timeshare Interest in such Timeshare Unit that vote on such matter. Each Owner shall be entitled to one (1) vote for each Timeshare Week included in such Owner's Timeshare Interest. All voting by the Owners of Timeshare Interests in a

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particular Timeshare Unit shall be conducted in accordance with the voting procedures set forth in the By-Laws for the election of directors of the Association. Any vote required on an Association matter shall be cast by the Timeshare Unit as a whole, and not by separate individual Owners of a Timeshare Interest therein. No Owner or other person or entity acquiring right, title or interest in a Timeshare Interest shall have the right of partition of the Timeshare Interest in any manner whatsoever.

C. The remaining portion of the Entire Premises, referred to as the General Common Elements, shall be held in common by the Owners, the percentage interest in the General Common Elements attributable to the respective Timeshare Units being set out in Exhibit "D" hereto. Each such undivided interest shall be appurtenant to one of the Timeshare Units covered hereby as scheduled, and allocated among the Owners of Timeshare Interests in such Timeshare Unit as set forth in Article 2.3B above and Article XIII below, subject to revision as set forth in Article 2.5 hereof.

2.4 TITLE

Title to any Timeshare Interest is declared and expressly made subject to the terms and conditions hereof, and acceptance by any grantee of a Deed from Developer or any subsequent Owner shall be deemed an acknowledgment of and consent to this Declaration and its provisions.

2.5 EXPANSION OF PROJECT

United Export, as successor to the Developer, anticipates that the Condominium Regime created hereunder may be expanded to include future phases which will contain additional Timeshare Units and Common Elements, a part of which may be constructed on the real property additionally described in Exhibit "E" as Phase Two. All Timeshare Units in a future phase may be designed, modified or revised as United Export may deem advisable in its sole discretion provided however, in no event shall more than two hundred twenty-five (225) additional Timeshare Units, for a total of three hundred eighty-four (384) Timeshare Units, be constructed. All additional Timeshare Units must be of the same basic style, floor plan, size and quality as those in the The Galleon of Galveston Condominiums. In this connection, it is hereby stipulated that the undivided interests set forth on Exhibit "D" hereto, which is appurtenant to the Timeshare Units covered hereby will be revised as additional Timeshare Units and Common Elements are built or scheduled to be built, based upon the ratio that the number of square feet contained in each Timeshare Unit bears to the number of square feet contained

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in all of the Timeshare Units, including the additional Timeshare Units to be built in future phases, and correspondingly each Owner will own a percentage interest in the additional Common Elements at such time as the hereinafter described annexation or supplement is filed. In order to annex and include the additional Timeshare Units and Common Elements within the Condominium Regime created hereby, and solely for such purpose, United Export, as successor to the Developer, reserves the right to supplement this Declaration at any time prior to December 1, 1989. Prior to any such annexation of a future phase, all improvements scheduled to be built in such future phase shall have been substantially completed. Subject to the provisions of the Act, such annexation or supplementation may be made by United Export, as successor to the Developer, without the joinder of any Owner or mortgagee and the filing of such Annexation or Supplement shall be binding upon each Owner and mortgagee. In no event, however, may any such Annexation or Supplement serve to dilute or reduce the respective percentage ownership interests of each Owner as set forth on Exhibit "D" hereto, except to the extent provided above and to the extent that each Owner's voting rights in the Association will be diluted since more votes will be required to equal the specified number to pass or reject the matter being considered. Further, if the Annexation or Supplement herein permitted to be filed is not filed prior to December 1, 1989, United Export, as successor to the Developer, shall not thereafter be entitled to unilaterally supplement this Declaration for the limited purpose set forth in this Article 2.5.

III.

OCCUPATION AND USE

3.1 CONVEYANCE OF TIMESHARE INTERESTS

Each Timeshare Interest, including the undivided ownership interest in the Common Elements appurtenant thereto, shall be inseparable and may be conveyed, leased or encumbered only as a Timeshare Interest. Any conveyance of a Timeshare Interest shall be deemed to include the undivided interest in the Common Elements appurtenant thereto.

3.2 DESCRIPTION OF TIMESHARE INTERESTS

Every deed, lease, mortgage, deed of trust or other instrument shall legally describe a Timeshare Interest by its number or letter followed by the words "The Galleon of Galveston Condominiums" with further reference to this Declaration and the Map. Every such description of a Timeshare Period, together with reference to the undivided interest in the Timeshare Unit and the Common Elements

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appurtenant thereto, shall be deemed good and sufficient for all purposes to convey, transfer, encumber, or otherwise affect a Timeshare Interest. Every instrument describing a Timeshare Interest shall set forth the Timeshare Period included therein.

3.3 COMBINATION OF TIMESHARE UNITS

In the event that one Owner shall own all Timeshare Interests in two or more Timeshare Units adjacent to each other, such Owner shall have the right, upon the express written consent of the First Mortgagee of each such Timeshare Unit, to combine such Timeshare Units into one area, to create entries, door openings and stairways between such Timeshare Units so long as such changes do not affect load bearing walls or pipes, conduits, ducts, shafts and wiring for the utility service of the Building and so long as the same is approved by all relevant governmental bodies and by the Association.

3.4 DIVISION OF TIMESHARE UNIT

Subject to the express written consent of the First Mortgagee of Timeshare Interests in a Timeshare Unit that is entirely owned by the Developer, or United Export as a successor to the Developer, the Developer, or United Export as a successor to the Developer, hereby reserves the right to divide such Timeshare Unit into two (equal or unequal) separate Timeshare Units, by the filing of a supplement to this Declaration and to the Map, which shall describe the Timeshare Units in the same manner as in this Declaration and Map. In the event of division, the percentage interest of ownership in Common Elements allocated to the original Timeshare Unit being divided shall be divided among the two new separate Timeshare Units in the ratio that the square footage area of each such new Timeshare Unit bears to the total square footage area of the original Timeshare Unit. This reserved right in the Developer or United Export shall not run with the land and shall not inure to the benefit of any Owner other than the Developer or United Export. However, this right is restricted in that only one division into said Timeshare Units may be made as to any Timeshare Unit. The parking and storage spaces originally assigned to the Timeshare Unit shall be reassigned, in the event of division, to the newly created Timeshare Units.

3.5 MODIFICATION OF BUILDING

Prior to the sale of any Timeshare Interests within a Building, United Export, as successor to the Developer, reserves the right to modify any proposed Timeshare Unit or Building for any purpose whatsoever, provided that the aggregate ownership percentage interests in Exhibit "D" does not change and further provided that the aggregate number of Timeshare Units in THE GALLEON OF GALVESTON CONDOMINIUMS is not increased.

3.6 RIGHT OF ACCESS AND EMERGENCY REPAIRS

The Association shall have the right of access to each Timeshare Unit and its appurtenant Limited Common Elements from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of Common Elements, or at any time deemed necessary for the making of emergency repairs to prevent damage to the Common Elements or to the Timeshare Unit or to another Timeshare Unit. In the event any damage occurs to an individual Timeshare Unit as a result of the repair of or repairs to the Common Elements, the cost for restoration of said damaged Timeshare Unit shall be a Common Expense. Further, in the event a Common Element is damaged as a result of actions or inactions of an Owner or his guests, invitees, tenants or others taking or occupying through said Owner, then such Owner shall be liable for any and all costs incurred for the repair and restoration of the damaged Common Element.

3.7 NO PARTITION

Except as provided herein, no Owner shall bring an action for partition of the Project, his Timeshare Interest or the Common Elements. This restriction shall not, however, prohibit the division of a Timeshare Unit as provided in Section 3.4 hereof.

3.8 TAX ASSESSMENTS

To the extent permitted by applicable state, county and city statutes, ordinances and regulations, it is specifically stipulated that each Timeshare Unit and Timeshare Interest shall be subjected to separate tax assessments and taxation by the appropriate governmental authority.

3.9 ENCROACHMENTS AND EASEMENTS

If any portion of the General Common Elements encroaches upon a Timeshare Unit or Timeshare Units, for any reason whatsoever, a valid easement for the encroachment and for the maintenance of same, so long as it remains, shall and does exist. If any portion of an adjoining Timeshare Unit or Timeshare Units encroaches upon another Timeshare Unit or Timeshare Units, a valid easement for the encroachment and for the maintenance of same, so long as it remains, shall and does exist. For title or other purposes, such encroachment(s) and easement(s) shall not be considered or determined to be encumbrances either on the Common Elements or the Timeshare Units.

3.10 LABOR AND MATERIALMAN LIEN

Subsequent to the completion of the improvements described on the Map, no labor performed or materials furnished and incorporated

in a Timeshare Unit with the consent or at the request of the Owner of a Timeshare Interest therein or his agent or his contractor or subcontractor shall be the basis for filing of a lien against the Timeshare Interest of any other Owner or against any Timeshare Unit or the Common Elements. Each Owner shall indemnify and hold harmless each of the other Owners, the Developer, United Export as successor to the Developer, and the Association from and against all liability arising from the claim of any lien against the Timeshare Interest of such Owner or against any Timeshare Interest or the Common Elements for construction performed or for labor, materials, services or other products incorporated in a Timeshare Unit at the request of an Owner who has an interest therein. Upon written request of any Owner, the Association shall have the right to enforce such indemnity.

3.11 USE RESTRICTIONS

A. PROJECT RESTRICTIONS

1. Structural Alterations or Modifications. No Owner shall make alterations or modifications to the Timeshare Unit in which such Owner has a Timeshare Interest or to any of the Common Elements, including the erection of antennae, aerials, awnings, the placement of any reflective or other material in the windows of such Timeshare Unit (other than uniform window coverings approved by the Board of Directors) or other exterior attachments without the prior written approval of the Association. The Association shall have the right to authorize any and all structural alterations or modifications, provided, however, the Association shall not approve any alterations, decorations or modifications which would jeopardize or impair the soundness, safety or appearance of the Project, and such alterations shall not affect the ownership percentage assigned to each Timeshare Unit in Exhibit "D" hereof.

2. Nuisance. No immoral, improper, unlawful or offensive activity shall be carried on, in, or about any Timeshare Unit or upon the Common Elements, nor shall anything be done which may be or become an annoyance or a nuisance to the Owners. No Owner shall do or permit anything to be done or keep or permit to be kept in the Timeshare Unit in which such Owner has a Timeshare Interest or on the Common Elements anything that will increase the rate of insurance on the Project. No Owner shall store any dangerous explosive or inflammable liquids or other materials either in, at, or upon the Timeshare Unit in which such Owner has a Timeshare Interest or upon the Common Elements.

3. Pets. No animals shall be kept in a Timeshare Unit except household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint so as

not to be obnoxious or offensive on account of noise, odor or unsanitary conditions. No savage or dangerous animal shall be kept in a Timeshare Unit. No more than one household pet may be kept without written permission of the Board of Directors of the Association which shall not be unreasonably withheld. No pets may be permitted to run loose upon the Common Elements, and any Owner who causes any animal to be brought or kept upon the Project shall indemnify and hold harmless the Association for any loss it may sustain or which may be claimed against the Association as a result of the presence of such animal in the Project, whether or not the Association has given its permission therefor. Notwithstanding the generality of the foregoing, after (i) repeated violations of this provision, (ii) fining of the Owner, (iii) ten (10) days prior written notice to the Owner of such behavior and notice of such hearing, and (iv) an opportunity for such Owner to have a hearing before the Board of Directors, such pet(s) may be taken from such Owner and given to the Society for the Prevention of Cruelty to Animals of Galveston County, Texas.

4. Use of Common Elements. The Common Elements shall not be used for storage of supplies, personal property, trash or refuse of any kind (except common trash receptacles, storage buildings or other similar structures which may from time to time be placed upon the Common Elements at the discretion of the Board of Directors of the Association). Stairs, entrances, sidewalks, yards, driveways and parking areas shall not be obstructed in any way nor shall unauthorized persons or pets play therein or thereon or use such areas for other than their intended purposes. In general, no activities shall be conducted nor condition maintained by any Owner either in, or, about the Timeshare Unit in which such Owner owns a Timeshare Interest or upon the Common Elements which despoils the appearance of the Project.

5. Maintenance. Each Owner shall maintain the Timeshare Unit in which he has a Timeshare Interest and any Limited Common Elements appurtenant thereto in clean, safe and sanitary condition. Each Owner shall also use due care to avoid damaging any of the Common Elements, including, but not limited to, the central air-conditioning and heating, telephone, water, gas, plumbing, power or other utility systems throughout the Project, and each Owner shall be responsible for his negligence or misuse of any of the Common Elements or of his own facilities resulting in damage to the Common Elements.

6. Rules and Regulations. Non-Discriminatory regulations concerning the use of the Project shall be promulgated from time to time by the Developer or the Board of Directors of the Association and such regulations, and subsequent regulations

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duly adopted from time to time, shall be binding on all members of the Association unless duly amended by a majority of the Timeshare Units.

7. Vehicles. Vehicles not in operating condition shall not be parked at the Project for more than 24 hours. No parking space shall be converted for living, recreational or business purposes, nor shall anything be stored in any parking space so as to prevent the parking of a vehicle therein.

8. Sales Office. None of the restrictions contained in this Section 3.11 shall apply to the sales office, sales models and other commercial activities or signs or billboards, if any, of Developer, or any successor developer, including United Export, during the sales period of the Project or of the Association in furtherance of its powers and purposes set forth herein and/or in its Articles of Incorporation and By-Laws as the same may be amended from time to time, including without limitation the power of the Association to own a Timeshare Unit for the use and enjoyment of the resident manager of the Project. The Developer shall use due diligence to sell all Timeshare Interests in the Project, but the Developer, or any successor developer, including United Export, shall be able to sell any Timeshare Unit for any condominium project from the clubhouse at the Project.

9. Enforceability. These restrictive covenants as to the use of the Timeshare Units and the Common Elements shall be a burden upon the fee title to the Land and shall run with the title to the Land until duly amended by the Association as herein permitted.

B. RESIDENTIAL UNIT RESTRICTIONS

1. Residential Use. No Residential Unit in the Project shall be used for other than residential purposes or co-tenancy purposes. Any Timeshare Unit not designated as a "Commercial Condominium" on Exhibits "C-5", "C-6", or "C-7" attached hereto is designated as a Residential Unit.

2. Right to Lease. Owners shall be permitted to lease their Timeshare Interest for transient or hotel purposes. No Owner may lease less than the entire Timeshare Unit in which such Owner has a Timeshare Interest. Any lease agreement shall be in writing and shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the By-Laws, and that any failure by the lessee to comply with the terms of such documents shall be a default

under the lease. A copy of said lease shall be filed with the Association.

3. Signs. No signs or other advertising devices which are visible from the exterior of any Timeshare Unit or upon the Common Elements shall be displayed, including "For Sale" signs, without prior written permission from the Association.

C. COMMERCIAL UNIT RESTRICTIONS

1. Commercial Use. Commercial Units are indicated as Commercial Units on the attached Exhibits "C-5", "C-6", and "C-7". Commercial Units shall be used for commercial, business or retail purposes only, including but not limited to, a restaurant, a private club, a gift or souvenir shop, a leasing office, a business office, a drug store, or other business use. No video game parlour or other game shop shall be allowed in a Commercial Unit except with the prior written permission and authority from the Board and Officers of the Association.

2. Use of Condominium Project Facilities. No business invitees or guests of any Commercial Unit shall be permitted to use the swimming pool, tennis courts, or other General Common Element facilities of the Project; provided however, the business invitees and guests of any Commercial Unit shall be permitted to use the General Common Element parking facilities, and upon proper arrangement and payment of fees to the Association, the Owner of a Commercial Unit may provide permission for the Commercial Units' business invitees and guests to use such previously listed restricted General Common Elements. At all times the Owner of a Commercial Unit, and their family members, or if the Owner of the Commercial Unit is a partnership or corporation, all of the family members of each partner or of each officer of the corporation, shall be permitted to use all of the General Common Elements of the Project. The Owner of a Commercial Unit shall at all times keep a list of all such family members, partners, or corporate officers, their names, and addresses, on file with the Association.

3.12 ELECTRICAL METERS

The Association shall maintain all pre-wired modular-type metering cabinets installed in the Project, including the maintenance of replacement parts with respect thereto, it being understood that Houston Lighting & Power Company or its successor will not maintain any such spare parts nor perform any repairs on such modular-type metering cabinets and that failure by the Association to timely repair such modular metering cabinets (or maintain an adequate number

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of spare parts with respect thereto) may result in termination of electrical service to the Project (or particular Timeshare Unit) until such repairs are completed or such spare parts obtained.

3.13 AGREEMENT OF SQUARE FOOTAGE

It is expressly agreed and each and every purchaser of a Timeshare Interest, his heirs, executors, administrators, assigns and grantees hereby agree that the square footage, size and dimensions of each Timeshare Unit, as set out or shown in this Declaration or in the survey plats exhibited hereto, are approximate and are shown for descriptive purposes only. Neither the Developer, nor any subsequent developer including United Export, warrants, guarantees or represents that any Timeshare Unit actually contains the area, square footage or dimensions shown by the plat thereof. Each purchaser and Owner of a Timeshare Interest agrees that the Timeshare Unit of which such Timeshare Interest is a part is as actually and physically existing at the time such purchase is closed. Each purchaser of a Timeshare Interest expressly waives any claim or demand which such Owner may have against the Developer or any person whomsoever on account of any difference, shortage or discrepancy between the Timeshare Unit as actually and physically existing and as it is shown on the respective plat thereof exhibited hereto. It is specifically agreed that in interpreting deeds, mortgages, deeds of trust and other instruments for any purposes whatsoever or in connection with any matter, the existing physical boundaries of the Timeshare Unit shall be conclusively presumed to be the boundaries regardless of settling, rising or lateral movements of the Building, and regardless of variances between boundaries as shown on the plat and those of the Building.

3.14 MAINTENANCE WEEKS

In each Timeshare Unit, at least one Timeshare Week shall be reserved for maintenance or repair. United Export, as successor to the Developer, is the current owner of all maintenance weeks, and shall have the obligation to designate a maintenance week for each Timeshare Unit. United Export shall have the right to convey any and all maintenance weeks, and any Timeshare Interest associated with such maintenance weeks, to the Association at any time for One Dollar and No/100 (\$1.00) per maintenance week.

Prior to the conveyance of any maintenance week, any income or expenses allocable to said maintenance week shall be charged or credited to the Owner thereof. Subsequent to the conveyance of any maintenance week, the Association shall have the obligation to designate such maintenance week for each Timeshare Unit, and any income or expenses allocable to said maintenance week shall be charged or credited to the Association.

IV.

ADMINISTRATION

The administration of the Project shall be governed by the Declaration and the Amended and Restated By-Laws of The Galleon of Galveston Owners Association, Inc., a non-profit corporation, and the Articles of Incorporation of such Association, hereinafter referred to as the "Association". A copy of the Amended and Restated By-Laws is attached hereto as Exhibit "B" and incorporated herein; and same shall be deemed adopted by the Association, and all Owners shall be bound thereby. "Association" as here used shall refer to the member Owners as a group. A certified copy of the Certificate of Incorporation of The Galleon of Galveston Owners Association, Inc. shall be recorded and shall provide that three (3) persons shall act as a Board of Directors and shall serve as the Directors until their successors have been elected and qualified. An Owner, upon becoming an Owner, shall be a member of the Association and shall retain a membership for the period of his ownership of a Timeshare Interest. The aggregate number of votes for all members of the Association shall be one hundred fifty-nine (159), with each Timeshare Unit, both residential and commercial, entitled to one (1) vote. The vote of each Timeshare Unit shall be determined by a simple majority vote of all Timeshare Weeks for a Timeshare Unit voting on such matter. Owners shall cast (1) vote for each Timeshare Week owned. The Board of Directors may retain a managing agent ("Managing Agent") for The Galleon of Galveston Condominiums, with responsibilities of the Managing Agent as may be determined by the Board of Directors. Any management agreement shall not have a term of more than one (1) year, and shall be terminable without cause upon thirty (30) days written notice. The "Association Date" shall be (i) the date on which Developer or United Export as successor thereto elects to call the first meeting of the Owners for election of a Board of Directors; or (ii) December 1, 1989, or, (iii) one hundred twenty (120) days after seventy-five percent (75%) of the Timeshare Interests shall have been purchased at a real estate closing by Owners, whichever occurs first. On the Association Date, all powers of the Developer or its successor, United Export, shall terminate with regard to the administration and control of the Association.

V.

MAINTENANCE

5.1 TIMESHARE UNIT AND LIMITED COMMON ELEMENTS

The Owners in a particular Timeshare Unit shall maintain and keep in repair the interior of the Timeshare Unit, including the fixtures thereof. All fixtures and equipment, including the heating

and air conditioning system, installed within the Timeshare Unit, commencing at a point where the utility lines, pipes, wires, conduits or systems (which for brevity are hereafter referred to as "utilities") enter the Timeshare Unit shall be maintained and kept in repair by the Owners of the Timeshare Interests therein. Without limitation on the generality of the foregoing, the Owners shall maintain and keep a good repair (and replace, if so required) the air conditioning compressor, hot water heater units, fans, ductwork, heating unit and cooling coils, utilized in and for such Timeshare Unit; as well as all other fixtures situated within or installed into the Limited Common Elements appurtenant to such Timeshare Unit; and an Owner shall be obliged to promptly repair and replace any broken or cracked windows and doors. The Owners' obligation to maintain and repair as set forth herein shall also extend to any damage caused by the Owners' guests, tenants and invitees. Should an Owner fail to maintain or repair a Timeshare Unit or the Limited Common Elements within the Timeshare Unit, then the Association shall have the right to perform such maintenance and repair as it deems reasonably necessary for the benefit of the Association and the other Owners of Timeshare Interests in such Timeshare Unit, and the costs thereof shall become a Special Assessment against such Owner and his Timeshare Interest, or such Special Assessment may be prorated over all Owners of Timeshare Interests in a Timeshare Unit and their Timeshare Interests in the sole discretion of the Association.

5.2 LIMITATION ON WORK

An Owner shall do no act nor any work that will impair the structural soundness or integrity of the Timeshare Unit or the Building or impair any easement or hereditament. No Owner shall in any way alter, modify, add to, or otherwise perform any work whatever upon any of the General Common Elements, save with written consent of the Board of Directors first obtained.

5.3 OWNERSHIP

The Owners of Timeshare Interests in a Timeshare Unit shall not be deemed to own the undecorated and/or unfinished surfaces of the perimeter walls, floors and ceilings surrounding the Timeshare Unit, nor shall such Owners be deemed to own the utilities running through the Timeshare Unit which are utilized for, or serve more than one Timeshare Unit, except as a tenant-in-common with the other Owners. The Owners, however, shall be deemed to own and shall maintain the inner decorated and/or finished surfaces of the perimeter and interior walls, floors, and ceilings, doors, windows, and other such elements consisting of paint, wallpaper, and other such finishing materials of the Timeshare Unit.

5.4 COMPLIANCE

Each Owner shall comply strictly with the provisions of this Declaration, By-Laws, and the decisions and resolutions of the Association adopted pursuant thereto as the same may be lawfully amended from time to time. Failure to comply with any of the same shall be ground for an action to recover sums due for damages or injunctive relief, or both, including but not limited to, court costs and reasonable attorney's fees, maintainable by the Managing Agent or Board of Directors on behalf of the Owners, or, in proper cases, by an aggrieved Owner.

VI.

EXPENSES

6.1 COMMON EXPENSES AND RESERVE

The costs and expenses of administration and of maintenance and repairs of the General Common Elements, and in the proper case, the Limited Common Elements of the Project and the Timeshare Units, and any other expenses lawfully agreed upon by the Association, shall be borne pro-rata by all Owners, which expenses have been herein before defined as "Common Expenses". The Common Expenses for the fiscal year will be estimated by the Managing Agent and each Owner shall pay their pro-rata share of the Common Expenses on an annual basis. The actual Common Expenses will be determined on a pro-rata basis for each Timeshare Unit per year. If after determination of the actual per Timeshare Unit Common Expenses, an Owner, other than the Developer, has paid more than their actual pro-rata share of the Common Expenses, then that Owner's excess may be retained by the Association and credited to the account for future Assessments of said Owner, or the excess may be refunded to said Owner, as the members of the Association may determine. Prior to the Association Date, the Developer shall not be entitled to any refund for the deficiency paid on behalf of the Association. The Association shall provide for future contingencies through the creation of a reserve or surplus fund. Payment of an Assessment into the reserve fund shall not be a part of, nor be considered to be, a Common Expense.

6.2 ASSESSMENTS

The Assessments made to provide funds for Common Expenses shall be based upon the cash operating requirements deemed to be such aggregate sum as the Association shall from time to time determine is to be paid by all of the Owners. Such Assessments shall be to provide for the payment of all estimated expenses arising out of or connected with the maintenance and operation of the General Common Elements or Limited Common Elements, which sum may include, in

addition to the costs set forth in Article 1.6E, hereof, among other things, cost of management, taxes, assessments, fire insurance with extended coverage and vandalism and malicious mischief with endorsements attached, issued in the amount of the maximum and public liability and other insurance premiums, landscaping and care of grounds, common lighting, repairs and renovations, garbage collections, wages, water charges, legal and accounting fees, management fees, expenses and liabilities incurred by the Managing Agent or Board of Directors under or by reason of the Declaration, and the payment of any deficit remaining from a previous period, (except for operating deficits incurred by the Developer prior to the Association Date), the reserve fund provided in Article 10.4, as well as other costs and expenses relating to the General Common Elements or Limited Common Elements. The Association may levy a Special Assessment on all Owners of the Association. The Association shall vote as provided in Article VIII, Section 2B of the By-Laws for THE GALLEON OF GALVESTON CONDOMINIUMS. The omission or failure of the Board to fix the Assessment for any year shall not be deemed a waiver, modification, or a release of the Owners from the obligation to pay.

6.3 INSURANCE

The Managing Agent or Board of Directors shall obtain and maintain at all times insurance of the type and kind provided herein, and included for such other risks, of a similar or dissimilar nature, as are or shall hereafter customarily be covered with respect to other condominium buildings, fixtures, equipment and personal property, similar in construction, design and use, issued by responsible insurance companies authorized to do business in the State of Texas. Additionally, the Association shall carry fidelity insurance as related to the officers and directors of the Association and the Association's administration thereof. The insurance shall be carried in blanket policy form naming the Association the insured, which policy or policies shall identify the interest of each Owner and which shall provide for a standard, non-contributory mortgage clause in favor of each First Mortgagee. It shall also provide that it cannot be cancelled by either the insured or the insurance company until after ten (10) days prior written notice to each First Mortgagee. The Managing Agent or Board of Directors shall, upon request of any First Mortgagee, furnish a certified copy of such blanket policy and the separate certificate identifying the interest of the mortgagor. All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Owner guilty of a breach of warranty, act, omission, negligence or non-compliance with any provision of such policy, including payment of the insurance premium applicable to that Owner's Timeshare Interest, or who permits or

fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under such policy, as to the Timeshare Interest of all other insured Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect. Further, such policies shall contain provisions requiring that the insurer waive its subrogation rights with respect to asserting any claim it might have against negligent Owners.

6.4 PAYMENT DATE

All Owners shall be obligated to pay the Assessments imposed by the Board of Directors or Managing Agent of the Association. Assessments for the Common Expenses, including, without limitation, insurance premiums, and ad valorem taxes, and reserves when established, shall be due annually within thirty (30) days after the date of the Assessment statement. The annual Assessment shall commence on the date fixed by the Board of Directors or the Managing Agent of the Association. Any Assessments which are not paid when due shall be delinquent. If the Assessment is not paid within thirty (30) days after the date of the Assessment statement, the Assessment shall bear interest from the due date at the maximum lawful rate of interest, and the Association may bring an action at law against the Owner personally obligated to pay the Assessment or foreclose the lie. against the Owner's Timeshare Interest as set forth in Article 6.6 of the Declaration. The obligation for the annual Assessment shall be prorated if the ownership of a Timeshare Interest commences on a day other than the first day of the annual Assessment period. Special Assessments shall be due and payable at such time as the Board of Directors shall establish.

6.5 ALL OWNERS OBLIGATED

No Owner may exempt himself from liability for his contribution towards the Common Expenses by waiver of the use or enjoyment of any of the General or Limited Common Elements, or by abandonment of his Timeshare Interest.

6.6 LIEN FOR ASSESSMENTS

All unpaid Assessments against any Timeshare Interest, together with interest thereon at the maximum non-usurious annual rate allowed by law, cost of collection, and attorney's fees incurred for collection shall constitute a contractual lien on such Timeshare Interest superior (prior) to all other liens and encumbrances, except only for:

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(a) Tax and special assessment liens in favor of any governmental body with taxing authority over the Timeshare interests, and

(b) A first Mortgage or first Deed of Trust recorded prior to the delinquency of payment of such Assessment, including all unpaid obligatory sums as may be provided by such encumbrance.

To evidence such lien the Board of Directors or Managing Agent may, but shall not be required to, prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of the Timeshare Interest and a description of the Timeshare Interest. Such a notice shall be signed by one of the Directors or by the Managing Agent and may be recorded in the office of the Clerk of Galveston County, Texas. Such lien may be enforced by non-judicial foreclosure by the Association of the lien against the defaulting Owner's Timeshare Interest in accordance with the provisions of §51.002 of the Texas Property Code (as said Section 51.002 now exists or may be hereafter amended or succeeded); and each such Owner hereby expressly grants the Association a power of sale in connection therewith. The Association shall, whenever it proceeds with a non-judicial foreclosure pursuant to the provisions of said Section 51.002 of the Texas Property Code and said power of sale, designate in writing a Trustee to post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. The Trustee may be changed at any time and from time to time by the Association by means of a written instrument executed by the President or any Vice President of the Association and filed for record in the Real Property Records of Galveston County, Texas. In the event that the Association has determined to non-judicially foreclose the lien provided herein pursuant to the provisions of said Section 51.002 of the Texas Property Code and to exercise the power of sale hereby granted, the Association shall mail to the defaulting Owner a copy of the Notice of Trustee's Sale not less than twenty-one (21) days prior to the date on which said sale is scheduled by posting such Notice through the U.S. Postal Service, postage prepaid, registered or certified, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Association. If required by law, the Association or Trustee shall also cause a copy of the Notice of Trustee's Sale to be recorded in the Real Property Records of Galveston County, Texas. Out of the proceeds of such sale, if any, there shall first be paid all expenses incurred by the Association in connection with such default, including reasonable attorney's fees and a reasonable Trustee's fee; second, from such proceeds there shall be paid to the Association an amount equal to the amount of default; third, from such proceeds there shall be paid taxes and special assessment liens in favor of any assessing entity; fourth, from such proceeds there shall be paid the balance of the lien of any

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first mortgage; fifth, from such proceeds there shall be paid junior liens and encumbrances in order of and to the extent of their priority; and the remaining balance shall be paid to the Owner. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceedings, the costs and expenses for filing the notice or claim of lien and all reasonable attorney's fees. The Association shall have the power to purchase the Timeshare Interest at foreclosure sale and to acquire and hold, lease, mortgage and convey same. Additionally, the lien attaching hereunder may be foreclosed judicially. The acquisition of a Timeshare Interest shall be deemed the agreement of an Owner to execute and deliver any documents that may be reasonably required by the Managing Agent or Board of Directors to evidence this lien. If the Owner refuses, the Managing Agent shall be irrevocably vested with a power of attorney for such non-signing Owner, to execute and deliver such documents to the Association.

In addition to the lien herein imposed, a Vendor's lien may be retained in each deed from Developer or a successor to the Developer, including United Export, to a Timeshare Interest in order to secure the payment of all sums due under this Declaration, subordinate, however, as above set forth.

The amount of the Assessment against each Timeshare Interest shall also be a debt of the Owner thereof at the time the Assessment is made. Suit to recover a money judgment for unpaid Assessment shall be maintainable without foreclosing or waiving the lien securing same.

Any person or entity holding a lien on a Timeshare Interest may pay any unpaid Assessments payable with respect to such Timeshare Interest, and upon such payment such person or entity shall have a lien on such Timeshare Interest for the amounts paid of the same rank as the prior lien.

The Association shall have the right to prevent the use and enjoyment of a Timeshare Interest by any Owner, or Owner's family, guests or invitees, if Owner has not paid all Assessments due to the Association.

6.7 ESTOPPEL STATEMENTS

Upon the written request of any Owner or any encumbrancer or prospective encumbrancer of a Timeshare Interest, and upon payment of a reasonable fee as may from time to time be set by the Association, the Association, by its Managing Agent or Board of Directors shall issue a written statement setting forth the unpaid Assessment, if any, with respect to the subject Timeshare Interest, the amount of the current annual Assessments and the date that such Assessment

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becomes due, credit for advanced payments or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Association for all persons who rely thereon in good faith. Unless such request for a statement of indebtedness shall be complied with within twenty (20) days, all unpaid Assessments which become due prior to the date of making of such request shall be subordinate to the lien of the person requesting such statement.

6.8 LIABILITY

The grantee of a Timeshare Interest shall be jointly and severally liable with the grantor for all unpaid prior Assessments against the latter and for his proportionate share of the Assessments up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor; provided, however, that upon written request, and payment of a reasonable fee as determined by the Association, any such prospective grantee shall be entitled to a statement from the Managing Agent or Board of Directors, setting forth the amount of the unpaid Assessments, if any, with respect to the subject Timeshare Interest, the amount of the current annual Assessment and the date that such Assessment becomes due, credit for advanced payments or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Association. Unless such request for a statement of indebtedness shall be complied with within twenty (20) days of such request, then such grantee shall not be liable for, nor shall the Timeshare Interest conveyed be subject to a lien for, any unpaid prior Assessments against the subject Timeshare Interest.

VII.

FINANCING

7.1 RIGHT TO FINANCE

Any Owner shall have the right from time to time to mortgage or encumber his Timeshare Interest by deed of trust, mortgage or other security instrument, provided that such first deed of trust, mortgage and security agreement shall be subordinate to this Declaration, unless herein specifically provided to the contrary. A first mortgage shall be one which has first and paramount priority under applicable law. An Owner may create a second mortgage against his Timeshare Interest on the following conditions: (1) that any such second mortgage shall always be subordinate to all of the terms, conditions, covenants, restrictions, uses, limitations, obligations, liens for Assessments, and other payments created by this Declaration and by the By-Laws; and (2) that the mortgagee under any second mortgage shall release, for the purpose of restoration of any

improvements upon the mortgaged premises, all of his right, title and interest in and to the proceeds under all insurance policies upon said mortgaged premises, which insurance policies were effected and placed upon the mortgaged premises by the Association. Such release shall be furnished forthwith by a second mortgagee upon written request to the Association.

7.2 FORECLOSURE

Any First Mortgagee, upon foreclosure of its lien on a Timeshare Interest, or upon acceptance of a deed in lieu of foreclosure thereon, shall not be required to pay any unpaid Assessments owing on said Timeshare Interest. Any Assessment lien created or claimed under the provisions of this Declaration shall be subject and subordinate to the rights of any First Mortgagee of any duly recorded first mortgage upon one or more Timeshare Interests made in good faith and for value. No lien created under the provisions hereof shall in any way defeat, invalidate or impair the rights of any First Mortgagee under any such duly recorded first mortgage unless such First Mortgagee shall expressly subordinate its interest, in writing, to such lien.

7.3 AMENDMENT AFFECTING FINANCING

No amendment to this Declaration shall affect the rights of the mortgagee of any such mortgage which is made in good faith and for value; provided that any such mortgage is recorded prior to the recordation of such amendment and written notice of delivery and recordation of such mortgage is given to the Association; provided further that the benefit of this Article 7.3 shall not apply to the mortgagee of any such prior mortgage unless such mortgagee shall either join in the execution of such amendment or shall approve said amendment in writing as a part of said amendment.

7.4 BREACH

No breach of any provision of this Declaration shall impair or invalidate any lien of any duly recorded mortgage made in good faith and for value encumbering one or more Timeshare Interests; provided however, that all the covenants conditions, restrictions, limitations, reservations, grants of assessments, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall be binding upon and effective against any person who acquires title to or any beneficial interest in any Timeshare Interest by way of foreclosure, or otherwise.

VIII.

DAMAGE, REPLACEMENT AND REPAIR

8.1 POWER OF ATTORNEY

All of the Owners, by the acceptance of any deed or other conveyance of a Timeshare Interest, irrevocably name, designate, constitute and appoint the The Galleon of Galveston Owners Association, Inc., a non-profit corporation, or its successor non-profit corporation, if same be hereafter organized, their true and lawful attorney-in-fact in their name, place, and stead, for the purpose of dealing with the Property upon its destruction or obsolescence as is hereafter provided, and for the purpose of execution by all the Owners of all easements, rights-of-way, plats, subordinations to plats or liens, or any other document which may be required by any governmental authority. This power of attorney shall be coupled with an interest and is irrevocable. As attorney-in-fact, the Association, by its President and Secretary, shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or any other instrument with respect to the Timeshare Interest of an Owner which are necessary and appropriate to exercise the powers herein granted.

8.2 DEFINITION OF REPAIRS

Repair and reconstruction of the improvement(s) as used in the succeeding Articles 8.3 - 8.9 means restoring the improvement(s) to substantially the same conditions in which it existed prior to the damage, with each Timeshare Unit and the General and Limited Common Elements having the same vertical and horizontal boundaries as before. The proceeds of any insurance collected shall be made available to the Association for the purpose of repair, restoration or replacements unless the Owners and First Mortgagees agree not to rebuild in accordance with the provisions set forth hereinafter.

8.3 RECONSTRUCTION WITH INSURANCE PROCEEDS

In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvement(s), shall be applied by the Association, as attorney-in-fact, to such reconstruction, and the improvement(s) shall be promptly repaired and reconstructed.

8.4 ASSESSMENT IF INSURANCE IS INSUFFICIENT

If the insurance proceeds are insufficient to repair and reconstruct the improvement(s), and if such damage is not more than two-thirds (2/3) of all of the General Common Elements, not including

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land, such damage or destruction shall be promptly repaired and reconstructed by the Association, as attorney-in-fact, using the proceeds of insurance and the proceeds of an Assessment to be made against all the Owners and their Timeshare Interests. Such deficiency Assessment shall be a Common Expense made pro rata according to each Owner's percentage interest in and to the General Common Elements and shall be due and payable within thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the Assessment. The Assessment provided for herein shall be a debt of each Owner and a lien on his Timeshare Interest and may be enforced and collected as is provided in Article 6.6. In addition thereto, the Association as attorney-in-fact, shall have the absolute right and power to sell the Timeshare Interest of any Owner refusing or failing to pay such deficiency Assessment within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Timeshare Interest of the delinquent Owner shall be sold by the Association, and each Owner by the acceptance of the conveyance of a Timeshare Interest does hereby grant to the Association the limited power of sale as herein stipulated. The proceeds derived from the sale of such Timeshare Interest shall be used and disbursed by the Association, as attorney-in-fact, in following order:

- A. For payment of taxes and special assessment liens in favor of any assessing entity;
- B. For payment of the balance of the lien of any first mortgage;
- C. For payment of unpaid Assessments;
- D. For payment of junior liens and encumbrances in order of and to the extent of their priority; and
- E. The balance remaining, if any, shall be paid to the Owner.

8.5 SALE AFTER DESTRUCTION

If more than two-thirds (2/3) of all of the General Common Elements, not including the Land, are destroyed or damaged, and if Owners of a majority of the Timeshare Interests in seventy-five percent (75%) of the Timeshare Units then under construction or completed do not voluntarily, within one hundred and twenty (120) days thereafter, make provision for reconstruction, which plan must have the approval or consent of First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, the Association shall forthwith

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record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's president and secretary, the Entire Premises shall be sold by the Association, as attorney-in-fact for all of the Owners, free and clear of the provisions contained in this Declaration, the Map and the By-Laws. The insurance settlement proceeds shall be collected by the Association, and such proceeds shall be divided by the Association according to each Timeshare Interest Owner's interest (based upon each Timeshare Interest Owner's percentage interest in the General Common Elements), and such dividend proceeds shall be accounted for as separate accounts, each such account representing one of the Timeshare Interests. From each separate account, the Association, as attorney-in-fact shall use and disburse the total amount of each such account, without contribution from any account to another, toward the full payment of the lien of any first mortgage against the Timeshare Interest represented by such separate account. There shall be added to each such account, the apportioned amount of the proceeds derived from the sale of the Entire Premises. Such apportionment shall be based upon each Owner's percentage interest in the General Common Elements. The total funds of each account shall be used and disbursed, without contribution from one account to another, by the Association, as attorney-in-fact, for the same purposes and in the same order as is provided in this Article.

8.6 PLAN FOR RECONSTRUCTION

Any Assessment made in connection with such reconstruction plan shall be a Common Expense and made pro-rata according to each Owner's percentage interest in the General Common Elements and shall be due and payable as provided by the terms of such plan, but not sooner than thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the Assessment. The Assessment provided for herein shall be a debt of each Owner and a lien on his Timeshare Interest and may be enforced and collected as is provided in Article 6.6. In addition thereto, the Association, as attorney-in-fact, shall have the absolute right and power to sell the Timeshare Interest of any Owner refusing or failing to pay such Assessment within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Timeshare Interest of the delinquent Owner shall be sold by the Association. Each Owner by the acceptance of a conveyance of any Timeshare Interest hereby grants to the Association the limited power of sale herein set forth. The proceeds derived from the sale of such Timeshare Interest shall be used and disbursed by the Association, as attorney-in-fact, for the same purposes and in the same order as is provided in Article 8.4 hereof.

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8.7 OBSOLESCENCE AND REPLACEMENT

Subject to the approval of First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, the Owners representing a majority of the Timeshare Interests in Timeshare Units then under construction or completed, or more, may agree that the General Common Elements of the Property are obsolete and that the same should be renewed or reconstructed. In such instance, then the expense thereof shall be payable by all of the Owners as Common Expense which shall be paid by the Owners, if determined by the Board of Directors, as a Special Assessment.

8.8 OBSOLESCENCE AND SALE

Subject to the approval of all mortgagees, all of the Owners of Timeshare Interests in Timeshare Units then under construction or completed, may agree that the Timeshare Units and Common Elements of the Property are obsolete and that the same should be sold. In such instance, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's president and secretary, the Entire Premises shall be sold by the Association, as attorney-in-fact, for all of the Owners, free and clear of the provisions contained in this Declaration, the Map and the By-Laws. The sales proceeds shall be apportioned between the Owners on the basis of each Owner's percentage interest in the General Common Elements, and such apportioned proceeds shall be accounted for in separate accounts, each such account representing one Timeshare Interest. From each separate account, the Association, as attorney-in-fact, shall use and disburse the total amount (of Each) of such funds, without contribution from one fund to another, for the same purposes and in the same order as is provided in Article 8.4 hereof.

8.9 TRUST FUND

Notwithstanding any provisions contained herein to the contrary, all insurance proceeds and any Assessments under Article 8.4 received by the Association with respect to any damage or destruction of the Property shall be paid to a bank or other financial institution (the "Insurance Trustee") approved by the Board of Directors of the Association and First Mortgagees holding first mortgages against a majority of the Timeshare Weeks that are subject to first mortgages, to be held in trust for the benefit of the Association, the Owners and the First Mortgagees, as their respective interests may appear, unless First Mortgagees holding first mortgages against seventy-five (75%) of the Timeshare Weeks that are subject to first mortgages execute written waivers of the provisions of this Article 8.9. The Insurance Trustee shall make disbursements from the trust account for

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necessary restoration, repair or replacement work on the Property (herein called the "Work"). Such disbursements shall be made by the Insurance Trustee from time to time to the Association (or, at the option of the Insurance Trustee, jointly to the Association and the persons furnishing labor and/or materials incident to the Work, or directly to such persons) as the Work progresses, subject to the following conditions:

A. If the cost of the Work exceeds \$25,000.00, a licensed architect or engineer shall be retained by the Association to supervise the Work;

B. Each request for payment shall be made on ten days prior written notice to the Insurance Trustee and shall be accompanied by a certificate by the architect or engineer supervising the Work (if one is required pursuant to subparagraph (a) above), otherwise by the Board of Directors of the Association or its authorized agent, stating, among such other matters as may be reasonably required by the Insurance Trustee that:

1. All the Work completed has been performed in compliance with the plans and specifications;

2. The sum requested is justly required to reimburse the Association for payments by the Association to, or is justly due to the contractor, subcontractors, materialmen, laborers, engineers, architects or other persons rendering services or materials for the Work (giving a brief description of such services and materials); and

3. When added to all sums previously paid out by the Association, the sum requested does not exceed the value of the Work done to the date of such certificate.

C. Each request shall be accompanied by waivers of lien or paid invoices satisfactory in form and substance to the Insurance Trustee covering that part of the Work for which payment or reimbursement is being requested; and

D. In the case of the request for the final disbursement, such request is accompanied by any Certificate of Occupancy or other certificate required for lawful occupancy of the damaged area. If, upon completion of the Work to the satisfaction of the Insurance Trustee or upon the election not to repair or restore the Project in accordance with this Article, any portion of the trust account has not been disbursed pursuant to the foregoing provisions, the Insurance Trustee shall disburse such balance to

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the Association. At its election, the Insurance Trustee may withhold from each disbursement 10% of the amount otherwise herein provided to be disbursed, and may continue to withhold such sum, until the time permitted for perfecting liens against the improvements has expired, at which time the amount withheld shall be disbursed in accordance with the foregoing provisions.

IX.

OPERATION DURING CONSTRUCTION, ETC.

Notwithstanding any other provision expressly or impliedly to the contrary in this Declaration, United Export as successor to the Developer reserves the right to exercise the rights, duties, and functions of the Association, Board of Directors, or Managing Agent, until management of the Project has been transferred to the Owners as provided in Article IV, including the exclusive right and power to delegate to others the duties of the Manager or Managing Agent, or both. The compensation or fee to be paid therefor shall be reasonable, and shall be a part of the Common Expenses.

X.

PROTECTION OF MORTGAGEE

10.1 NOTICE TO ASSOCIATION

An Owner who mortgages his Timeshare Interest shall notify the Association, giving the name and address of his mortgagee. Each mortgagee shall be permitted to notify the Association of the fact that such mortgagee holds a deed of trust or mortgage on a Timeshare Interest. The Board shall maintain such information in a book entitled "Mortgagees of Timeshare Interests".

10.2 NOTICE OF DEFAULT

The Association shall notify a First Mortgagee in writing, upon the prior written request of such First Mortgagee, of any default by the Mortgagor in the performance of such Mortgagor's obligations as set forth in the Declaration which is not cured within thirty (30) days.

10.3 EXAMINATION OF BOOKS

The Association shall permit First Mortgagees, the Veterans' Administration, Federal Housing Administration, Federal National Mortgage Association and any other similarly secured or guaranteed mortgage agency or authority with an interest in any loan related to

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the Project, to examine the books and record of the Association upon request.

10.4 RESERVE FUND

The Association shall establish adequate reserve funds, as hereinabove provided in Article 6.1, for replacement of Common Element components and the same shall be paid by an Owner in the annual Assessment. In addition, there may be established a reasonable working capital fund for the operation of the Association.

10.5 ANNUAL AUDITS

The Association shall furnish each First Mortgagee upon written request of such First Mortgagee an annual audited financial statement of the Association within ninety (90) days following the end of each fiscal year of the Association.

10.6 NOTICE OF MEETINGS

The Association shall furnish each First Mortgagee upon written request of such First Mortgagee, prior written notice of all meetings of the Association and permit the designation of a representative of such First Mortgagee to attend such meetings.

10.7 APPROVAL FOR AMENDMENTS TO DECLARATION, ETC.

The prior written approval of the First Mortgagees, and governmental agencies, if any, holding or insuring first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, shall be required for the following:

- A. Abandonment or termination of THE GALLEON OF GALVESTON CONDOMINIUMS as a Condominium Regime, except for abandonment or termination provided by law or this Declaration in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain; and
- B. Any material amendment to the Declaration or to the By-Laws of the Association; and
- C. The effectuation of any decision by the Association to terminate professional management and assume self management of the Project.

10.8 NOTICE OF DAMAGE OR DESTRUCTION

The Association shall furnish the First Mortgagees timely written notice of any substantial damage or destruction of any

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Timeshare Unit if such loss exceeds One Thousand Dollars (\$1,000.00) and of any part of the Common Elements and facilities if such loss exceeds Ten Thousand Dollars (\$10,000.00).

10.9 MANAGEMENT AGREEMENTS

Any management agreements and/or service contracts entered into by the Association shall be terminable by the Association without cause upon not more than thirty (30) days written notice, and the term of such management agreement shall not exceed the period of one (1) year, renewable by agreement of the parties to such agreement for successive one (1) year periods. In the event of the termination of a management agreement, as provided herein, the Association shall enter into a new management agreement with the new management entity prior to the effective date of the termination of the old management agreement.

10.10 TAXES, ASSESSMENTS AND CHARGES

All taxes, assessments and charges which may become liens prior to the first mortgage under local law shall relate only to the individual Timeshare Interest and not to the Project as a whole.

10.11 OTHER ACTS BY ASSOCIATION REQUIRING APPROVAL OF FIRST MORTGAGEES OR OWNERS

Unless (i) First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, and (ii) Owners of a majority of the Timeshare Interests in seventy-five percent (75%) of the Timeshare Units, have given their written approval, the Association shall not be entitled to use hazard insurance proceeds for losses to any Property (whether to Timeshare Units or to Common Elements) for other than the repair, replacement or reconstruction of such improvements, except as provided by statute in case of substantial loss to the Timeshare Units or as otherwise provided in this Declaration. The Association may not sell, convey, or encumber the General Common Elements without obtaining prior written approval of all of the First Mortgagees, unless this Declaration provides to the contrary. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Project shall not be deemed a transfer within the meaning of this Article.

XI.

TERMINATION AND REVOCATION

This Declaration may be revoked and the condominium terminated, only, as provided herein:

005-55-1787.

(a) If such revocation and termination is approved by all Owners and all mortgagees, such agreement must be evidenced by an instrument in writing and executed in a manner to provide for the conveyance of the Property and as otherwise required by the Association. Such termination shall comply with the requirements set out in Article XI(d) below and shall become effective when the agreement has been recorded in the public records of the County of Galveston, State of Texas.

(b) If destruction should occur as indicated herein, and the Property is not reconstructed as provided herein, the condominium form of ownership will be terminated and the documents herein will be revoked according to procedures provided by law and at the direction of the Board of Directors.

(c) Except as otherwise provided herein, if such termination occurs, the Owners shall own their individual Timeshare Interests in a Timeshare Unit and the Limited Common Elements related thereto as tenants-in-common, and all General Common Elements shall be owned as tenants-in-common by all Owners of Timeshare Interests. Further, the holders of mortgages and liens against the Owners' Timeshare Interests shall have mortgages and liens respectively according to the undivided tenancy-in-common interest and the separate interest of the individual Owners. All funds and other property of the Association, including insurance proceeds, if any, shall be held by the Association to be distributed in proportion to the ownership shares after all other claims on said funds are paid as determined in the discretion of the Association. The costs incurred by the Association in connection with the termination and winding up of the condominium ownership shall be borne as a Common Expense.

(d) Except as otherwise provided herein, following the termination, if any, of the condominium ownership, the Property, including General and Limited Common Elements, may be partitioned and sold upon the application by any Owner to a court for such partition agreement. Further, if the Board of Directors determines that a termination of the Declaration and Association, including articles, By-Laws, and minutes, is most advantageous, and if such determination is ratified by the written consent of all the Owners, then the directors, upon unanimous vote by said directors, may seek out the means, terms, and provisions to seek sale of the Project. However, such sale shall not work to the disadvantage of any parties who claim a lien on a Timeshare Interest. Further, the determination as to any disposition of the Project must be approved by all said parties holding mortgages or liens on any Timeshare Interest. If the directors comply with the provision herein for such disposition of the Project, each Owner shall be bound to execute any documents, including a Deed, necessary or required by said directors to conform with their decision as to disposition of the condominium property and

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appoint the Board of Directors or the Managing Agent as agent and attorney-in-fact to execute such documents and consummate the sale.

XII.

12.1 COMPLIANCE WITH DECLARATION

Each Owner shall comply strictly with the provisions of this Declaration, the Articles of Incorporation, By-Laws, rules, regulations and resolutions of the Association and any management agreement entered into by the Association as the same may from time to time be in force and effect. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages, attorney's fees, or injunctive relief or both, maintainable by the Association in behalf of the Owners, or by an aggrieved Owner.

12.2 SEVERABILITY

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

12.3 AMENDMENT

Except as permitted herein, none of the provisions of this Declaration shall be amended unless the Owners of a majority of the Timeshare Interests in at least seventy-five percent (75%) of the Timeshare Units, and First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, consent and agree to such amendment by instrument(s) duly recorded.

In addition to the rights reserved in Article 2.5, the Developer, and any successor developer including United Export reserves, and shall have the continuing right until December 1, 1989, without the joinder of any Owner or any person or entity, to amend this Declaration or the By-Laws for the purposes set forth in Article 2.5 or for the purpose of clarifying or resolving any ambiguities or conflicts herein, or correcting any inadvertent misstatements, errors or omissions herein, or to meet any requirement specified by the Veterans' Administration, Federal Housing Administration, Federal National Mortgage Association and any other similarly secured or guaranteed mortgage agency or authority with an interest in any loan related to the Project, provided that no such Amendment shall change the stated number of Timeshare Units nor the percentage interest in

the Common Elements attributable thereto, nor materially adversely affect the Timeshare Interest of any Owner.

12.4 NOTICE

All notices, demands or other notices intended to be served upon an Owner shall be sent by certified mail, postage prepaid, addressed in the name of such Owner in care of the Timeshare Unit number and building address of such Owner, or such other address as the Owner shall have delivered to the Association in accordance with the terms hereof; provided any notice to be sent to all Owners need not be sent by certified mail. All notices, demands or other notices intended to be served upon the Board of Directors of the Association, or the Association, or upon the Managing Agent shall be sent by certified mail, postage prepaid to 2401 Fountainview, Suite 628, Houston, Texas 77057, until such address is changed by notice of address change duly recorded in accordance herewith.

12.5 CONSTRUED UNDER LAWS OF TEXAS

The provisions of this Declaration shall be in addition and supplemental to the Condominium Act and the Timeshare Act of the State of Texas to all other provisions of law. All matters in connection with this Declaration shall be construed under Texas law.

12.6 WORD CONSTRUCTION

That whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the singular and the use of any gender shall include all genders.

XIII

MULTI-WEEK TIMESHARE PERIODS

13.1 SIX WEEK TIMESHARE PERIODS

The Owner or Owners of all of the Timeshare Interests in a Timeshare Unit and all mortgagees of such Timeshare Unit may designate such Timeshare Unit to be a "Six Week Timeshare Unit" by a writing signed by all such Owners and mortgagees and filed of record in the Official Records of Real Property of Galveston County, Texas. A Six Week Timeshare Unit shall allow the Owner of a Timeshare Interest therein fee simple ownership of six rotating Timeshare Weeks ("Six Week Timeshare Period") in accordance with the schedule set forth on Exhibit "F" attached hereto (calendar years 1986 through 2001). For years subsequent to 2001, the schedule included in Exhibit "F" shall be repeated (for example, 2002 shall be the same as 1986, 2003 shall be the same as 1987, etc.). Timeshare Weeks 1

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through 4 are not included in Exhibit "F", and such Timeshare Weeks shall continue to be one week Timeshare Periods. The Timeshare Periods in a Six Week Timeshare Unit shall be one week periods numbered 1, 2, 3, and 4 and Six Week Timeshare Periods lettered A, B, C, D, W, X, Y and Z in accordance with Exhibit "F". Each owner of a Six Week Timeshare Period shall own fee simple title to an undivided 11.53842% interest in the Timeshare Unit and the Common Elements allocable to such Timeshare Unit as specified in Exhibit "D" attached hereto.

13.2 ONE-TENTH TIMESHARE PERIODS

The Owner or Owners of all of the Timeshare Interests in a Timeshare Unit and all mortgagees of such Timeshare Unit may designate such Timeshare Unit to be a "One-Tenth Timeshare Unit" by a writing signed by all such Owners and mortgagees and filed of record in the Official Records of Real Property of Galveston County, Texas. A One-Tenth Timeshare Unit shall allow the Owner of a Timeshare Interest therein to fee simple ownership of five rotating Timeshare Weeks, plus an sixth Timeshare Week every ten years ("One-Tenth Timeshare Period") in accordance with the schedule set forth on Exhibit "G" attached hereto (calendar years 1987 through 1996). For years subsequent to 1996, the schedule included in Exhibit "G" shall be repeated (for example, 1997 shall be the same as 1987, 1998 shall be the same as 1988, etc.). Timeshare Week 5 is not included in Exhibit "G", as such Timeshare Week shall be retained as a maintenance week and shall not be sold to a purchaser. The Timeshare Periods in a One-Tenth Timeshare Unit shall be One-Tenth Timeshare Periods lettered E, F, G, H, J, K, L, M, N, and O in accordance with Exhibit "G". Each owner of a One-Tenth Timeshare Period shall own fee simple title to an undivided 10.00% interest in the Timeshare Unit and the Common Elements allocable to such Timeshare Unit as specified in Exhibit "D" attached hereto.

13.3 FOUR WEEK TIMESHARE PERIODS

The Owner or Owners of all of the Timeshare Interests in a Timeshare Unit and all mortgagees of such Timeshare Unit may designate such Timeshare Unit to be a "Four Week Timeshare Unit" by a writing signed by all such Owners and mortgagees and filed of record in the Official Records of Real Property of Galveston County, Texas. A Four Week Timeshare Unit shall allow the Owner of a Timeshare Interest therein fee simple ownership of four rotating Timeshare Weeks ("Four Week Timeshare Period") in accordance with the schedule set forth on Exhibit "H" attached hereto (calendar years 1987 through 1998). For years subsequent to 1998, the schedule included in Exhibit "H" shall be repeated (for example, 1999 shall be the same as 1987, 2000 shall be the same as 1988, etc.). Timeshare Weeks 1 through 4 are not included in Exhibit "H", and such Timeshare Weeks

005-55-1791.

shall continue to be one week Timeshare Periods. The Timeshare Periods in a Four Week Timeshare Unit shall be one week periods numbered 1, 2, 3, and 4 and Four Week Timeshare Periods lettered AA, BB, CC, DD, EE, FF, GG, HH, II, JJ, KK, and LL in accordance with Exhibit "H". Each owner of a Four Week Timeshare Period shall own fee simple title to an undivided 7.69228% interest in the Timeshare Unit and the Common Elements allocable to such Timeshare Unit as specified in Exhibit "D" attached hereto.

XIV

JOINDER OF LIENHOLDERS

United Export Trading Company (of Texas), Inc., Delta Savings Association of Texas and Westheimer Memorial Bank, N.A., the sole First Mortgagees of Timeshare Interests, join in this Declaration to indicate their consent thereto.

EXECUTED in multiple originals on the date first above written.

THE GALLEON OF GALVESTON OWNERS
ASSOCIATION, INC.

ATTEST:


By: 
Robert Burlet, Jr., Secretary

By: 
Bobby R. Boyette, President

UNITED EXPORT TRADING COMPANY (OF
TEXAS), INC.

ATTEST:

By: 
Robert Burlet, Jr., Secretary

By: 
Roger D. Crooks, President

005-55-1792

STATE OF TEXAS §
COUNTY OF Galveston §
§

This instrument was acknowledged before me on this 28th day of October, 1987, by Bobby R. Boyette, President of THE GALLEON OF GALVESTON OWNERS ASSOCIATION, INC., a Texas non-profit corporation, on behalf of said corporation.

Judy N. Cole
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

My Commission Expires:
12/30/89

Judy N. Cole
Printed Name of Notary Public

STATE OF TEXAS §
COUNTY OF Harris §
§

This instrument was acknowledged before me on this 28th day of October, 1987, by Roger D. Crooks, President of UNITED EXPORT TRADING COMPANY (OF TEXAS), INC., a Texas corporation, on behalf of said corporation.

Beverly R. Boyette
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

My Commission Expires:
8/18/91

Beverly R. Boyette
Printed Name of Notary Public




005-55-1793

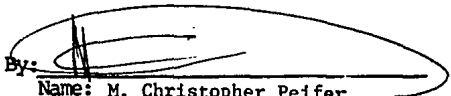
JOINDER OF LIENHOLDER

The undersigned, Delta Savings Association of Texas being the owner and holder of an existing mortgage and lien upon and against certain Timeshare Interests described in the foregoing Amended and Restated Declaration of Condominium Regime ("Declaration"), does hereby consent to and join in said Declaration.

This consent and joinder shall not be construed or operate as a release of said mortgage or liens owned and held by the undersigned, or any part thereof, but the undersigned agrees that its said mortgage and liens shall hereafter be subject to the said Declaration. November,

SIGNED AND ATTESTED by the undersigned officers of Delta Savings Association of Texas hereto authorized, this the 3rd day of October, 1987.

ATTEST 
 By: Shirley Williams
 Assistant Secretary

DELTA SAVINGS ASSOCIATION OF TEXAS
 By: 
 Name: M. Christopher Peifer
 Vice President

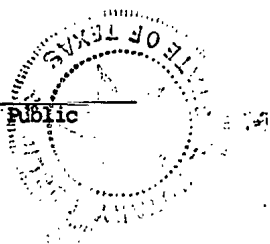
STATE OF TEXAS §
 COUNTY OF HARRIS §

November → This instrument was acknowledged before me on this 3rd day of October, 1987, by M. Christopher Peifer, Vice President of DELTA SAVINGS ASSOCIATION OF TEXAS, a Texas savings and/ association, on behalf of said association. loan

Rose Ranzau
 NOTARY PUBLIC IN AND FOR THE
 STATE OF TEXAS

My Commission Expires:
 1-26-88

Rose Ranzau
 Printed Name of Notary Public



JOINDER OF LIENHOLDER

005-55-1794

The undersigned, Westheimer Memorial Bank, N.A. being the owner and holder of an existing mortgage and lien upon and against certain Timeshare Interests described in the foregoing Amended and Restated Declaration of Condominium Regime ("Declaration"), does hereby consent to and join in said Declaration.

This consent and joinder shall not be construed or operate as a release of said mortgage or liens owned and held by the undersigned, or any part thereof, but the undersigned agrees that its said mortgage and liens shall hereafter be upon and against such Timeshare Interests, subject to the said Declaration.

SIGNED AND ATTESTED by the undersigned officers of Westheimer Memorial Bank, N.A. hereto authorized, this the 28th day of October, 1987.

WESTHEIMER MEMORIAL BANK, N.A.

ATTEST:

By: Reagan Cartwright, Jr.
Reagan Cartwright, Jr. Secretary

By: Maurice J. Potts
Maurice J. Potts President

STATE OF TEXAS
COUNTY OF HARRIS

§
§
§

This instrument was acknowledged before me on this 28th day of October, 1987, by Maurice J. Potts, President of WESTHEIMER MEMORIAL BANK, N.A., a national banking association, on behalf of said association.

Brenda Thorsen
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

My Commission Expires:

05/05/89

Brenda Thorsen
Printed Name of Notary Public

JOINDER OF LIENHOLDER

005-55-1795

The undersigned, United Export Trading Company (of Texas), Inc. being the owner and holder of an existing mortgage and lien upon and against certain Timeshare Interests described in the foregoing Amended and Restated Declaration of Condominium Regime ("Declaration"), does hereby consent to and join in said Declaration.

This consent and joinder shall not be construed or operate as a release of said mortgage or liens owned and held by the undersigned, or any part thereof, but the undersigned agrees that its said mortgage and liens shall hereafter be upon and against such Timeshare Interests, subject to the said Declaration.

SIGNED AND ATTESTED by the undersigned officers of United Export Trading Company (of Texas), Inc. hereto authorized, this the 28th day of October, 1987.

UNITED EXPORT TRADING COMPANY
(OF TEXAS), INC.

ATTEST:

By: *Robert Burlett, Jr.*
ROBERT BURLETT, JR., Secretary

By: *Roger D. Crooks*
ROGER D. CROOKS, President

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 28th day of October, 1987, by Roger D. Crooks, President of UNITED EXPORT TRADING COMPANY (OF TEXAS), INC., a Texas corporation, on behalf of said corporation.

Beverly R. Boyette
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

My Commission Expires:
8/18/91

Beverly R. Boyette
Printed Name of Notary Public



005-55-1796

EXHIBIT "A"-1"

The surface only of part of Lots 295 and 310, Section 1 of Trimble and Linsey Survey of Galveston Island, in Galveston County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at the Northeast corner of Lot 310, same being the Northwest corner of lot 295;

THENCE South 25 deg. East, along the common line between Lots 310 and 295, a distance of 672.00 feet to the place of beginning of the tract hereinafter described;

THENCE from said beginning point North 65 deg. East, across Lot 295, parallel to the Northwest line of Lot 295, a distance of 151.03 feet to a point for corner;

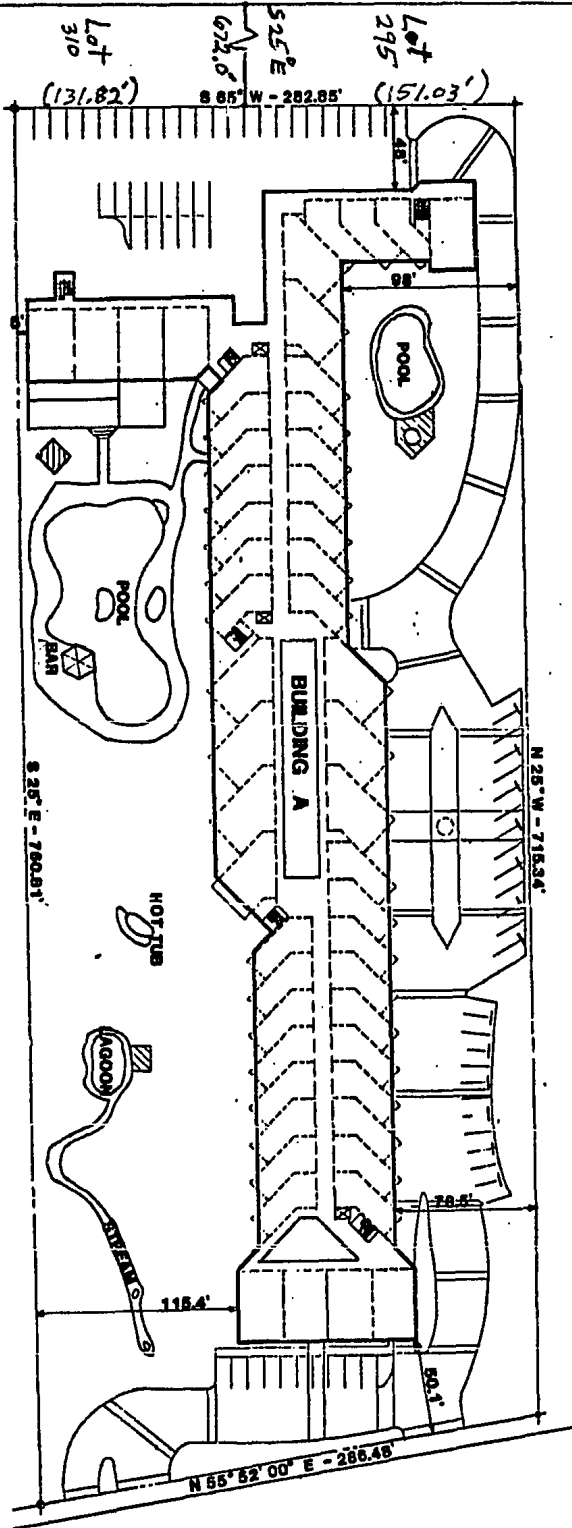
THENCE South 25 deg. East, parallel to the Southwest line of Lot 295, a distance of 715.34 feet to a point for corner;

THENCE South 55 deg. 52 min. West, along the Northerly right of way line of Seawall Boulevard, 150 foot right of way, a distance of 286.48 feet to a point for corner;

THENCE North 25 deg. 00 min. West, a distance of 760.81 feet to a point for corner;

THENCE North 65 deg. East, parallel to the Northwest line of Lot 310, a distance of 131.82 feet to the PLACE OF BEGINNING.

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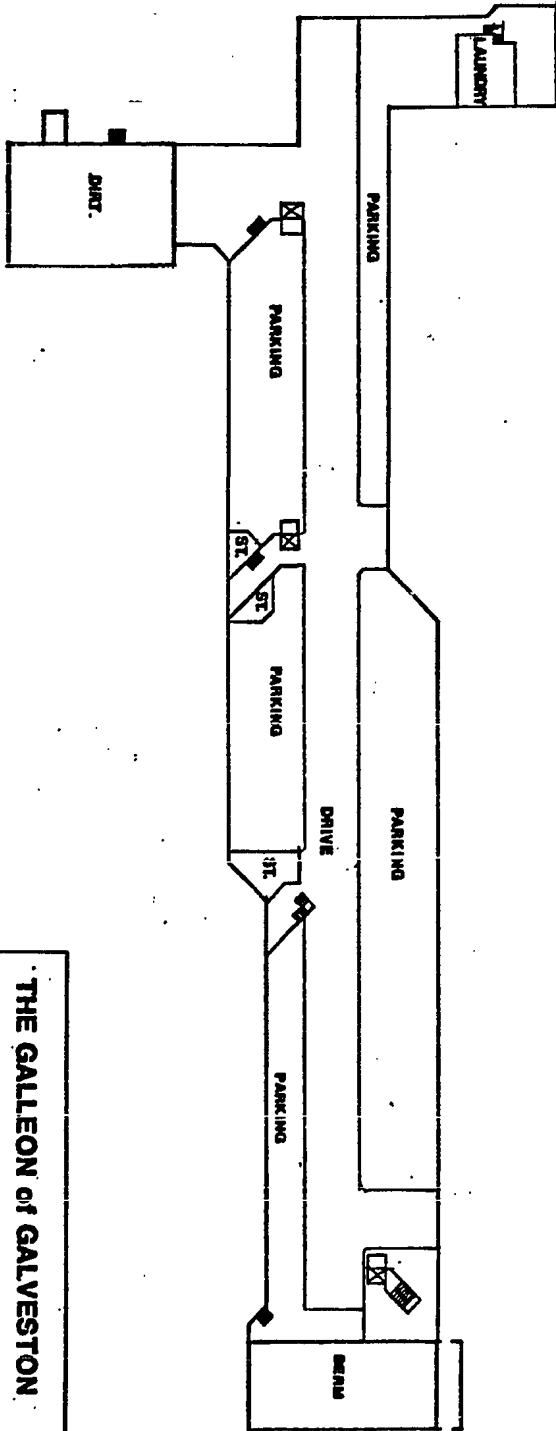


THE GALLEON of GALVESTON
9520 SEAWALL BOULEVARD
GALVESTON, TEXAS 77651

EXHIBIT A2 **SITE PLAN**



005-55-1798



THE GALLEON of GALVESTON	
PARKING FLOOR PLAN	
EXHIBIT A3	

005-55-1799

EXHIBIT "B"

TO THE AMENDED AND RESTATED DECLARATION OF CONDOMINIUM REGIME

AMENDED AND RESTATED CONDOMINIUM BY-LAWS

OF

THE GALLEON OF GALVESTON OWNERS ASSOCIATION, INC.

ARTICLE I

Section 1. Definitions.

1.1 "Act" shall mean collectively the Texas Condominium Act, Title 7 of the Texas Property Code and the Texas Timeshare Act, Title 11 of the Texas Property Code.

1.2 "Assessment" shall mean and refer to the funds required to pay Common Expenses, other lawfully agreed upon expenses, plus surplus and reserves, as such costs, expenses and reserves are determined by the Managing Agent or Board of Directors and are levied by the Board of Directors upon all of the Owners.

1.3 "Association" shall mean and refer to the The Galleon of Galveston Owners Association, Inc., its successors and assigns, comprised of the Owners of all the Units of a non-profit association, the By-Laws of which shall govern the administration of this Condominium Project and the members of which shall be all of the Owners of the Timeshare Interests.

1.4 "Building" means the building or the buildings within the Condominium Project.

1.5 "By-Laws" means the Amended and Restated By-Laws of the Association and any amendment, modification or revision hereto as herein permitted.

1.6 "Common Elements" shall mean and refer to both the General and Limited Common Elements as described herein.

1.7 "Common Expenses" means and includes:

A. All sums lawfully assessed against the General Common Elements by the Managing Agent or Board of Directors of the Association;

B. Expenses of administration and management, maintenance, repair or replacement of the General Common Elements or Limited Common Elements;

C. Expenses agreed upon as Common Expenses by the Owners; and,

D. Expenses declared Common Expenses by provisions of the Declaration and by these By-Laws.

E. Common Expenses may include, but are not limited to, the overhead expenses of the Association, costs of maintenance, repair and operation of the Common Elements, taxes and Special Assessments unless separately assessed, insurance premiums for insurance coverage as deemed desirable or necessary by the Association, utility charges for the General Common Elements (including gas, electricity, water, and sewer) trash and garbage collection, guard service, burglar alarm service, landscape maintenance, janitorial service, manager's salary, legal and accounting fees, management fees.

F. Common Expenses shall not include any reserve fund.

1.8 "Declaration" means the Amended and Restated Declaration of Condominium Regime and all Exhibits attached thereto and any amendments, modification or revision thereto as therein permitted.

1.9 "Entire Premises" or "Property" means and includes the land, buildings, all improvements and structures thereon, and all rights, easements and appurtenances belonging thereto.

1.10 "First Mortgagee" means any holder of a security interest in a Timeshare Interest, represented by a deed of trust, mortgage or security agreement giving such holder a first and paramount priority under Texas Law.

1.11 The General and Limited Common Elements of the Condominium Project are as follows:

A. The General Common Elements consists of:

1. The land in the Project, as more particularly described in Exhibit "A-1" of the Declaration (and the additional land which may be described in the supplement hereto as herein permitted);

2. The foundations, bearing walls and columns (including any windows, doors, and chimneys therein), roofs, attics, ceilings and floors, or communication ways and any other portion of the Buildings located on the land within the boundaries of the Project not included within any Timeshare Unit;

005-55-1801.

3. The premises and facilities, if any, used for maintenance or repair of the Project;

4. All other common facilities, including without limitation any office, the grounds, driveways and walkways, and tennis courts, swimming pools, exercise facilities, and dressing rooms if any;

5. Parking spaces not designated with a Timeshare Unit number and described on the condominium subdivision plan as unassigned parking spaces; provided however, Developer or the Association expressly reserves the right at any time and from time to time to assign, any unassigned parking space to any Owner; and provided further, coincident with the assignment of any unassigned parking space, the parking floor plan attached to the Declaration as Exhibit "A-3" shall be amended for the purposes of designating such parking space with a number corresponding to a Timeshare Unit number, and thereafter such parking space shall be a Limited Common Element appurtenant to such Timeshare Unit. Such amendment shall not require the joinder of any Owner or mortgagee.

6. The laundry room facilities, if owned by the Association;

7. All other elements desirable or rationally of common use or necessary to the existence, upkeep and safety of the Project.

B. The Limited Common Elements, being those Common Elements reserved for the use of specific Timeshare Units therein, to the exclusion of others, consists of:

1. Compartments or installations of central services such as power, light, electricity, telephone, gas, cold and hot water, plumbing, reservoirs, water tanks and pumps, incinerators, and all similar devices and installations corresponding to a building within the Project or corresponding to a Timeshare Unit;

2. Storage rooms, patios, balconies and decks designated with a number as described on the floor plan attached to the Declaration as Exhibits "C-1" - "C-11";

3. Parking spaces and mail boxes not located at individual Timeshare Units which are designated with a number corresponding to a Timeshare Unit number;

4. All of the portions of the General Common Elements which are specifically reserved for the exclusive use of the Owner of a Timeshare Unit as shown on attached to the Declaration as Exhibits "C-1" - "C-11", or as may hereafter be shown by supplement, annexation or amendment thereto.

1.12 "Map", "Survey Map", or "Plans" means and includes the engineering survey of the land with all of the improvements located thereon, the floor plans and any other drawing or diagrammatic plan depicting a part of or all of the improvements, same being attached to the Declaration and filed therewith, consisting of fourteen (14) sheets labeled Exhibits "A-1" through "A-3" and "C-1" through "C-11".

1.13 "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who or which is the record owner of fee simple title to one or more Timeshare Interests in the Project.

1.14 "Project" shall mean and refer to The Galleon of Galveston Condominiums as a timeshare condominium project established in conformity with the provisions of the Act.

1.15 "Special Assessment" shall mean an additional assessment created for any purpose of the Association as a whole.

1.16 "Timeshare Interest" means a freehold estate in a Timeshare Unit at The Galleon of Galveston Condominiums, together with an undivided ownership interest in the Common Elements expressed as a fraction of the entire ownership interest in the Common Elements as set forth and defined herein, and the right to use the amenities in the Project for a Timeshare Period on a recurring basis.

1.17 "Timeshare Period" means the period within which the purchaser of a Timeshare Interest at The Galleon of Galveston Condominiums is entitled to the exclusive use, possession, and occupancy of the Timeshare Unit purchased, and the general use of all amenities.

1.18 "Timeshare Week" means the one week period commencing on a Saturday at noon and ending the next following Saturday at noon, with check-in to the Timeshare Unit allowed according to Rules promulgated by the Association or its management company (to allow for the cleaning of a Timeshare Unit at the beginning or expiration of a Timeshare Week).

1.19 "Timeshare Unit" shall mean and refer to an enclosed air space consisting of one or more rooms occupying all or part of one or more floors in a building in the Project, as such space may be further described, delineated and delimited in the floor plans attached to the Declaration as Exhibits "C-1" - "C-11" (and as may hereafter be described, delineated and delimited by an amendment or supplement hereto as herein permitted). A "Commercial Unit" is a type of Timeshare Unit intended for use for commercial or business purposes only. A "Residential Unit" is a type of Timeshare Unit intended for use for residential purposes only.

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Section 2. Administration.

The Galleon of Galveston Condominiums (hereinafter referred to as the "Project") shall be administered by a non-profit corporation incorporated under the Laws of the State of Texas, under the name of "The Galleon of Galveston Owners Association, Inc." (herein referred to as the "Association"). The Association shall be responsible for the management, maintenance, operation and administration of the Project, the Common Elements and easements appurtenant thereto in accordance with the Declaration these By-Laws and duly adopted rules and regulations of the Association and the Laws of the State of Texas.

Section 3. Members and Voting.

Membership in the Association and voting by members of the Association shall be in accordance with the following provisions:

A. Each Timeshare Interest Owner shall be a member of the Association and no other person or entity shall be entitled to membership. No Owner shall be required to pay any consideration whatsoever solely for his membership in the Association.

B. The share of an Owner in the funds and assets of the Association cannot be assigned, pledged or transferred in any manner except as an appurtenance to his Timeshare Interest in the Project.

C. The aggregate number of votes for all members of the Association shall be one hundred fifty-nine (159), with each Timeshare Unit, both residential and commercial, entitled to one (1) vote. The vote of each Timeshare Unit shall be determined by a simple majority vote of Timeshare Weeks for a Timeshare Unit voting on such matter.

D. No Owner shall be entitled to vote at any meeting of the Association until such Owner has presented evidence of ownership of a Timeshare Interest in the Project to the Association. The vote of each Owner may only be cast by such Owner or by a proxy given by such Owner to his duly authorized representative. If title to a Timeshare Interest shall be in the name of two or more owners, any one of such Owners may vote as the Owner of the Timeshare Interest at any meeting of the Association, and such vote shall be binding on such other Owners who are not present at such meeting until written notice to the contrary has been received by the Association in which case the unanimous action of all such Owners (in person or by proxy) shall be required to cast their vote as Owners. If two or more of such Owners are present at any meeting of the Association then unanimous actions shall also be required to cast their vote as Owners.

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E. When a quorum is present at any meeting of the Association, the vote of a majority or more of the Timeshare Units shall decide any question brought before such meeting, unless the question is one upon which by express provision of any statute, the Declaration, the Articles of Incorporation of the Association or these By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. The Owners present in person or by proxy at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough Owners to leave less than a quorum.

F. At all meetings of the Owners, cumulative voting shall not be permitted.

ARTICLE II

OFFICES

Section 1. Principal Office.

The principal office of the Association shall be in the City of Galveston, Galveston County, Texas.

Section 2. Registered Office.

The registered office of the Association required by the Texas Non-Profit Corporation Act to be maintained in the State of Texas, may be, but need not be, identical with the principal office, and the address for the registered office may be changed from time to time by the Board of Directors.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Place of Meetings.

The meetings of Members of the Association shall be held in Galveston, Galveston County, Texas, with the place of meetings being set by the Board of Directors of the Association. To the extent possible, said meetings shall be held within the boundaries of The Galleon of Galveston Condominiums.

Section 2. Annual Meeting.

The annual meeting of the Members of the Association, shall be held each year at 7:00 o'clock p.m., Central Standard Time on the third Thursday of the month of March, and if such is a legal holiday, then on the next secular day following at 7:00 o'clock p.m., at which time the Members shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

Section 3. First Meeting.

The first meeting of the Members of the Association shall be held upon the earliest to occur of (i) the date on which United Export elects to call the first meeting of the Association for the election of directors, (ii) December 1, 1989, or (iii) within one hundred twenty (120) days after seventy-five percent (75%) of the Timeshare Interests have been purchased at a real estate closing by Owners. Until the first meeting of Members, the affairs of the Association shall be managed by the Managing Agent, as set in the Declaration, or by the first Board of Directors named in the Articles of Incorporation of the Association, or their replacements.

Section 4. Special Meeting.

Special meetings of the Members for any purpose or purposes, unless otherwise prescribed by law or by the Articles of Incorporation, may be called by the President, the Board of Directors or one-tenth (1/10th) of all of the Members entitled to vote at the meetings. Business transacted at all special meetings shall be confined to the purpose or purposes stated in the call.

Section 5. Notice of Meetings.

Written or printed notice of all meetings of Members stating the place, day and hour thereof, and in the case of a special meeting the purpose or purposes for which the meeting is called, shall be personally served upon or mailed to each Member entitled to vote thereat at the address of the Timeshare Unit owned by the aforesaid Member, or at any other address, provided that prior written notice of the other address is furnished to the Association at least thirty (30) days in advance of the meetings. If the Owner shall fail to give an address to the Association for the mailing of notices, the address of the Timeshare Unit owned by the Owner shall be deemed to be the address for the giving of notice.

Section 6. Quorum.

Except as otherwise provided by statute or these By-Laws, the presence in person or by proxy of sixty percent (60%) of the Owners qualified to vote shall constitute a quorum for holding any meeting of the members of the Association. If, however, such quorum shall not be present or represented at any meeting of the Owners, the Owners present in person or represented at any meeting of the Owners, the Owners present in person or represented by proxy, shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present or represented. At the first adjourned meeting the presence in person or by proxy of fifty percent (50%) of the Owners qualified to vote shall constitute a quorum. Should a second or subsequent adjourned meeting be required, the presence in person or by proxy of forty percent (40%) of the Owners qualified to vote

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shall constitute a quorum. If a quorum shall be present or represented by proxy at such meeting held in lieu of the adjourned meeting(s), any business may be transacted at such meeting as originally notified.

Section 7. Organization.

The President shall preside at all meetings of the Members. In his absence a Vice President shall preside. In the absence of all of these officers any Member or the duly appointed proxy of any Member may call the meeting to order and a chairman shall be elected from among the Members present.

The Secretary of the Association shall act as secretary at all meetings of the Members. In his absence an Assistant Secretary shall so act and in the absence of all of these officers the presiding officer may appoint any person to act as secretary of the meeting.

Section 8. Proxies.

At any meeting of the Members, every Member entitled to vote thereat shall be entitled to vote in person or by proxy appointed by instrument in writing executed by such Member or by his duly authorized attorney-in-fact. No appointment of a proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless such proxy otherwise provides. A proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law.

ARTICLE IV

DIRECTORS

Section 1. Number and Qualification.

The property, business and affairs of the Association shall be managed and controlled by a Board of not more than three (3) Directors who shall be elected annually by the Members. Each Member of the Board of Directors of the Association must be a Member of the Association with the exception of the first Board of Directors (and any replacement directors selected prior the first meeting of the Association) elected or appointed by the Developer or designated in the Articles of Incorporation of the Association. The number of Directors may be increased or decreased but not to a number less than one (1) by amendment of By-Laws. No decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director.

Section 2. Election and Term of Office.

The Directors shall be elected at the annual meeting of the Members (except as provided in Section 5 of this Article) and each Director elected shall hold office until the next annual meeting of the Members

and until his successor shall be elected and shall qualify or until his death or until he shall resign or be removed in the manner hereinafter provided.

Section 3. Resignation.

Any Director may resign at any time by giving written notice to the President or Secretary. Such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal.

Any Director may be removed at any time either with or without cause and another person may be elected to serve for the remainder of his term at any special meeting of the Members called for the purpose of removal by a vote of a majority of the Owners. In case any vacancy so created shall not be filled by the Members at such meeting, such vacancy may be filled by the Directors as provided in Section 5 of this Article.

Section 5. Vacancies.

If any vacancy shall occur in the Board of Directors such vacancy may, subject to the provisions of Section 4 of this Article, be filled by the affirmative vote of the remaining Directors though less than a quorum of the Board of Directors; provided, however, any Directorship to be filled by reason of an increase in the number of Directors shall be filled by election at an annual meeting or at a special meeting of Members called for that purpose. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 6. General Powers.

In addition to the powers and authorities expressly conferred upon them by these By-Laws, the Board of Directors may exercise all such powers of the Association and do all such lawful acts and things as are not by law or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the Members.

Section 7. Compensation.

Directors as such shall not receive any stated salary for their services, but by resolution of the Board a fixed sum for expenses of attendance, if any, may be allowed for attendance at any regular or special meeting of the Board provided that nothing herein contained shall be construed to preclude any Director from serving the Association in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE V

MEETING OF DIRECTORS

Section 1. Place of Meetings.

The Directors of the Association shall hold their meetings, both regular and special at Galveston, Galveston County, Texas. To the extent possible, said meeting shall be held within the boundaries of The Galleon of Galveston Condominiums.

Section 2. Annual Meeting.

The first meeting of each newly elected Board shall be held at such time and place as shall be fixed by the initial Board of Directors or by the vote of the Members at their annual meeting and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting, provided a quorum shall be present, or they may meet at such time and place as shall be fixed by the consent in writing of all of the Directors.

Section 3. Regular Meetings.

Regular meetings of the Board may be held without notice at such time and place as shall from time to time be determined by the Board.

Section 4. Special Meetings.

Special meetings of the Board may be called by the President on one (1) day notice to each Director given either personally, by mail or by telegram. Special meetings shall be called by the President or Secretary in like manner and like notice on the written request of two (2) Directors. Neither the purpose of nor the business to be transacted at any special meeting of the Board of Directors need to be specified in the notice or waiver of notice of such meeting. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

Section 5. Quorum and Action.

At all meetings of the Board the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors at any meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law, the Articles of Incorporation or these By-Laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present.

Section 6. Presumption of Assent to Action.

A director who is present at a meeting of the Board at which action or any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

ARTICLE VI

EXECUTIVE COMMITTEE

Section 1. Membership and Authorities.

The Board of Directors, by resolution adopted by a majority of the whole Board, may designate one (1) or more Directors to constitute an Executive Committee, which Committee to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the business and affairs of the Association except where action of the full Board of Directors is specified by applicable law, but the designation of such Committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law.

Section 2. Minutes.

The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board when required.

Section 3. Vacancies.

The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve, the Executive Committee.

ARTICLE VII

OFFICERS

Section 1. Number.

The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also choose additional Vice Presidents and one or more Assistant Secretaries and/or Assistant Treasurers. One person may hold any two or more of said offices except those of President and Secretary.

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Section 2. Election, Term of Office and Qualifications.

The officers of the Association shall be elected by the Board of Directors at its first meeting after each annual meeting of Members. The Board shall elect a President, one or more Vice Presidents, a Secretary and a Treasurer, none of whom need be a member of the Board. Each officer so elected shall hold office until his successor shall have been duly chosen and qualify or until his death or his resignation or removal in the manner hereinafter provided.

Section 3. Subordinate Officers.

The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such term and have such authority and perform such duties as the Board of Directors may delegate to any committee or officer the power to appoint any such subordinate officer or agent.

Section 4. Resignation.

Any officer may resign at any time by giving written notice thereof to the Board of Directors or to the President or Secretary of the Association. Any such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Removal.

Any officer elected or appointed by the Board of Directors may be removed by the Board at any time with or without cause by the Board of Directors or by any committee or superior officer in whom such power of removal may be conferred by the Board of Directors.

Section 6. Vacancies.

A vacancy in any office shall be filled for the unexpired portion of the term by the Board of Directors, but in case of a vacancy occurring in an office filled in accordance with the provisions of Section 3 of this Article, such vacancy may be filled by any committee or superior officer upon whom such power may be conferred by the Board of Directors.

Section 7. The President.

The President shall be the chief executive officer of the Association; the President shall, when present, preside at all meetings of the Members and Directors; shall be ex-officio a member of all standing committees, shall have general and active management of the business of the Association and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President may sign, with any other proper officer, any contracts and other documents

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which the Board of Directors has authorized to be executed, except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors or these By-Laws, to some other officer or agent of the Association.

Section 8. The Vice President.

Vice Presidents shall perform the duties as are given to them by these By-Laws and as may from time to time be assigned to them by the Board of Directors or by the President and may sign, with any other proper officer any documents authorized by the Board of Directors. At the request of the President, or in his absence or disability, the Vice President designated by the President (or in the absence of such designation, the senior Vice President) shall perform the duties and exercise the powers of the President.

Section 9. The Secretary.

The Secretary shall attend all meetings of the Board of Directors and all meetings of the Members and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the executive Committee and standing committees when required. He shall give, or cause to be given, notice of all meetings of the Members and special meetings of the Board of Directors as required by law or these By-Laws, be custodian of the corporate records and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. He shall keep in safe custody the seal of the Association, and, when authorized by the Board, affix the same to any attestation of his signature or by the signature of the Treasurer or an Assistant Secretary.

Section 10. Assistant Secretaries.

The Assistant Secretaries shall perform the duties as are given to them by these By-Laws or as may from time to time be assigned to them by the Board of Directors or by the Secretary. At the request of the Secretary, or in his absence or disability, the Assistant Secretary designated by the Secretary (or in the absence of such designation the senior Assistant Secretary) shall perform the duties and exercise the powers of the Secretary.

Section 11. The Treasurer.

The Treasurer shall have the custody and be responsible for all corporate funds and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Association as may be

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ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Association.

Section 12. Assistant Treasurers.

The Assistant Treasurers shall perform the duties as are given to them by these By-Laws or as may from time to time be assigned to them by the Board of Directors or by the Treasurer. At the request of the Treasurer, or in his absence or disability, the Assistant Treasurer designated by the Treasurer (or in the absence of such designation the senior Assistant Treasurer) shall perform the duties and exercise the powers of the Treasurer.

Section 13. Treasurer's Bond.

If required by the Board of Directors, the Treasurer and any Assistant Treasurer shall give the Association a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Association, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Association, provided, however, that the cost of the bond shall be paid for by the Association.

Section 14. Management.

As provided in Article IV of the Declaration, the Association shall provide for independent management of the Project, with the responsibilities of such management being determined by the Board of Directors. Such independent management may jointly manage the Project and other property. In such event, the Association shall not be required to bear in excess of its pro-rata share (based on the ratio that the number of Timeshare Units in the Project bears to the number of total units of whatever type so jointly managed) of such independent management expense. Any agreement for independent professional management of the Project shall provide that the management contract may be terminated without cause within a period of time not exceeding thirty (30) days written notice and the term of any such contract shall not exceed one (1) year. Any officer or stockholder of the Association or any Owner (or any of their respective affiliates, nominees, employers or companies) may be employed as the independent management so long as the fees paid to such related party are reasonable.

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ARTICLE VIII

ASSESSMENTS

Section 1. Expenses.

All costs incurred by the Association, including but not limited to any costs incurred in satisfaction of any liability arising within, caused by or in connection with the Association's operation, maintenance or use of the Project, costs for insurance, personal property taxes of any tangible personal property taxes of any tangible personal property of the Project owned or possessed in common by the Owners, and all other Common Expenses set forth in the Declaration shall be Association expenses. All sums received by the Association, including but not limited to all sums received as proceeds of, or pursuant to, any policy of insurance carried by the Association, shall be Association receipts.

Section 2. Assessments.

A. The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Project, including a reasonable allowance for contingencies and reserves. Such reserves shall include without limitation an adequate reserve fund for the replacement of the Common Elements. The assessment for such year shall be established by the adoption of such annual budget by the Board of Directors of the Association. Copies of such budget shall be delivered to each Owner, although the delivery of a copy of the budget to each Owner shall not affect the liability of any Owner for any existing or future assessment. Should the Board of Directors at any time determine, in the sole discretion of said Board of Directors, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Project in any fiscal year, then the Board of Directors shall have the authority at any time and from time to time to levy such additional assessments as it shall deem to be necessary for that purpose.

B. Special assessments, assessments other than those described in Subsection A above, may be made by the Board of Directors of the Association at any time, and from time to time, to meet other needs or requirements of the Association and the Project including, but not limited to, assessments for costs described herein and capital improvements. However, any such special assessment shall not be levied without the prior approval of at least a majority of the Timeshare Interests in seventy-five percent (75%) of the Timeshare Units in the Project.

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C. Assessments levied by the Association against each Owner pursuant to Subsection A and/or Subsection B above which are expended on capital expenditures, or which are set aside in a reserve for future repairs or improvements within the Project (whether or not such repairs or improvements would otherwise be considered capital in nature pursuant to Section 263 of the Internal Revenue Code of 1954, as amended) shall be treated as capital contributions by such Owners to the Association and shall be shown on the books of the Association as such.

The provisions of this Subsection C may be amended by a majority vote of the Board of Directors of the Association if, in the sole discretion of said Board of Directors, such action is necessary to conform to any change in the Internal Revenue Code of 1954, as amended, or any Treasury Regulation or Ruling promulgated thereunder. Notwithstanding anything contained in these By-Laws to the contrary, any amendment to this Subsection C duly authorized by the Board of Directors of the Association shall not require the consent of any Owner or mortgagee.

Section 3. Apportionment of Assessments.

All Assessments levied against an Owner to cover expenses of the Association and the Project shall be apportioned to and paid by (i) the Commercial Units based upon the relative square footage of the Commercial Units as a percentage of all Timeshare Units, and (ii) the Owner's of the Residential Units in accordance with the percentage of value assigned to each Timeshare Interest, as may be reasonably determined by the Board of Directors, according to the Declaration without increase or decrease for the existence of appurtenances related to such Timeshare Unit. Assessments shall be due and payable annually in such manner as the Association shall determine. The payment of an Assessment, shall be in default if such assessment, or any part thereof, is not paid to the Association in full on or before the date thirty (30) days after the date of the Assessment. Assessments in default shall bear interest at the maximum lawful rate of interest from the due date until paid. Each Owner shall, be, and remain, personally liable for the payment of all Assessments which may be levied against such Owner by the Association in accordance with these By-Laws, and any unpaid Assessments with accrued interest thereon owed with respect to a Timeshare Interest may, at the option of the Association, be collected out of the sale proceeds of such Timeshare Interest in accordance with the Condominium Act of the State of Texas, as recorded at Title 7 of the Texas Property Code, (the "Act"). In addition, to the extent permitted by law, unpaid Assessments shall become a lien against the Timeshare Interest and each deed from Developer may expressly retain a Vendor's Lien to secure the payment of all assessments, subject only to: (I) assessments, liens and charges in favor of the state and any political subdivision thereof for taxes past due and unpaid on such Unit; and (II) amounts due under any mortgage instruments duly recorded. Any First Mortgagee, upon foreclosure thereon, shall not

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be required to pay any unpaid Assessments owing on said Timeshare Interest. Such unpaid Assessment lien may be recorded in the Condominium Records of Galveston County, Texas, and may be enforced by foreclosure, and the expenses incurred therefor including interest, costs and attorneys' fees shall be chargeable to the Owner in default. Each Owner, by his acceptance of a deed to a Timeshare Interest, shall expressly vest in the Association 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 in a like manner as a mortgage for deed of trust lien on real property as provided in §51.002 of the Texas Property Code, and such Owner by acceptance of a deed to a Timeshare Interest expressly grants to the Association a power of sale in connection with said lien, and agrees to the creation of (and by the acceptance of deed grants) a Vendor's Lien to secure the payment of the assessments. The lien provided for in this section shall be in favor of the Association and shall be for the common benefit of all Owners. The Association acting on behalf of the Owners shall have the power to bid upon an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same and to treat the proceeds of any such lease, mortgage or conveyance in the same manner assessments hereunder.

Section 4. No Exceptions

No Owner may exempt himself from liability for his contribution toward the expenses of the Association and the Project by waiver of the use or enjoyment of any of the Common Elements or by the abandonment, sale or other disposition of a Timeshare Interest.

Section 5. Enforcement

The Association may, in addition to its rights under Article 6.6 of the Declaration, Section 3 hereof, and the Act, enforce collection of delinquent assessments by suit at law for a money judgment, and the expenses incurred in collecting unpaid Assessments including interest, costs and attorney's fees shall be chargeable to the Owner in default. The Association may also discontinue the furnishing of any utilities or other services to an Owner in default of his obligations to the Association or other Owners as set forth herein upon seven (7) days written notice to such Owner of its intent to do so. An Owner in default of his obligation to the Association or other Owner as set forth herein shall not be entitled to vote at any meeting of the Association so long as such default is in existence, and such defaulting Owner's name shall be placed in the announcements of the Association or on a bulletin board of the Association.

005-55-1816

ARTICLE IX

OWNER ACTION

Without limiting the other legal rights of any Owner or the Association, legal action may be brought by the Association at its sole discretion on behalf of two (2) or more Owners as their respective interest may appear with respect to any cause of action relating to the Common Elements of more than one (1) Timeshare Unit.

ARTICLE X

AMENDMENT

Subject to the requirements of Article 10.7 of the Declaration, the By-Laws may be amended by the members of the Association from time to time by approval of the Owners of a majority of the Timeshare Interests in a majority of the Timeshare Units, unless otherwise provided herein or in the Act. Any such amendment may be evidenced by an instrument in writing signed and acknowledged by the President and Secretary of the Association certifying that such amendment has been duly approved, and such amendment shall be effective upon its recordation in the Condominium Records of Galveston County, Texas. The procedure for proposing amendments hereto shall be set by the Board of Directors.

ARTICLE XI

DEFAULT

Section 1. Compliance.

Failure to comply with the Declaration of Condominium Regime, these By-Laws, the Articles of Incorporation or By-Laws or duly adopted rules and regulations of the Association shall constitute an event of default and shall be grounds for relief, which may include, without intending to limit the same, an action to recover sums due for damages and injunctive relief, or any combination thereof.

Section 2. Attorney's Fees.

In any proceeding arising because of an alleged default by any Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding including without limitation reasonable attorney's fees.

ARTICLE XII

BOOKS AND RECORDS

The Association shall keep or cause to be kept detailed books of accounting showing all expenditures and receipts of the administration of

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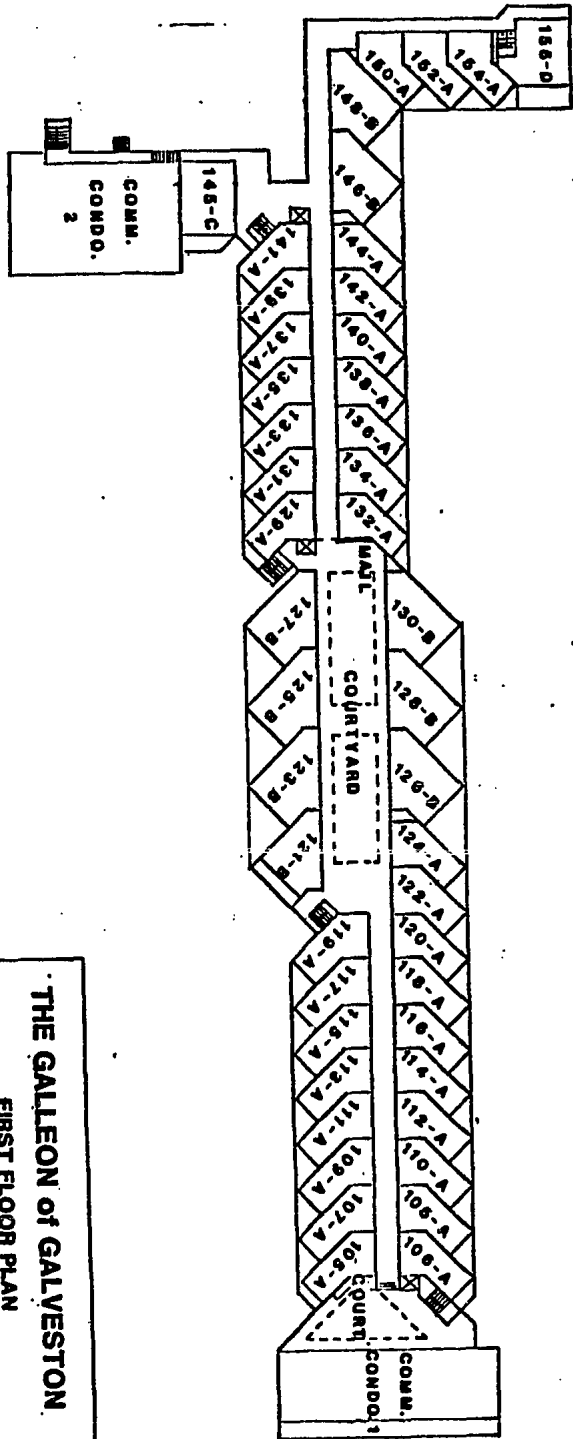
the Project which shall specify the maintenance and repair expenses of the Common Elements and any other expenses incurred by or on behalf of the Association and the Owners. Such books shall be open for inspection by the Owners and their mortgagees during reasonable working hours on weekdays and shall be audited annually by qualified auditors. The cost of such audit shall be an expense of administration of the Project.

ADOPTED this ____ day of October, 1987.

ROBERT BURLET, JR., Secretary

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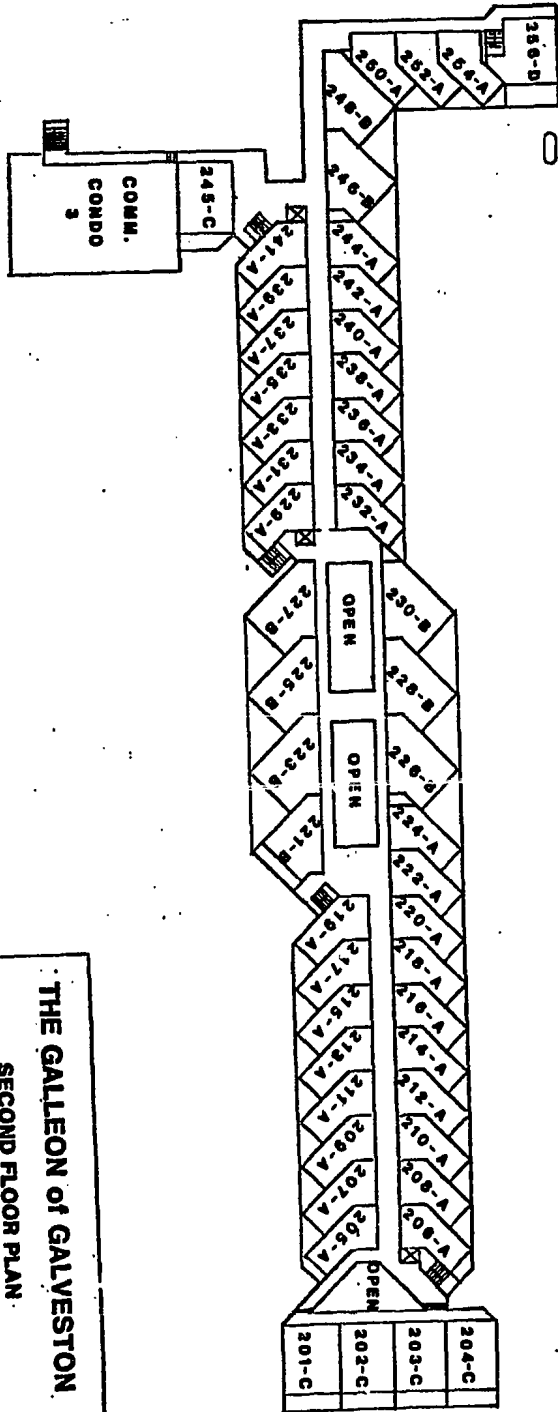


THE GALLEON of GALVESTON
FIRST FLOOR PLAN

LEGEND
105 - A
UNIT NO. UNIT TYPE

EXHIBIT C1

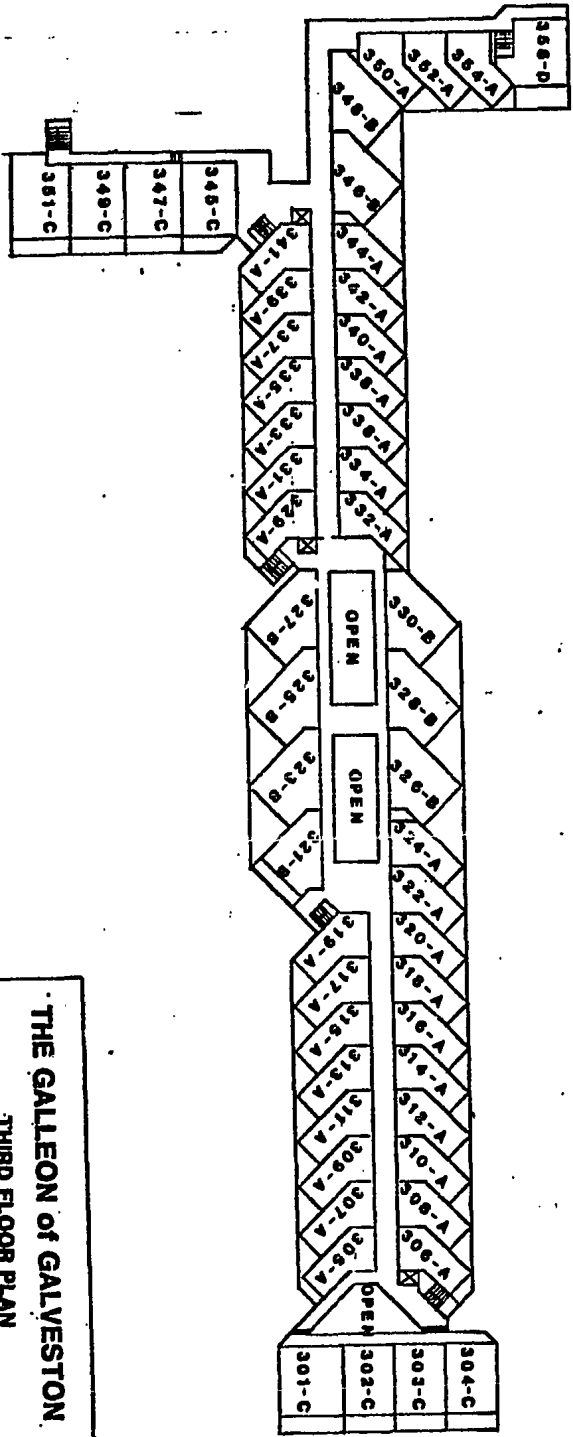
005-55-1819



THE GALLEON of GALVESTON
SECOND FLOOR PLAN

EXHIBIT	LEGEND
C2	208 - A
	UNIT NO.
	UNIT TYPE

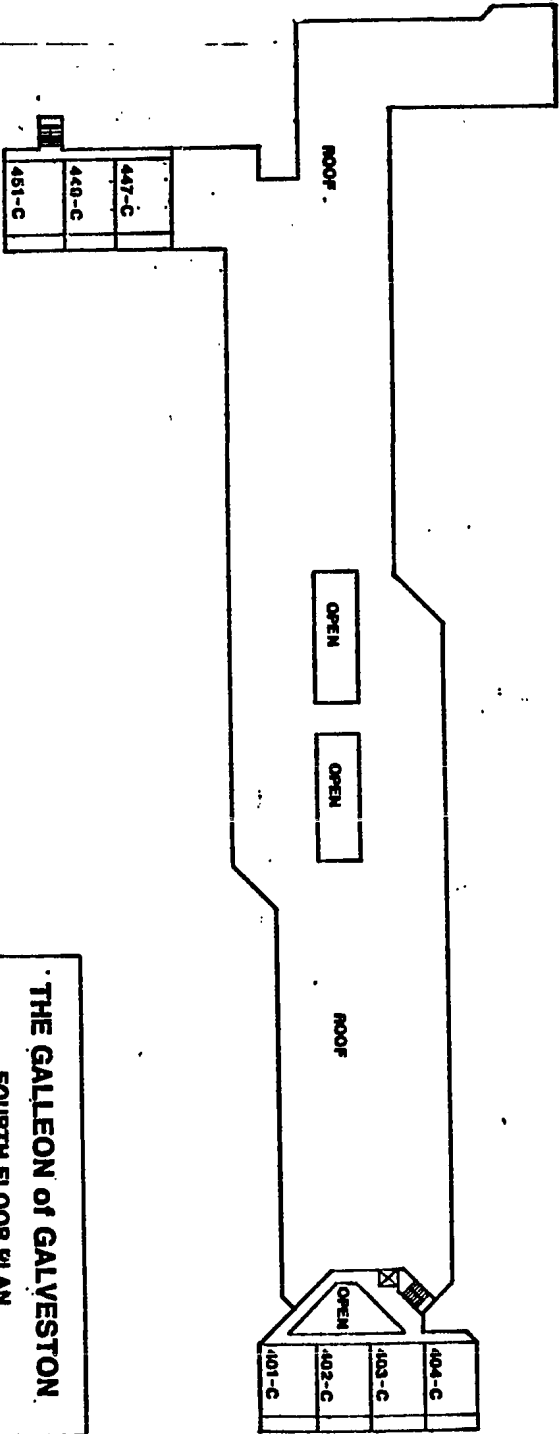
005-55-1820



THE GALLEON OF GALVESTON
THIRD FLOOR PLAN

EXHIBIT C3	LEGEND
	305 - A
	UNIT NO.
	UNIT TYPE

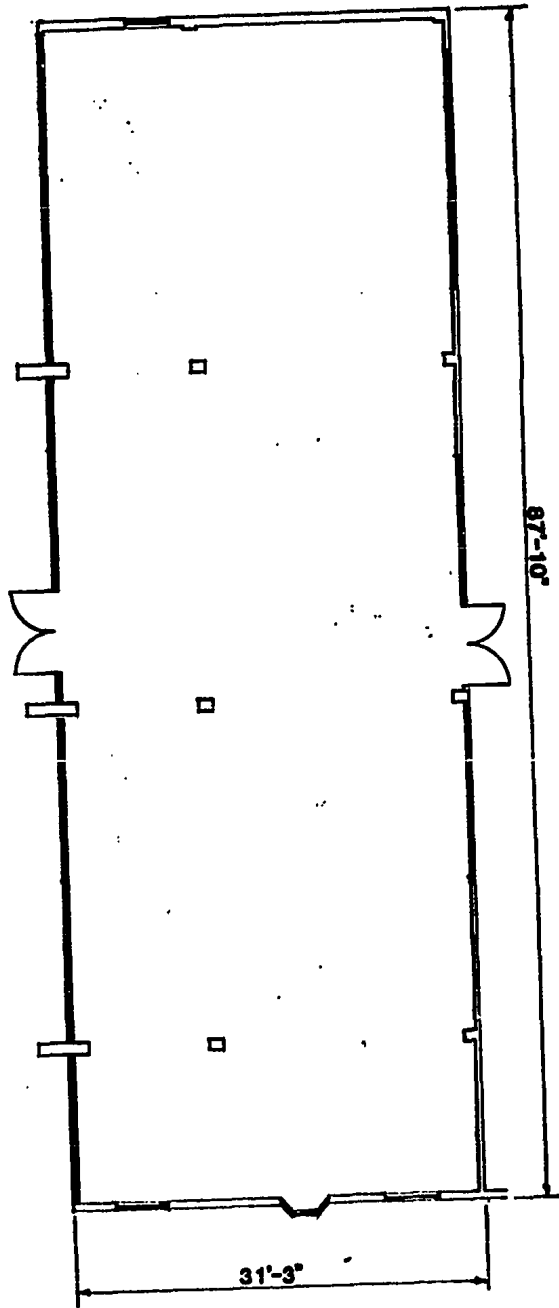
005-55-1821



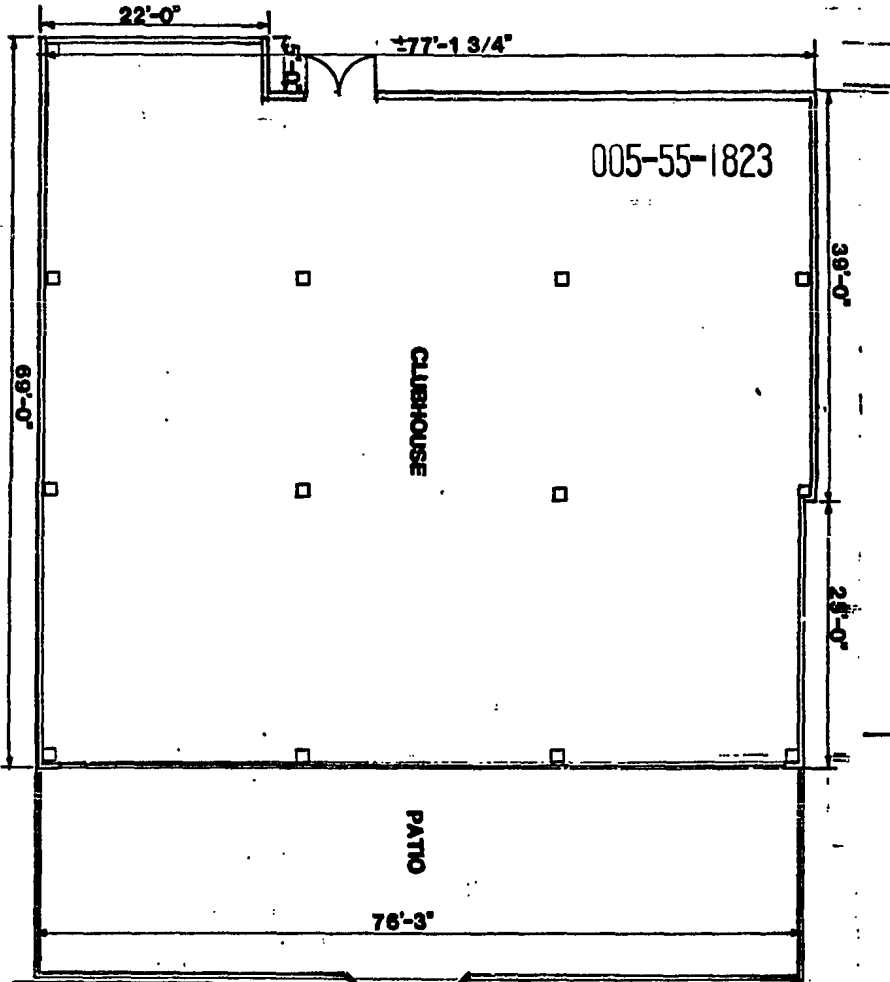
THE GALLEON of GALVESTON
FOURTH FLOOR PLAN

EXHIBIT	LEGEND
C4	405 - A
UNIT NO.	UNIT TYPE

005-55-1822

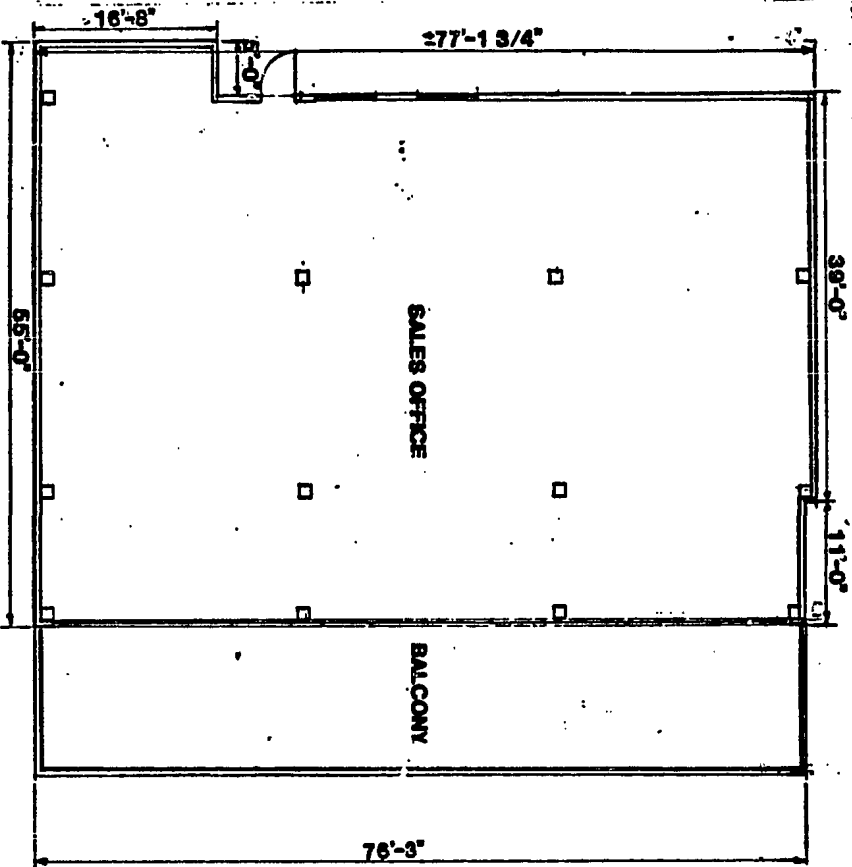


THE GALLEON of GALVESTON	
COMMERCIAL CONDOMINIUM - 1	
FLOOR PLAN	
EXHIBIT C5	AREA
	2745 SF



THE GALLEON of GALVESTON
 COMMERCIAL CONDOMINIUM - 2,
 FLOOR PLAN

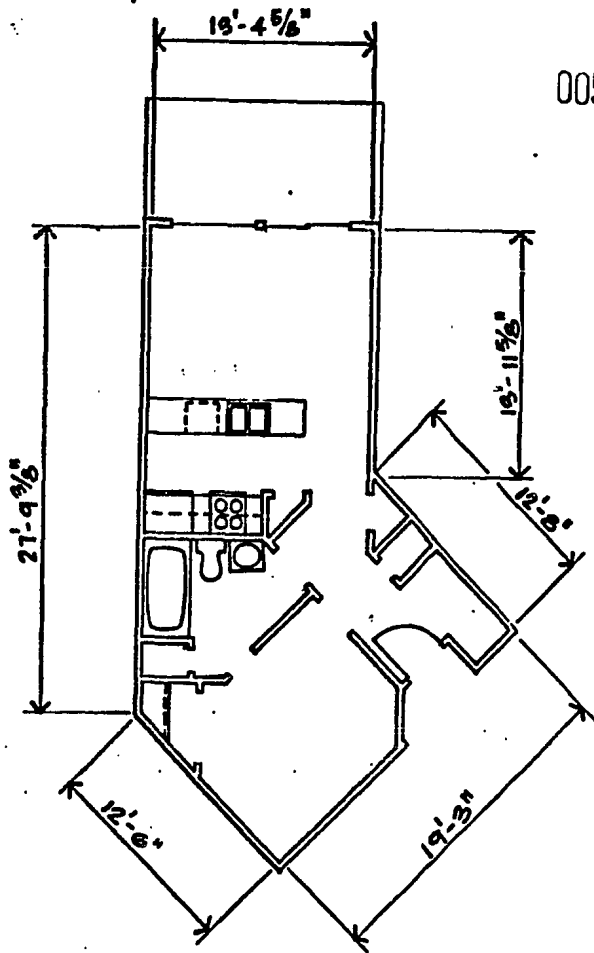
EXHIBIT C6	AREA 5025 SF
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005-55-1824

<p>THE GALLEON OF GALVESTON COMMERCIAL CONDOMINIUM - 3 FLOOR PLAN</p>	
<p>EXHIBIT C7</p>	<p>AREA 3931 SF</p>

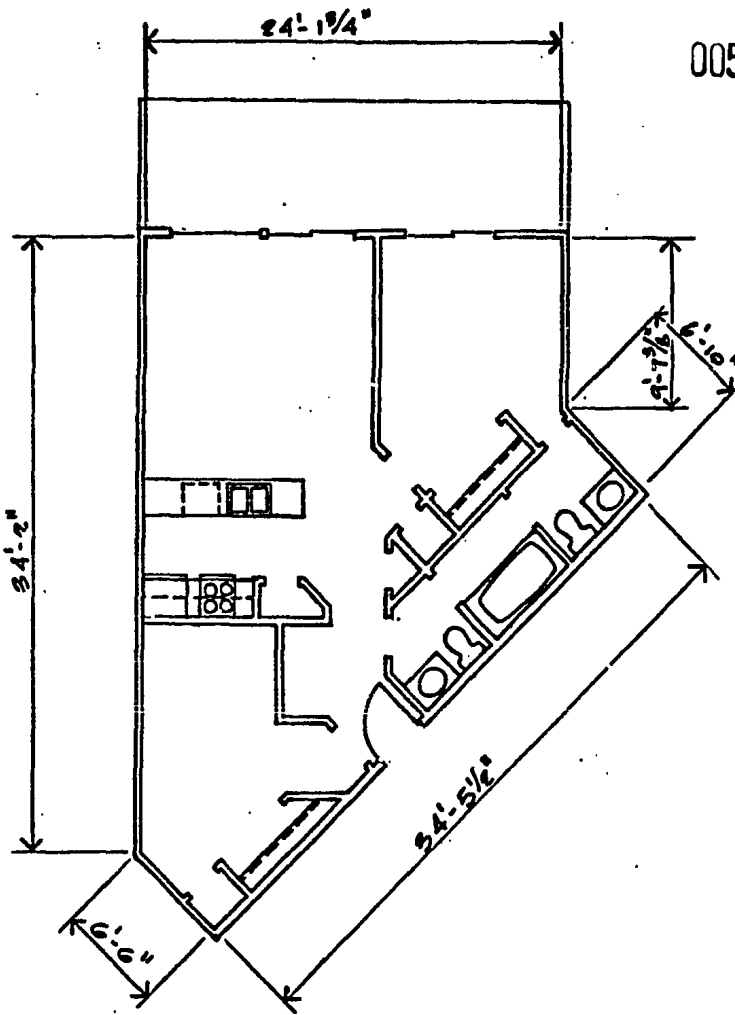
005-55-1825



TYPICAL UNIT PLAN - A
AREA : 521 SF
EXHIBIT C8

THE GALLEON OF GALVESTON
9520 SEAWALL BLVD.
GALVESTON, TEXAS 77551

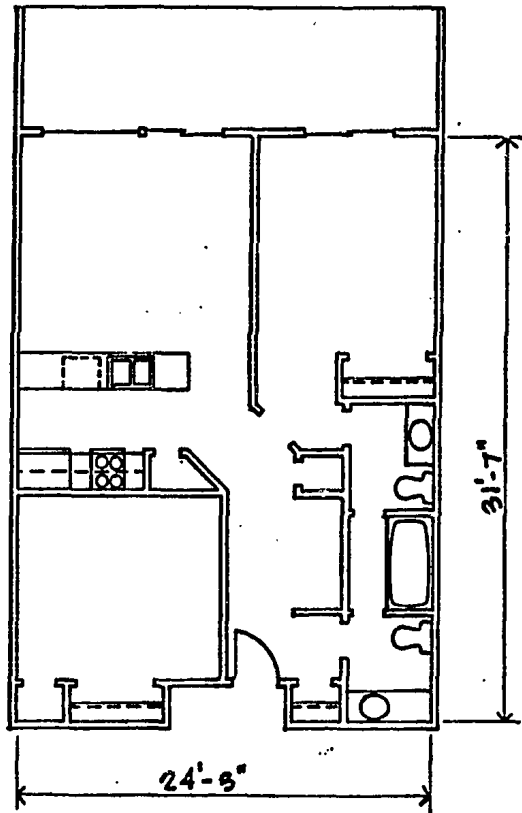
005-55-1826



TYPICAL UNIT PLAN - B
AREA : 756 SF **EXHIBIT C9**

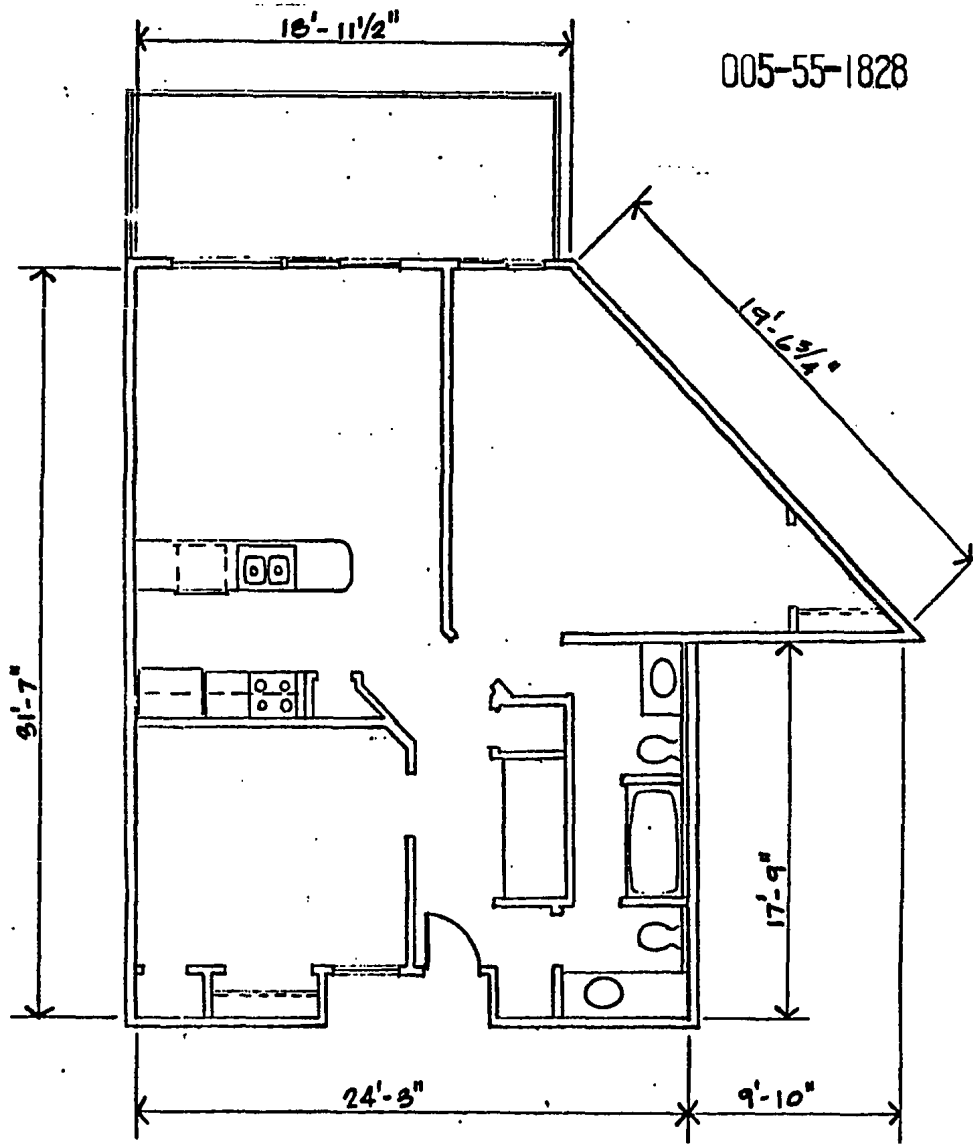
THE GALLEON OF GALVESTON
9520 SEAWALL BLVD.
GALVESTON, TEXAS 77551

005-55-1827



TYPICAL UNIT PLAN - C
AREA: 766 SF.
EXHIBIT C10

THE GALLEON OF GALVESTON
9520 SEAWALL BLVD.
GALVESTON, TEXAS 77551



TYPICAL UNIT PLAN - D
 AREA : 815 SF
EXHIBIT C11

THE GALLEON OF GALVESTON
 9520 SEAWALL BLVD.
 GALVESTON, TEXAS 77551

005-55-1829

EXHIBIT "D"

THE GALLEON OF GALVESTON CONDOMINIUMS

<u>Unit Type</u>	<u>Square Footage</u>	<u>Percentage Ownership</u>	<u>Total Unit Type</u>	<u>Total Percentage</u>
A	521	.49582	105	52.06
B	756	.71946	27	19.43
C	766	.72897	21	15.31
D	815	.77561	3	2.33
Commercial Unit #1	2475	2.35537	1	2.35
Commercial Unit #2	5025	4.78212	1	4.78
Commercial Unit #3	<u>3931</u>	<u>3.74099</u>	<u>1</u>	<u>3.74</u>
	105,079		159	100.00%

Unit Types are Residential Units unless otherwise noted.

PHASE TWO PROPERTY

005-55-1830

TRACT TWO:

DESCRIPTION OF A TRACT OUT OF LOT 310, TRIMELE AND LINDSEY SURVEY, SECTION ONE, CITY AND COUNTY OF GALVESTON, TEXAS.

COMMENCING at the Northeast corner of Lot 310:

THENCE S25°E, along the Northeast line of Lot 310, a distance of 672.00 feet:

THENCE S65°W, parallel to the Northwest line of Lot 310, a distance of 131.82 feet to the place of beginning of the tract hereinafter described:

THENCE from said beginning corner continuing S65°W, parallel to the Northwest line of Lot 310, a distance of 198.18 feet to a point for corner in the Southwest line of Lot 310:

THENCE S25°E, along the Southwest line of Lot 310 and along the Northeast right of way line of 97th Street, 50 foot right of way, a distance of 792.68 feet to a point for corner:

THENCE N55°52E, along the Northerly right of way line of Seawall Boulevard, 150 foot right of way, a distance of 200.73 feet to a point for corner:

THENCE N25°00'W, a distance of 760.81 foot to the place of beginning and containing 153,915.6 square feet, more or less.

TRACT THREE:

DESCRIPTION OF A TRACT OUT OF LOT 311, TRIMELE AND LINDSEY SURVEY, SECTION ONE, CITY AND COUNTY OF GALVESTON, TEXAS.

COMMENCING at the Northeast corner of Lot 311, said point lying in the West right of way line of 57th Street, 50 foot right of way:

THENCE S25°E, along the Northeast line of Lot 311 and along the West right of way line of 97th Street, a distance of 672.00 feet to the place of beginning of the tract hereinafter described:

THENCE from said beginning point continuing S25°E, along the Northeast line of Lot 311 and along the West line of 97th Street a distance of 860.71 feet to a point for corner in the Northerly right of way line of Seawall Boulevard, 150 foot right of way.

EXHIBIT "E"

005-55-1831.

THENCE S55°52'W, along the Northerly right of way line of Seawall Boulevard, a distance of 18.93 feet to a point for corner:

THENCE N25°W, parallel to the Northeast line of Lot 311 and being 18.69 feet perpendicular Westerly therefrom, a distance of 803.72 feet to a point for corner:

THENCE N65°E, parallel to the Northwest line of Lot 311, a distance of 18.69 feet to the place of beginning and containing 14,993.5 square feet, more or less.

EXHIBIT "E"

Page 2 of 2 Pages

005-55-1832

EXHIBIT "F"

SIX WEEK TIMESHARE PERIODS

WEEKS								
	5,6,21 22,37 38	7,8,23 24,39 40	9,10 25,26 41,42	11,12 27,28 43,44	13,14 29,30 45,46	15,16 31,32 47,48	17,18 33,34 49,50	19,20 35,36 51,52
OWNER								
YEAR	A	B	C	D	W	X	Y	Z
1986	A	B	C	D	W	X	Y	Z
1987	Z	A	B	C	D	W	X	Y
1988	Y	Z	A	B	C	D	W	X
1989	X	Y	Z	A	B	C	D	W
1990	W	X	Y	Z	A	B	C	D
1991	D	W	X	Y	Z	A	B	C
1992	C	D	W	X	Y	Z	A	B
1993	B	C	D	W	X	Y	Z	A
1994	A	B	C	D	W	X	Y	Z
1995	Z	A	B	C	D	W	X	Y
1996	Y	Z	A	B	C	D	W	X
1997	X	Y	Z	A	B	C	D	W
1998	W	X	Y	Z	A	B	C	D
1999	D	W	X	Y	Z	A	B	C
2000	C	D	W	X	Y	Z	A	B
2001	B	C	D	W	X	Y	Z	A

EXHIBIT "G"

005-55-1833

ONE-TENTH TIMESHARE PERIODSWEEKS

PRIME	21,22	23,24	25,26	27,28	29,30	31,32	33,34	35,36	37,38	39,40
SWING	11,12	13,14	15,16	17,18	19,20	41,42	43,44	45,46	47,48	49,50
LOW	51,4	52	1	2	3	6	7	8	9	10

OWNERS"YEAR"

1987	E	F	G	H	J	K	L	M	N	O
1988	O	E	F	G	H	J	K	L	M	N
1989	N	O	E	F	G	H	J	K	L	M
1990	M	N	O	E	F	G	H	J	K	L
1991	L	M	N	O	E	F	G	H	J	K
1992	K	L	M	N	O	E	F	G	H	J
1993	J	K	L	M	N	O	E	F	G	H
1994	H	J	K	L	M	N	O	E	F	G
1995	G	H	J	K	L	M	N	O	E	F
1996	F	G	H	J	K	L	M	N	O	E

2699t

005-55-1834

EXHIBIT "H"

FOUR WEEK TIMESHARE PERIODS

	WEEKS											
PRIME	20,32	21,33	22,34	23,35	24,36	25,37	26,38	27,39	28,40	29,41	30,42	31,43
SWING	44,49	45,50	46,51	47,52	16	17	18	19	9,48	10,13	11,14	12,15
LOW					5	6	7	8				

YEAR												
1987	AA	BB	CC	DD	EE	FF	GG	HH	II	JJ	KK	LL
1988	LL	AA	BB	CC	DD	EE	FF	GG	HH	II	JJ	KK
1989	KK	LL	AA	BB	CC	DD	EE	FF	GG	HH	II	JJ
1990	JJ	KK	LL	AA	BB	CC	DD	EE	FF	GG	HH	II
1991	II	JJ	KK	LL	AA	BB	CC	DD	EE	FF	GG	HH
1992	HH	II	JJ	KK	LL	AA	BB	CC	DD	EE	FF	GG
1993	GG	HH	II	JJ	KK	LL	AA	BB	CC	DD	EE	FF
1994	FF	GG	HH	II	JJ	KK	LL	AA	BB	CC	DD	EE
1995	EE	FF	GG	HH	II	JJ	KK	LL	AA	BB	CC	DD
1996	DD	EE	FF	GG	HH	II	JJ	KK	LL	AA	BB	CC
1997	CC	DD	EE	FF	GG	HH	II	JJ	KK	LL	AA	BB
1998	BB	CC	DD	EE	FF	GG	HH	II	JJ	KK	LL	AA

Stewart
After filing return to: United Export, Inc.
2401 Fountainview, Suite 628
Houston, Texas 77057

Attention: Bob Burlet

005-55-1835

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

NOV 5 1987

FILED FOR RECORD
Nov 5 10 59 AM '87
Jessie B. Kirkendall
COUNTY CLERK
GALVESTON COUNTY TX.



Jessie B. Kirkendall
COUNTY CLERK
GALVESTON CO., TEXAS

010-46-0097

SECOND AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
THE GALLEON OF GALVESTON CONDOMINIUMS

This Second Amended and Restated Declaration of Condominium Regime (hereinafter "Declaration") is made and executed this 25th day of May, 1995, by The Galleon of Galveston Owners Association, Inc. (hereinafter the "Association") and Galleon Partners, Ltd., a Texas limited partnership, pursuant to the provisions of the Texas Condominium Act, Chapter 81 of the Texas Property Code and the Texas Timeshare Act, Chapter 221 of the Texas Property Code (hereinafter collectively referred to as the "Act"), for the purpose of submitting the hereinafter described real property and the improvements located thereon to a condominium regime;

W I T N E S S E T H :

WHEREAS, Le Club Condominiums 1983, Ltd., a Texas limited partnership, the "Developer" under that certain Declaration of Condominium Regime, Le Club Galveston Condominiums, Phase One, filed for record in the Official Public Records of Real Property of Galveston County, Texas, on January 29, 1985, under Clerk's File No. 8503861 and recorded under Film Code Reference No. 003-62-0110, as amended by the certain Amendment to Declaration of Condominium Regime, The Galleon of Galveston Condominiums, filed for record in the Official Public Records of Real Property Galveston County, Texas on February 5, 1986, under Clerk's File No. 8604856 and recorded under Film Code Reference No. 004-38-2054 (collectively the "Original Declaration"); and

WHEREAS, the Association and the United Export Trading Company (of Texas), Inc., the successor of Developer amended and restated the Original Declaration and filed the Amended and Restated Declaration of Condominium Regime under Film Code Reference No. 005-55-1749 (the "First Amended Declaration"); and

WHEREAS, Galleon Partners, Ltd. is the owner of a majority interest in more than seventy-five percent (75%) of the Timeshare Units in The Galleon of Galveston Condominiums; and

WHEREAS, The Association and Galleon Partners, Ltd. desire to amend the Original Declaration and cause to be adopted a Second Amended and Restated Declaration as hereinafter set forth; and

WHEREAS, at the annual meeting of the Galleon of Galveston Owners Association, Inc., the Second Amended and Restated

Declaration was adopted by the owners of a majority interest in more than seventy-five percent (75%) of the Condominium Units;

NOW THEREFORE, this Second Amended and Restated Declaration of Condominium Regime of The Galleon of Galveston Condominiums is hereby adopted to amend and restate the Original Declaration and First Amended Declaration as follows:

I.

DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used herein shall have the following meaning:

1.1 "Assessment" shall mean and refer to the funds required to pay Common Expenses, other lawfully agreed upon expenses, plus surplus and reserves, as such costs, expenses and reserves are determined by the Managing Agent or Board of Directors and are levied by the Board of Directors upon all of the Owners.

1.2 "Association" shall mean and refer to the The Galleon of Galveston Owners Association, Inc., its successors and assigns, comprised of all the Owners of Timeshare Interests, the By-Laws of which shall govern the administration of this Project and the members of which shall be all of the Owners of Timeshare Interests.

1.3 "Building" means the building or the buildings within the Project.

1.4 "By-Laws" means the Second Amended and Restated By-Laws of the Association attached hereto as Exhibit "B" for reference and any amendment, modification or revision thereto as therein permitted.

1.5 "Common Elements" shall mean and refer to both the General and Limited Common Elements as described herein.

1.6 "Common Expenses" means and includes:

A. All sums lawfully assessed against the General Common Elements by the Managing Agent or Board of Directors of the Association;

B. Expenses of administration and management, maintenance, repair or replacement of the General Common Elements or Limited Common Elements;

C. Expenses agreed upon as Common Expenses by the Owners; and

D. Expenses declared Common Expenses by provisions of this Declaration and by the By-Laws;

E. Common Expenses may include, but are not limited to, the overhead expenses of the Association, costs of maintenance, repair and operation of the Common Elements, taxes and Special Assessments unless separately assessed, insurance premiums for insurance coverage as deemed desirable or necessary by the Association, utility charges for the General Common Elements (including gas, electricity, water, and sewer) trash and garbage collection, guard service, burglar alarm service, landscape maintenance, janitorial service, manager's salary, legal and accounting fees, management fees;

F. Common Expenses shall not include any reserve fund.

1.7 "Entire Premises" or "Property" means and includes the Land, Building, all improvements and structures thereon, and all rights, easements and appurtenances belonging thereto.

1.8 "First Mortgagee" means any holder of a security interest in a Timeshare Interest, represented by a deed of trust, mortgage or security agreement giving such holder a first and paramount priority security interest under Texas law.

1.9 The General and Limited Common Elements of the Project are as follows:

A. The "General Common Elements" consists of:

1. The Land in the Project, as more particularly described in Exhibit "A-1" (and the additional land which may be described in the supplement hereto as herein permitted);

2. The foundations, bearing walls, and columns (including any windows, doors, and chimneys therein), roofs, attics, ceilings and floors, halls, lobbies, stairways, entrances, exits and communication ways and any other portion of the Buildings located on the land within the boundaries of the Project not included within any Timeshare Unit;

3. The premises and facilities, if any, used for maintenance or repair of the Project;

4. All other common facilities, including without

limitation any office, the grounds, driveways and walkways, tennis courts, swimming pools, exercise facilities, and dressing rooms, if any;

5. Parking spaces not designated with a Timeshare Unit number and described on the subdivision plan as unassigned parking spaces, provided however, the Association expressly reserves the right at any time and from time to time to assign, any unassigned parking space to any Owner; and provided further, coincident with the assignment of any unassigned parking space, the parking floor plan attached hereto as Exhibit "A-3" shall be amended for the purposes of designating such parking space with a number corresponding to a Timeshare Unit number, and thereafter such parking space shall be a Limited Common Element appurtenant to such Timeshare Unit. Such amendment shall not require the joinder of any Owner or mortgagee.

6. The laundry room facilities, if owned by the Association;

7. All other elements desirable or rationally of common use or necessary to the existence, upkeep and safety of the Project;

B. The "Limited Common Elements", being those Common Elements reserved for the use of specific Timeshare Units therein, to the exclusion of others, consists of:

1. Compartments or installations of central services such as power, light, electricity, telephone, gas, cold and hot water, plumbing reservoirs, water tanks and pumps, incinerators, and all similar devices and installations corresponding to a building within the Project or corresponding to a Timeshare Unit;

2. Storage rooms, patios, balconies and decks designated with a number as described on the floor plans attached hereto as Exhibits "C-1" - "C-11";

3. Parking spaces and mail boxes not located at individual Timeshare Units which are designated with a number corresponding to a Timeshare Unit number;

4. All of the portions of the General Common Elements which are specifically reserved for the exclusive use of the Owner of a Timeshare Unit as shown on Exhibits "C-1" - "C-11" attached hereto, or as may hereafter be shown by supplement, annexation or amendment hereto.

1.10 "Land" means and includes all that certain real property described on Exhibit "A-1" attached hereto.

1.11 "Map", "Survey Map", or "Plans" means and includes the engineering survey of the land with all of the improvements located thereon, the floor plans and any other drawing or diagrammatic plan depicting a part of or all of the improvements, same being attached hereto and filed herewith, consisting of fourteen (14) sheets labeled Exhibits "A-1" through A-3" and "C-1" through "C-11".

1.12 "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who or which is the record owner of fee simple title to one or more Timeshare Interests in the Project.

1.13 "Project" shall mean and refer to The Galleon of Galveston Condominiums as a timeshare condominium project established in conformity with the provisions of this Declaration and the Act.

1.14 "Special Assessment" shall mean an additional assessment created for any purpose of the Association as a whole.

1.15 "Timeshare Interest" means a freehold estate in a Timeshare Unit at The Galleon of Galveston Condominiums, together with an undivided ownership interest in the Common Elements expressed as a fraction of the entire ownership interest in the Common Elements as set forth and defined herein, and the right to use the amenities in the Project for a Timeshare Period on a recurring basis.

1.16 "Timeshare Period" means the period within which the purchaser of a Timeshare Interest at The Galleon of Galveston Condominiums is entitled to the exclusive use, possession, and occupancy of the Timeshare Unit in which an interest is purchased, and the general use of all amenities.

1.17 "Timeshare Week" means the one week period commencing on a Saturday at noon and ending the next following Saturday at noon, with check-in to the Timeshare Unit allowed according to Rules promulgated by the Association or its management company (to allow for the cleaning of a Timeshare Unit at the beginning or expiration of a Timeshare Week).

1.18 "Timeshare Unit" shall mean and refer to an enclosed air space consisting of one or more rooms occupying all or part of one or more floors in a building in the Project, as such space may be further described, delineated and delimited in the floor plans attached hereto as Exhibits "C-1" - "C-11" (and as

may hereafter be described, delineated and delimited by an amendment or supplement hereto as herein permitted). A "Commercial Unit" is a type of Timeshare Unit intended for use for commercial or business purposes only. A "Residential Unit" is a type of Timeshare Unit intended for use for residential purposes only.

II.

ESTABLISHMENT OF REGIME

2.1 GRANT AND SUBMISSION

Developer has by recordation of the Original Declaration and the First Amended Declaration granted and submitted to timeshare condominium ownership all of the Property, the improvements to be constructed thereon, the Project and all attachments and appurtenants thereto and in anywise belonging thereto.

2.2 DESCRIPTION OF PROPERTY

The plans and specifications attached hereto as Exhibits "A-1" - "A-3" and "C-1" - "C-11" shall be filed for record simultaneously with the recording of this Declaration as part hereof. Such plans and specifications consist of and set forth (1) the legal description of the surface of the land; (2) the linear measurements and location, with reference to the exterior boundaries of the Land, of the buildings and all other improvements built or to be built on said Land; (3) floor plans of the building built or to be built thereon showing the location of each Timeshare Unit; and (4) the building designation, the Timeshare Unit designation and the linear dimensions of each Timeshare Unit, and the Limited Common Elements; the Association hereby expressly reserves the right to amend said Exhibits to conform the map to actual location of the constructed improvements to establish, vacate and relocate outside utility easements, access and parking facilities as same may be located on the ground, all as more fully provided herein. Such amendments shall not require the joinder of any Owner or mortgagee.

2.3 DIVISION OF FEE ESTATES

The Property is hereby divided into the following fee simple estates:

- A. One hundred fifty-nine (159) fee simple estates consisting of one hundred fifty-nine (159) separately designated residential or commercial Timeshare Units, in one Building, called Building "A" each such Timeshare

Unit identified by number, with the size and location of each Timeshare Unit being detailed on the survey plats attached hereto for reference as Exhibits "C-1" - "C-11" and "D". The architectural design of each of the Timeshare Units within the Project as set forth on Exhibits "C-1" through "C-4" are labeled Timeshare Unit Type A, B, C and D. Such references on Exhibits "C-1" through "C-4" to the basic Timeshare Unit Types as they relate to the various Timeshare Unit numbers indicate one of the floor plans set forth on Exhibits "C-5" - "C-11", with varying minor modifications to the basic architectural designs.

B. Any Timeshare Unit established pursuant to this Declaration may be divided into Timeshare Periods of one or more Timeshare Weeks. Each Timeshare Unit shall be deemed to be composed of fifty-two (52) separate Timeshare Weeks. Such Timeshare Weeks shall be numbered with Timeshare Week Number 1 commencing on the first Saturday of the calendar year, and the successive weeks being numbered consecutively. Every Owner of a one week Timeshare Interest shall own an undivided ownership interest, equal to 1.923078, in and to such Timeshare Unit and the undivided percentage ownership of the Common Elements allowable to such Timeshare Unit as specified in Exhibit "D" attached hereto. Such Timeshare Period and undivided interest in the Timeshare Unit and Common Elements shall be referred to as a Timeshare Interest. Upon the acquisition of a Timeshare Interest, the Owner thereof shall be entitled to share pro rata in all benefits derived therefrom, and shall be liable for pro rata expenses, assessments, taxes, and all other charges assessed against the Timeshare Interest. An Owner shall not be responsible for any liability, claim, cost, charge, expense or other encumbrance placed upon the Timeshare Interest of any other Owner. Timeshare Interest Owners shall not be jointly and severally liable for the payment of any charges levied against the Timeshare Unit as a whole. Any requirement placed upon the Timeshare Unit as a whole shall be deemed to be a requirement levied against each Owner of a Timeshare Interest in such Timeshare Unit on a pro rata basis. Use of the General Common elements by Owners or by their invitees shall be limited to the Timeshare Period conveyed to or which may be reserved by such Owner. No Owner of a Timeshare Interest shall exercise any rights of ownership with respect to the Timeshare Unit or its appurtenances other than the rights herein provided during the Timeshare Period of such Owner's Timeshare Interest. No Owner of a Timeshare Interest shall be exempt from liability to pay the assessments provided

herein by waiver of the use or enjoyment of the Common Elements or the Timeshare Unit, or the abandonment thereof. Each Owner shall have the exclusive right to occupy the Timeshare Unit and, as between and among Owners, to use and enjoy the Timeshare Unit and the rights and easements appurtenant to the Timeshare Unit, during such Owner's Timeshare Period. Each Owner shall have the right to mortgage or otherwise to encumber his Timeshare Interest. No Owner shall attempt to mortgage or otherwise encumber in any manner whatsoever the Timeshare Unit or any part thereof except the Timeshare Interest so owned. Any decision requiring the vote of a Timeshare Unit shall be determined by a majority vote of all Owners of a Timeshare Interest in such Timeshare Unit that vote on such matter. Each Owner shall be entitled to one (1) vote for each Timeshare Week included in such Owner's Timeshare Interest. All voting by the Owners of Timeshare Interests in a particular Timeshare Unit shall be conducted in accordance with the voting procedures set forth in the By-Laws for the election of directors of the Association. Any vote required on an Association matter shall be cast by the Timeshare Unit as a whole, and not by separate individual Owners of a Timeshare Interest therein. No Owner or other person or entity acquiring right, title or interest in a Timeshare Interest shall have the right of partition of the Timeshare Interest in any manner whatsoever.

C. The remaining portion of the Entire Premises, referred to as the General Common Elements, shall be held in common by the Owners, the percentage interest in the General Common Elements attributable to the respective Timeshare Units being set out in Exhibit "D" hereto. Each such undivided interest shall be appurtenant to one of the Timeshare Units covered hereby as scheduled, and allocated among the Owners of Timeshare Interests in such Timeshare Unit as set forth in Article 2.3B above.

2.4 TITLE

Title to any Timeshare Interest is declared and expressly made subject to the terms and conditions hereof, and acceptance by any grantee of a Deed from any Owner shall be deemed an acknowledgment of and consent to this Declaration and its provisions.

III.

OCCUPATION AND USE

3.1 CONVEYANCE OF TIMESHARE INTERESTS

Each Timeshare Interest, including the undivided ownership interest in the Common Elements appurtenant thereto, shall be inseparable and may be conveyed, leased or encumbered only as a Timeshare Interest. Any conveyance of a Timeshare Interest shall be deemed to include the undivided interest in the Common Elements appurtenant thereto.

3.2 DESCRIPTION OF TIMESHARE INTERESTS

Every deed, lease, mortgage, deed of trust or other instrument shall legally describe a Timeshare Interest by its number or letter followed by the words "The Galleon of Galveston Condominiums" with further reference to this Declaration and the Map. Every such description of a Timeshare Period, together with reference to the undivided interest in the Timeshare Unit and the Common Elements appurtenant thereto, shall be deemed good and sufficient for all purposes to convey, transfer, encumber, or otherwise affect a Timeshare Interest. Every instrument describing a Timeshare Interest shall set forth the Timeshare Period included therein.

3.3 COMBINATION OF TIMESHARE UNITS

In the event that one Owner shall own all Timeshare Interests in two or more Timeshare Units adjacent to each other, such Owner shall have the right, upon the express written consent of the First Mortgagee of each such Timeshare Unit, to combine such Timeshare Units into one area, to create entries, door openings and stairways between such Timeshare Units so long as such changes do not affect load bearing walls or pipes, conduits, ducts, shafts and wiring for the utility service of the Building and so long as the same is approved by all relevant governmental bodies and by the Association.

3.4 RIGHT OF ACCESS AND EMERGENCY REPAIRS

The Association shall have the right of access to each Timeshare Unit and its appurtenant Limited Common Elements from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of Common Elements, or at any time deemed necessary for the making of emergency repairs to prevent damage to the Common Elements or to the

Timeshare Unit or to another Timeshare Unit. In the event any damage occurs to an individual Timeshare Unit as a result of the repair of or repairs to the Common Elements, the cost for restoration of said damaged Timeshare Unit shall be a Common Expense. Further, in the event a Common Element is damaged as a result of actions or inactions of an Owner or his guests, invitees, tenants or others taking or occupying through said Owner, then such Owner shall be liable for any and all costs incurred for the repair and restoration of the damaged Common Element.

3.5 NO PARTITION

Except as provided herein, no Owner shall bring an action for partition of the Project, his Timeshare Interest or the Common Elements.

3.6 TAX ASSESSMENTS

To the extent permitted by applicable state, county and city statutes, ordinances and regulations, it is specifically stipulated that each Timeshare Unit and Timeshare Interest shall be subjected to separate tax assessments and taxation by the appropriate governmental authority.

3.7 ENCROACHMENTS AND EASEMENTS

If any portion of the General Common Elements encroaches upon a Timeshare Unit or Timeshare Units, for any reason whatsoever, a valid easement for the encroachment and for the maintenance of same, so long as it remains, shall and does exist. If any portion of an adjoining Timeshare Unit or Timeshare Units encroaches upon another Timeshare Unit or Timeshare Units, a valid easement for the encroachment and for the maintenance of same, so long as it remains, shall and does exist. For title or other purposes, such encroachment(s) and easement(s) shall not be considered or determined to be encumbrances either on the Common Elements or the Timeshare Units.

3.8 LABOR AND MATERIALMAN LIEN

No labor performed or materials furnished and incorporated in a Timeshare Unit with the consent or at the request of the Owner of a Timeshare Interest therein or his agent or his contractor or subcontractor shall be the basis for filing of a lien against the Timeshare Interest of any other Owner or against any Timeshare Unit or the Common Elements. Each Owner shall indemnify and hold harmless each of the other Owners and the Association from and against all liability arising from the claims of any lien against the

Timeshare Interest of such Owner or against any Timeshare Interest or Common Elements for construction performed or for labor, materials, services or other products incorporated in a Timeshare Unit at the request of an Owner who has an interest therein. Upon written request of any Owner, the Association shall have the right to enforce such indemnity.

3.9 USE RESTRICTIONS

A. PROJECT RESTRICTIONS

1. Structural Alterations and Modifications. No Owner shall make alterations or modifications to the Timeshare Unit in which such Owner has a Timeshare Interest or to any of the Common Elements, including the erection of antennae, aerials, awnings, the placement of any reflective or other material in the windows of such Timeshare Unit (other than uniform window coverings approved by the Board of Directors) or other exterior attachments without the prior written approval of the Association. The Association shall have the right to authorize any and all structural alterations or modifications, provided, however, the Association shall not approve any alterations, decorations or modifications which would jeopardize or impair the soundness, safety or appearance of the Project, and such alterations shall not affect the ownership percentage assigned to each Timeshare Unit in Exhibit "D" hereof.

2. Nuisance. No immoral, improper, unlawful or offensive activity shall be carried on, in or about any Timeshare Unit or upon the Common Elements, nor shall anything be done which may be or become an annoyance or a nuisance to the Owners. No Owner shall do or permit anything to be done or keep or permit to be kept in the Timeshare Unit in which such Owner has a Timeshare Interest or on the Common Elements anything that will increase the rate of insurance on the Project. No Owner shall store any dangerous explosives or inflammable liquids or other materials either in, at, or upon the Timeshare Unit in which such Owner has a Timeshare Interest or upon the Common Elements.

3. Pets. No animals shall be kept in a Timeshare Unit except household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint so as not to be obnoxious or offensive on account of noise, odor or unsanitary conditions. No savage or dangerous animal shall be kept in a Timeshare Unit. No more than one household pet may be kept without written permission of the Board of Directors of the

Association which shall not be unreasonably withheld. No pets may be permitted to run loose upon the Common Elements, and any Owner who causes an animal to be brought or kept upon the Project shall indemnify and hold harmless the Association for any loss it may sustain or which may be claimed against the Association as a result of the presence of such animal in the Project, whether or not the Association has given permission therefore. Notwithstanding the generality of the foregoing, after (i) repeated violations of this provision, (ii) fining of the Owner, (iii) ten (10) days prior written notice to the Owner of such behavior and notice of such hearing, and (iv) an opportunity for such Owner to have a hearing before the Board of Directors, such pet(s) may be taken from such Owner and given to the Society for the Prevention of Cruelty to Animals of Galveston County, Texas.

4. Use of Common Elements. The Common Elements shall not be used for storage of supplies, personal property, trash or refuse of any kind (except common trash receptacles, storage buildings or other similar structures which may from time to time be placed upon the Common Elements at the discretion of the Board of Directors of the Association). Stairs, entrances, sidewalks, yards, driveways and parking areas shall not be obstructed in any way nor shall unauthorized persons or pets play therein or thereon or use such areas for other than their intended purposes. In general, no activities shall be conducted nor condition maintained by any Owner either in, or about the Timeshare Unit in which such Owner owns a Timeshare Interest or upon the Common Elements which despoils the appearance of the Project.

5. Maintenance. Each Owner shall maintain the Timeshare Unit in which he has a Timeshare Interest and any Limited Common Elements appurtenant thereto in clean, safe and sanitary condition. Each Owner shall also use due care to avoid damaging any of the Common Elements, including, but not limited to, the central air-conditioning and heating, telephone, water, gas, plumbing, power or other utility systems throughout the Project, and each Owner shall be responsible for his negligence or misuse of any of the Common Elements or of his own facilities resulting in damage to the Common Elements.

6. Rules and Regulations. Non-Discriminatory regulations concerning the use of the Project shall be promulgated from time to time by the Board of Directors of the Association and such regulations, and subsequent

regulations duly adopted from time to time, shall be binding on all members of the Association unless duly amended by a majority of the Timeshare Units.

7. Vehicles. Vehicles not in operating condition shall not be parked at the Project for more than 24 hours. No parking space shall be converted for living, recreational or business purposes, nor shall anything be stored in any parking space so as to prevent the parking of a vehicle therein.

8. Enforceability. These restrictive covenants as to the use of the Timeshare Units and the Common Elements shall be a burden upon the fee title to the Land and shall run with the title to the Land until duly amended by the Association as herein permitted.

B. RESIDENTIAL UNIT RESTRICTIONS

1. Residential Use. No Residential Unit in the Project shall be used for other than residential purposes or co-tenancy purposes. Any Timeshare Unit not designated as a "Commercial Condominium" on Exhibits "C-5", "C-6", or "C-7" attached hereto is designated as a Residential Unit.

2. Right to Lease. Owners shall be permitted to lease their Timeshare Interest for transient or hotel purposes. No Owner may lease less than the entire Timeshare Unit in which such Owner has a Timeshare Interest. Any lease agreement shall be in writing and shall be required to provide that the term of the lease shall be subject in all respects to the provisions of the Declaration and By-Laws, and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. A copy of said lease shall be filed with the Association.

3. Signs. No signs or other advertising devices which are visible from the exterior of any Timeshare Unit or upon the Common Elements shall be displayed, including "For Sale" signs, without prior written permission from the Association.

C. COMMERCIAL UNIT RESTRICTIONS

1. Commercial Use. Commercial Units are indicted as Commercial Units on the attached Exhibits "C-5", "C-6", and "C-7". Commercial Units shall be used for commercial business or retail purposes only, including but not limited to, a restaurant, a private club, a gift or

souvenir shop, a leasing office, a business office, a drug store, or any other lawful purpose approved in writing by the Board of Directors of the Association. No video game parlor or other game shop shall be allowed in a Commercial Unit except with the prior written permission and authority from the Board and Officers of the Association.

2. Use of Condominium Project Facilities. No business invitees or guests of any Commercial Unit shall be permitted to use the swimming pool, tennis courts, or other General Common Element facilities of the Project; provided however, the business invitees and guests of any Commercial Unit shall be permitted to use the General Common Element parking facilities, and upon proper arrangement and payment of fees to the Association, the Owner of a Commercial Unit may provide permission for the Commercial Units' business invitees and guests to use such previously listed restricted General Common Elements. At all times the Owner of a Commercial Unit, and their family members, or if the Owner of the Commercial Unit is a partnership or corporation, all of the family members of each partner or of each officer of the corporation, shall be permitted to use all of the General Common Elements of the Project. The Owner of a Commercial Unit shall at all times keep a list of all such family members, partners, or corporate officers, their names and addresses, on file with the Association.

3.10 ELECTRICAL METERS

The Association shall maintain all pre-wired modular-type metering cabinets installed in the Project, including the maintenance of replacement parts with respect thereto, it being understood that Houston Lighting and Power Company or its successor will not maintain any such spare parts nor perform any repairs on such modular-type metering cabinets and that failure by the Association to timely repair such modular metering cabinets (or maintain an adequate number of spare parts with respect thereto) may result in termination of electrical service to the Project (or particular Timeshare Unit) until such repairs are completed or such spare parts obtained.

3.11 AGREEMENT OF SQUARE FOOTAGE

It is expressly agreed and each and every purchaser of a Timeshare Interest, his heirs, executors, administrators, assigns and grantees hereby agree that the square footage, size and dimensions of each Timeshare Unit, as set out or shown in this Declaration or in the survey plats exhibited

hereto, are approximate and are shown for descriptive purposes only. Each purchaser and Owner of a Timeshare Interest agrees that the Timeshare Unit of which such Timeshare Interest is a part is as actually and physically existing at the time such purchase is closed. Each purchaser of a Timeshare Interest expressly waives any claim or demand which such Owner may have against the Developer or any person whomsoever on account of any difference, shortage or discrepancy between the Timeshare Unit as actually and physically existing and as it is shown on the respective plat thereof exhibited hereto. It is specifically agreed that in interpreting deeds, mortgages, deeds of trust and other instruments for any purposes whatsoever or in connection with any matter, the existing physical boundaries of the Timeshare Unit shall be conclusively presumed to be the boundaries regardless of settling, rising or lateral movements of the Building and regardless of variances between boundaries as shown on the plat and those of the Building.

IV.

ADMINISTRATION

The administration of the Project shall be governed by the Declaration and the Second Amended and Restated By-Laws of The Galleon of Galveston Owners Association, Inc., a non-profit corporation, and the Articles of Incorporation of such Association. A copy of the Second Amended and Restated By-Laws is attached hereto as Exhibit "B" and incorporated herein; and same shall be deemed adopted by the Association, and all Owners shall be bound thereby. "Association" as here used shall refer to the member Owners as a group. A certified copy of the Certificate of Incorporation of The Galleon of Galveston Owners Association, Inc. shall be recorded and shall provide that three (3) persons shall act as a Board of Directors and shall serve as the Directors until their successors have been elected and qualified. An Owner, upon becoming an Owner, shall be a member of the Association and shall retain a membership for the period of his ownership of a Timeshare Interest. The aggregate number of votes for all members of the Association shall be one hundred fifty-nine (159), with each Timeshare Unit, both residential and commercial, entitled to one (1) vote. The vote of each Timeshare Unit shall be determined by a simple majority vote of all Timeshare Weeks for a Timeshare Unit voting on such matter. Owners shall cast one (1) vote for each Timeshare Week owned. The Board of Directors may retain a managing agent ("Managing Agent") for The Galleon of Galveston Condominiums, with responsibilities of the Managing Agent as may be determined by the Board of Directors. Any management agreement shall not have a term of more than one (1) year, and

shall be terminable without cause upon thirty (30) days written notice.

V.

MAINTENANCE

5.1 TIMESHARE UNIT AND LIMITED COMMON ELEMENTS.

The Owners in a particular Timeshare Unit shall maintain and keep in repair the interior of the Timeshare Unit, including the fixtures thereof. All fixtures and equipment, including the heating and air conditioning systems, installed within the Timeshare Unit, commencing at a point where the utility lines, pipes, wires, conduits or systems (which for brevity are hereafter referred to as "utilities") enter the Timeshare Unit shall be maintained and kept in repair by the Owners of the Timeshare Interest therein. Without limitation on the generality of the foregoing, the Owners shall maintain and keep in good repair (and replace, if so required) the air conditioning compressor, hot water heater units, fans, ductwork, heating unit and cooling coils, utilized in and for such Timeshare Unit; as well as all other fixtures situated within or installed into the Limited Common Elements appurtenant to such Timeshare Unit; and an Owner shall be obliged to promptly repair and replace any broken or cracked windows and doors. The Owners' obligation to maintain and repair as set forth herein shall also extend to any damage caused by the Owners' guests, tenants and invitees. Should an Owner fail to maintain or repair a Timeshare Unit or the Limited Common Elements within the Timeshare Unit, then the Association shall have the right to perform such maintenance and repair as it deems reasonably necessary for the benefit of the Association and the other Owners of Timeshare Interests in such Timeshare Unit, and the costs thereof shall become a Special Assessment against such Owner and his Timeshare Interest or such Special Assessment may be prorated over all Owners of Timeshare Interests in a Timeshare Unit and their Timeshare Interests in the sole discretion of the Association.

5.2 LIMITATION ON WORK

An Owner shall do no act nor any work that will impair the structural soundness or integrity of the Timeshare Unit or the Building or impair any easement or hereditament. No Owner shall in any way alter, modify, add to, or otherwise perform any work whatsoever upon any of the General Common Elements, save with written consent of the Board of Directors first obtained.

5.3 OWNERSHIP

The Owners of Timeshare Interests in a Timeshare Unit shall not be deemed to own the undecorated and/or unfinished surfaces of the perimeter walls, floors and ceilings surrounding the Timeshare Unit, nor shall such Owners be deemed to own the utilities running through the Timeshare Unit which are utilized for, or serve more than one Timeshare Unit, except as a tenant-in-common with the other Owners. The Owners, however, shall be deemed to own and shall maintain the inner decorated and/or finished surfaces of the perimeter and interior walls, floors, and ceilings, doors, windows, and other such elements consisting of paint, wallpaper, and other finishing materials of the Timeshare Unit.

5.4 COMPLIANCE

Each Owner shall comply strictly with the provisions of this Declaration, By-Laws, and other decisions and resolutions of the Association adopted pursuant thereto as the same may be lawfully amended from time to time. Failure to comply with any of the same shall be ground for an action to recover sums due for damages or injunctive relief, or both, including but not limited to, court costs and reasonable attorney's fees, maintainable by the Managing Agent or Board of Directors on behalf of the Owners, or, in proper cases, by an aggrieved Owner.

VI.

EXPENSES

6.1 COMMON EXPENSES AND RESERVE

The costs and expenses of administration and of maintenance and repairs of the General Common Elements, and in the proper case, the Limited Common Elements of the Project and the Timeshare Units, and any other expenses lawfully agreed upon by the Association, shall be borne pro-rata by all Owners, which expenses have been herein before defined as "Common Expenses". The Common Expenses for the fiscal year will be estimated by the Managing Agent and each Owner shall pay their pro-rata share of the Common Expenses when assessed by the Association. The actual Common Expenses will be determined on a pro-rata basis for each Timeshare Unit. If after determination of the actual part Timeshare Unit Common Expenses, an Owner, has paid more than their actual pro-rata share of the Common Expenses, then that Owner's excess may be retained by the Association and credited to the account for future Assessments of said Owner, or the excess may be

refunded to said Owner, as the Directors of the Association may determine. The Association shall provide for future contingencies through the creation of a reserve or surplus fund. The Association may in its sole discretion utilize the reserve fund for any Common Expenses. Payment of an Assessment into the reserve fund shall not be a part of, nor be considered to be, a Common Expense.

6.2 ASSESSMENTS

The Assessments made to provide funds for Common Expenses shall be based upon the cash operating requirements deemed to be such aggregate sum as the Association shall from time to time determine is to be paid by all of the Owners. Such Assessments shall be to provide for the payment of all estimated expenses arising out of or connected with the maintenance and operation of the General Common Elements or Limited Common Elements, which sum may include, in addition to the costs set forth in Article 1.6E hereof, among other things, costs of management, taxes, assessments, fire insurance with extended coverage and vandalism and malicious mischief with endorsements attached, issued in an amount to be determined by the Board of Directors of the Association of the maximum and public liability and other insurance premiums, landscaping and care of grounds, common lighting, repairs and renovations, garbage collections, wages, water charges, legal and accounting fees, management fees, expenses and liabilities incurred by the Managing Agent or Board of Directors under or by reason of the Declaration, and the payment of any deficit remaining from a previous period, the reserve fund provided in Article 9.4, as well as other costs and expenses relating to the General Common Elements or Limited Common Elements. The Association may levy a Special Assessment on all Owners of the Association. The Association shall vote as provided in Article VIII, Section 2B of the By-Laws for THE GALLEON OF GALVESTON CONDOMINIUMS. The omission or failure of the Board to fix the Assessment for any year shall not be deemed a waiver, modification or a release of the Owners from the obligation to pay.

6.3 INSURANCE

The Managing Agent or Board of Directors shall obtain and maintain at all times insurance of the type and kind provided herein, and included for such other risks, of a similar or dissimilar nature, as are or shall hereafter customarily be covered with respect to other condominium buildings, fixtures, equipment and personal property, similar in construction, design and use, issued by responsible insurance companies authorized to do business in the State of Texas. Additionally, the Association shall carry fidelity insurance

as related to the officers and directors of the Association and the Association's administration thereof. The insurance shall be carried in blanket policy form naming the Association the insured, which policy or policies shall identify the interest of each Owner and which shall provide for a standard, non-contributory mortgage clause in favor of each First Mortgagee. It shall also provide that it cannot be cancelled by either the insured or the insurance company until after ten (10) days prior written notice to each First Mortgagee. The Managing Agent or Board of Directors shall, upon request of any First Mortgagee, furnish a certified copy of such blanket policy and the separate certificate identifying the interest of the mortgagor. All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Owner guilty of a breach of warranty, act, omission, negligence or non-compliance with any provision of such policy, including payment of the insurance premium applicable to that Owner's Timeshare Interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under such policy, as to the Timeshare Interest of all other insured Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect. Further, such policies shall contain provisions requiring that the insurer waive its subrogation rights with respect to asserting any claim it might have against a negligent Owner.

6.4 PAYMENT DATE

All Owners shall be obligated to pay the Assessments imposed by the Board of Directors or Managing Agent of the Association. Assessments for the Common Expenses, including, without limitation, insurance premiums, and ad valorem taxes and reserves when established, shall be due within thirty (30) days after the date of the Assessment statement. Any Assessments which are not paid when due shall be delinquent. If the Assessment is not paid within thirty (30) days after the date of the Assessment statement, the Assessment shall bear interest from the due date at the maximum lawful rate of interest and the Association may bring an action at law against the Owner personally obligated to pay the Assessment or foreclose the lien against the Owner's Timeshare Interest as set forth in Article 6.6 of the Declaration. The obligation for the Assessment shall be prorated if the ownership of a Timeshare Interest commences on a day other than the first day of the Assessment period. Assessments and Special Assessments shall be due and payable at such time as the Board of Directors shall establish.

6.5 ALL OWNERS OBLIGATED

No Owner may exempt himself from liability for his contribution toward the Common Expenses by waiver of the use or enjoyment of any of the General or Limited Common Elements, or by abandonment of his Timeshare Interest.

6.6 LIEN FOR ASSESSMENTS

All unpaid Assessments against any Timeshare Interest, together with interest thereon at the maximum non-usurious annual rate allowed by law, cost of collection, and attorney's fees incurred for collection shall constitute a contractual lien on such Timeshare Interest superior (prior) to all other liens and encumbrances, except only for:

- (a) Tax and special assessment liens in favor of any governmental body with taxing authority over the Timeshare Interests, and
- (b) A first Mortgage or first Deed of Trust recorded prior to the delinquency of payment of such Assessment, including all unpaid obligatory sums as may be provided by such encumbrance.

To evidence such lien the Board of Directors or Managing Agent may, but shall not be required to, prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of the Timeshare Interest and a description of the Timeshare Interest. Such notice shall be signed by one of the Directors or by the Managing Agent and may be recorded in the office of the Clerk of Galveston County, Texas. Such lien may be enforced by non-judicial foreclosure by the Association of the lien against the defaulting Owner's Timeshare Interest in accordance with the provisions of §51.002 of the Texas Property Code (as said Section 51.002 now exists or may be hereafter amended or succeeded); and each such Owner hereby expressly grants the Association a power of sale in connection therewith. The Association shall, whenever it proceeds with non-judicial foreclosure pursuant to the provisions of said Section 51.002 of the Texas Property Code and said power of sale, designate in writing a Trustee to post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. The Trustee may be changed at any time and from time to time by the Association by means of a written instrument executed by the President or any Vice President of the Association and filed for record in the Real Property Records of Galveston County, Texas. In the event that the Association has determined to non-judicially foreclose the lien provided herein pursuant to the provisions of said

Section 51.002 of the Texas Property Code and to exercise the power of sale hereby granted, the Association shall mail to the defaulting Owner a copy of the Notice of Trustee's Sale not less than twenty-one (21) days prior to the date on which said sale is scheduled by posting such Notice through the U.S. Postal Service, postage prepaid, registered or certified, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Association. If required by law, the Association or Trustee shall also cause a copy of the Notice of Trustee's Sale to be recorded in the Real Property Records of Galveston County, Texas. Out of the proceeds of such sale, if any, there shall first be paid all expenses incurred by the Association in connection with such default, including reasonable attorney's fees and a reasonable Trustee's fee; second, from such proceeds there shall be paid to the Association an amount equal to the amount of default; third, from such proceeds there shall be paid taxes and special assessment liens in favor of the assessing entity; fourth, from such proceeds there shall be paid the balance of the lien of any first mortgage; fifth, from such proceeds there shall be paid junior liens and encumbrances in order of and to the extent of their priority; and the remaining balance shall be paid to the Owner. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceedings, the costs and expenses for filing the notice or claim of lien and all reasonable attorney's fees. The Association shall have the power to purchase the Timeshare Interest at foreclosure sale and to acquire and hold, lease, mortgage and convey same. Additionally, the lien attaching hereunder may be foreclosed judicially. The acquisition of a Timeshare Interest shall be deemed the agreement of an Owner to execute and deliver any documents that may be reasonably required by the Managing Agent or Board of Directors to evidence this lien. If the Owner refuses, the Managing Agent shall be irrevocably vested with a power of attorney for such non-signing Owner, to execute and deliver such documents to the Association.

The amount of the Assessment against each Timeshare Interest shall also be a debt of the Owner thereof at the time the Assessment is made. Suit to recover a money judgment for unpaid Assessment shall be maintainable without foreclosing or waiving the lien securing the same.

Any person or entity holding a lien on a Timeshare Interest may pay any unpaid Assessments payable with respect to such Timeshare Interest, and upon such payment such person or entity shall have a lien on such Timeshare Interest for the amounts paid of the same rank as the prior lien.

The Association shall have the right to prevent the use and enjoyment of a Timeshare Interest by any Owner, or Owner's family, guests or invitees, if Owner has not paid all Assessments due to the Association.

6.7 ESTOPPEL STATEMENTS

Upon the written request of any Owner or any encumbrancer or prospective encumbrancer of a Timeshare Interest, and upon payment of a reasonable fee as may from time to time be set by the Association, the Association, by its Managing Agent or Board of Directors shall issue a written statement setting forth the unpaid Assessment, if any, with respect to the subject Timeshare Interest, the amount of the current Assessment and the date that such Assessment becomes due, credit for advanced payments or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Association for all persons who rely thereon in good faith.

6.8 LIABILITY

The grantee of a Timeshare Interest shall be jointly and severally liable with the grantor for all unpaid prior Assessments against the latter and for his proportionate share of the Assessments up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor; provided, however, that upon written request, and payment of a reasonable fee as determined by the Association, any such prospective grantee shall be entitled to a statement from the Managing Agent or Board of Directors, setting forth the amount of the unpaid Assessments, if any, with respect to the subject Timeshare Interest, the amount of the current Assessment and the date that such Assessment becomes due, credit for advanced payments or for prepaid items, including but not limited to the insurance premiums, which shall be conclusive upon the Association.

VII.

FINANCING

7.1 RIGHT TO FINANCE

Any Owner shall have the right from time to time to mortgage or encumber his Timeshare Interest by deed of trust, mortgage or other security instrument, provided that such first deed of trust, mortgage and security agreement shall be subordinate to this Declaration, unless herein specifically provided to the contrary. A first mortgage shall be one which

has first and paramount priority under applicable law. An Owner may create a second mortgage against his Timeshare Interest on the following conditions: (1) that any such second mortgage shall always be subordinate to all of the terms, conditions, covenants, restrictions, uses, limitations, obligations, liens for Assessments, and other payments created by this Declaration and by the By-Laws; and (2) that the mortgagee under any second mortgage shall release, for the purposes of restoration of any improvements upon the mortgaged premises, all of his right, title and interest in and to the proceeds under all insurance policies upon said mortgaged premises, which insurance policies were effected and placed upon the mortgaged premises by the Association. Such release shall be furnished forthwith by a second mortgagee upon written request to the Association.

7.2 FORECLOSURE

Any First Mortgagee, upon foreclosure of its lien on a Timeshare Interest, or upon acceptance of a deed in lieu of foreclosure thereon, shall not be required to pay any unpaid Assessments owing on said Timeshare Interest. Any Assessment lien created or claimed under the provisions of this Declaration shall be subject and subordinate to the rights of any First Mortgagee of any duly recorded first mortgage upon one or more Timeshare Interests made in good faith and for value. No lien created under the provisions hereof shall in any way defeat, invalidate or impair the rights of any First Mortgagee under any such duly recorded first mortgage unless such First Mortgagee shall expressly subordinate its interests, in writing, to such lien.

7.3 AMENDMENT AFFECTING FINANCING

No amendment to this Declaration shall affect the rights of the mortgagee of any such mortgage which is made in good faith and for value; provided that any such mortgage is recorded prior to the recordation of such amendment and written notice of delivery and recordation of such mortgage is given to the Association; provided further that the benefit of this Article 7.3 shall not apply to the mortgage of any such prior mortgage unless such mortgagee shall either join in the execution of such amendment or shall approve said amendment in writing as a part of said amendment.

7.4 BREACH

No breach of any provision of this Declaration shall impair or invalidate any lien of any duly recorded mortgage made in good faith and for value encumbering one or more Timeshare Interests; provided however, that all the covenants,

conditions, restrictions, limitations, reservations, grants of assessments, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall be binding upon and effective against any person who acquires title to or any beneficial interest in any Timeshare Interest by way of foreclosure, or otherwise.

VIII.

DAMAGE, REPLACEMENT AND REPAIR

8.1 POWER OF ATTORNEY

All of the Owners, by acceptance of any deed or other conveyance of a Timeshare Interest, irrevocably name, designate, constitute and appoint the The Galleon of Galveston Owners Association, Inc., a non-profit corporation, or its successor non-profit corporation, if same be hereafter organized, their true and lawful attorney-in-fact in their name, place and stead, for the purpose of dealing with the Property upon its destruction or obsolescences as is hereafter provided, and for the purpose of execution by all the Owners of all easements, rights-of-way, plats, subordination to plats or liens, or any other document which may be required by any governmental authority. This power of attorney shall be coupled with an interest and is irrevocable. As attorney-in-fact, the Association, by its President and Secretary, shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or any other instrument with respect to the Timeshare Interest of an Owner which are necessary and appropriate to exercise the powers herein granted.

8.2 DEFINITION OF REPAIRS

Repair and reconstruction of the improvement(s) as used in the succeeding Article 8.3 - 8.9 means restoring the improvement(s) to substantially the same conditions in which it existed prior to the damage, with each Timeshare Unit and the General and Limited Common Elements having the same verticle and horizontal boundaries as before. The proceeds of any insurance collected shall be made available to the Association for the purpose of repair, restoration or replacement unless the Owners and First Mortgagees agree not to rebuild in accordance with the provisions set forth hereinafter.

8.3 RECONSTRUCTION WITH INSURANCE PROCEEDS

In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to

reconstruct the improvement(s), shall be applied by the Association, as attorney-in-fact, to such reconstruction and the improvement(s) shall be promptly repaired and reconstructed.

8.4 ASSESSMENT IF INSURANCE IS INSUFFICIENT

If the insurance proceeds are insufficient to repair and reconstruct the improvement(s), and if such damage is not more than two-thirds (2/3) of all of the General Common Elements, not including Land, such damage or destruction shall be promptly repaired and reconstructed by the Association, as attorney-in-fact, using the proceeds of insurance and the proceeds of an Assessment to be made against all the Owners and their Timeshare Interests. Such deficiency Assessment shall be a Common Expense made pro rata according to each Owner's percentage interest in and to the General Common Elements and shall be due and payable within thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the Assessment. The Assessment provided for herein shall be a debt of each Owner and a lien on his Timeshare Interest and may be enforced and collected as provided in Article 6.6. In addition thereto, the Association as attorney-in-fact, shall have the absolute right and power to sell the Timeshare Interest of any Owner refusing or failing to pay such deficiency Assessment within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Timeshare Interest of the delinquent Owner shall be sold by the Association, and each Owner by acceptance of the conveyance of a Timeshare Interest does hereby grant to the Association the limited power of sale as herein stipulated. The proceeds derived from the sale of such Timeshare Interest shall be used and disbursed by the Association, as attorney-in-fact, in the following order:

- A. For payment of taxes and special assessment liens in favor of any assessing entity;
- B. For payment of the balance of the lien of any first mortgage;
- C. For payment of unpaid Assessments;
- D. For payment of junior liens and encumbrances in order of and to the extent of their priority; and
- E. The balance remaining, if any, shall be paid

to the Owner.

8.5 SALE AFTER DESTRUCTION

If more than two-thirds (2/3) of all the General Common Elements, not including the Land, are destroyed or damaged, and if Owners of a majority of the Timeshare Interests in seventy-five percent (75%) of the Timeshare Units do not voluntarily, within one hundred and twenty (120) days thereafter, make provision for reconstruction, which plan must have the approval or consent of First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's president and secretary, the Entire Premises shall be sold by the Association, as attorney-in-fact for all of the Owners, free and clear of the provisions contained in this Declaration, the Map and the By-Laws. The insurance settlement proceeds shall be collected by the Association, and such proceeds shall be divided by the Association according to each Timeshare Interest Owner's interest (based upon each Timeshare Interest Owner's percentage interest in the General Common Elements), and such dividend proceeds shall be accounted for as separate accounts, each such account representing one of the Timeshare Interests. From each separate account, the Association, as attorney-in-fact shall use and disburse the total amount of each such account, without contribution from any account to another, toward the full payment of the lien of any first mortgage against the Timeshare Interest represented by such separate account. There shall be added to each such account, the apportioned amount of the proceeds derived from the sale of the Entire Premises. Such apportionment shall be based upon each Owner's percentage interest in the General Common Elements. The total funds of each account shall be used and disbursed, without contribution from one account to another, by the Association, as attorney-in-fact, for the same purposes and in the same order as is provided in this Article.

8.6 PLAN FOR RECONSTRUCTION

Any Assessment made in connection with such reconstruction plan shall be a Common Expense and made pro-rata according to each Owner's percentage interest in the General Common Elements and shall be due and payable as provided by the terms of such plan, but not sooner than thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the

Assessment. The Assessment provided for herein shall be a debt of each Owner and a lien on his Timeshare Interest and may be enforced and collected as is provided in Article 6.6. In addition thereto, the Association, as attorney-in-fact, shall have the absolute right and power to sell the Timeshare Interest of any Owner refusing or failing to pay such Assessment within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Timeshare Interest of the delinquent Owner shall be sold by the Association. Each Owner by the acceptance of a conveyance of any Timeshare Interest hereby grants to the Association the limited power of sale herein set forth. The proceeds derived from the sale of such Timeshare Interest shall be used and disbursed by the Association, as attorney-in-fact, for the same purposes and in the same order as its provided in Article 8.4 hereof.

8.7 OBSOLESCENCE AND REPLACEMENT

Subject to the approval of First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, the Owners representing a majority of the Timeshare Interests in the Timeshare Units, or more, may agree that the General Common Elements of the Property are obsolete and that the same should be renewed or reconstructed. In such instances, then the expense thereof shall be payable by all of the Owners as Common Expense which shall be paid by the Owners, if determined by the Board of Directors, as a Special Assessment.

8.8 OBSOLESCENCE AND SALE

Subject to the approval of mortgagees, all of the Owners of Timeshare Interests in Timeshare Units, may agree that the Timeshare Units and Common Elements of the Property are obsolete and that the same should be sold. In such instance, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's president and secretary, the Entire Premises shall be sold by the Association, as attorney-in-fact, for all of the Owners, free and clear of the provisions contained in this Declaration, the Map, and the By-Laws. The sales proceeds shall be apportioned between the Owners on the basis of each Owner's percentage interest in the General Common Elements, and such apportioned proceeds shall be accounted for in separate accounts, each such account representing one Timeshare Interest. From each separate account, the Association, as attorney-in-fact, shall use and disburse the total amount of such funds, without contribution from one fund to another, for the same purposes and in the same order as provided in Article 8.4 hereof.

8.9 TRUST FUND

Notwithstanding any provisions contained herein to the contrary, all insurance proceeds and any Assessments under Article 8.4 received by the Association with respect to any damage or destruction of the Property shall be paid to a bank or other financial institution (the "Insurance Trustee") approved by the Board of Directors of the Association and First Mortgagees holding first mortgages against a majority of the Timeshare Weeks that are subject to first mortgages, to be held in trust for the benefit of the Association, the Owners and the First Mortgagees, as their respective interests may appear, unless First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages execute written waivers of the provisions of this Article 8.9. The Insurance Trustee shall make disbursements from the trust account for necessary restoration, repair or replacement work on the Property (herein called the "Work"). Such disbursements shall be made by the Insurance Trustee from time to time to the Association (or, at the option of the Insurance Trustee, jointly to the Association and the persons furnishing labor and/or materials incident to the Work, or directly to such persons) as the Work progresses, subject to the following conditions:

A. If the cost of the Work exceeds \$25,000.00, a licensed architect or engineer shall be retained by the Association to supervise the Work;

B. Each request for payment shall be made on ten days prior written notice to the Insurance Trustee and shall be accompanied by a certificate by the architect or engineer supervising the Work (if one is required pursuant to subparagraph (a) above), otherwise by the Board of Directors of the Association or its authorized agent, stating, among such other matters as may be reasonably required by the Insurance Trustee that:

1. All the Work completed has been performed in compliance with the plans and specifications;

2. The sum requested is justly required to reimburse the Association for payments by the Association to, or is justly due to the contractor, subcontractor, materialmen, laborers, engineers, architects or other persons rendering services or materials for the Work (giving a brief description of such services and materials); and

3. When added to all sums previously paid out by the Association, the sum requested does not exceed the value of the Work done to the date of such certificate.

C. Each request shall be accompanied by waivers of lien or paid invoices satisfactory in form and substance to the Insurance Trustee covering that part of the Work for which payment or reimbursement is being requested; and

D. In the case of the request for the final disbursement, such request is accompanied by any Certificate of Occupancy or other certificate required for lawful occupancy of the damaged area. If, upon completion of the Work to the satisfaction of the Insurance Trustee or upon the election not to repair or restore the Project in accordance with this Article, any portion of the trust account has not been disbursed pursuant to the foregoing provisions, the Insurance Trustee shall disburse such balance to the Association. At its election, the Insurance Trustee may withhold from each disbursement 10% of the amount otherwise herein provided to be disbursed, and may continue to withhold each sum, until the time permitted for perfecting liens against the improvements has expired, at which time the amount withheld shall be disbursed in accordance with the foregoing provisions.

IX.

PROTECTION OF MORTGAGEE

9.1 NOTICE TO ASSOCIATION

An Owner who mortgages his Timeshare Interest shall notify the Association, giving the name and address of his mortgagee. Each mortgagee shall be permitted to notify the Association of the fact that such mortgagee holds a deed of trust or mortgage on a Timeshare Interest. The Board shall maintain such information in a book entitled "Mortgagees of Timeshare Interests".

9.2 NOTICE OF DEFAULT

The Association shall notify a First Mortgagee in writing, upon the prior written request of such First Mortgagee, of any default by the Mortgagor in the performance of such Mortgagor's obligations as set forth in this

Declaration which is not cured within thirty (30) days.

9.3 EXAMINATION OF BOOKS

The Association shall permit First Mortgagees, the Veterans' Administration, Federal Housing Administration, Federal National Mortgage Association and any other similarly secured or guaranteed mortgage agency or authority with an interest in any loan related to the Project, to examine the books and record of the Association upon request.

9.4 RESERVE FUND

The Association shall establish adequate reserve funds, as hereinabove provided in Article 6.1, for replacement of Common Element components and the same shall be paid by an Owner in the annual Assessment. In addition, there may be established a reasonable working capital fund for the operation of the Association.

9.5 ANNUAL AUDITS

The Association shall furnish each First Mortgagee upon written request of such First Mortgagee an annual audited financial statement of the Association within ninety (90) days following the end of each fiscal year of the Association.

9.6 NOTICE OF MEETINGS

The Association shall furnish each First Mortgagee upon written request of such First Mortgagee, prior written notice of all meetings of the Association and permit the designation of a representative of such First Mortgagee to attend such meeting.

9.7 APPROVAL FOR AMENDMENTS TO DECLARATION, ETC.

The prior written approval of the First Mortgagee, and governmental agencies, if any, holding or insuring first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, shall be required for the following:

- A. Abandonment or termination of THE GALLEON OF GALVESTON CONDOMINIUMS as a Condominium Regime, except for abandonment or termination provided by law or this Declaration in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain; and

B. Any material amendment to the Declaration or to the By-Laws of the Association; and

C. The effectuation of any decision by the Association to terminate professional management and assume self management of the Project.

9.8 NOTICE OF DAMAGE OR DESTRUCTION

The Association shall furnish the First Mortgagees timely written notice of any substantial damage or destruction of any Timeshare Unit if such loss exceeds One Thousand Dollars (\$1,000.00) and any part of the Common Elements and facilities if such loss exceeds Ten Thousand Dollars (\$10,000.00).

9.9 MANAGEMENT AGREEMENTS

Any management agreements and/or service contracts entered into by the Association shall be terminable by the Association without cause by delivery of thirty (30) days advance written notice of termination, and the term of such management shall not exceed the period of one (1) year, renewable by agreement of the parties to such agreement for successive one (1) year periods. In the event of the termination of a management agreement, as provided herein, the Association shall enter into a new management agreement with the new management entity prior to the effective date of the termination of the old management agreement.

9.10 TAXES, ASSESSMENTS AND CHARGES

All taxes, assessments and charges which may become liens prior to the first mortgage under local law shall relate only to the individual Timeshare Interest and not to the Project as a whole.

9.11 OTHER ACTS BY ASSOCIATION REQUIRING APPROVAL OF FIRST MORTGAGEES OR OWNERS

Unless (i) First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject to first mortgages, and (ii) Owners of a majority of the Timeshare Interests in seventy-five percent (75%) of the Timeshare Units, have given their written approval, the Association shall not be entitled to use hazard insurance proceeds for losses to any Property (whether to Timeshare Units or to Common Elements) for other than the repair, replacement or reconstruction of such improvements, except as provided by statute in case of substantial loss to the Timeshare Units or as otherwise provided in this Declaration. The Association may not sell, convey, or encumber the General

Common Elements without obtaining prior written approval of all of the First Mortgagees, unless this Declaration provides to the contrary. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Project shall not be deemed a transfer within the meaning of this Article.

X.

TERMINATION AND REVOCATION

This Declaration may be revoked and the condominium terminated, only, as provided herein:

(a) If such revocation and termination is approved by all Owners and all mortgagees, such agreement must be evidenced by an instrument in writing and executed in a manner to provide for the conveyance of the Property and as otherwise required by the Association. Such termination shall comply with the requirements set out in Article X(d) below and shall become effective when the agreement has been recorded in the public records of the County of Galveston, State of Texas.

(b) If destruction should occur as indicated herein, and the Property is not reconstructed as provided herein, the condominium form of ownership will be terminated and the documents herein will be revoked according to procedures provided by law and at the direction of the Board of Directors.

(c) Except as otherwise provided herein, if such termination occurs, the Owners shall own their individual Timeshare Interests in a Timeshare Unit and the Limited Common Elements related thereto as tenants-in-common, and all General Common Elements shall be owned as tenants-in-common by all Owners of Timeshare Interests. Further, the holders of mortgages and liens against the Owner's Timeshare Interests shall have mortgages and liens respectively according to the undivided tenancy-in-common interest and the separate interest of the individual Owners. All funds and other property of the Association, including insurance proceeds, if any, shall be held by the Association to be distributed in proportion to the ownership shares after all other claims on said funds are paid as determined in the discretion of the Association. The costs incurred by the Association in connection with the termination and winding up of the condominium ownership shall be borne as a Common Expense.

(d) Except as otherwise provided herein, following the

termination, if any, of the condominium ownership, the Property, including General and Limited Common Elements, may be partitioned and sold upon the application by any Owner to a court for such partition agreement. Further, if the Board of Directors determine that a termination of the Declaration and Association, including articles, By-Laws, and minutes, is most advantageous, and if such determination is ratified by the written consent of all the Owners, then the directors, upon unanimous vote by said directors, may seek out the means, terms, and provisions to seek sale of the Project. However, such sale shall not work to the disadvantage of any parties who claim a lien on a Timeshare Interest. Further, the determination as to any disposition of the Project must be approved by all said parties holding mortgages or liens on any Timeshare Interest. If the directors comply with the provision herein for such disposition of the Project, each Owner shall be bound to execute any documents, including a Deed, necessary or required by said directors to conform with their decision as to disposition of the condominium property and appoint the Board of Directors or the Managing Agent as agent and attorney-in-fact to execute such documents and consummate the sale.

XI.

11.1 COMPLIANCE WITH DECLARATION

Each Owner shall comply strictly with the provisions of this Declaration, the Articles of Incorporation, By-Laws, rules, regulations and resolutions of the Association and any management agreement entered into by the Association as the same may from time to time be in force and effect. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages, attorney's fees, or injunctive relief or both, maintainable by the Association in behalf of the Owners, or by an aggrieved Owner.

11.2 SEVERABILITY

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

11.3 AMENDMENT

Except as permitted herein, none of the provisions of this Declaration shall be amended unless the Owners of a majority of Timeshare Interests in at least seventy-five percent (75%) of Timeshare Units, and First Mortgagees holding first mortgages against seventy-five percent (75%) of the Timeshare Weeks that are subject first mortgages, consent and agree to such amendment by instrument duly recorded.

11.4 NOTICE

All notices, demands or other notices intended to be served upon an Owner shall be sent by certified mail, postage prepaid, addressed in the name of such Owner in care of the Timeshare Unit number and building address of such Owner, or such other address as the Owner shall have delivered to the Association in accordance with the terms hereof; provided any notice to be sent to all Owners need not be sent by certified mail. All notices, demands or other notices intended to be served upon the Board of Directors of the Association, or the Association, or upon the Managing Agent shall be sent by certified mail, postage prepaid to 100 N. E. Loop 410, Suite 1500, San Antonio, Texas 78216, until such address is changed by notice of address change duly recorded in accordance herewith.

11.5 CONSTRUED UNDER LAWS OF TEXAS

The provisions of this Declaration shall be in addition and supplemental to the Condominium Act and the Timeshare Act of the State of Texas to all other provisions of law. All matters in connection with this Declaration shall be construed under Texas law.

11.6 WORD CONSTRUCTION

That whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the singular and the use of gender shall include all genders.

XII.


JOINDER OF LIENHOLDERS

Orion Partners, Inc., a Texas corporation the First Mortgagee of more than seventy-five percent (75%) of the Timeshare Weeks, joins in this Declaration to indicate its consent thereto.

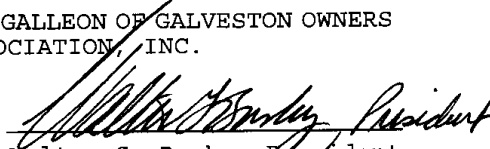
EXECUTED in multiple originals on the date first above written.

THE GALLEON OF GALVESTON OWNERS ASSOCIATION, INC.

ATTEST:

By: 
Thomas H. Chandler

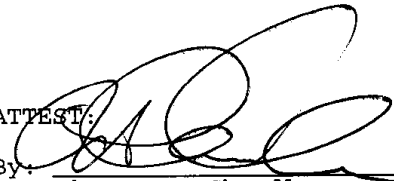
By:


Walter G. Busby, President


GALLEON PARTNERS, LTD.

By: ORION PARTNERS GALLEON DEVELOPERS, LTD., its general partner

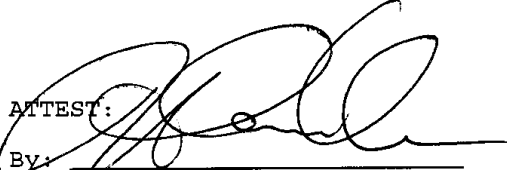
ATTEST:

By: 
Thomas H. Chandler

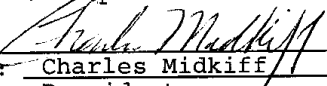
By: Orion Partners, Inc. its general partner

By: 
Name: Charles Midkiff
Title: President

ATTEST:

By: 
Thomas H. Chandler

ORION PARTNERS, INC. a Texas corporation

By: 
Name: Charles Midkiff
Title: President

THE STATE OF TEXAS §
COUNTY OF BEXAR §

The foregoing instrument was acknowledged before me on this 15 day of May, 1995 by Walter Busby, President of the Galleon of Galveston Owners Association, Inc., a Texas non-profit corporation on behalf of said non-profit corporation.

[NOTARY SEAL]

Barbara L. Buell
Notary Public in and for the State of Texas



THE STATE OF TEXAS §
COUNTY OF BEXAR §

The foregoing instrument was acknowledged before me on this ___ day of May, 1995 by Charles Midkiff, President of Orion Partners, Inc., general partner of Orion Partners Galleon Developers, Ltd., general partner of Galleon Partners, Ltd, a Texas limited partnership on behalf of said limited partnership.

[NOTARY SEAL]

Barbara L. Buell
Notary Public in and for the State of Texas

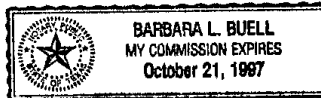


THE STATE OF TEXAS §
COUNTY OF BEXAR §

The foregoing instrument was acknowledged before me on this ___ day of May, 1995 by Charles Midkiff President of Orion Partners, Inc., a Texas corporation on behalf of said corporation.

[NOTARY SEAL]

Barbara L. Buell
Notary Public in and for the State of Texas



010-46-0133

After Recording Return to:
Galleon Partners, Ltd. ~~5/2/88~~
c/o Orion Partners, Inc.
100 N. E. Loop 410, Ste. 1500
San Antonio, Texas 78216

010-46-0134

005-55-1796

EXHIBIT "A"-1"

The surface only of part of Lots 295 and 310, Section 1 of Trimble and Linsey Survey of Galveston Island, in Galveston County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at the Northeast corner of Lot 310, same being the Northwest corner of lot 295;

THENCE South 25 deg. East, along the common line between Lots 310 and 295, a distance of 672.00 feet to the place of beginning of the tract hereinafter described;

THENCE from said beginning point North 65 deg. East, across Lot 295, parallel to the Northwest line of Lot 295, a distance of 151.03 feet to a point for corner;

THENCE South 25 deg. East, parallel to the Southwest line of Lot 295, a distance of 715.34 feet to a point for corner;

THENCE South 55 deg. 52 min. West, along the Northerly right of way line of Seawall Boulevard, 150 foot right of way, a distance of 286.48 feet to a point for corner;

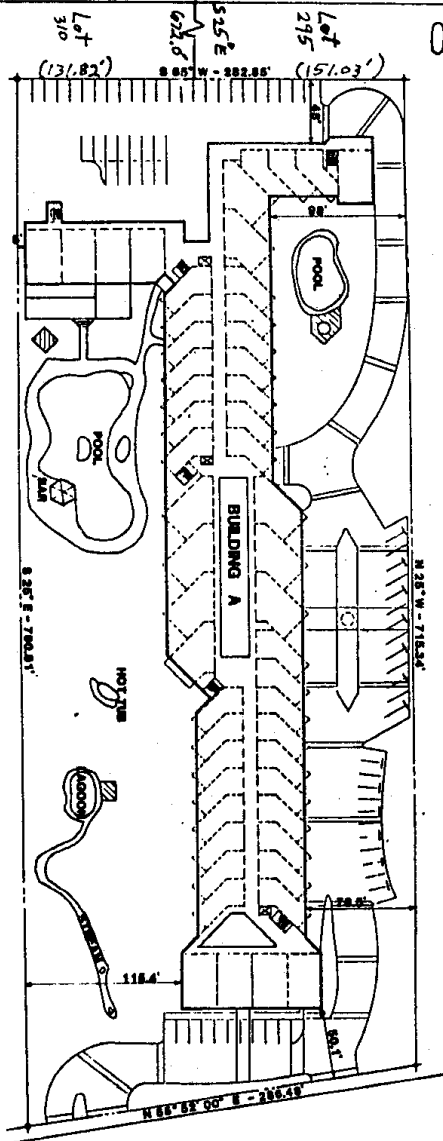
THENCE North 25 deg. 00 min. West, a distance of 760.81 feet to a point for corner;

THENCE North 65 deg. East, parallel to the Northwest line of Lot 310, a distance of 131.82 feet to the PLACE OF BEGINNING.

EXHIBIT A

010-46-0135

005-55-1797.

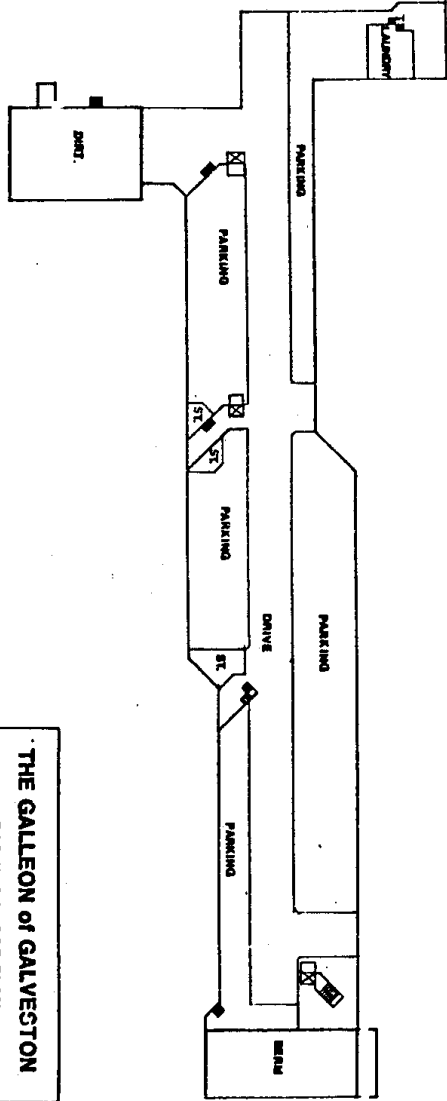


THE GALLEON of GALVESTON
9520 SEAWALL BOULEVARD
GALVESTON, TEXAS 77551

EXHIBIT A2 SITE PLAN

010-46-0136

005-55-1798



THE GALLEON of GALVESTON	
PARKING FLOOR PLAN	
EXHIBIT A3	

EXHIBIT "B"

**TO THE SECOND AMENDED AND RESTATED DECLARATION
OF CONDOMINIUM REGIME**

SECOND AMENDED AND RESTATED CONDOMINIUM BY-LAWS

OF

THE GALLEON OF GALVESTON OWNERS ASSOCIATION, INC.

ARTICLE I.

Section 1. Definitions.

1.1 "Act" shall mean collectively the Texas Condominium Act, Chapter 81 of the Texas Property Code and the Texas Timeshare Act, Chapter 221 of the Texas Property Code.

1.2 "Assessment" shall mean and refer to the funds required to pay Common Expenses, other lawfully agreed upon expenses, plus surplus and reserves, as such costs, expenses and reserves are determined by the Managing Agent or Board of Directors and are levied by the Board of Directors upon all of the Owners.

1.3 "Association" shall mean and refer to The Galleon of Galveston Owners Association, Inc., a non-profit association, its successors and assigns, comprised of the Owners, the By-Laws of which shall govern the administration of this Project and the members of which shall be all of the Owners of the Timeshare Interests.

1.4 "Building" means the building or the buildings within the Project.

1.5 "By-Laws" means the Second Amended and Restated By-Laws of the Association and any amendment, modification or revision hereto as herein permitted.

1.6 "Common Elements" shall mean and refer to both the General and Limited Common Elements as described herein.

1.7 "Common Expenses" means and includes:

A. All sums lawfully assessed against the General Common Elements by the Managing Agent or Board of Directors of the Association;

B. Expenses of administration and management, maintenance, repair or replacement of the General Common Elements or Limited Common Elements.

C. Expenses agreed upon as Common Expenses by the Owners; and

D. Expenses declared Common Expenses by provisions of the Declaration and by these By-Laws.

E. Common Expenses may include, but are not limited to, the overhead expenses of the Association, costs of maintenance, repair and operation of the Common Elements, taxes and Special Assessments unless separately assessed, insurance premiums for insurance coverage as deemed desirable or necessary by the Association, utility charges for the General Common Elements (including gas, electricity, water and sewer) trash and garbage collection, guard service, burglar alarm service, landscape maintenance, janitorial service, manager's salary, legal and accounting fees, management fees.

F. Common Expenses shall not include any reserve fund.

1.8 "Declaration" means the Second Amended and Restated Declaration of Condominium Regime and all Exhibits attached thereto and any amendments, modification or revision thereto as therein permitted.

1.9 "Entire Premises" or "Property" means and includes the land, buildings, all improvements and structures thereon, and all rights, easements and appurtenances belonging thereto.

1.10 "First Mortgagee" means any holder of a security interest in a Timeshare Interest, represented by a deed of trust, mortgage or security agreement giving such holder a first and paramount priority under Texas Law.

1.11 The General and Limited Common Elements of the Condominium Project are as follows:

A. The General Common Elements consists of:

1. The land in the Project, as more particularly described in Exhibit "A-1" of the Declaration (and the additional land which may be described in the supplement hereto as herein permitted);

2. The foundations, bearing walls and columns (including any windows, doors, and chimneys therein), roofs, attics, ceilings and floors, halls, lobbies, stairways, entrances, exits and, or communication ways and any other portion of the Buildings located on the land within the boundaries of the Project not included within any Timeshare Unit;

3. The premises and facilities, if any, used for maintenance or repair of the Project;
4. All other common facilities, including without limitation, any office, the grounds, driveways and walkways, and tennis courts, swimming pools, exercise facilities, and dressing rooms if any;
5. Parking spaces not designated with a Timeshare Unit number and described on the condominium subdivision plan as unassigned parking spaces; provided, however, the Association expressly reserves the right at any time and from time to time to assign, any unassigned parking space to any Owner; and provided further, coincident with the assignment of any unassigned parking space, the parking floor plan attached to the Declaration as Exhibit "A-3" shall be amended for the purposes of designating such parking space with a number corresponding to a Timeshare Unit number, and thereafter such parking space shall be a Limited Common Element appurtenant to such Timeshare Unit. Such amendment shall not require the joinder of any Owner or mortgagee.
6. The laundry room facilities, if owned by the Association;
7. All other elements desirable or rationally of common use or necessary to the existence, upkeep and safety of the Project.

B. The Limited Common Elements, being those Common Elements reserved for the use of specific Timeshare Units therein, to the exclusion of others, consists of:

1. Compartments or installations of central services such as power, light, electricity, telephone, gas, cold and hot water, plumbing, reservoirs, water tanks and pumps, incinerators, and all similar devices and installations corresponding to a building within the Project or corresponding to a Timeshare Unit;
2. Storage rooms, patios, balconies and decks designated with a number as described on the floor plans attached to the Declaration as Exhibits "C-1" - "C-11";
3. Parking spaces and mail boxes not located at individual Timeshare Units which are designated with a number corresponding to a Timeshare Unit number;
4. All of the portions of the General Common Elements which are specifically reserved for the exclusive use of the Owner of a Timeshare Unit as shown on and attached to the

Declaration as Exhibits "C-1" - "C-11", or as may hereafter be shown by supplement, annexation or amendment thereto.

1.12 "Map", "Survey Map" or "Plans" means and includes the engineering survey of the land with all of the improvements located thereon, the floor plans and any other drawing or diagrammatic plan depicting a part of or all of the improvements, same being attached to the Declaration and filed therewith, consisting of fourteen (14) sheets labeled Exhibit "A-1" through "A-3" and "C-1" through "C-11".

1.13 "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who or which is the record owner of fee simple title to one or more Timeshare Interests in the Project.

1.14 "Project" shall mean and refer to The Galleon of Galveston Condominiums as a timeshare condominium project established in conformity with the provisions of the Act.

1.15 "Special Assessment" shall mean an additional assessment created for any purpose of the Association as a whole.

1.16 "Timeshare Interest" means a freehold estate in a Timeshare Unit at The Galleon of Galveston Condominiums, together with an undivided ownership interest in the Common Elements expressed as a fraction of the entire ownership interest in the Common Elements as set forth and defined herein, and the right to use the amenities in the Project for a Timeshare Period on a recurring basis.

1.17 "Timeshare Period" means the period within which the purchaser of a Timeshare Interest at The Galleon of Galveston Condominiums is entitled to the exclusive use, possession, and occupancy of the Timeshare Unit purchased, and the general use of all amenities.

1.18 "Timeshare Week" means the one week period commencing on a Saturday at noon and ending the next following Saturday at noon, with check-in to the Timeshare Unit allowed according to Rules promulgated by the Association or its management company (to allow for the cleaning of a Timeshare Unit at the beginning or expiration of a Timeshare Week).

1.19 "Timeshare Unit" shall mean and refer to an enclosed air space consisting of one or more rooms occupying all or part of one or more floors in a building in the Project, as such space may be further described, delineated and delimited on the floor plans attached to the Declaration as Exhibits "C-1" - "C-11" (and as may hereafter be described, delineated and delimited by an amendment or supplement hereto as herein permitted). A "Commercial Unit" is a type of Timeshare Unit intended for use for commercial or business

purposes only. A "Residential Unit" is a type of Timeshare Unit intended for use for residential purposes only.

Section 2. Administration.

The Galleon of Galveston Condominiums (hereinafter referred to as the "Project") shall be administered by a non-profit corporation incorporated under the Laws of the State of Texas, under the name of "The Galleon of Galveston Owners Association, Inc." (herein referred to as the "Association"). The Association shall be responsible for the management, maintenance, operation and administration of the Project, the Common Elements and easements appurtenant thereto in accordance with the Declaration, these By-Laws and duly adopted rules and regulations of the Association and the Laws of the State of Texas.

Section 3. Members and Voting.

Membership in the Association and voting by members of the Association shall be in accordance with the following provisions:

A. Each Timeshare Interest Owner shall be a member of the Association and no other person or entity shall be entitled to membership. No Owner shall be required to pay any consideration whatsoever solely for his membership in the Association.

B. The share of an Owner in the funds and assets of the Association cannot be assigned, pledged or transferred in any manner except as an appurtenance to his Timeshare Interest in the Project.

C. The aggregate number of votes for all members of the Association shall be one hundred fifty-nine (159), with each Timeshare Unit, both residential and commercial, entitled to one (1) vote. The vote of each Timeshare Unit shall be determined by a simple majority vote of Timeshare Weeks for a Timeshare Unit voting on such matter.

D. No Owner shall be entitled to vote at any meeting of the Association until such Owner has presented evidence of ownership of a Timeshare Interest in the Project to the Association. The vote of each Owner may only be cast by such Owner or by a proxy given by such Owner to his duly authorized representative. If title to a Timeshare Interest shall be in the name of two or more owners, any one of such Owners may vote as the Owner of the Timeshare Interest at any meeting of the Association, and such vote shall be binding on such other Owners who are not present at such meeting until written notice to the contrary has been received by the Association in

which case the unanimous action of all such Owners (in person or by proxy) shall be required to cast their vote as Owners. If two or more of such Owners are present at any meeting of the Association then unanimous actions shall also be required to cast their vote as Owners.

E. When a quorum is present at any meeting of the Association, the vote of a majority or more of the Timeshare Units shall decide any question brought before such meeting, unless the question is one upon which by express provision of any statute, the Declaration, the Articles of Incorporation of the Association or these By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. The Owners present in person or by proxy at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough Owners to leave less than a quorum.

F. At all meetings of the Owners, cumulative voting shall not be permitted.

ARTICLE II

OFFICES

Section 1. Principal Office.

The principal office of the Association shall be in the City of Galveston, Galveston County, Texas.

Section 2. Registered Office.

The registered office of the Association required by the Texas Non-Profit Corporation Act to be maintained in the State of Texas, may be, but need not be, identical with the principal office, and the address for the registered office may be changed from time to time by the Board of Directors.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Place of Meetings.

The meetings of Members of the Association shall be held in Galveston, Galveston County, Texas, with the place of meetings being set by the Board of Directors of the Association.

Section 2. Annual Meeting.

The annual meeting of the Members of the Association, shall be held each year at 7:00 o'clock p.m., Central Standard Time on the fourth Tuesday of the month of May and if such is a legal holiday then the next secular day following at 7:00 p.m. at which time the members shall elect a Board of Directors and transact such other business as may be brought before the meeting. The date of the annual meeting may be changed by the Board of Directors in their sole discretion provided that (i) written notice of the date of the annual meeting is mailed to each member at least thirty (30) days in advance of the meeting and (ii) the annual meeting shall in any event be held during each and every calendar year.

Section 3. Special Meeting.

Special meetings of the Members for any purpose or purposes, unless otherwise prescribed by law or by the Articles of Incorporation, may be called by the President, the Board of Directors, or one-tenth (1/10th) of all of the Members entitled to vote at the meetings. Business transacted at all special meetings shall be confined to the purpose or purposes stated in the call.

Section 4. Notice of Meetings.

Written or printed notice of all meetings of Members stating the place, day and hour thereof, and in the case of a special meeting the purpose or purposes for which the meeting is called, shall be personally served upon or mailed to each Member entitled to vote thereat, not less than thirty (30) nor more than sixty (60) days before the date of the meeting, at the address of the Timeshare Unit owned by the aforesaid Member, or at any other address, provided that prior written notice of the other address is furnished to the Association at least thirty (30) days in advance of the date such notice is given. If the Owner shall fail to give an address to the Association for the mailing of notices, the address of the Timeshare Unit owned by the Owner shall be deemed to be the address for the giving of notice.

Section 5. Quorum.

Except as otherwise provided by statute or these By-Laws, the presence in person or by proxy of sixty percent (60%) of the Owners qualified to vote shall constitute a quorum for holding any meeting of the members of the Association. If, however, such quorum shall not be present or represented at any meeting of the Owners, the Owners present in person or represented at any meeting of the Owners, the Owners present in person or represented by proxy, shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall

be present or represented. At the first adjourned meeting the presence in person or by proxy of fifty percent (50%) of the Owners qualified to vote shall constitute a quorum. Should a second or subsequent adjourned meeting be required, the presence in person or by proxy of forty percent (40%) of the Owners qualified to vote shall constitute a quorum. If a quorum shall be present or represented by proxy at such meeting held in lieu of the adjourned meeting(s), any business may be transacted at such meeting as originally notified.

Section 6. Organization.

The President shall preside at all meetings of the Members. In his absence a Vice President shall preside. In the absence of all of these officers any Member or the duly appointed proxy of any Member may call the meeting to order and a chairman shall be elected from among the Members present.

The Secretary of the Association shall act as secretary at all meetings of the Members. In his absence an Assistant Secretary shall so act and in the absence of all of these officers the presiding officer may appoint any person to act as secretary of the meeting.

Section 7. Proxies.

At any meeting of the Members, every Member entitled to vote thereat shall be entitled to vote in person or by proxy appointed by instrument in writing executed by such Member or by his duly authorized attorney-in-fact. No appointment of a proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless such proxy otherwise provides. A proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law.

ARTICLE IV

DIRECTORS

Section 1. Number and Qualification.

The property, business and affairs of the Association shall be managed and controlled by a Board of three (3) Directors who shall be elected annually by the Members. Each Member of the Board of Directors of the Association must be a Member of the Association.

Section 2. Election and Term of Office.

The Directors shall be elected at the annual meeting of the Members (except as provided in Section 5 of this Article) and each Director elected shall hold office until the next annual meeting of

the Members and until his successor shall be elected and shall qualify or until his death or until he shall resign or be removed in the manner hereinafter provided.

Section 3. Resignation.

Any Director may resign at any time by giving written notice to the President or Secretary. Such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal.

Any Director may be removed at any time either with or without cause and another person may be elected to serve for the remainder of his term at any special meeting of the Members called for the purpose of removal by a vote of a majority of the Owners. In case any vacancy so created shall not be filled by the Members at such meeting, such vacancy may be filled by the Directors as provided in Section 5 of this Article.

Section 5. Vacancies.

If any vacancy shall occur in the Board of Directors such vacancy may, subject to the provisions of Section 4 of this Article, be filled by the affirmative vote of the remaining Directors though less than a quorum of the Board of Directors; A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 6. General Powers.

In addition to the powers and authorities expressly conferred upon them by these By-Laws, the Board of Directors may exercise all such powers of the Association and do all such lawful acts and things as are not by law or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the Members.

Section 7. Compensation.

Directors as such shall not receive any stated salary for their services, but by resolution of the Board a fixed sum for expenses of attendance, if any, may be allowed for attendance at any regular or special meeting of the Board provided that nothing herein contained shall be construed to preclude any Director from serving the Association in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE V

MEETING OF DIRECTORS

Section 1. Place of Meetings.

The Directors of the Association shall hold their meetings, both regular and special at Galveston, Galveston County, Texas.

Section 2. Annual Meeting.

The first meeting of each newly elected Board shall be held at such time and place as shall be fixed by the Board of Directors or by the vote of the Members at their annual meeting and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting, provided a quorum shall be present, or they may meet at such time and place as shall be fixed by the consent in writing of all of the Directors.

Section 3. Regular Meetings.

Regular meetings of the Board may be held without notice at such time and place as shall from time to time be determined by the Board.

Section 4. Special Meetings.

Special meetings of the Board may be called by the President on one (1) day notice to each Director given either personally, by mail or by facsimile transmission. Special meetings shall be called by the President or Secretary in like manner and like notice on the written request of two (2) Directors. Neither the purpose of nor the business to be transacted at any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

Section 5. Quorum and Action.

At all meetings of the Board of Directors the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors at any meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law, the Articles of Incorporation or these By-Laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may

adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present.

Section 6. Presumption of Assent to Action.

A Director who is present at a meeting of the Board at which action or any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

ARTICLE VI

EXECUTIVE COMMITTEE

Section 1. Membership and Authorities.

The Board of Directors, by resolution adopted by a majority of the whole Board, may designate two (2) or more Directors to constitute an Executive Committee, which Committee to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the business and affairs of the Association except where action of the full Board of Directors is specified by applicable law, but the designation of such Committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law.

Section 2. Minutes.

The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board when required.

Section 3. Vacancies.

The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve, the Executive Committee.

ARTICLE VII

OFFICERS

Section 1. Number.

The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may

also choose additional Vice Presidents and one or more Assistant Secretaries and/or Assistant Treasurers. One person may hold any two or more of said offices except those of President and Secretary.

Section 2. Election, Term of Office and Qualifications.

The officers of the Association shall be elected by the Board of Directors at its first meeting after each annual meeting of members. The Board shall elect a President, one or more Vice Presidents, a Secretary and a Treasurer, none of whom need be a member of the Board. Each officer so elected shall hold office until his successor shall have been duly chosen and qualify or until his death or his resignation or removal in the manner hereinafter provided.

Section 3. Subordinate Officers.

The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such term and have such authority and perform such duties as the Board of Directors may delegate to any committee or officer the power to appoint any such subordinate officer or agent.

Section 4. Resignation.

Any officer may resign at any time by giving written notice thereof to the Board of Directors or to the President or Secretary of the Association. Any such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Removal.

Any officer elected or appointed by the Board of Directors may be removed by the Board at any time with or without cause by the Board of Directors or by any committee or superior officer in whom such power of removal may be conferred by the Board of Directors.

Section 6. Vacancies.

A vacancy in any office shall be filled for the unexpired portion of the term by the Board of Directors, but in case of a vacancy occurring in an office filled in accordance with the provisions of Section 3 of this Article, such vacancy may be filled by any committee or superior officer upon whom such power may be conferred by the Board of Directors.

Section 7. The President.

The President shall be the chief executive officer of the Association; the President shall, when present, preside at all meetings of the Members and Directors; shall be ex-officio a member of all standing committees, shall have general and active management of the business of the Association and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President may sign, with any other proper officer, any contracts and other documents which the Board of Directors has authorized to be executed, except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors or these By-Laws, to some other officer or agent of the Association.

Section 8. The Vice President.

Vice Presidents shall perform the duties as are given to them by these By-Laws and as may from time to time be assigned to them by the Board of Directors or by the President and may sign, with any other proper officer any documents authorized by the Board of Directors. At the request of the President, or in his absence or disability, the Vice President, designated by the President (or in the absence of such designation, the senior Vice President) shall perform the duties and exercise the powers of the President.

Section 9. The Secretary.

The Secretary shall attend all meetings of the Board of Directors and all meetings of the Members and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the executive Committee and standing committee when required. He shall give, or cause to be given, notice of all meetings of the Members and special meetings of the Board of Directors as required by law or these By-Laws, be custodian of the corporate records and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. He shall keep in safe custody the seal of the Association, and, when authorized by the Board, affix the same to any attestation of his signature or by the signature of the Treasurer or an Assistant Secretary.

Section 10. Assistant Secretaries.

The Assistant Secretaries shall perform the duties as are given to them by these By-Laws or as may from time to time be assigned to them by the Board of Directors or by the Secretary. At the request of the Secretary, or in his absence or disability, the Assistant Secretary designated by the Secretary (or in the absence

of such designation the senior Assistant Secretary) shall perform the duties and exercise the powers of the Secretary.

Section 11. The Treasurer.

The Treasurer shall have the custody and be responsible for all corporate funds and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Association as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Association.

Section 12. Assistant Treasurers.

The Assistant Treasurers shall perform the duties as are given to them by these By-Laws or as may from time to time be assigned to them by the Board of Directors or by the Treasurer. At the request of the Treasurer or in his absence or disability, the Assistant Treasurer designated by the Treasurer (or in the absence of such designation the senior Assistant Treasurer) shall perform the duties and exercise the powers of the Treasurer.

Section 13. Treasurer's Bond.

If required by the Board of Directors, the Treasurer and any Assistant Treasurer shall give the Association a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Association, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Association, provided, however, that the cost of the bond shall be paid for by the Association.

Section 14. Management.

As provided in Article IV of the Declaration, the Association shall provide for independent management of the Project, with the responsibilities of such management being determined by the Board of Directors. Such independent management may jointly manage the Project and other property. In such event, the Association shall not be required to bear in excess of its pro-rata share (based on the ratio that the number of Timeshare Units in the project bears to the number of total units of whatever type so jointly managed) of such independent management expense. Any agreement for

independent professional management of the Project shall provide that the management contract may be terminated without cause by delivery of thirty (30) days advance written notice of termination and the term of any such contract shall not exceed one (1) year. Any officer or stockholder of the Association or any Owner (or any of their respective affiliates, nominees, employers or companies) may be employed as the independent management so long as the fees paid to such related party are reasonable.

ARTICLE VIII

ASSESSMENTS

Section 1. Expenses.

All costs incurred by the Association, including but not limited to any costs incurred in satisfaction of any liability arising within, caused by or in connection with the Association's operation, maintenance or use of the Project, costs of insurance, personal property taxes of any tangible personal property of the Project owned or possessed in common by the Owners, and all other Common Expenses set forth in the Declaration shall be Association expenses. All sums received by the Association, including but not limited to all sums received as proceeds of, or pursuant to, any policy of insurance carried by the Association, shall be Association receipts.

Section 2. Assessments.

A. The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Project, including a reasonable allowance for contingencies and reserves. Such reserves shall include without limitation an adequate reserve fund for the replacement of the Common Elements. The assessments established by the Board of Directors of the Association shall be based on the annual budget and actual expenses. Upon written request by an Owner, copies of such budget shall be delivered to the Owner, although the delivery of a copy of the budget to any Owner shall not affect the liability of any Owner for any existing or future assessment. Should the Board of Directors at any time determine, in the sole discretion of said Board of Directors, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Project in any fiscal year, then the Board of Directors shall have the authority at any time and from time to time to levy such additional assessments as it shall deem to be necessary for that purpose.

B. Special assessments, which are assessments other than those described in Subsection A above, may be made by the Board of Directors of the Association at any time, and from time to time, to meet other needs or requirements of the Association and the Project including, but not limited to, assessments for costs described herein and capital improvements. However, any such special assessment shall not be levied without the prior approval of at least a majority of the Timeshare Interests in seventy-five percent (75%) of the Timeshare Units in the Project.

C. Assessments levied by the Association against each Owner pursuant to Subsection A and/or Subsection B above which are expended on capital expenditures, or which are set aside in a reserve for future repairs or improvements within the Project (whether or not such repairs or improvements would otherwise be considered capital in nature pursuant to Section 263 of the Internal Revenue Code of 1986, as amended) shall be treated as capital contributions by such Owners to the Association and shall be shown on the books of the Association as Such.

The provisions of this Subsection C may be amended by a majority vote of the Board of Directors of the Association if, in the sole discretion of said Board of Directors, such action is necessary to conform to any change in the Internal Revenue Code of 1986, as amended, or any Treasury Regulation or Ruling promulgated thereunder. Notwithstanding anything contained in these By-Laws to the contrary, any amendment to this Subsection C duly authorized by the Board of Directors of the Association shall not require the consent of any Owner or mortgagee.

Section 3. Apportionment of Assessments.

All assessments levied against an Owner to cover expenses of the Association and the Project shall be apportioned to and paid by (i) the Commercial Units based upon the relative square footage of the Commercial Units as a percentage of all Timeshare Units, and (ii) the Owners of the Residential Units in accordance with the percentage of value assigned to each Timeshare Interest, as may be reasonably determined by the Board of Directors, according to the Declaration without increase or decrease for the existence of appurtenances related to such Timeshare Unit. Assessments shall be due and payable at least annually in such manner as the Board of Directors shall determine. The payment of an Assessment, shall be in default if such assessment, or any part thereof, is not paid to the Association in full on or before the date thirty (30) days after the date of the Assessment. Assessments in default shall bear interest at the maximum lawful rate of interest from the due date until paid. Each Owner shall, be, and remain, personally

liable for the payment of all Assessments which may be levied against such Owner by the Association in accordance with these By-Laws, and any unpaid Assessments with accrued interest thereon owed with respect to a Timeshare Interest may, at the option of the Association, be collected out of the sale proceeds of such Timeshare Interest in accordance with the Act. In addition, to the extent permitted by law, unpaid Assessments shall become a lien against the Timeshare Interest and each deed from Developer may expressly retain a Vendor's Lien to secure the payment of all assessments, subject only to: (I) assessments, liens and charges in favor of the state and any political subdivision thereof for taxes pas due and unpaid on such Unit; and (II) amounts due under any mortgage instruments duly recorded. Any First Mortgagee, upon foreclosure thereon, shall not be required to pay any unpaid Assessments owing on said Timeshare Interest until such Timeshare Interest is subsequently sold, transferred or conveyed by the First Mortgagee to another person or entity. Such unpaid Assessment lien may be recorded in the Real Property Records of Galveston County, Texas, and may be enforced by foreclosure, and the expenses incurred therefor including interest, costs and attorneys' fees shall be chargeable to the Owner in default. Each Owner, by his acceptance of a deed to a Timeshare Interest, shall expressly vest in the Association 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 in a like manner as a mortgage or deed of trust lien on real property as provided in §51.002 of the Texas Property Code, and such Owner by acceptance of a deed to a Timeshare Interest expressly grants to the Association a power of sale in connection with said lien and agrees to the creation of (and by the acceptance of deed grants) a contractual lien and a Vendor's Lien to secure the payment of the assessments. The lien provided for in this section shall be in favor of the Association and shall be for the common benefit of all Owners. The Association acting on behalf of the Owners shall have the power to bid upon an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same and to treat the proceeds of any such lease, mortgage or conveyance in the same manner as assessments hereunder.

Section 4. No Exceptions.

No Owner may exempt himself from liability for his contribution toward the expenses of the Association and the Project by waiver of the use or enjoyment of any of the Common Elements or by the abandonment, sale or other disposition of a Timeshare Interest.

Section 5. Enforcement.

The Association may, in addition to its rights under Article 6.6 of the Declaration, Section 3 hereof, and the Act, enforce collection of delinquent assessments by suit at law for a money judgment, and the expenses incurred in collecting unpaid Assessments including interest, costs and attorneys' fees shall be chargeable to the Owner in default. The Association may also discontinue the furnishing of any utilities or other services to an Owner in default of his obligations to the Association or other Owners as set forth herein upon seven (7) days written notice to such Owner of its intent to do so. An Owner in default of his obligation to the Association or other Owner as set forth herein shall not be entitled to vote at any meeting of the Association so long as such default is in existence, and such defaulting Owner's name shall be placed in the announcements of the Association or on a bulletin board of the Association.

ARTICLE IX**OWNER ACTION**

Without limiting the other legal rights of any Owner or the Association, legal action may be brought by the Association at its sole discretion on behalf of two (2) or more Owners as their respective interest may appear with respect to any cause of action relating to the Common Elements of more than one (1) Timeshare Unit.

ARTICLE X**AMENDMENT**

Subject to the requirements of Article 9.7 of the Declaration, the By-Laws may be amended by the members of the Association from time to time by approval of the Owners of a majority of the Timeshare Interests in a majority of the Timeshare Units, unless otherwise provided herein or in the Act. Any such amendment may be evidenced by an instrument in writing signed and acknowledged by the President and Secretary of the Association certifying that such amendment has been duly approved, and such amendment shall be effective upon its recordation in the Real Property Records of Galveston County, Texas. The procedure for proposing amendments thereto shall be set by the Board of Directors.

ARTICLE XI**DEFAULT**Section 1. Compliance.

Failure to comply with the Declaration of Condominium Regime, the Articles of Incorporation or By-Laws or duly adopted rules and regulations of the Association shall constitute an event of default and shall be grounds for relief, which may include, without intending to limit the same, an action to recover sums due for damages and injunctive relief, or any combination thereof.

Section 2. Attorneys' Fees.

In any proceeding arising because of an alleged default by any Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding including without limitation reasonable attorneys' fees and expenses.

ARTICLE XII**BOOKS AND RECORDS**

The Association shall keep or cause to be kept detailed books and records of the administration of the Project as required by Texas Law.

In witness whereof these Second Amended and Restated By-Laws have been signed by Walter G. Busby, President of the Association and Thomas H. Chandler, Secretary of the Association to acknowledge and certify that this instrument has been duly approved and adopted effective this 23 day of May, 1995.



WALTER G. BUSBY, President



THOMAS H. CHANDLER, Secretary

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

The foregoing instrument was acknowledged before me on this 15 day of May, 1995 by Walter G. Busby, President.

[NOTARY SEAL]

Barbara L. Buell
Notary Public in and for the
State of Texas

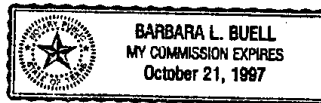


THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

The foregoing instrument was acknowledged before me on this 25 day of May, 1995 by Thomas H. Chandler, Secretary.

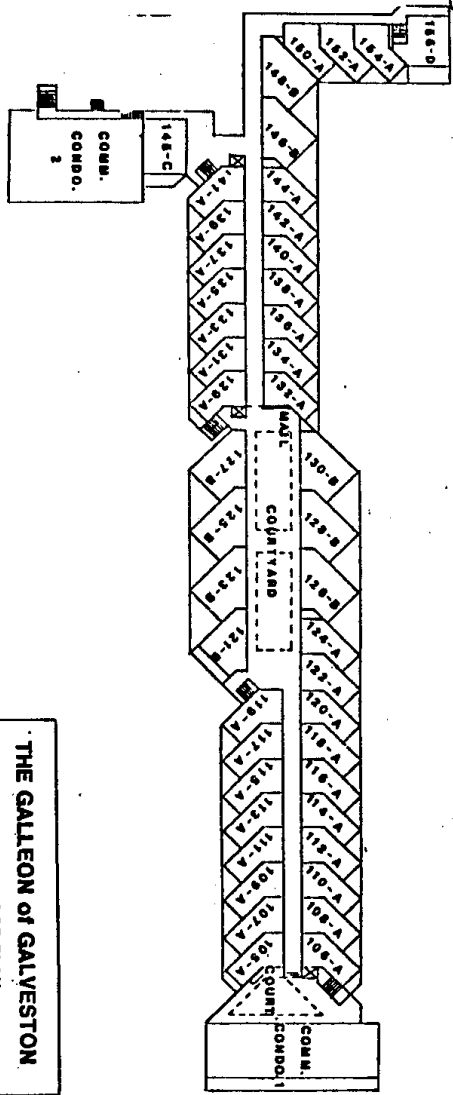
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Barbara L. Buell
Notary Public in and for the
State of Texas



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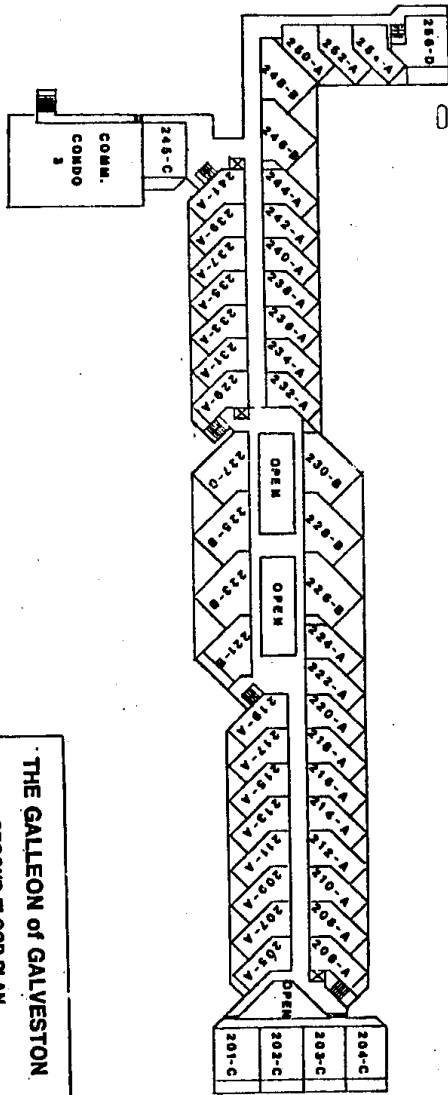
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THE GALLION of GALVESTON	
FIRST FLOOR PLAN	
EXHIBIT C1	LEGEND
UNIT NO.	108 - A
UNIT TYPE	

EXHIBIT C

005-55-1819

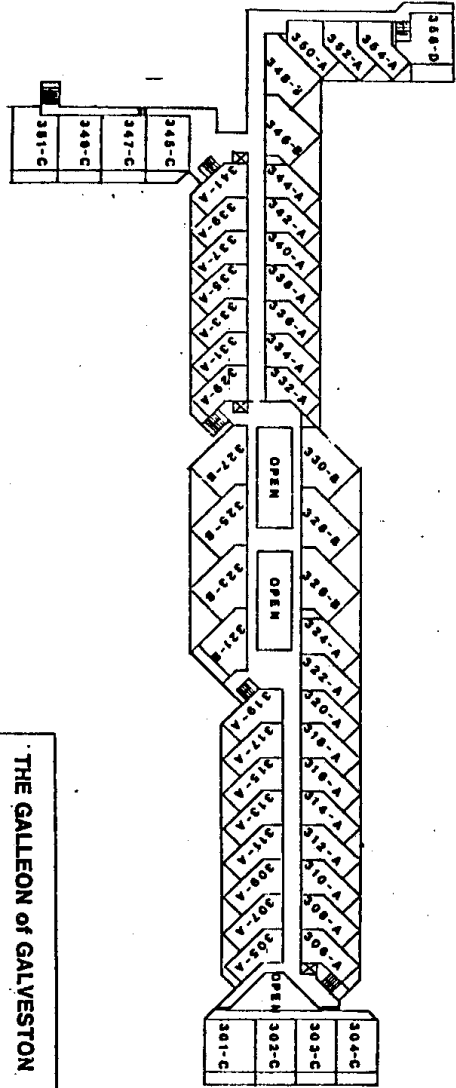


THE GALLEON of GALVESTON
SECOND FLOOR PLAN

EXHIBIT C2	LEGEND
	208 - A
	UNIT NO. - UNIT TYPE

010-46-0159

005-55-1820

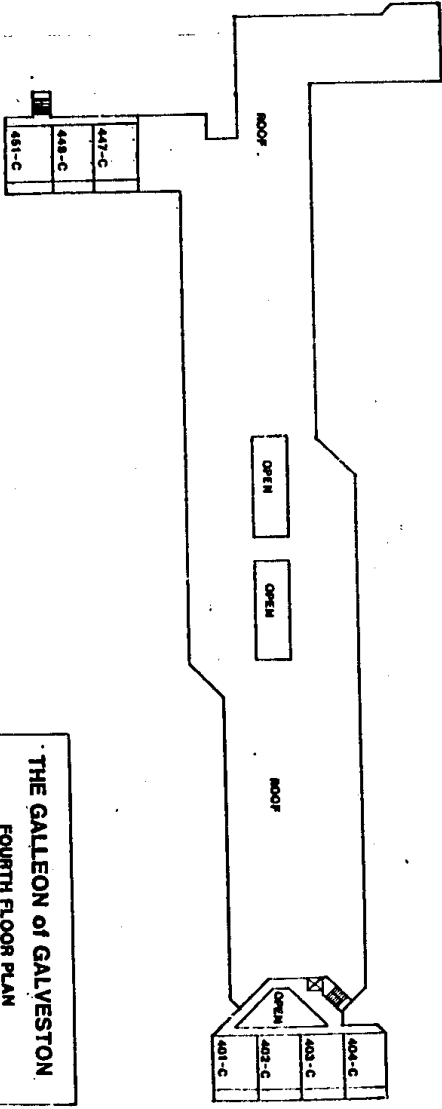


THE GALLEON of GALVESTON
THIRD FLOOR PLAN

EXHIBIT C3	LEGEND
UNIT NO.	UNIT TYPE
	302 - A

010-46-0160

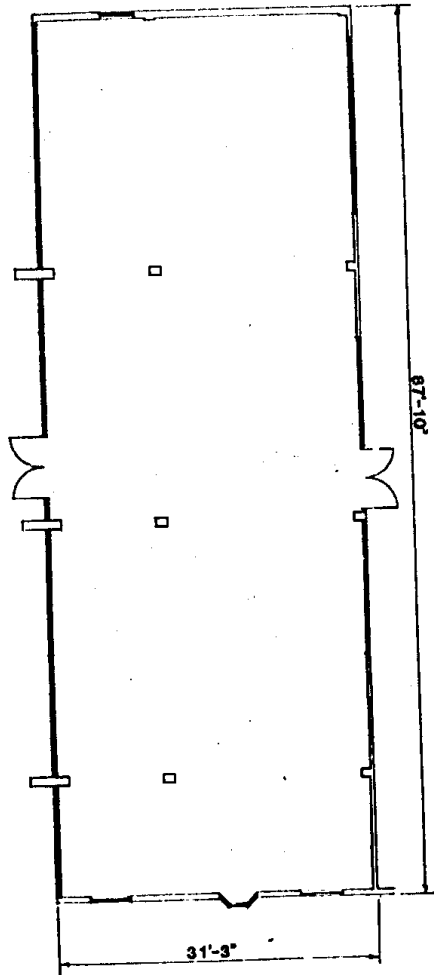
005-55-1821



THE GALLEON of GALVESTON	
FOURTH FLOOR PLAN	
EXHIBIT C4	LEGEND
UNIT NO.	UNIT TYPE
408 - A	A

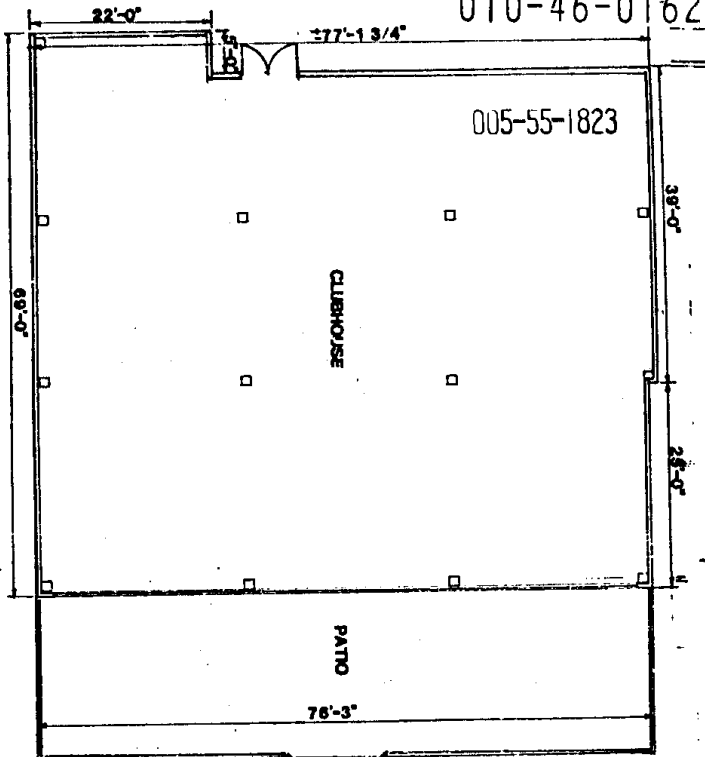
010-46-0161

005-55-1822



THE GALLEON of GALVESTON	
COMMERCIAL CONDOMINIUM - 1	
FLOOR PLAN	
EXHIBIT C5	AREA 2745 SF

010-46-0162

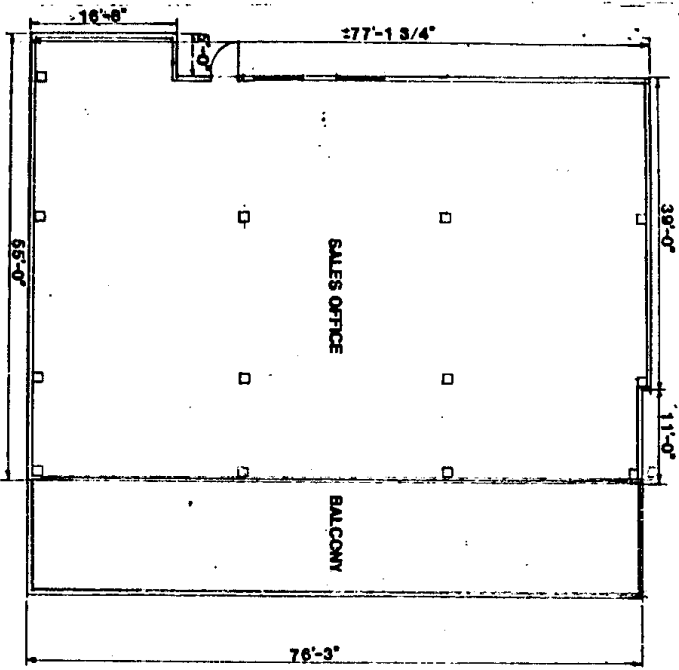


THE GALLEON of GALVESTON
COMMERCIAL CONDOMINIUM - 2,
FLOOR PLAN

EXHIBIT C6	AREA 5025 SF
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010-46-0163

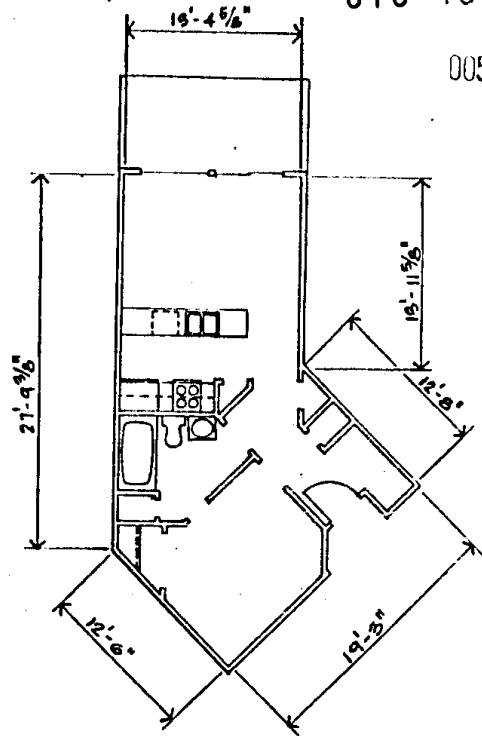
005-55-1824



THE GALLEON OF GALVESTON COMMERCIAL CONDOMINIUM - 3 FLOOR PLAN	
EXHIBIT C7	AREA 3931 SF

010-46-0164

005-55-1825

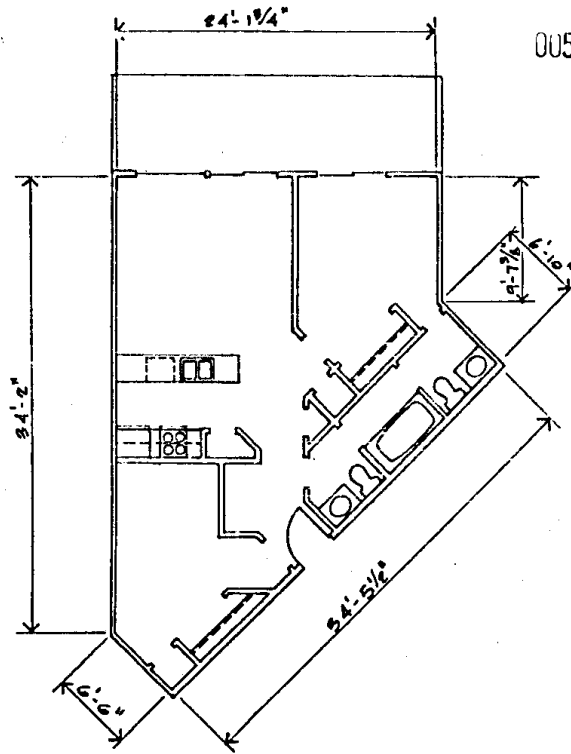


TYPICAL UNIT PLAN - A.
AREA: 521 SF **EXHIBIT C8**

THE GALLEON OF GALVESTON
9520 SEAWALL BLVD.
GALVESTON, TEXAS 77551

010-46-0165

005-55-1826

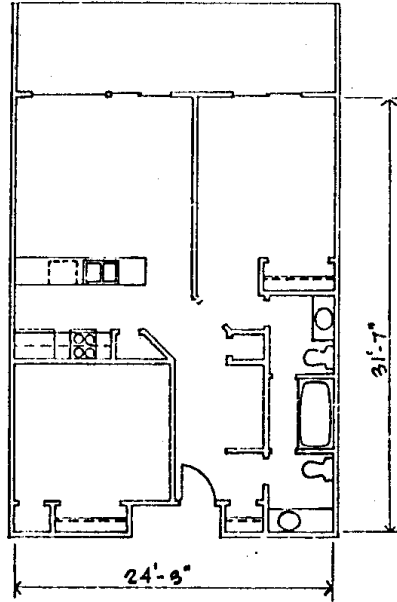


TYPICAL UNIT PLAN - B
AREA : 756 SF EXHIBIT C9

THE GALLEON OF GALVESTON
9520 SEAWALL BLVD.
GALVESTON, TEXAS 77551

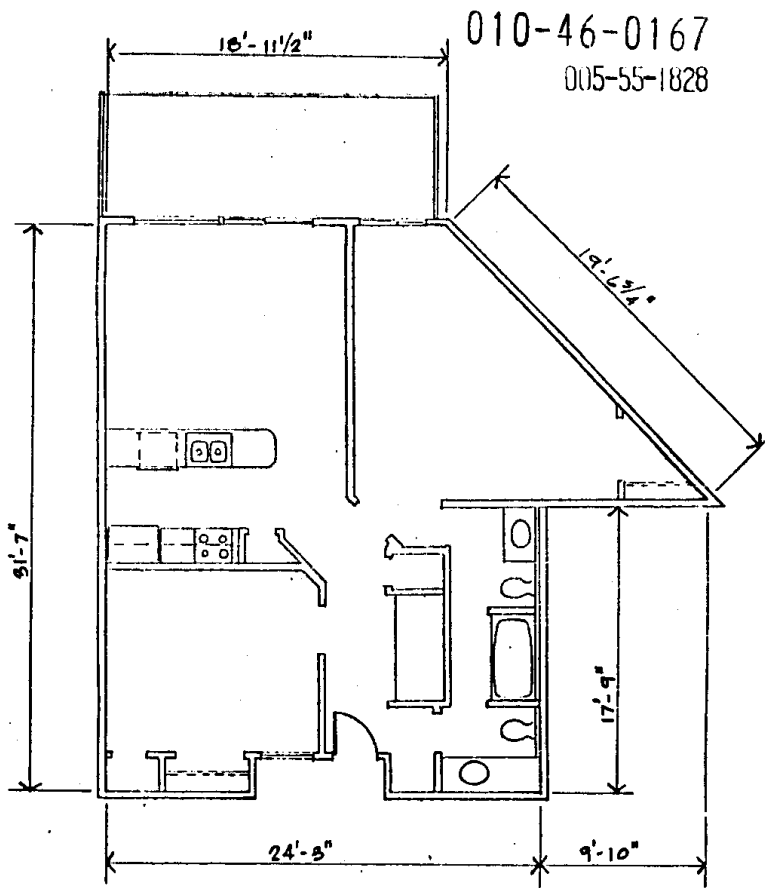
010-46-0166

005-55-1827



TYPICAL UNIT PLAN - C
AREA : 766 SF
EXHIBIT C10

THE GALLEON OF GALVESTON
9520 SEAWALL BLVD.
GALVESTON, TEXAS 77551



<p>TYPICAL UNIT PLAN - D AREA : 815 SF EXHIBIT C11</p>	<p>THE GALLEON OF GALVESTON 9520 SEAWALL BLVD. GALVESTON, TEXAS 77551</p>
--	--

010-46-0168
005-55-1829

EXHIBIT "D"

THE GALLBON OF GALVESTON CONDOMINIUMS

<u>Unit Type</u>	<u>Square Footage</u>	<u>Percentage Ownership</u>	<u>Total Unit Type</u>	<u>Total Percentage</u>
A	521	.49582	105	52.06
B	756	.71946	27	19.43
C	766	.72897	21	15.31
D	815	.77561	3	2.33
Commercial Unit #1	2475	2.35537	1	2.35
Commercial Unit #2	5025	4.78212	1	4.78
Commercial Unit #3	<u>3931</u>	<u>3.74099</u>	<u>1</u>	<u>3.74</u>
	105,079		159	100.00%

Unit Types are Residential Units unless otherwise noted.

FILED AND RECORDED

Official Public Records of Real Property

Patricia Ritchie

6-20-95 11:10 A PH \$151.00 9522380
Patricia Ritchie - Co. Clerk
Galveston Co. TX

GAC 9920939 8 PGS
GF# 9899 4612 STG
#17.00

**First Amendment to Second Amended and Restated Declaration of Condominium Regime
The Galleon of Galveston Condominiums**

013-53-1369

State of Texas §
§
County of Galveston §

This First Amendment to Second Amended and Restated Declaration of Condominium Regime The Galleon of Galveston Condominiums (this "Amendment") is made and executed this 7 day of April 1999, by The Galleon of Galveston Owners Association, Inc. (hereinafter the "Association") and Galleon Partners, Ltd., a Texas limited partnership.

WITNESSETH:

WHEREAS, Le Club Condominiums 1983, Ltd., a Texas limited partnership, the "Developer" under that certain Declaration of Condominium Regime, Le Club Galveston Condominiums, Phase One, filed for record in the Official Public Records of Real Property of Galveston County, Texas, on January 29, 1985, under Clerk's File No. 8503861 and recorded under Film Code Reference No. 003-62-0110, as amended by the certain Amendment to Declaration of Condominium Regime, The Galleon of Galveston Condominiums, filed for record in the Official Public Records of Real Property Galveston County, Texas on February 5, 1986, under Clerk's File No. 8604856 and recorded under Film Code Reference No. 004-38-2054 (collectively the "Original Declaration"); and

WHEREAS, the Association and the United Export Trading Company (of Texas), Inc., the successor of Developer amended and restated the Original Declaration and filed the Amended and Restated Declaration of Condominium Regime under Film Code Reference No. 005-55-1749 (the "First Amended Declaration"); and

WHEREAS, the Association and Galleon Partners, Ltd. amended and restated the First Amended Declaration and filed the Second Amended and Restated Declaration of Condominium Regime under Film Code Reference No. 010-046-0097 (the "Second Amended Declaration"); and

WHEREAS, Galleon Partners, Ltd. is the owner of a majority interest in more than seventy-five percent (75%) of the Timeshare Units in The Galleon of Galveston Condominiums; and

WHEREAS, The Association and Galleon Partners, Ltd. desire to amend the Second Amended and Restated Declaration as hereinafter set forth; and

WHEREAS, at the special meeting of the Galleon of Galveston Owners Association, Inc., this amendment was adopted by the owners of a majority interest in more than sixty-seven percent (67%) of the Condominium Units;

NOW THEREFORE, the Association and Galleon Partners, Ltd., upon the recording of this Amendment hereby amend the Second Amended Declaration as follows:



1. Abandonment of Units. The following condominium units as depicted in the Second Amended Declaration are hereby abandoned from The Galleon of Galveston Condominiums:
 Unit Nos. 451, 447, 449, 351, 349, 347, 345, 245 and 145 and Commercial Condominiums Nos. 2 and 3

2. Addition of Units. The following units are hereby added to The Galleon of Galveston Condominium Regime, each substantially as depicted in Exhibit A attached hereto:
 Unit Nos. 143, 145, 147, 149, 151, 153, 155, 243, 247, 249, 343, 345, 347, 349, 351 and 353 (the "New Units")
 245, ^{WB}

3. Common Element Interest. The undivided percentage interest in the Common Elements of the New Units shall be as set forth on Exhibit B attached hereto.

4. Ratification of Second Amended Declaration. Except as expressly amended hereby, the terms of the Second Amended Declaration are hereby ratified and confirmed.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day and year first above written.

The Galleons of Galveston Owners Association, Inc.

By: *Walter G. Busby*
 Name: Walter G. Busby
 Title: President

Galleon Partners, Ltd.

By: Orion Partners Galleon Developers, Ltd., General Partners

By: Orion Partners, Inc., General Partners

By: *Walter G. Busby*
 Name: Thomas H. Chandler *WALTER G. BUSBY*
 Title: Senior Vice President



THE STATE OF TEXAS

§
§
§

COUNTY OF BEXAR

This instrument was acknowledged before me this 7 day of April, 1999 by Walter G. Busby, the President of The Galleons of Galveston Owners Association, Inc., a Texas corporation, on behalf of said corporation.

Jean Stewart
Notary Public, State of Texas



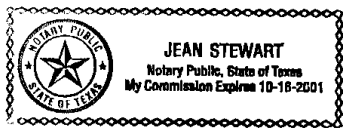
STATE OF TEXAS

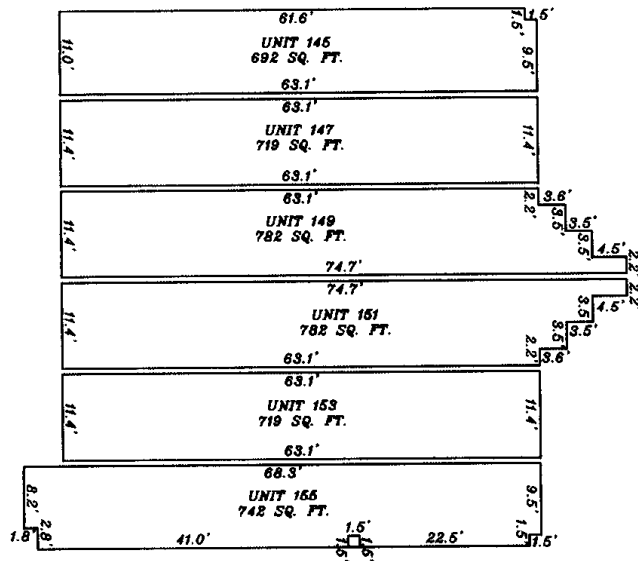
§
§
§

COUNTY OF BEXAR

This instrument was acknowledged before me this 7 day of April, 1999 by ^(g) Walter G. Busby ~~Thomas H. Chandler~~, the Senior Vice President of Orion Partners, Inc., general partner of Orion Partners Galleon Developers, Ltd., general partner of Galleon Partners, Ltd., a Texas limited partnership, on behalf of said partnership.

Jean Stewart
Notary Public for the State of Texas



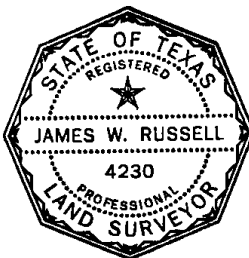


REVISED FLOOR PLAN FIRST FLOOR
SCALE: 1"=20'
THE CALLEON OF GALVESTON

I HEREBY CERTIFY THAT THIS SURVEY WAS PERFORMED UNDER MY SUPERVISION AND TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF CORRECTLY SHOWS THE DIMENSIONS OF ALL UNITS.

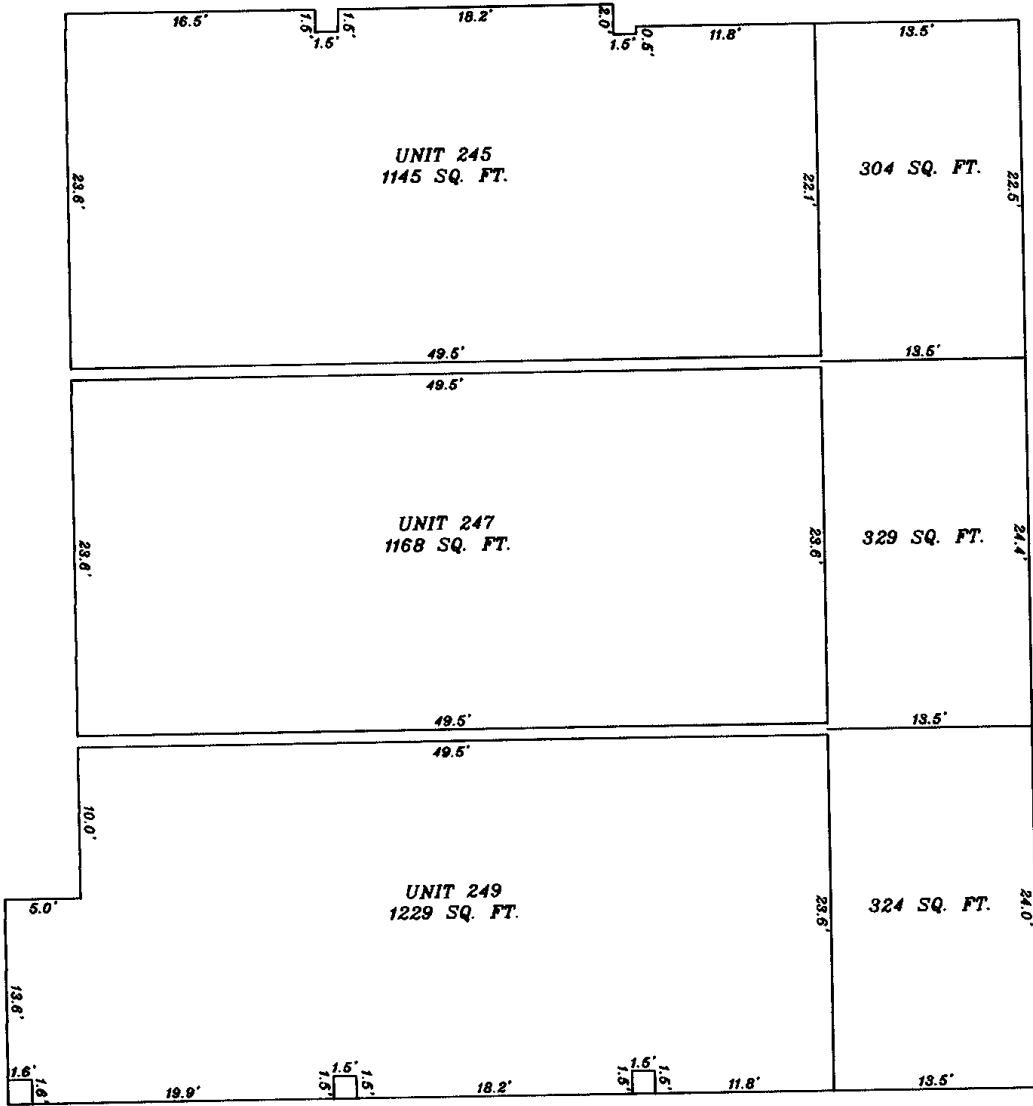
James W. Russell

JAMES W. RUSSELL
 R.P.L.S. #4230



LANDATA FIELD SERVICES
SAN ANTONIO DIVISION

2929 Mossrock Drive, Ste. 120, San Antonio, Tx. 78230
 Tel.: (210) 341-1408 Fax.: (210) 377-0867



REVISED FLOOR PLAN SECOND FLOOR

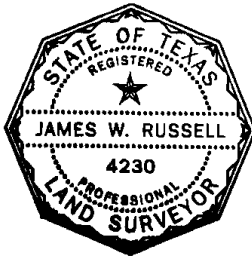
SCALE: 1"=10'

THE GALLEON OF GALVESTON

I HEREBY CERTIFY THAT THIS SURVEY WAS PERFORMED UNDER MY SUPERVISION AND TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF CORRECTLY SHOWS THE DIMENSIONS OF ALL UNITS.

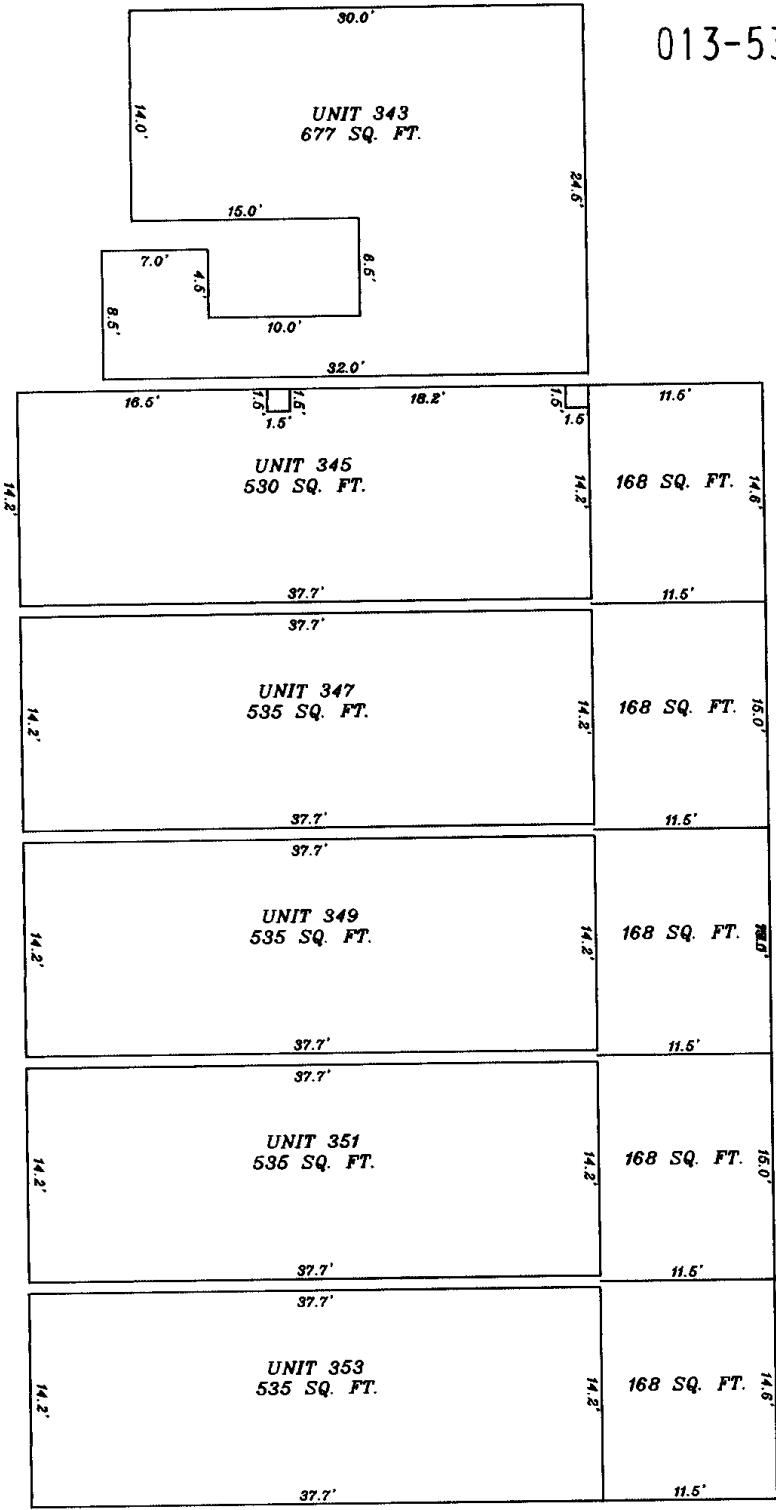
James W. Russell

JAMES W. RUSSELL
R.P.L.S. #4230



LANDATA FIELD SERVICES
SAN ANTONIO DIVISION

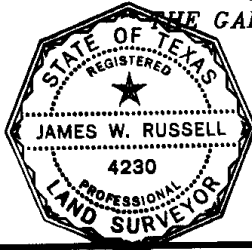
013-53-1374



REVISED FLOOR PLAN THIRD FLOOR

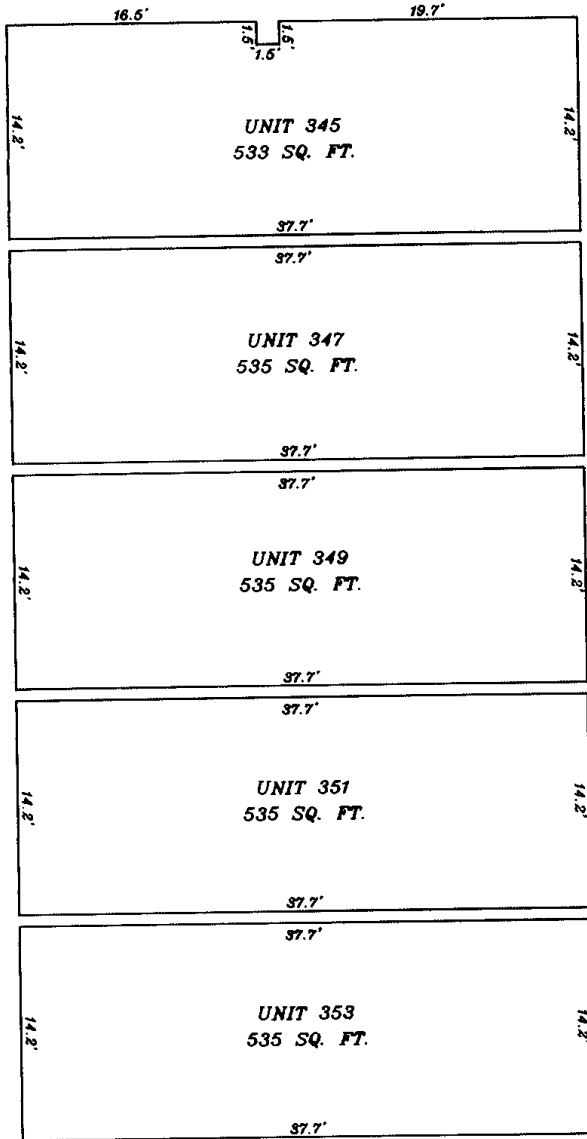
SCALE: 1"=10'

I HEREBY CERTIFY THAT THIS SURVEY WAS PERFORMED UNDER MY SUPERVISION AND TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF CORRECTLY SHOWS THE DIMENSIONS OF ALL UNITS.



James W. Russell
 JAMES W. RUSSELL
 R.P.L.S. #4230

LANDATA FIELD SERVICES
 SAN ANTONIO DIVISION

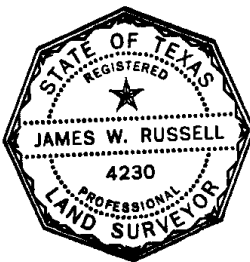


REVISED FLOOR PLAN FOURTH FLOOR

SCALE: 1"=10'

THE GALLEON OF GALVESTON

I HEREBY CERTIFY THAT THIS SURVEY WAS PERFORMED UNDER MY SUPERVISION AND TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF CORRECTLY SHOWS THE DIMENSIONS OF ALL UNITS.



James W. Russell

 JAMES W. RUSSELL
 R.P.L.S. #4230

LANDATA FIELD SERVICES
 SAN ANTONIO DIVISION

Exhibit B

UNIT #	SQ. FT.	%
143-B	756	0.734896%
145-E1	692	0.672683%
147-E2	719	0.698929%
149-E3	782	0.760170%
151-E3	782	0.760170%
153-E4	719	0.698929%
155-E5	742	0.721287%
243-B	756	0.734896%
245-F	1,145	1.113037%
247-F	1,168	1.135395%
249-F	1,229	1.194692%
343-H	677	0.658101%
345-G	1,070	1.040131%
347-G	1,070	1.040131%
349-G	1,070	1.040131%
351-G	1,070	1.040131%
353-G	1,070	1.040131%
17	15,517	15.083840%

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS OF REAL PROPERTY

Patricia Ritchie

5-3-99 09:21 AM 9920939
HOOD_P \$23.00
Patricia Ritchie, County Clerk
GALVESTON COUNTY, TEXAS

After recording, please return to
B. R. James
Stewart Title Co.
2961 Mossrock
San Antonio, TX 78230

PAID

018-22-1328

**THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
MARAVILLA CONDOMINIUMS**

**THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
MARAVILLA CONDOMINIUMS**

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**THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
MARAVILLA CONDOMINIUMS**

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**THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
MARAVILLA CONDOMINIUMS**

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**THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
MARAVILLA CONDOMINIUMS**

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**THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME
MARAVILLA CONDOMINIUMS**

This Third Amended and Restated Declaration of Condominium Regime (hereinafter "Declaration") is made and executed this 13th day of March, 2003, by Maravilla Owners Association, Inc., a Texas non-profit corporation (hereinafter the "Association") and TramSty Development II, L P, a Texas limited partnership (hereinafter the "Declarant"), pursuant to the provisions of the Texas Condominium Act, Chapter 81 of the Texas Property Code, the Uniform Condominium Act, Chapter 82 of the Texas Property Code, and the Texas Timeshare Act, Chapter 221 of the Texas Property Code (hereinafter collectively referred to as the "Act"), for the purpose of submitting the hereinafter described real property and the improvements located thereon to a condominium regime:

WITNESSETH:

WHEREAS, Le Club Condominiums 1983, Ltd a Texas Limited partnership, recorded that certain Declaration of Condominium Regime, Le Club Galveston Condominiums, Phase One, in the Official Public Records of Real Property of Galveston County, Texas, on January 29, 1985, under Clerk's File No 8503861 and recorded under Film Code Reference No. 003-62-0110, and

WHEREAS, such Declaration of Condominium Regime was amended by that certain Amendment to Declaration of Condominium Regime, The Galleon of Galveston Condominiums, filed for record in Texas on February 5, 1986, under Clerk's File No 8604856 and recorded under Film Code Reference No. 004-38-2054 (the Declaration of Condominium Regime and the Amendment to Declaration of Condominium Regime are sometimes hereinafter collectively referred to as the "Original Declaration"), and

WHEREAS, The Galleon of Galveston Owners Association, Inc. and United Export Trading Company (of Texas), Inc , a Texas corporation, the successor in interest to Le Club Condominiums 1983, Ltd , amended and restated the Original Declaration and filed the Amended and Restated Declaration of Condominium Regime under Clerk's File No 8743016, Film Code Reference No. 005-55-1749 (the "First Amended Declaration"), and

WHEREAS, The Galleon of Galveston Owners Association, Inc and Galleon Partners, Ltd , a Texas Limited Partnership, the successor in interest to United Export Trading Company (of Texas), Inc recorded a Second Amended and Restated Declaration of Condominium Regime under Clerk's File No 9522380, Film Code Reference No 010-46-0097 (the "Second Amended and Restated Declaration"); and

WHEREAS, Declarant, the current owner and holder of one hundred percent (100%) of the Condominium Units (as hereinafter defined) and more than fifty percent (50%) of the Timeshare Units (as hereinafter defined) in Maravilla Condominiums, and

WHEREAS, the Association and Declarant desire to amend the Second Amended and Restated Declaration and cause to be adopted a Third Amended and Restated Declaration as hereinafter set forth in order to establish a plan for the individual ownership of estates in real property consisting of Condominium Units (hereafter defined) and the appurtenant undivided interests in the Common Elements, and

WHEREAS, at the annual meeting of the Maravilla Owners Association, Inc., the Third Amended and Restated Declaration was adopted by one hundred percent (100%) the owners of the Condominium Units and of more the 63.5% of the owners of Timeshare units totaling an aggregate 99.6% of the Owners;

NOW THEREFORE, this Third Amended and Restated Declaration of Condominium Regime for the Maravilla Condominiums is hereby adopted to amend and restate the Second Amended and Restated Declaration as follows:

ARTICLE I
DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used herein shall have the following meaning:

1.1 "Access Easement" means a perpetual, irrevocable and non-exclusive easement and right of access and entry to Unit as may reasonably be necessary for (i) the maintenance, repair or replacement of any of the Common Elements thereon or accessible therefrom, (ii) the making of emergency repairs necessary to prevent damage to the Common Elements or to any Unit and (iii) such other reasonable purposes as are deemed by the Association to be necessary for the performance of the obligations of the Association as described herein and in the Bylaws

1.2 "Articles" means the articles of incorporation of the Association filed with the Secretary of State of Texas, as amended from time to time.

1.3 "Assessment" means and refers to the funds required to pay Common Expenses, other lawfully agreed upon expenses, plus surplus and reserves, as such costs, expenses and reserves are determined by the Managing Agent or Board of Directors and are levied by the Board of Directors upon all of the Owners

1.4 "Association" means and refers to the Maravilla Owners Association, Inc., its successors and assigns, comprised of all the Owners, the Bylaws of which shall govern the administration of this Project and the members of which shall be all of the Owners

1.5 "Board of Directors" means the board of directors of the Association named in the Articles, and their successors as duly elected and qualified from time to time

1.6 "Building" means the building or the buildings within the Project.

1.7 "Bylaws" means the Third Amended and Restated Bylaws of the Association attached hereto as Exhibit "B" for reference and any amendment, modification or revision thereto as therein permitted

1.8 "Common Elements" means and refers to both the General and Limited Common Elements as described herein

1.9 "Common Expenses" means and includes:

- A All sums lawfully assessed against the General Common Elements by the Managing Agent or Board of Directors of the Association,
- B Expenses of administration and management, maintenance, repair or replacement of the General Common Elements or Limited Common Elements,
- C Expenses agreed upon as Common Expenses by the Owners; and
- D Expenses declared Common Expenses by provisions of this Declaration and by the Bylaws,
- E Common Expenses may include, but are not limited to, the overhead expenses of the Association, costs of maintenance, repair and operation of the Common Elements, taxes and Special Assessments unless separately assessed, insurance premiums for insurance coverage as deemed desirable or necessary by the Association, utility charges for the General Common Elements (including gas, electricity, water, and sewer) trash and garbage collection, guard service, burglar alarm service, landscape maintenance, janitorial service, manager's salary, legal and accounting fees, management fees,
- F Common Expenses shall not include any reserve fund

1.10 "Condominium" means a form of real property established by this Declaration with respect to the Property, in which portions of the Property are designated for individual ownership or occupancy and the remainder of the Property is designated either for Timeshare Units or for common ownership or occupancy by all of the owners and containing a maximum of 162 Condominium Units.

1.11 "Condominium Unit" means a Unit which is designated for residential purposes, together with an undivided interest, appurtenant to the Unit, in and to the Common Elements

1.12 "County" means Galveston County, Texas

1.13 "Declarant" means TramSty Development II, L.P., a Texas limited partnership, whose address for notice is 8429 Raylin Drive, Houston, Texas 77055 and any assignee of Declarant evidenced in the Official Public Records of Real Property of Galveston County, Texas, assigning the rights, powers, privileges and prerogatives of Declarant hereunder

1.14 "Declarant Control" means the period commencing on the date of this Declaration and continuing until the earlier to occur of the date which is (i) three (3) years from the date that the first deed from Declarant to an Owner of a Condominium Unit is recorded in the Official Public Records of Real Property of Galveston County, Texas or (ii) one hundred twenty (120) days after the date that deeds to not less than seventy-five (75%) percent of the Condominium Units have been recorded in the Official Public Records of Real Property of Galveston County, Texas.

1.15 "Entire Premises" or "Property" means and includes the Land, Building, all improvements and structure thereon, and all rights, easements and appurtenances belonging thereto

1.16 "First Mortgagee" means any holder of a security interest in a Timeshare Interest or Condominium Unit represented by a deed of trust, mortgage or security agreement giving such holder a first and paramount priority security interest under Texas law. The term "First Mortgagee" shall include any holder of a security interest in the Property represented by a deed of trust, mortgage, or security agreement executed by Declarant.

1.17 The General and Limited Common Elements of the Project are as follows

A The "General Common Elements" consists of

- (1) The Land in the Project, as more particularly described in Exhibit "A-1" (and the additional land which may be described in the supplement hereto as herein permitted);
- (2) The foundations, bearing walls, and columns (including any Windows, doors, and chimneys therein), roofs, attics, ceilings and floors, halls, lobbies, stairways, entrances, exits and communication ways and any other portion of the Buildings located on the land within the boundaries of the Project not included within any Timeshare or Condominium Unit,
- (3) The premises and facilities, if any, used for maintenance or repair of the Project;
- (4) All other common facilities, including without limitation any office, the grounds, driveways and walkways, tennis courts, swimming pools, exercise facilities, and dressing rooms, if any;
- (5) Parking spaces not designated with a Timeshare or Condominium Unit number and described on the subdivision plan as unassigned parking spaces, provided, however, the Association expressly reserves the right at any time and from time to time to assign, any unassigned parking space to any Owner, and provided further, coincident with the assignment of any unassigned parking space, the parking floor plan attached hereto as Exhibit "A-3" shall be amended for the purposes of

designating such parking space with a number corresponding to a Timeshare or Condominium Unit number, and thereafter such parking space shall be a Limited Common Element appurtenant to such Timeshare or Condominium Unit. Such amendment shall not require the joinder of any Owner or mortgagee.

- (6) The laundry room facilities, if owned by the Association,
 - (7) All other elements desirable or rationally of common use or necessary to the existence, upkeep and safety of the Project,
- B The "Limited Common Elements", being those Common Elements reserved for the use of specific Timeshare or Condominium Units therein, to the exclusion of others, consists of
- (1) Compartments or installments of central services such as power, light, electricity, telephone, gas, cold and hot water, plumbing reservoirs, water tanks and pumps, incinerators, and all similar devices and installations corresponding to a building within the Project or corresponding to a building within the Project or corresponding to a Timeshare or Condominium Unit;
 - (2) Storage rooms, patios, balconies and decks designated with a number as described on the floor plans attached hereto as Exhibits "C-1" - "C-6",
 - (3) Parking spaces and mail boxes not located at individual Timeshare or Condominium Units which are designated with a number corresponding to a Timeshare or Condominium Unit number;
 - (4) All of the portions of the General Common Elements which are specifically reserved for the exclusive use of the Owner of a Timeshare or Condominium Unit as shown on Exhibits "C-1" - "C-6" attached hereto, or as may hereafter be shown by supplement, annexation or amendment hereto

1.18 "Land" means and includes all that certain real property described on Exhibit "A-1" attached hereto.

1.19 "Manager" means any experienced and professional manager or management company with whom the Association contracts for the day-to-day management of the Property and/or the administration of the Association and the Condominium.

1.20 "Map," "Survey Map," or "Plans" means and includes the engineering survey of the land with all of the improvements located thereon, the floor plans and any other drawing or diagrammatic

plan depicting a part of or all of the improvements, same being attached hereto and filed herewith, consisting of nine (9) sheets labeled Exhibits "A-1" through "A-3" and "C-1" through "C-6 "

1.21 "Monthly Assessment" means the monthly assessment established pursuant to Section 6.2 of this Declaration by the Board of Directors to pay Common Expenses when due

1.22 "Owner" means and refers to a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who or which is the record owner of fee simple title to one or more Timeshare Interests or Condominium Units in the Project

1.23 "Owner's Unit" means each Timeshare or Condominium Unit together with the associated appurtenant undivided interests in the Common Elements owned by an Owner, together with the unrestricted right of ingress and egress thereto

1.24 "Project" means and refers to Maravilla Condominiums as a condominium project established in conformity with the provisions of this Declaration and the Act

1.25 "Regulations" means the rules and regulations of the Association initially adopted by the Board of Directors and relating to the appearance, use and occupancy of the Property, including exterior appearance, use and occupancy of the Units, as amended from time to time

1.26 "Special Assessment" means an additional assessment created from time to time for any purpose of the Association as a whole.

1.27 "Timeshare Interest" means a freehold estate in a Timeshare Unit at Maravilla Condominiums, together with undivided ownership interest in the Common Elements expressed as a fraction of the entire ownership interest in the Common Elements as set forth and defined herein, and the right to use the amenities in the Project for a Timeshare Period on a recurring basis

1.28 "Timeshare Period" means the period within which the purchaser of a Timeshare Interest at Maravilla Condominiums is entitled to the exclusive use, possession, and occupancy of the Timeshare Unit in which an interest is purchased, and the general use of all amenities

1.29 "Timeshare Week" means the one week period commencing on a Saturday at noon and ending the next following Saturday at noon, with check-in to the Timeshare Unit allowed according to Rules promulgated by the Association or its management company (to allow for the cleaning of the Timeshare Unit at the beginning or expiration of a Timeshare Week).

1.30 "Timeshare Unit" means and refers to an enclosed air space consisting of one or more rooms intended for residential use only, occupying all or part of one or more floors in a building in the Project, as such space may be more specifically described, delineated and delimited in the floor plans attached hereto as Exhibit "C-2" and as may hereafter be described, delineated and delimited by an amendment or supplement hereto as herein permitted

1.31 "Unit" means and refers to either a Condominium Unit or a Timeshare Unit or both as the context requires.

ARTICLE II.
ESTABLISHMENT OF REGIME

2.1 Grant and Submission By recordation of this Third Amended and Restated Declaration of Condominium Regime, Declarant has granted and submitted all of the Property as specifically designated herein to condominium and timeshare ownership. Declarant further publishes and declares that the terms, provisions, covenants, conditions, easements, restrictions, reservations, uses, limitations, and obligations hereby established shall be deemed to run with the Land and shall be a burden and benefit to Declarant, the Association, the Owners and their respective heirs, legal representatives and assigns.

2.2 Description of Property. The plans and specifications attached hereto as Exhibits "A-1" - "A-3" and "C-1" - "C-6" shall be filed for record simultaneously with the recording of this Declaration as part hereof. Such plans and specifications consist of and set forth (1) the legal description of the surface of the land, (2) the linear measurements and location, with reference to the exterior boundaries of the Land, of the buildings and all other improvements built or to be built on said Land; (3) floor plans of the building built or to be built thereon showing location of each Timeshare or Condominium Unit, and (4) the building designation, the Timeshare or Condominium Unit designation and the linear dimensions of each Timeshare or Condominium Unit, and the Limited Common Elements, the Association hereby expressly reserves the right to amend said Exhibits to conform the map to actual location of the constructed improvements to establish, vacate and relocate outside utility easements, access and parking facilities as same may be located on the ground, all as more fully provided herein. Such amendments shall not require the joinder of any Owner or mortgagee.

2.3 Division of Fee Estates The Property is hereby divided into the following fee simple estates:

- A One hundred sixty-two (162) fee simple estates consisting of one hundred sixty-two (162) separately designated Condominium Units and such Condominium Unit's undivided interest in and to the Common Elements. Each Condominium Unit together with such Condominium Unit's undivided interests in the Common Elements is for all purposes a separate parcel of and estate in real property. Accordingly, each such separate parcel of and estate in real property shall be deemed to include the Common Elements Easement that is hereby granted and conveyed to each Owner by Declarant. The separate parcels of and estates in real property designated hereby shall be created on the date of filing of this Declaration in the Real Property Records of the county, and shall continue until this Declaration is revoked or terminated in the manner herein provided.
- B Two (2) fee simple estates consisting of two (2) separately designated residential Timeshare Units. Each Timeshare Unit is identified by number, with the size

and location of each Timeshare Unit being detailed on the survey plats attached hereto for reference as Exhibits "C-2"

- C Any Timeshare Unit established pursuant to this Declaration may be divided into Timeshare Periods of one or more Timeshare Weeks. Each Timeshare Unit shall be deemed to be composed of fifty-two (52) separate Timeshare Weeks. Such Timeshare Weeks shall be numbered with Timeshare Week Number 1 commencing on the first Saturday of the calendar year, and the successive weeks being numbered consecutively. Every Owner of a one week Timeshare Interest shall own an undivided ownership interest, equal to 1/923078, in and to such Timeshare Unit and the undivided percentage ownership of the Common Elements shall be referred to as a Timeshare Interest. Upon the acquisition of a Timeshare Interest, the Owner thereof shall be entitled to share pro rata in all benefits derived therefrom, and shall be liable for pro rata expenses, assessments, taxes, and all other charges assessed against the Timeshare Interest. An Owner shall not be responsible for any liability, claim, cost, charge, expense or other encumbrance placed upon the Timeshare Interest of any other Owner. Timeshare Interest Owners shall not be jointly and severally liable for the payment of any charges levied against the Timeshare Unit as a whole. Any requirement placed upon the Timeshare Unit as a whole shall be deemed to be a requirement levied against each Owner of a Timeshare Interest in such Timeshare Unit on a pro rata basis. Use of the General Common elements by Owners or by their invitees shall be limited to the Timeshare Period conveyed to or which may be reserved by such Owner. No Owner of a Timeshare Interest shall exercise any rights of ownership with respect to the Timeshare Unit or its appurtenances other than the rights herein provided during the Timeshare Period of such Owner's Timeshare Interest. No Owner of a Timeshare Interest shall be exempt from liability to pay the assessments provided herein by waiver of the use or enjoyment of the Common Elements or the Timeshare Unit, or the abandonment thereof. Each Owner shall have the exclusive right to occupy the Timeshare Unit and, as between and among Owners, to use and enjoy the Timeshare Unit and the rights and easements appurtenant to the Timeshare Unit, during such Owner's Timeshare Period. Each Owner shall have the right to mortgage or otherwise to encumber his Timeshare Interest. No Owner shall attempt to mortgage or otherwise encumber in any manner whatsoever the Timeshare Unit or any part thereof except the Timeshare Interest so owned. Any decision requiring the vote of a Timeshare Unit shall be determined by a majority vote of all Owners of a Timeshare Interest in such Timeshare Unit that vote on such matter. Each Owner shall be entitled to one (1) vote for each Timeshare Week included in such Owner's Timeshare Interest. All voting by the Owners of Timeshare Interests in a particular Timeshare Unit shall be conducted in accordance with the voting procedures set forth in the Bylaws for the election of directors of the Association. Any vote required on an Association matter shall be cast by the Timeshare Unit as a whole, and not by separate individual Owners of a Timeshare Interest therein. No Owner or other person

or entity acquiring right, title or interest in a Timeshare Interest shall have the right of partition of the Timeshare Interest in any manner whatsoever

- D The remaining portion of the Entire Premises, referred to as the General Common Elements, shall be held in common by the Owners, the percentage interest in the General Common Elements attributable to the respective Timeshare Units being set out in Exhibit "D" hereto. Each such undivided interest shall be appurtenant to one of the Timeshare or Condominium Units covered hereby as scheduled, and allocated among the Owners as set forth herein

2.4 Title. Title to any Timeshare Interest or Condominium Unit is declared and expressly made subject to the terms and conditions hereof, and acceptance by any grantee of a Deed from any Owner shall be deemed an acknowledgment of and consent to this Declaration and its provisions.

2.5 Mortgage of Unit Any Owner shall be entitled from time to time to mortgage or encumber such Owner's Unit by creating a lien covering such Unit under the provisions of a deed of trust, but any lien created thereby shall be subject to the terms and provisions of this Declaration, and any mortgagee or other lien holder which acquires an Owner's Unit through judicial foreclosure, public sale or any other means shall be subject to the terms and provisions of this Declaration, except as specifically provided to the contrary herein. An Owner which mortgages such Owner's Unit shall notify the Association, giving the name and address of said Owner's mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Owner's Units". If an Owner's First Mortgagee has requested notice of default, then the Association shall notify an Owner's First Mortgagee, in writing, of any default by such Owner in the performance of such Owner's obligations as set forth in this Declaration not cured within sixty (60) days of the default.

ARTICLE III OCCUPATION AND USE

3.1 Conveyance of Condominium Units. Each Condominium Unit, including the undivided ownership interest in the General Common Elements appurtenant thereto, shall be inseparable and may be conveyed, leased or encumbered only as a Condominium Unit. Any conveyance of a Condominium Unit shall be deemed to include the undivided interest in the General Common Elements appurtenant thereto.

3.2 Description of Condominium Unit Every deed, lease, mortgage, deed of trust or other instrument shall legally describe a Condominium Unit by its number or letter designation followed by the words "Maravilla Condominiums" with further reference to this Declaration and the Map. Every such description of a Condominium Unit, together with a reference to the undivided interest in the General Common Elements appurtenant thereto, shall be deemed good and sufficient for all purposes to convey, transfer, encumber, or otherwise affect a Condominium Unit.

3.3 Conveyance of Timeshare Interests Each Timeshare Interest, including the undivided ownership interest in the General Common Elements appurtenant thereto, shall be inseparable and may

be conveyed, leased or encumbered only as a Timeshare Interest. Any conveyance of a Timeshare Interest shall be deemed to include the undivided interest in the General Common Elements appurtenant thereto.

3.4 Description of Timeshare Interests. Every deed, lease, mortgage, deed of trust or other instrument shall legally describe a Timeshare Interest by its number or letter designation followed by the words "Maravilla Condominiums" with further reference to this Declaration and the Map. Every such description of a Timeshare Period, together with a reference to the undivided interest in the Timeshare Unit and the General Common Elements appurtenant thereto, shall be deemed good and sufficient for all purposes to convey, transfer, encumber, or otherwise affect a Timeshare Interest. Every instrument describing a Timeshare Interest shall set forth the Timeshare Period included therein.

3.5 Right of Access and Emergency Repairs. The Association shall have the right of access to each Timeshare Unit and its appurtenant Limited Common Elements from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of Common Elements, or at any time deemed necessary for the making of emergency repairs to prevent damage to the Common Elements or to the Timeshare Unit or to another Timeshare Unit. In the event any damage occurs to an individual Timeshare Unit as a result of the repair of or repairs to the Common Elements, the cost for restoration of said damaged Timeshare Unit shall be a Common Expense. Further, in the event a Common Element is damaged as a result of actions or inactions of an Owner or his guests, invitees, tenants or others taking or occupying through said Owner, then such Owner shall be liable for any and all costs incurred for the repair and restoration of the damaged Common Element.

3.6 No Partition. Except as provided herein, no Owner shall bring an action for partition of the Project, his Condominium Unit, his Timeshare Interest or the Common Elements.

3.7 Tax Assessments. To the extent permitted by applicable state, county and city statutes, ordinances and regulations, it is specifically stipulated that each Condominium Unit, each Timeshare Unit and Timeshare Interest shall be subjected to separate tax assessments and taxation by the appropriate governmental authority.

3.8 Encroachments and Easements. If any portion of the General Common Elements encroaches upon any Condominium or Timeshare Units, for any reason whatsoever, a valid easement for the encroachment and for the maintenance of same, so long as it remains, shall and does exist. If any portion of an adjoining Condominium or Timeshare Unit encroaches upon another Condominium or Timeshare Unit, a valid easement for the encroachment and for the maintenance of same, so long as it remains, shall and does exist. For title or other purposes, such encroachment(s) and easement(s) shall not be considered or determined to be encumbrances either on the Common Elements or on the Condominium or Timeshare Unit.

3.9 Labor and Materialmen Lien. No labor performed or materials furnished and incorporated in a Condominium or Timeshare Unit with the consent or at the request of the Owner of such Condominium or of a Timeshare Interest therein or his agent or his contractor or subcontractor shall be the basis for filing of a lien against the Condominium or the Timeshare Interest or any other Owner or against any Timeshare Unit or the Common Elements. Each Owner shall indemnify and hold

harmless each of the other Owners and the Association from and against all liability arising from the claims of any lien against the Condominium or the Timeshare Interest of such Owner or against any Timeshare Interest or Common Elements for construction performed or for labor, materials, services or other products incorporated in a Condominium or Timeshare Unit at the request of an Owner who has an interest therein. Upon written request of any Owner, the Association shall have the right to enforce such indemnity.

3.10 Use Restrictions.

- A. Single Family Residential. Except as hereinafter provided with respect to Condominium Units owned by Declarant, no Condominium Unit or Timeshare Unit shall be used or occupied for other than single family residential purposes. Each Unit shall also be subject to limitations on use, occupancy, architectural standards and such other matters as are set forth in the Regulations.
- B. Right to Lease. Units may be leased, however, no lease shall be made for transient or hotel purposes or for any term of less than one (1) year (except by a First Mortgagee following a foreclosure of liens securing First Lien Indebtedness). No Owner shall lease less than an entire Unit. Any such lease shall be in writing, shall state that it is subject in all respects to the provisions of this Declaration, the Bylaws and Regulations, and shall provide that any failure by the Tenant thereunder to comply with the terms and provisions of this Declaration, the Bylaws or the Regulations shall be and constitute a default under such lease. A copy of each lease shall be submitted to the Association promptly following execution.
- C. Use by Declarant. At all times while Declarant is the Owner of any Unit, Declarant may (i) maintain a management office, sales office, models and other sales facilities in the Units or (ii) operate within the Condominium a sales, leasing or management office which is not located within a Unit, in which event such office shall be a Common Element subject to the exclusive use of Declarant. Declarant may, upon prior written notice to all Owners, change the location of any Units used as offices or models, but may not increase the size or number of such Units except by amendment of this Declaration.
- D. Structural Alterations and Modifications. No Owner shall make alterations or modifications to any Unit or to any of the Common Elements, including the erection of antennae, aerials, awnings, the placement of any reflective or other material in the windows of such Unit (other than uniform window coverings approved by the Board of Directors) or other exterior attachments without the prior written approval of the Association. The Association shall have the right to authorize any and all structural alterations or modifications, provided, however, the Association shall not approve any alterations, decorations or modifications which would jeopardize or impair the soundness, safety or appearance of the Project. Any such alterations to a Timeshare Unit shall not

affect the ownership percentage assigned to each Timeshare Unit in Exhibit "D" hereof.

- E Nuisance No immoral, improper, unlawful or offensive activity shall be carried on, in or about any Unit or upon the Common Elements, nor shall anything be done which may be or become an annoyance or a nuisance to the Owners. No Owner shall do or permit anything to be done or keep or permit to be kept in such Owner's Unit or on the Common Elements anything that will increase the rate of insurance on the Project. No Owner shall store any dangerous explosives or inflammable liquids or other materials either in, at, or upon any Unit or upon the Common Elements
- F Pets No animals shall be kept in a Unit except household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint so as not to be obnoxious or offensive on account of noise, odor or unsanitary conditions. No savage or dangerous animal shall be kept in any Unit. No more than two household pets may be kept at any time. No pets may be permitted to run loose upon the Common Elements, and any Owner who causes an animal to be brought or kept upon the Project shall indemnify and hold harmless the Association for any loss it may sustain or which may be claimed against the Association as a result of the presence of such animal in the Project, whether or not the Association has given permission therefore. Notwithstanding the generality of the foregoing, after (i) repeated violations of this provision, (ii) fining of the Owner, (iii) ten (10) days prior written notice to the Owner of such behavior and notice of such hearing, and (iv) an opportunity for such Owner to have a hearing before the Board of Directors, such pet(s) may be taken from such Owner and given to the Society for the Prevention of Cruelty to Animals of Galveston County, Texas
- G. Use of Common Elements The Common Elements shall not be used for storage of supplies, personal property, trash or refuse of any kind (except common trash receptacles, storage buildings or other similar structures which may from time to time be placed upon the Common Elements at the discretion of the Board of Directors of the Association). Stairs, entrances, sidewalks, yards, driveways and parking areas shall not be obstructed in any way nor shall unauthorized persons or pets play therein or thereon or use such area for other than their intended purposes. In general, no activities shall be conducted nor condition maintained by any Owner either in, or about any Unit or upon the Common Elements which despoils the appearance of the Project
- H Maintenance Each Owner shall maintain such Owner's Unit and any Limited Common Elements appurtenant thereto in clean, safe and sanitary condition. Each Owner shall also use due care to avoid damaging any of the Common Elements, including, but not limited to, the central air-conditioning and heating, telephone, water, gas, plumbing, power or other utility systems throughout the

Project, and each Owner shall be responsible for his negligence or misuse of any of the Common Elements or of his own facilities resulting in damage to the Common Elements

- I. Rules and Regulations Non-discriminatory regulations concerning the use of the Project shall be promulgated from time to time by the Board of Directors of the Association and such regulations, and subsequent regulations duly adopted from time to time, shall be binding on all members of the Association unless duly amended by a majority of the Condominium or Timeshare Units.
- J. Vehicles Vehicles not in operating condition shall not be parked at the Project for more than 24 hours. No parking space shall be converted for living, recreational or business purposes, nor shall anything be stored in any parking space so as to prevent parking of a vehicle therein.
- K. Enforceability These restrictive covenants as to the use of the Condominium and Timeshare Units and the Common Elements shall be a burden upon the fee title to the Land and shall run with the title to the Land until duly amended by the Association as herein permitted.
- L. Signs. No signs or other advertising devices which are visible from the exterior of any Unit or upon the Common Elements shall be displayed, including "For Sale" signs, without prior written permission from the Association.

3.11 Electrical Meters The Association shall maintain all pre-wired modular-type metering cabinets installed in the Project, including the maintenance of replacement parts with respect thereto, it being understood that Reliant Energy or its successor will not maintain any such spare parts nor perform any repairs on such modular-type metering cabinets and that failure by the Association to timely repair such modular metering cabinets (or maintain an adequate number of spare parts with respect thereto) may result in termination of electrical service to the Project (or particular Unit) until such repairs are completed or such spare parts obtained.

3.12 Agreement of Square Footage It is expressly agreed and each and every purchaser of a Condominium Unit or a Timeshare Interest, his heirs, executors, administrators, assigns and grantees hereby agree that the square footage, size and dimensions of each Unit, as set out or shown in this Declaration or in the survey plats exhibited hereto, are approximate and are shown for descriptive purposes only. Each purchaser and Owner of a Condominium Unit or Timeshare Interest agrees that the Condominium Unit or Timeshare Unit of which such Timeshare Interest is a part is as actually and physically existing at the time such purchase is closed. Each purchaser of a Condominium Unit or Timeshare Interest expressly waives any claim or demand which such Owner may have against the Developer or any person whomsoever on account of any difference, shortage or discrepancy between the Unit as actually and physically existing and as it is shown on the respective plat thereof exhibited hereto. It is specifically agreed that in interpreting deeds, mortgages, deeds of trust and other instruments for any purposes whatsoever or in connection with any matter, the existing physical boundaries of the Unit shall be conclusively presumed to be the boundaries regardless of settling, rising

or lateral movements of the Building and regardless of variances between boundaries as shown on the plat and those of the Building

ARTICLE IV
ADMINISTRATION

4.1 General The administration of the Project shall be governed by the Declaration and the Third Amended and Restated Bylaws of Maravilla Owners Association, Inc., a non-profit corporation, and the Articles of Amendment of such Association. A copy of the Third Amended and Restated Bylaws is attached hereto as Exhibit "B" and incorporated herein; and same shall be deemed adopted by the Association, and all Owners shall be bound thereby. "Association" as here used shall refer to the member Owners as a group. A certified copy of the Certificate of Incorporation of the Maravilla Owners Association, Inc shall be recorded and shall provide that three (3) persons shall act as a Board of Directors and shall serve as the Directors until their successors have been elected and qualified.

4.2 Allocation of Votes in the Association An Owner, upon becoming an Owner, shall be a member of the Association and shall retain a membership for the period of his ownership of a Condominium Unit or a Timeshare Interest. The aggregate number of votes for all members of the Association shall be one hundred sixty-four (164), with each Unit, entitled to one (1) vote. The vote of each Timeshare Unit shall be determined by a simple majority vote of all Timeshare Weeks for a Timeshare Unit voting on such matter. Owners shall cast one (1) vote for each Timeshare Week owned. All voting rights of an Owner may be suspended during any period that such Owner is delinquent in the payment of any assessment duly established pursuant to Article 6.2, or otherwise the default under the terms of this Declaration, the Bylaws, or the Regulations. Any matter described herein as requiring approval by a stated percentage or a majority of the Owners shall mean a stated percentage or a majority of the allocated votes held by these Owners who are then eligible to vote. The Board of Directors may retain a managing agent ("Managing Agent") for Maravilla Condominiums, with responsibilities of the Managing Agent as may be determined by the Board of Directors. Any management agreement shall not have a term of more than one (1) year, and shall be terminable without cause upon thirty (30) days written notice.

ARTICLE V
MAINTENANCE

5.1 Individual Unit and Limited Common Elements Each Owner shall be responsible for and shall maintain and keep in repair the interior of the Unit, including the fixtures thereof. All fixtures and equipment, including the heating and air conditioning systems, installed within the Unit, commencing at a point where the utility lines, pipes, wires, conduits or systems (which for brevity are hereafter referred to as "utilities") enter the Unit shall be maintained and kept in repair by the Owners of the Timeshare Interest therein. Without limitation on the generality of the foregoing, the Owners shall maintain and keep good repair (and replace, if so required) the air-conditioning compressor, hot water heater units, fans, duct work, heating unit and cooling coils, utilized in and for such Unit, as well as all other fixtures situated within or installed into the Limited Common Elements appurtenant to such Unit, and an Owner shall be obliged to promptly repair and replace any broken or cracked windows and doors. The Owner's obligation to maintain and repair as set forth herein shall also extend to any damage caused

by the Owner's guests, tenants and invitees. Should an Owner fail to maintain or repair a Unit or the Limited Common Elements within the Timeshare Unit, then the Association shall have the right to perform such maintenance and repair as it deems reasonably necessary for the benefit of the Association and in the case of Timeshare Units, the other Owners of Timeshare Interests in such Timeshare Unit, and the costs thereof shall become a Special Assessment against such Owner and his Timeshare Interest or such Special Assessment may be prorated over all Owners of Timeshare Interests in a Timeshare Unit and their Timeshare Interests in the sole discretion of the Association. Damage to the interior of any Unit resulting from such maintenance, repair and replacement activities by the Association, whether by reason of an emergency or otherwise, shall constitute a common expense and be payable by the Association; provided, however, that if such maintenance, repairs or replacements are the result of the misuse or negligence of an Owner, or its guests or invitees, then such Owner shall be responsible and liable for all such damages.

5.2 Limitation on Work. An Owner shall do no act nor any work that will impair the structural soundness or integrity of the Unit or the Building or impair any easement or hereditament. No Owner shall in any way alter, modify, add to, or otherwise perform any work whatsoever upon any of the General Common Elements, save with written consent of the Board of Directors first obtained.

5.3 Ownership. The Owners of Condominium Units and/or Timeshare Interests in a Timeshare Unit shall not be deemed to own the undecorated and/or unfinished surfaces of the perimeter walls, floors and ceilings surrounding the Unit, nor shall such Owners be deemed to own the utilities running through the Unit which are utilized for, or serve more than one Unit, except as a tenant-in-common with the other Owners. The Owners, however, shall be deemed to own and shall maintain the inner decorated and/or finished surfaces of the perimeter and interior walls, floors, and ceilings, doors, windows, and other such elements consisting of paint, wallpaper, and other finishing materials of the Unit.

5.4 Compliance. Each Owner shall comply strictly with the provisions of this Declaration, Bylaws, the Regulations and other decisions and resolutions of the Association adopted pursuant thereto as the same may be lawfully amended from time to time. Failure to comply with any of the same shall be ground for an action to recover sums due for damages or injunctive relief, or both, including but not limited to, court costs and reasonable attorney's fees, maintainable by the Managing Agent or Board of Directors on behalf of the Owners, or, in proper cases, by an aggrieved Owner.

ARTICLE VI. EXPENSES

6.1 Common Expenses and Reserve. The costs and expenses of administration and of maintenance and repairs of the General Common Elements, and in the proper case, the Limited Common Elements of the Project and the Units, and any other expenses lawfully agreed upon by the Association, shall be borne pro-rata by all Owners, which expenses have been herein before defined as "Common Expenses." The Common Expenses for the fiscal year will be estimated by the Managing Agent and each Owner shall pay their pro-rata share of the Common Expenses when assessed by the Association. The actual Common Expenses will be determined on a pro-rata basis for each Unit. If after determination of the actual Unit Common Expenses, an Owner has paid more than their actual pro-rata

share of the Common Expenses, then that Owner's excess may be retained by the Association and credited to the account for future Assessments of said Owner, or the excess may be refunded to said Owner, as the Directors of the Association may determine in their sole discretion. The Association shall provide for future contingencies through the creation of a reserve or surplus fund. The Association may in its sole discretion utilize the reserve fund for any Common Expenses. Payment of an Assessment into the reserve fund shall not be a part of, nor be considered to be, a Common Expense.

6.2 Assessments. The Assessments assessed and billed to all Owners on an annual basis shall provide funds for the cash operating requirements of the Association in connection with the Common Expenses. Such Assessments shall provide for the payment of all estimated expenses arising out of or connected with the maintenance and operation of the General Common Elements or Limited Common Elements, which may include, in addition to the costs set forth in Article 1.9E hereof, among other things, costs of management, taxes, assessments, fire insurance with extended coverage and vandalism and malicious mischief with endorsements attached, issued in an amount to be determined by the Board of Directors of the Association of the maximum and public liability and other insurance premiums, landscaping and care of grounds, common lighting, repairs and renovations, garbage collections, wages, water charges, legal and accounting fees, management fees, expenses and liabilities incurred by the Managing Agent or Board of Directors under or by reason of the Declaration, and the payment of any deficit by reason of the Declaration, and the payment of any deficit remaining from a previous period, the reserve fund provided in Article 9.4, as well as other costs and expenses relating to the General Common Elements or Limited Common Elements. The Association may levy a Special Assessment on all Owners of the Association. The Association shall vote as provided in Article VIII, Section 2B of the Bylaws for Maravilla Condominiums. The omission or failure of the Board to fix the Assessment for any year shall not be deemed a waiver, modification or a release of the Owners from the obligation to pay.

6.3 Insurance. The Managing Agent or Board of Directors shall obtain and maintain at all times insurance of the type and kind provided herein, and included for such other risks, of a similar or dissimilar nature, as are or shall hereafter customarily be covered with respect to other condominium buildings, fixtures, equipment, and personal property, similar in construction, design and use, issued by responsible insurance companies authorized to do business in the State of Texas. Additionally, the Association shall carry fidelity insurance as related to the officers and directors of the Association and the Association's administration thereof. The insurance shall be carried in blanket policy form naming the Association the insured, which policy or policies shall indemnify the interest of each Owner and which shall provide for a standard, non-contributory mortgage clause in favor of each First Mortgagee. It shall also provide that it cannot be cancelled by either the insured or the insurance company until after ten (10) days prior written notice to each First Mortgagee. The Managing Agent or Board of Directors shall, upon request of any First Mortgagee, furnish a certified copy of such blanket policy and the separate certificate identifying the interest of the mortgagor. All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Owner guilty of a breach of warranty, act, omission, negligence or non-compliance with any provision of such policy, including payment of the insurance premium applicable to that Owner's Unit or Timeshare Interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under such policy, as to the Unit or Timeshare Interest of all other

insured Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect. Further, such policies shall contain provisions requiring that the insurer waive its subrogation rights with respect to asserting any claim it might have against a negligent Owner.

6.4 Payment Date. All Owners shall be obligated to pay the Assessments imposed by the Board or Directors or Managing Agent of the Association. Assessments for the Common Expenses, including, without limitation, insurance premiums, ad valorem taxes and reserves when established, shall be due within thirty (30) days after the date of the Assessment statement. Any Assessments which are not paid when due shall be delinquent. If the Assessment is not paid within thirty (30) days after the date of the Assessment statement, the Assessment shall bear interest from the due date at the maximum lawful rate of interest and the Association may bring an action at law against the Owner personally obligated to pay the Assessment or foreclose the lien against the Owner's Unit or Timeshare Interest as set forth in Article 6.6 below. With respect to Owners of Timeshare Interest, the obligation for the Assessment shall be prorated if the ownership of a Timeshare Interest commences on a day other than the first day of the Assessment period. Assessments and Special Assessments shall be due and payable at such time as the Board of Directors shall establish.

6.5 All Owners Obligated. No Owner may exempt himself from liability for his contribution toward the Common Expenses by waiver of the use or enjoyment of any of the General or Limited Common Elements, or by abandonment of his Unit or Timeshare Interest.

6.6 Lien for Assessments. All unpaid Assessments against any Unit or Timeshare Interest, together with interest thereon at the maximum non-usurious annual rate allowed by law, cost of collection, and reasonable attorney's fees incurred for collection shall constitute a contractual lien on such Unit or Timeshare Interest superior (prior) to all other liens and encumbrances, except only for

- A Tax and special assessment liens in favor of any governmental body with taxing authority over the Unit or Timeshare Interests, and
- B A first Mortgage or first Deed of Trust recorded prior to the delinquency of payment of such Assessment, including all unpaid obligatory sums as may be provided by such encumbrance.

To evidence such lien the Board of Directors or Managing Agent may, but shall not be required to, prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of the Unit or Timeshare Interest and a description of the Unit or Timeshare Interest. Such notice shall be signed by one of the Directors or by the Managing Agent and may be recorded in the office of the Clerk of Galveston County, Texas. Such lien may be enforced by a non-judicial foreclosure by the Association of the lien against the defaulting Owner's Unit or Timeshare Interest in accordance with the provisions of Section 51.002 of the Texas Property Code (as said provisions of Section 51.002 now exists or may be hereafter amended or succeeded), and each such Owner hereby expressly grants the Association a power of sale in connection therewith. The Association shall, whenever it proceeds with non-judicial foreclosure pursuant to the provisions of said Section 51.002 of the Texas Property Code and said power of sale, designate in writing a Trustee to post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. The Trustee may be changed at

any time and from time to time by the Association by means of a written instrument executed by the President or any Vice President of the Association and filed for record in the Real Property Records of Galveston County, Texas. In the event that the Association has determined to non-judicially foreclose the lien provided herein pursuant to the provisions of said Section 51.002 of the Texas Property Code and to exercise the power of sale hereby granted, the Association shall mail to the defaulting Owner a copy of the Notice of Trustee's Sale not less than twenty-one (21) days prior to the date on which said sale is scheduled by posting such Notice through the U.S. Postal Service, postage prepaid, registered or certified, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Association. If required by law, the Association or Trustee shall also cause a copy of the Notice of Trustee's Sale to be filed in the Real Property Records of Galveston County, Texas. Out of the proceeds of such sale, if any, there shall first be paid all expenses incurred by the Association attorney's fees and a reasonable Trustee's fee, second, from such proceeds there shall be paid to the Association an amount equal to the amount of default, third, from such proceeds there shall be paid taxes and special assessment liens in favor of the assessing entity, fourth, from such proceeds there shall be paid the balance of the lien of any first mortgage, fifth, from such proceeds there shall be paid junior liens and encumbrances in order of and to the extent of their priority, and the remaining balance shall be paid to the Owner. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceedings, the costs and expenses for filing the notice or claim of lien and all reasonable attorney's fees. The Association shall have the power to purchase the Unit or Timeshare Interest at foreclosure sale and to acquire and hold, lease, mortgage and convey same. Additionally, the lien attaching hereunder may be foreclosed judicially. The acquisition of the Unit or Timeshare Interest shall be deemed the agreement of an Owner to execute and deliver any documents that may be reasonably required by the Managing Agent or Board of Directors to evidence this lien. If the Owner refuses, the Managing Agent shall be irrevocably vested with a power of attorney for such non-signing Owner, to execute and deliver such documents to the Association.

The amount of the Assessment against each Unit or Timeshare Interest shall also be a debt of the Owner thereof at the time the Assessment is made. Suit to recover a money judgment for unpaid Assessment shall be maintainable without foreclosing or waiving the lien securing the same.

Any person or entity holding a lien on a Unit or Timeshare Interest may pay any unpaid Assessments payable with respect to such Unit or Timeshare Interest, and upon such payment such person or entity shall have a lien on such Unit or Timeshare Interest for the amounts paid of the same rank as the prior lien.

6.7 Estoppel Statements Upon the written request of any Owner or any encumbrancer or prospective encumbrancer of a Unit or Timeshare Interest, and upon payment of a reasonable fee as may from time to time be set by the Association, the Association, by its Managing Agent or Board of Directors shall issue a written statement setting forth the unpaid Assessment, if any, with respect to the subject Unit or Timeshare Interest, the amount of the current Assessment and the date that such Assessment becomes due, credit for advanced payments or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Association for all persons who rely thereon in good faith.

6.8 Liability. The grantee of a Unit or Timeshare Interest shall be jointly and severally liable with the grantor for all unpaid prior Assessments against the latter and for his proportionate share of the Assessments up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore; provided, however, that upon written request, and payment of a reasonable fee as determined by the Association, any such prospective grantee shall be entitled to a statement from the prospective Managing Agent or Board of Directors, setting forth the amount of the unpaid Assessments, if any, with respect to the subject Unit or Timeshare Interest, the amount of the current Assessment and the date that such Assessment becomes due, credit for advanced payments or for prepaid items, including but not limited to the insurance premiums, which shall be conclusive upon the Association

ARTICLE VII FINANCING

7.1 Right to Finance Any Owner shall have the right from time to time to mortgage or encumber his Unit or Timeshare Interest by deed of trust, mortgage or other security instrument, provided that such first deed of trust, mortgage and security agreement shall be subordinate to this Declaration, unless herein specifically provided to the contrary. A first mortgage shall be one which has first and paramount priority under applicable law. An Owner may create a second mortgage against his Unit or Timeshare Interest on the following conditions: (1) that any such second mortgage shall always be subordinate to all of the terms, conditions, covenants, restrictions, uses, limitations, obligations, liens for Assessments, and other payments created by this Declaration and by the Bylaws; and (2) that the mortgagee under any second mortgage shall release, for the purposes or restoration of any improvements upon the mortgaged premises, all of his right, title and interest in and to the proceeds under all insurance policies upon said mortgaged premises, which insurance policies were effected and placed upon the mortgaged premises by the Association. Such release shall be furnished forthwith by a second mortgagee upon written request to the Association.

7.2 Foreclosure. Any First Mortgagee, upon foreclosure of its lien on a Unit or Timeshare Interest, or upon acceptance of a deed in lieu of foreclosure thereon, shall not be required to pay any unpaid Assessments owing on said Unit or Timeshare Interest. Any Assessment lien created or claimed under the provisions of this Declaration shall be subject and subordinate to the rights of any First Mortgagee of any duly recorded first mortgage upon one or more Unit or Timeshare Interests made in good faith and for value. No lien created under the provisions hereof shall in any way defeat, invalidate or impair the rights of any First Mortgagee under any such duly recorded first mortgage unless such First Mortgagee shall expressly subordinate its interests, in writing, to such lien.

7.3 Amendment Affecting Financing No amendment to this Declaration shall affect the rights of the mortgagee of any such mortgage which is made in good faith and for value; provided that any such mortgage is recorded prior to the recordation of such amendment and written notice of delivery and recordation of such mortgage is given to the Association; provided further that the benefit of this Article 7.3 shall not apply to the mortgage of any such prior mortgage unless such mortgagee shall either join in the execution of such amendment or shall approve said amendment in writing as a part of said amendment.

7.4 Breach. No breach of any provision of this Declaration shall impair or invalidate any lien of any duly recorded mortgage made in good faith and for value encumbering one or more Units or Timeshare Interests, provided, however, that all the covenants, conditions, restrictions, limitations, reservations, grants of assessments, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall be binding upon and effective against any person who acquires title to or any beneficial interest in any Unit or Timeshare Interest by way of foreclosure, or otherwise

ARTICLE VIII.
DAMAGE, REPLACEMENT AND REPAIR

8.1 Power of Attorney All of the Owners, by acceptance of any deed or other conveyance of a Unit or Timeshare Interest, irrevocably name, designate, constitute and appoint the Association, or its successor non-profit corporation, if same be hereafter organized, their true and lawful attorney-in-fact in their name, place and stead, for the purpose of dealing with the Property upon its destruction or obsolescence as is hereafter provided, and for the purpose of execution by all the Owners of all easements, rights-of-way, plats, subordination to plats or liens, or any other document which may be required by any governmental authority. This power of attorney shall be coupled with an interest and is irrevocable. As attorney-in-fact, the Association, by its President and Secretary, shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or any other instrument with respect to the Timeshare Interest of an Owner which are necessary and appropriate to exercise the powers herein granted.

8.2 Definition of Repairs. Repair and reconstruction of the improvements(s) as used in the succeeding Article 8.3 - 8.9 means restoring the improvement(s) to substantially the same conditions in which they existed prior to the damage within nine (9) months after insurance proceeds are made available, with each Unit and the General and Limited Common Elements having the same vertical and horizontal boundaries as before and after such repair and reconstruction, the improvements shall adequately secure the outstanding balance of the indebtedness, if any remaining in favor of any First Mortgagee. The proceeds of any insurance collected shall be made available to the Association for the purpose of repair, restoration or replacement in accordance with Section 8.3 below unless the Owners and First Mortgagee agree not to rebuild in accordance with the provisions set forth hereinafter.

8.3 Reconstruction with Insurance Proceeds. In the event of damage or destruction due to fire or other disaster, First Mortgagee may apply any proceeds received under the insurance policy either to reduce the note or to repair or replace damaged or destroyed improvements covered by the policy. Notwithstanding the foregoing, in the event of any insured damage to or destruction of the property and the cost to repair or restore such insured casualty exceeds \$200,000, if (A) in the reasonable judgment of First Mortgagee, the property can be restored within nine (9) months after insurance proceeds are made available to an economic unit not less valuable and not less useful than the same was prior to the such insured casualty, and after such restoration will adequately secure the outstanding balance of the indebtedness in favor of such First Mortgagee, and (B) no default shall have occurred and be then continuing, then the proceeds of insurance shall be applied to the cost of restoring, repairing, replacing or rebuilding the Property or part thereof subject to such insured casualty; and the Association, as attorney-in-fact hereby covenants and agrees forthwith to commence and diligently to prosecute such restoring, repairing, replacing or rebuilding; provided, however, in any event the Association, as

attorney-in-fact shall pay all costs (and if required by First Mortgagee, the Association, as attorney-in-fact shall deposit the total thereof with First Mortgagee in advance) of such restoring, repairing, replacing or rebuilding in excess of the net proceeds of insurance made available pursuant to the terms hereof. To the extent the cost to repair or restore such insured casualty is \$200,000 or less, such proceeds shall be delivered directly to the Association, as attorney-in-fact in connection with such repairs or restoration.

8.4 Assessment if Insurance is Insufficient If the insurance proceeds are insufficient to repair and reconstruct the improvement(s), and if such damage is not more than two-thirds (2/3) of all of the General Common Elements, not including Land, such damage or destruction shall be promptly repaired and reconstructed by the Association, as attorney-in-fact, using the proceeds of insurance and the proceeds of an Assessment to be made against all the Owners and their respective Units or Timeshare Interests. Such deficiency Assessment shall be a Common Expense made pro rata according to each Owner's percentage interest in and to the General Common Elements and shall be due and payable within thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the Assessment. The Assessment provided for herein shall be a debt of each Owner and a lien on his Unit or Timeshare Interest and may be enforced and collected as provided in Article 6.6. In addition thereto, the Association as attorney-in-fact, shall have the absolute right and power to sell the Unit or Timeshare Interest of any Owner refusing or failing to pay such deficiency Assessment within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Unit or Timeshare Interest of the delinquent Owner shall be sold by the Association, and each Owner by acceptance of the conveyance of a Unit or Timeshare Interest does hereby grant to the Association the limited power of sale as herein stipulated. The proceeds derived from the sale of such Unit or Timeshare Interest shall be used and disbursed by the Association, as attorney-in-fact, in the following order:

- A For payment of taxes and special assessment liens in favor of any assessing entity,
- B For payment of the balance of the lien of any first mortgage,
- C For payment of unpaid Assessments,
- D For payment of junior liens and encumbrances in order of and to the extent of their priority, and
- E The balance remaining, if any, shall be paid to the Owner.

8.5 Sale After Destruction If more than two-thirds (2/3) of all the General Common Elements, not including the Land, are destroyed or damaged, and if Owners of a seventy-five percent (75%) majority of the Units do not voluntarily, within one hundred and twenty (120) days thereafter, make provision for reconstruction, which plan must have the approval or consent of First Mortgagees holding first mortgages against seventy-five (75%) majority of the units, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's

president and secretary, the Entire Premises shall be sold by the Association, as attorney-in-fact for all of the Owners, free and clear of the provisions contained in this Declaration, the Map and the Bylaws. The insurance settlement proceeds shall be collected by the Association, and such proceeds shall be divided by the Association according to each Owner's interest (based upon each Owner's percentage interest in the General Common Elements), and such dividend proceeds shall be accounted for as separate accounts, each such account representing one of the Units or Timeshare Interests. From each separate account, the Association, as attorney-in-fact shall use and disburse the total amount of each such account, without contribution from any account to another, toward the full payment of the lien of any first mortgage against the Unit or Timeshare Interest represented by such separate account. There shall be added to each such account, the apportioned amount of the proceeds derived from the sale of the Entire Premises. Such apportionment shall be based upon each Owner's percentage interest in the General Common Elements. The total funds of each account shall be used and disbursed, without contribution from one account to another, by the Association, as attorney-in-fact, for the same purposes and in the same order as is provided in this Article.

8.6 Plan for Reconstruction. Any Assessment made in connection with such reconstruction plan shall be a Common Expense and made prorata according to each Owner's percentage interest in the General Common Elements and shall be due and payable as provided by the terms of such plan, but not sooner than thirty (30) days after written notice thereof. The Association shall have the authority to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose notwithstanding the failure of an Owner to pay the Assessment. The Assessment provided for herein shall be a debt of each Owner and a lien on his Unit or Timeshare Interest and may be enforced and collected as is provided in Article 6.6. In addition thereto, the Association, as attorney-in-fact, shall have the absolute right and power to sell the Unit or Timeshare Interest of any Owner refusing or failing to pay such Assessment within the time provided, and if not so paid, the Association shall cause to be recorded as notice that the Unit or Timeshare Interest of the delinquent Owner shall be sold by the Association. Each Owner by the acceptance of a conveyance of any Unit or Timeshare Interest hereby grants to the Association the limited power of sale herein set forth. The proceeds derived from the sale of such Unit or Timeshare Interest shall be used and disbursed by the Association, as attorney-in-fact, for the same purposes and in the same order as is provided in Article 8.4 hereof.

8.7 Obsolescence and Replacement. Subject to the approval of First Mortgagees holding first mortgages against a seventy-five percent (75%) majority of the Units that are subject to first mortgages, the Owners representing a majority of the Units or Timeshare Interests, or more, may agree that the General Common Elements of the Property are obsolete and that the same should be renewed or reconstructed. In such instances, then the expense thereof shall be payable by all of the Owners as Common Expense which shall be paid by the Owners, if determined by the Board of Directors, as a Special Assessment.

8.8 Obsolescence and Sale. Subject to the approval of mortgagees, all of the owners of Units may agree that the Units and Common Elements of the Property are obsolete and that the same should be sold. In such instance, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's president and secretary, the Entire Premises shall be sold by the Association, as attorney-in-fact, for all of the Owners, free and clear of the provisions contained in this Declaration, the Map, and the Bylaws. The sales proceeds shall be

apportioned between the Owners on the basis of each Owner's percentage interest in the General Common Elements, and such apportioned proceeds shall be accounted for in separate accounts, each such account representing one Unit or Timeshare Interest. For each separate account, the Association, as attorney-in-fact, shall use and disburse the total amount of such funds, without contribution from one fund to another, for the same purposes and in the same order as provided in Article 8 4 hereof

8 9 Trust Fund Notwithstanding any provisions contained herein to the contrary, all insurance proceeds and any Assessments under Article 8 4 received by the Association with respect to any damage or destruction of the Property shall be paid to a bank or other financial institution (the "Insurance Trustee") approved by the Board of Directors of the Association and First Mortgagees holding first mortgages against a majority of the units that are subject to first mortgages, to be held in trust for the benefit of the Association, the Owners and the First Mortgagees, as their respective interests may appear, unless First Mortgagees holding first mortgages against seventy-five percent (75%) of the Units that are subject to first mortgages execute written waivers of the provisions of this Article 8 9 The Insurance Trustee shall make disbursements from the trust account for necessary restoration, repair or replacement work on this property (herein called the "Work") Such disbursements shall be made by the Insurance Trustee from time to time to the Association (or, at the option of the Insurance Trustee, jointly to the Association and the persons furnishing labor and/or materials incident to the Work, or directly to such persons) as the Work progresses, subject to the following conditions

- A. If the cost of the Work exceeds \$250,000 00, a licensed architect or engineer shall be retained by the Association to supervise the Work,
- B. Each request for payment shall be made on ten days prior written notice of the Insurance Trustee and shall be accompanied by a certificate by the architect or engineer supervising the Work (if one is required pursuant to subparagraph (a) above, otherwise by the Board of Directors of the Association or its authorized agent, stating, among such other matters as may be reasonably required by the Insurance Trustee, that
 - (1) All the Work completed has been performed in compliance with the plans and specifications,
 - (2) The sum requested is justly required to reimburse the Association for payments by the Association to, or is justly due to the contractor, subcontractor, materialmen, laborers, engineers, architects or other persons rendering services or materials for the Work (giving a brief description of such services and materials), and
 - (3) When added to all sums previously paid out by the Association, the sums requested does not exceed the value of the Work done to the date of such certificate

- C Each request shall be accompanied by waivers of lien or paid invoices satisfactory in form and substance to the Insurance Trustee covering that part of the Work for which payment or reimbursement is being requested, and
- D In the case of the request for the final disbursement, such request is accompanied by any Certificate of Occupancy or other certificate required for lawful occupancy of the damaged area. If, upon completion of the Work to the satisfaction of the Insurance Trustee or upon the election not to repair or restore the Project in accordance with this Article, any portion of the trust account has not been disbursed pursuant to the foregoing provisions, the Insurance Trustee shall disburse such balance to the Association. At its election, the Insurance Trustee may withhold from each disbursement 10% of the amount otherwise herein provided to be disbursed, and may continue to withhold each sum, until the time permitted for perfecting liens against the improvements has expired, at which time the amount withheld shall be disbursed in accordance with the foregoing provisions.

ARTICLE IX.
PROTECTION OF MORTGAGEE

9 1 Notice to Association An Owner who mortgages his Unit or Timeshare Interest shall notify the Association, giving the name and address of his mortgagee. Each mortgagee shall be permitted to notify the Association of the fact that such mortgagee holds a deed of trust or mortgage on a Unit or Timeshare Interest. The Board shall maintain such information in a book entitled "Mortgagees of Units."

9 2 Notice of Default The Association shall notify a First Mortgagee in writing, upon the prior written request of such First Mortgagee, of any default by the Mortgagor in the performance of such Mortgagor's obligations as set forth in this Declaration which is not cured within thirty (30) days.

9 3 Examination of Books The Association shall permit First Mortgagees, the Veterans' Administration, Federal Housing Administration, Federal National Mortgage Association and any other similarly secured or guaranteed mortgage agency or authority with an interest in any loan related to the Project, to examine the books and records of the Association upon request.

9 4 Reserve Fund The Association shall establish adequate reserve funds, as hereinabove provided in Article 6 1, for replacement of Common Element components and the same shall be paid by an Owner in the annual Assessment. In addition, there may be established a reasonable working capital fund for the operation of the Association.

9 5 Annual Reviews. The Association shall furnish each First Mortgagee upon written request of such First Mortgagee an annual reviewed financial statement of the Association within ninety (90) days following the end of each fiscal year of the Association.

9.6 Notice of Meetings. The Association shall furnish each First Mortgagee upon written request of such First Mortgagee, prior written notice of all meetings of the Association and permit the designation of a representative of such First Mortgagee to attend such meeting

9.7 Approval for Amendments to Declaration, etc. The prior written approval of the First Mortgagee and governmental agencies, if any, holding or insuring first mortgages against seventy-five percent (75%) of the Units that are subject to first mortgages, shall be required for the following:

- A Abandonment or termination of Maravilla Condominiums as a Condominium Regime, except for abandonment or termination provided by law or this Declaration in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain, and
- B Any material amendment to the Declaration or to the Bylaws of the Association

9.8 Notice of Damage or Destruction. The Association shall furnish the First Mortgagees timely written notice of any substantial damage or destruction of any Unit if such loss exceeds One Thousand Dollars (\$1,000.00) and any part of the Common Elements and facilities if such loss exceeds Ten Thousand Dollars (\$10,000.00)

9.9 Management Agreements. Any management agreements and/or service contracts entered into by the Association shall be terminable by the Association without cause by delivery of thirty (30) days advance written notice of termination, and the term of such management shall not exceed the period of one (1) year, renewable by agreement of the parties to such agreement for successive one (1) year periods. In the event of the termination of a management agreement, as provided herein, the Association shall enter into a new management agreement with the new management entity prior to the effective date of the termination of the old management agreement.

9.10 Taxes, Assessments and Charges. All taxes, assessments and charges which may become liens prior to the first mortgage under local law shall relate only to the individual Unit and not to the Project as a whole

9.11 Other Acts by Association Requiring Approval of First Mortgagees or Owners. Unless (i) First Mortgagees holding first mortgages against a seventy-five percent (75%) majority of the Units that are subject to first mortgages, and (ii) Owners of a majority seventy-five percent (75%) of the Units, have given their written approval, the Association shall not be entitled to use hazard insurance proceeds for losses to any Property (whether to Units or to Common Elements) for other than the repair, replacement or reconstruction of such improvements, except as provided by statute in case of substantial loss to the Units or as otherwise provided in this Declaration. The Association may not sell, convey, or encumber the General Common Elements without obtaining prior written approval of all of the First Mortgagees, unless this Declaration provides to the contrary. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Project shall not be deemed a transfer within the meaning of this Article.

ARTICLE X
TERMINATION AND REVOCATION

This Declaration may be revoked and the condominium terminated, only, as provided herein

- A If such revocation and termination is approved by all Owners and all mortgagees, such agreement must be evidenced by an instrument in writing and executed in a manner to provide for the conveyance of the Property and as otherwise required by the Association. Such termination shall comply with the requirements as set out in Article X(D) below and shall become effective when the agreement has been recorded in the Official Public Records of Real Property of Galveston County, Texas
- B If destruction should occur as indicated herein, and the Property is not reconstructed as provided herein, the condominium form of ownership will be terminated and the documents herein will be revoked according to procedures provided by law and at the direction of the Board of Directors.
- C Except as otherwise provided herein, if such termination occurs, the Owners shall own their individual Unit or their individual Timeshare Interests in a Timeshare Unit and the Limited Common Elements related thereto as tenants-in-common, and all General Common Elements shall be owned as tenants-in-common by all Owners Further, the holders of mortgages and liens against the Owner's Units or Timeshare Interests shall have mortgages and liens respectively according to the undivided tenancy-in-common interest and the separate interest of the individual Owners All funds and other property of the Association, including insurance proceeds, if any, shall be held by the Association to be distributed in proportion to the ownership shares after all other claims on said funds are paid as determined in the discretion of the Association The costs incurred by the Association in connection with the termination and winding up of the condominium ownership shall be borne as a Common Expense
- D Except as otherwise provided herein, following the termination, if any, of the condominium ownership, the Property, including General and Limited Common Elements, may be partitioned and sold upon the application by any Owner to a court for such partition agreement Further, if the Board of Directors determine that a termination of the Declaration and Association, including articles, Bylaws, and minutes, is most advantageous, and if such determination is ratified by the written consent of all the Owners, then the directors, upon unanimous vote by the directors, may seek out the means, terms, and provisions to seek sale of the Project However, such sale shall not work to the disadvantage of any parties who claim a lien on a Timeshare Interest Further, the determination as to any disposition of the Project must be approved by all said parties holding mortgages or liens on any Unit or Timeshare Interest. If the directors comply with the

provision herein for such disposition of the Project, each Owner shall be bound to execute any documents, including a Deed, necessary or required by said directors to conform with their decision as to disposition of the condominium property and appoint the Board of Directors or the Managing Agent as agent and attorney-in-fact to execute such documents and consummate the sale

ARTICLE XI
MISCELLANEOUS

11.1 Compliance with Declaration Each Owner shall comply strictly with the provisions of this Declaration, the Articles of Incorporation, Bylaws, Regulations and resolutions of the Association and any management agreement entered into by the Association as the same may from time to time be in force and effect. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages, attorney's fees, or injunctive relief or both, maintainable by the Association on behalf of the Owners, or by an aggrieved Owner.

11.2 Severability. If any of the provisions of this Declaration or any article, paragraph, clause, phrase, word or section, or the application thereof in any circumstance be invalidated, such invalidity shall not affect the validity of the remainder of the Declaration, and the application of any such provision, or paragraph, sentence, clause, phrase, word or section in any circumstances shall not be affected thereby.

11.3 Amendment Except as permitted herein, none of the provision of this Declaration shall be amended unless the Owners of a seventy-five percent (75%) majority of the Units, the Owners of a majority of Timeshare Interests in at least seventy-five percent (75%) of Timeshare Units, and First Mortgagees holding first mortgages against seventy-five percent (75%) of the Units or Timeshare Weeks that are subject to first mortgages, consent and agree to such amendment by instrument duly recorded.

11.4 Notice. All notices, demands or other notices intended to be served upon an Owner shall be sent by certified mail, postage prepaid, addressed in the name of such Owner in care of the Unit number and building address of such Owner, or such other address as the Owner shall have delivered to the Association in accordance with the terms hereof, provided any notice to be sent to all Owners need not be sent by certified mail. All notices, demands or other notices intended to be served upon the Board of Directors of the Association, or the Association, or upon the Managing Agent shall be sent by certified mail, postage prepaid, to 9520 Seawall Boulevard, Galveston, Texas 77554, until such address is changed by notice of address change duly recorded in accordance herewith.

11.5 Construed under Laws of Texas The provisions of this Declaration shall be in addition and supplemental to the Act. All matters in connection with this Declaration shall be construed under Texas law.

11.6 Word Construction. Whenever used herein, unless the context shall otherwise provide, the singular number shall include, both the plural and the singular and the use of gender shall include all genders.

EXECUTED in multiple originals on the date first above written

MARAVILLA OWNERS ASSOCIATION, INC
a Texas non-profit corporation

By Tom J Trammell
Tom J Trammell, President

TRAMSTY DEVELOPMENT II, L P
a Texas limited partnership

By: Prism Financial Services, LLC
a Texas limited liability company, General Partner

By: Tom J Trammell
Tom J Trammell, Manager

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on this 20th day of March, 2003, by Tom J. Trammell, President of Maravilla Owners Association, Inc , a Texas non-profit corporation on behalf of said non-profit corporation.

Betty Rush
Notary Public in and for the State of Texas

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on this 20th day of March, 2003, by Tom J Trammell, Manager of Prism Financial Services, LLC, a Texas limited liability company, as General Partner of TramSty Development II, L P., a Texas limited partnership on behalf of said limited liability company and limited partnership

Betty Rush
Notary Public in and for the State of Texas

AFTER RECORDING RETURN TO
Mary S Tourenq
Zimmerman, Axelrad, **PAID**
Meyer, Stern & Wise, PC
3040 Post Oak Blvd., Suite 1300
Houston, Texas 77056
(713) 552-1234 / FAX (713) 963-0859

CONSENT AND SUBORDINATION

The undersigned, beneficiary under a Deed of Trust ("Deed of Trust") dated as of November 18, 2002, and recorded on November 22, 2002 under Clerk's File No 2002069338 of the Real Property Records of Galveston County, Texas, approves the foregoing Third Amended and Restated Declaration of Condominium Regime (the "Declaration"), and agrees that the Deed of Trust is, and shall at all times continue to be, subject, inferior and subordinate in all respects to the Condominium Declaration

Dated March 12, 2003

EASTERN SAVINGS BANK, F S B ,
a federally chartered savings bank

By Chris Johnson
Name: Chris Johnson
Title: Assistant Vice President

THE STATE OF MARYLAND

§

§

COUNTY OF BALTIMORE

§

This instrument was acknowledged before me on this 13 day of March, 2003, by Chris Johnson, the Assistant Vice President of Eastern Savings Bank, F S B , a federally chartered savings bank on behalf of said federally chartered savings bank

Kenneth B. [Signature]
Notary Public in and for the State of Maryland

My Commission Expires
4/30/03

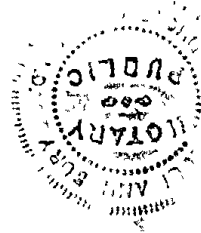


EXHIBIT "A-1"

**TO THE THIRD AMENDED AND RESTATED DECLARATION
OF CONDOMINIUM REGIME**

REAL PROPERTY INCLUDED IN PROJECT

The surface only of part of Lots 295 and 310, Section 1 of Trimble and Lindsey Survey of Galveston Island, in Galveston County, Texas, and being more particularly described by metes and bounds as follows

COMMENCING at the Northeast corner of Lot 310, same being the Northwest corner of Lot 295,

THENCE South 25 deg East, along the common line between Lots 310 and 295, a distance of 672 00 feet to the place of beginning of the tract hereinafter described,

THENCE from said beginning point North 65 deg East, across Lot 295, parallel in the Northwest line of Lot 295, a distance of 151 03 feet to a point for corner,

THENCE South 25 deg East, parallel to the Southwest line of Lot 295, a distance of 715 34 feet to a point for corner,

THENCE South 55 deg 52 min West, along the Northerly right of way line of Seawall Boulevard, 150 foot right of way, a distance of 286 48 feet to a point for corner,

THENCE North 25 deg 00 min West, a distance of 760 81 feet to a point for corner,

THENCE North 65 deg. East, parallel to the Northwest line of Lot 310, a distance of 131 82 feet to the PLACE OF BEGINNING

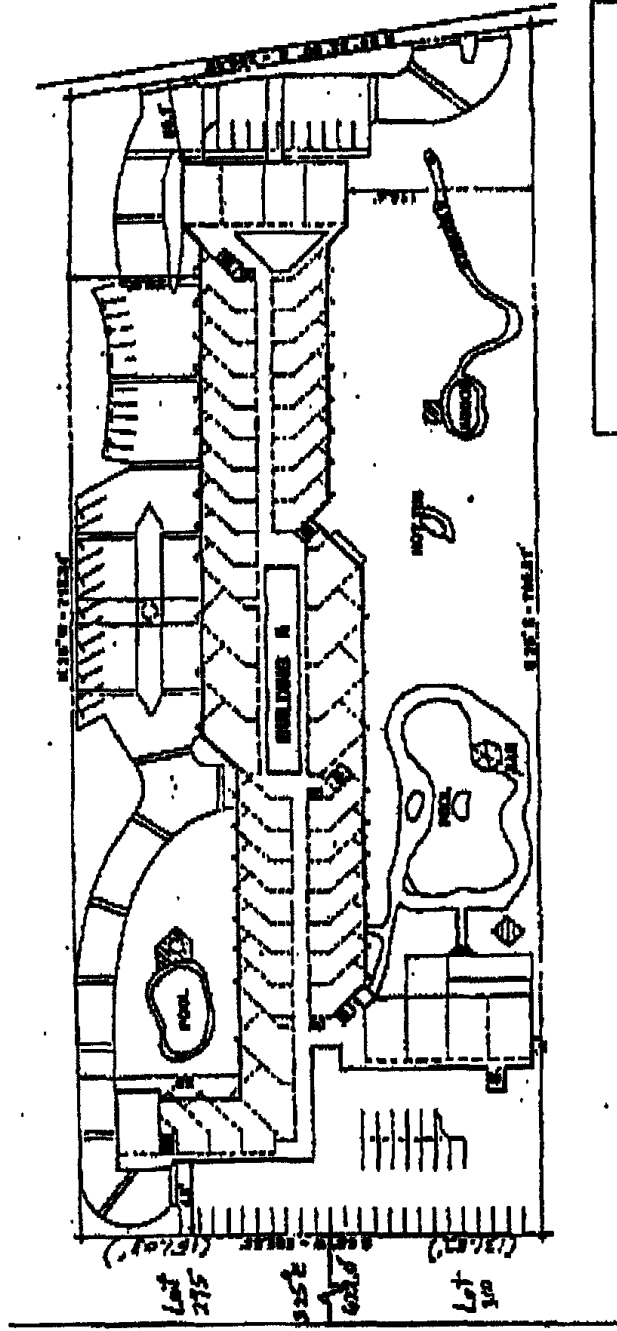
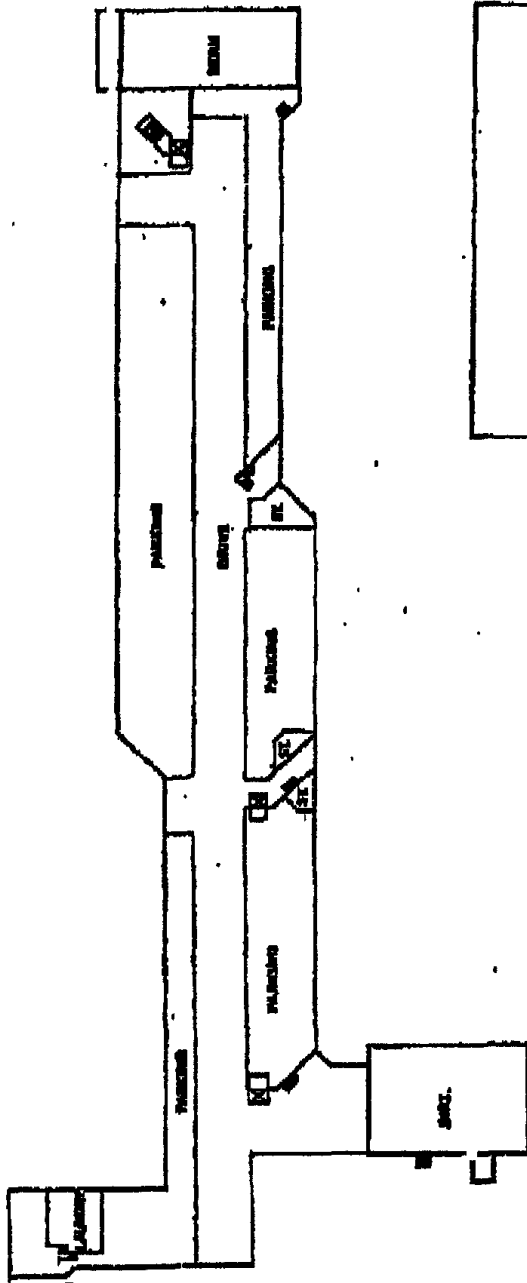


EXHIBIT A2 SITE PLAN



PARKING FLOOR PLAN	
EXHIBIT. A3	

EXHIBIT "B"

TO THE THIRD AMENDED AND RESTATED DECLARATION
OF CONDOMINIUM REGIMETHIRD AMENDED AND RESTATED CONDOMINIUM BYLAWS
OF
MARAVILLA OWNERS ASSOCIATION, INC.

ARTICLE I.

Section 1 Definitions

1.1 "Act" means collectively the Texas Condominium Act, Chapter 81 of the Texas Property Code, the Uniform Condominium Act, Chapter 82 of the Texas Property Code and the Texas Timeshare Act, Chapter 221 of the Texas Property Code.

1.2 "Articles of Incorporation" mean the articles of incorporation of the Association filed with the Secretary of State of Texas, as amended from time to time

1.3 "Assessment" means and refer to the funds required to pay Common Expenses, other lawfully agreed upon expenses, plus surplus and reserves, as such costs, expenses and reserves are determined by the Managing Agent of Board of Directors and are levied by the Board of Directors upon all of the Owners

1.4 "Association" means and refers to Maravilla Owners Association, Inc , a non-profit corporation, its successors and assigns, comprised of the Owners, the Bylaws of which shall govern the administration of this Project and the members of which shall be all of the Owners

1.5 "Board of Directors" means the board of directors of the Association named in the Articles, and their successors as duly elected and qualified from time to time

1.6 "Building" means the building or the buildings within the Project

1.7 "Bylaws" means the Third Amended and Restated Bylaws of the Association and any amendment, modification or revision hereto as herein permitted

1.8 "Common Elements" means and refers to both the General and Limited Common Elements as described herein

1.9 "Common Expenses" means and includes

A. All sums lawfully assessed against the General Common Elements by the Managing Agent or Board of Directors of the Association,

B Expenses of administration and management, maintenance, repair or replacement of the General Common Elements or Limited Common Elements,

C Expenses agreed upon as Common Expenses by the Owners,

D. Expenses declared Common Expenses by provisions of the Declaration and by these Bylaws,

E Common Expenses may include, but are not limited to, the overhead expenses of the Association, costs of maintenance, repair and operation of the Common Elements, taxes and Special Assessments unless separately assessed, insurance premiums for insurance coverage as deemed desirable or necessary by the Association, utility charges for the General Common Elements (including gas, electricity, water and sewer) trash and garbage collection, guard service, burglar alarm service, landscape maintenance, janitorial service, manager's salary, legal and accounting fees, management fees, and

F Common Expenses shall not include any reserve fund

1 10 "Condominium" means a form of real property established by the Declaration with respect to the Property, in which portions of the Property are designated for individual ownership or occupancy and the remainder of the Property is designated either for Timeshare Units or for common ownership or occupancy by all of the owners and containing a maximum of 162 Condominium Units

1 11 "Condominium Unit" means a Unit which is designated for residential purposes, together with an undivided interest, appurtenant to the Unit, in and to the Common Elements

1 12 "County" means Galveston County, Texas

1 13 "Declaration" means the Third Amended and Restated Declaration of Condominium Regime and all Exhibits attached thereto and any amendments, modification or revision thereto as therein permitted

1 14 "Developer" means TramSty Development II, L P, a Texas limited partnership, its successors or assigns.

1 15 "Entire Premises" or "Property" means and includes the land, buildings, all improvements and structures thereon, and all rights, easements and appurtenances belonging thereto

1 16 "First Mortgagee" means any holder of a security interest in a Timeshare Interest or Condominium Unit, represented by a deed of trust, mortgage or security agreement giving such holder a first and paramount priority under Texas Law

1 17 The "General and Limited Common Elements" of the Condominium Project are as follows

A The General Common Elements consists of.

1 The land in the Project, as more particularly described in Exhibit "A-1" of the Declaration (and the additional land which may be described in the supplement hereto as herein permitted);

2 The foundations, bearing walls and columns (including any windows, doors, and chimneys therein), roofs, attics, ceilings and floors, halls, lobbies, stairways, entrances, exits and, or communication ways and any other portion of the Buildings located on the land within the boundaries of the Project not included within any Timeshare Unit,

3 The premises and facilities, if any, used for maintenance or repair of the Project;

4 All other common facilities, including without limitation, any office, the grounds, driveways and walkways, and tennis courts, swimming pools, exercise facilities, and dressing rooms if any;

5 Parking spaces not designated with a Timeshare or Condominium Unit number and described on the condominium subdivision plan as unassigned parking spaces, provided, however, the Association expressly reserves the right at any time and from time to time to assign, any unassigned parking space to any Owner; and provide further, coincident with the assignment of any unassigned parking space, the parking floor plan attached to the Declaration as Exhibit "A-3" shall be amended for the purposes of designating such parking space with a number corresponding to a Timeshare or Condominium Unit number, and thereafter such parking space shall be Limited Common Element appurtenant to such Timeshare or Condominium Unit. Such amendment shall not require the joinder of any Owner or mortgagee

6 The laundry room facilities, if owned by the Association;

7 All other elements desirable or rationally of common use or necessary to the existence, upkeep and safety of the Project,

B The Limited Common Elements, being those Common Elements reserved for the use of specific Timeshare Units therein, to the exclusion of others, consists of

1 Compartments or installations of central services such as power, light, electricity, telephone, gas, cold and hot water, plumbing, reservoirs, water tanks and pumps, incinerators, and all similar devices and installations corresponding to a building within the Project or corresponding to a Timeshare or Condominium Unit;

2 Storage rooms, patios, balconies and decks designated with a number as described on the floor plans attached to the Declaration as Exhibits "C-1" - "C-6",

3 Parking spaces and mail boxes not located at individual Timeshare or Condominium Units which are designated with a number corresponding to a Timeshare or Condominium Unit number,

4 All of the portions of the General Common Elements which are specifically reserved for the exclusive use of the Owner of the Timeshare or Condominium Unit as shown on the attached to the Declaration as Exhibits "C-1" - "C-6", or as may hereafter be shown by supplement, annexation or amendment thereto.

1 18 "Map", "Survey Map" or "Plans" means and includes the engineering survey of the land with all of the improvements located thereon, the floor plans and any other drawing or diagrammatic plan depicting a part of or all of the improvements, same being attached to the Declaration and filed therewith, consisting or nine (9) sheets labeled Exhibit "A-1" through "A-3" and "C-1" through "C-6 "

1 19 "Monthly Assessment" means the monthly assessment established pursuant to Section 6 2 of this Declaration by the Board of Directors to pay Common Expenses when due

1 20 "Owner" means and refers to a person, firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, who or which is the record owner of fee simple title to one or more Condominium Units or Timeshare Interests in the Project

1 21 "Owner's Unit" means each Timeshare or Condominium Unit together with the associated appurtenant undivided interests in the Common Elements owned by an Owner, together with the unrestricted right of ingress and egress thereto

1 22 "Project" means and refers to Maravilla Condominiums as a condominium project established in conformity with the provisions of the Act.

1 23 "Regulations" mean the rules and regulations of the Association initially adopted by the Board of Directors and relating to the appearance, use and occupancy of the Property, including exterior appearance, use and occupancy of the Units, as amended from time to time.

1 24 "Special Assessment" means an additional assessment created for any purpose of the Association as a whole.

1 25 "Timeshare Interest" means a freehold estate in a Timeshare Unit at Maravilla Condominiums, together with an undivided ownership interest in the Common Elements expressed as a fraction of the entire ownership interest in the Common Elements as set forth and defined herein, and the right to use the amenities in the Project for a Timeshare Period on a recurring bases

1 26 "Timeshare Period" means the period within which the purchaser of a Timeshare Interest at Maravilla Condominiums is entitled to the exclusive use, possession, and occupancy of the Timeshare Unit purchased, and the general use of all amenities

1 27 "Timeshare Week" means the one week period commencing on a Saturday at noon and ending the next following Saturday at noon, with check-in to the Timeshare Unit allowed according to Rules promulgated by the Association or its management company (to allow for the cleaning of a Timeshare Unit at the beginning or expiration of a Timeshare Week)

1 28 "Timeshare Unit" means and refers to an enclosed air space consisting of one or more rooms intended for residential use only, occupying all or part of one or more floors in a building in the Project, as such space may be attached to the Declaration as Exhibits "C-1" - "C-6" (and as may hereafter be described, delineated and delimited by an amendment or supplement hereto as herein permitted)

1 29 "Unit" means and refers to either a Condominium Unit or a Timeshare Unit or both as the context requires

Section 2 Administration. Maravilla Condominiums (hereinafter referred to as the "Project") shall be administered by a non-profit corporation incorporated under the Laws of the State of Texas, under the name of "Maravilla Owners Association, Inc." (hereinafter referred to as the "Association") The Association shall be responsible for the management, maintenance, operation and administration of the Project, the Common Elements and easements appurtenant thereto in accordance with the Declaration, these Bylaws and duly adopted rules and regulations of the Association and the laws of the state of Texas

Section 3 Members and Voting Membership in the Association and voting by Members of the Association shall be in accordance with the following provisions.

A Each Owner shall be a Member of the Association and shall retain a membership for the period of his ownership of a Condominium Unit or a Timeshare Interest No other person or entity shall be entitled to membership. No Owner shall be required to pay any consideration whatsoever solely for his membership in the Association

B. The share of an Owner in the funds and assets of the Association cannot be assigned, pledged or transferred in any manner except as an appurtenance to his Condominium Unit or Timeshare Interest in the Project

C The aggregate number of votes for all Members of the Association shall be one hundred sixty-four (164), with each Unit entitled to one (1) vote The vote of each Timeshare Unit shall be determined by a simple majority vote of Timeshare Weeks for a Timeshare Unit voting on such matter.

D No Owner shall be entitled to vote at any meeting of the Association until such Owner has presented evidence of ownership of a Condominium Unit or Timeshare Interest in

the Project to the Association. The vote of each Owner may only be cast by such Owner or by a proxy given by such Owner to his duly authorized representative. If title to a Condominium Unit or Timeshare Interest shall be in the name of two or more owners, any one of such Owners may vote as the Owner of the Condominium Unit or Timeshare interest at any meeting of the Association, and such vote shall be binding on such other Owners who are not present at such meeting until written notice to the contrary has been received by the Association in which case the unanimous action of all such Owners (in person or by proxy) shall be required to cast their vote as Owners. If two or more of such Owners are present at any meeting of the Association then unanimous actions shall be required to cast their vote as Owners.

E. When a quorum is present at any meeting of the Association, the vote of a majority or more of the Condominium Unit or Timeshare Units shall decide any question brought before such meeting, unless the question is one upon which by express provision of any statute, the Declaration, the Articles of Incorporation of the Association or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. The Owners present in person or by proxy at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough Owners to leave less than a quorum.

F. At all meetings of the Owners, cumulative voting shall not be permitted.

ARTICLE II. OFFICES

Section 1 Principal Office. The principal office of the Association shall be in the City of Galveston, Galveston County, Texas.

Section 2 Registered Office. The registered office of the Association required by the Texas Non-Profit Corporation Act to be maintained in the State of Texas, may be, but need not be, identical with the principal office, and the address for the registered office may be changed from time to time by the Board of Directors.

ARTICLE III. MEETINGS OF MEMBERS

Section 1. Place of Meetings. The meetings of Members of the Association shall be held in Galveston, Galveston County, Texas, with the place of meetings being set by the Board of Directors of the Association.

Section 2 Annual Meeting. The annual meeting of the Members of the Association, shall be held each year at 7:00 o'clock p.m., Central Standard Time on the fourth Tuesday of the month of May and if such is a legal holiday then the next secular day following at 7.00 p.m. at which time the Members shall elect a Board of Directors and transact such other business as may be brought before the meeting. The date of the annual meeting may be changed by the Board of Directors in their sole discretion provided that (i) written notice of the date of the annual meeting is mailed to each Member at least thirty

(30) days in advance of the meeting and (ii) the annual meeting shall in any event be held during each and every calendar year

Section 3 Special Meeting. Special meetings of the Members for any purpose or purposes, unless otherwise prescribed by law or by the Articles of Incorporation, may be called by the President, the Board of Directors, or one-tenth (1/10th) of all of the Members entitled to vote at the meetings. Business transacted at all special meetings shall be confirmed to the purpose or purposes stated in the call

Section 4 Notice of Meetings. Written or printed notice of all meetings of Members stating the place, day and hour thereof, and in the case of a special meeting the purpose or purposes for which the meeting is called, shall be personally served upon or mailed to each Member entitled to vote thereat, not less than thirty (30) not more than sixty (60) days before the date of the meeting, at the address of the Unit owned by the aforesaid Member, or at any other address, provided that prior written notice of the other address is furnished to the Association for the mailing of notices, the address of the Unit owned by the Owner shall be deemed to be the address for the giving of notice

Section 5 Quorum. Except as otherwise provided by statute or these Bylaws, the presence in person or by proxy of sixty percent (60%) of the Owners qualified to vote shall constitute a quorum for holding any meeting of the Members of the Association. If, however, such quorum shall not be present or represented at any meeting of the Owners, the Owners present in person or represented at any meeting of the Owners, the Owners present in person or represented by proxy, shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present or represented. At the first adjourned meeting the presence in person or by proxy of fifty percent (50%) of the Owners qualified to vote shall constitute a quorum. Should a second or subsequent adjourned meeting be required, the presence in person or by proxy of forty percent (40%) of the Owners qualified to vote shall constitute a quorum. If a quorum shall be present or represented by proxy at such meeting held in lieu of the adjourned meeting(s), any business may be transacted at such meeting as originally notified

Section 6 Organization. The President shall preside at all meetings of the Members. In his absence a Vice President shall preside. In the absence of all of these officers any Member or the duly appointed proxy of any Member may call the meeting to order and a chairman shall be elected from among the Members present

The Secretary of the Association shall act as secretary at all meetings of the Members. In his absence an Assistant Secretary shall so act and in the absence of all of these officers the presiding officer may appoint any person to act as secretary of the meeting

Section 7 Proxies. At any meeting of the Members, every Member entitled to vote thereat shall be entitled to vote in person or by proxy appointed by instrument in writing executed by such Member or by his duly authorized attorney-in-fact. No appointment of a proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless such proxy otherwise provides. A proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law

**ARTICLE IV.
DIRECTORS**

Section 1 Number and Qualification. The property, business and affairs of the Association shall be managed and controlled by a Board of three (3) Directors who shall be elected annually by the Members. Each Member of the Board of Directors of the Association, other than the initial Members of the Board of Directors, must be a Member of the Association.

Section 2 Election and Term of Office. The Directors shall be elected at the annual meeting of the Members (except as provided in Section 5 of this Article) and each Director elected shall hold office until the next annual meeting of the Members and until his successor shall be elected and shall qualify or until his death or until he shall resign or be removed in the manner hereinafter provided.

Section 3 Resignation. Any Director may resign at any time by giving written notice to the President or Secretary. Such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 4 Removal. Any Director may be removed at any time either with or without cause and another person may be elected to serve for the remainder of his term at any special meeting of the Members called for the purpose of removal by a vote of a majority of the Owners. In case any vacancy so created shall not be filled by the Members at such meeting, such vacancy may be filled by the Directors as provided in Section 5 of this Article.

Section 5 Vacancies. If any vacancy shall occur in the Board of Directors such vacancy may, subject to the provisions of Section 4 of this Article, be filled by the affirmative vote of the remaining Directors though less than a quorum of the Board of Directors, A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 6 General Powers. In addition to the powers and authorities expressly conferred upon them by these Bylaws, the Board of Directors may exercise all such powers of the Association and do all such lawful acts and things as are not by law or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the Members.

Section 7 Compensation. Directors as such shall not receive any stated salary for their services, but by resolution of the Board a fixed sum for expenses of attendance, if any, may be allowed for attendance at any regular or special meeting of the Board provided that nothing here contained shall be construed to preclude any Director from serving the Association in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

**ARTICLE V.
MEETING OF DIRECTORS**

Section 1 Place of Meetings The Directors of the Association shall hold their meetings, both regular and special at Galveston, Galveston County, Texas

Section 2 Annual Meetings The first meeting of each newly elected Board shall be held at such time and place as shall be fixed by the Board of Directors or by the vote of the Members at their annual meeting and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting, provided a quorum shall be present, or they may meet at such time and place as shall be fixed by the consent in writing of all of the Directors

Section 3 Regular Meetings Regular meetings of the Board may be held without notice at such time and place as shall from time to time be determined by the Board

Section 4. Special Meetings Special meetings of the Board may be called by the President on one (1) day notice to each Director given either personally, by mail or by facsimile transmission. Special meetings shall be called by the President or Secretary in like manner and like notice on the written request of two (2) Directors. Neither the purpose of nor the business to be transacted at any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

Section 5 Quorum and Action At all meetings of the Board of Directors the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors at any meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law, the Articles of Incorporation of these Bylaws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present.

Section 6 Presumption of Assent to Action A Director who is present at a meeting of the Board at which action or any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

**ARTICLE VI.
EXECUTIVE COMMITTEE**

Section 1 Membership and Authorities The Board of Directors, by resolution adopted by a majority of the whole Board, may designate two (2) or more Directors to constitute an Executive Committee, which Committee to the extent provided in such resolution, shall have and may exercise

all of the authority of the Board of Directors in the business and affairs of the Association except where action of the full Board of Directors is specified by applicable law, but the designation of such Committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any Member thereof, of any responsibility imposed upon it or him by law

Section 2 Minutes The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board when required

Section 3 Vacancies. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve, the Executive Committee

ARTICLE VII. OFFICERS

Section 1 Number The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer The Board of Directors may also choose additional Vice Presidents and one or more Assistant Secretaries and/or Assistant Treasurers One person may hold any two or more of said offices except those of President and Secretary

Section 2. Election, Term of Office and Qualifications The officers of the Association shall be elected by the Board of Directors at its first meeting after each annual meeting of Members The Board shall elect a President, one or more Vice Presidents, a Secretary and a Treasurer, none of whom need be a Member of the Board Each officer so elected shall hold office until his successor shall have been duly chosen and qualify or until his death or his resignation or removal in the manner hereinafter provided

Section 3. Subordinate Officers The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such term and have such authority and perform such duties as the Board of Directors may delegate to any committee or officer the power to appoint any such subordinate officer or agent.

Section 4 Resignation Any officer may resign at any time by giving written notice thereof to the Board of Directors or to the President or Secretary of the Association Any such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective

Section 5 Removal Any officer elected or appointed by the Board of Directors may be removed by the Board at any time with or without cause by the Board of Directors or by any committee or superior officer in whom such power of removal may be conferred by the Board of Directors.

Section 6 Vacancies A vacancy in any office shall be filled for the unexpired portion of the term by the Board of Directors, but in case of a vacancy occurring in an office filled in accordance with the provisions of Section 3 of this Article, such vacancy may be filled by any committee or superior officer upon whom such power may be conferred by the Board of Directors

Section 7 The President The President shall be the chief executive officer of the Association; the President shall, when present, preside at all meetings of the Members and Directors, shall be ex-officio a member of all standing committees, shall have general and active management of the business of the Association and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President may sign, with any other proper officer, any contracts and other documents which the Board of Directors has authorized to be executed, except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors or these Bylaws, to some other officer or agent of the Association.

Section 8 The Vice President Vice Presidents shall perform the duties as are given to them by these Bylaws and as may from time to time be assigned to them by the Board of Directors or by the President and may sign, with any other proper officer any documents authorized by the Board of Directors. At the request of the President, or in his absence or disability, the Vice President, designated by the President (or in the absence of such designation, the senior Vice President) shall perform the duties and exercise the powers of the President.

Section 9. The Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the Members and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the executive Committee and standing committee when required. He shall give, or cause to be given notice of all meetings of the Members and special meetings of the Board of Directors as required by law of these Bylaws, be custodian of the corporate records and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. He shall keep in safe custody the seal of the Association, and, when authorized by the Board, affix the same to any attestation of his signature or by the signature of the Treasurer or an Assistant Secretary.

Section 10. Assistant Secretaries The Assistant Secretaries shall perform the duties as are given to them by these Bylaws or as may from time to time be assigned to them by the Board of Directors or by the Secretary. At the request of the Secretary, or in his absence or disability, the Assistant Secretary designated by the Secretary (or in the absence of such designation the senior Assistant Secretary) shall perform the duties and exercise the powers of the Secretary.

Section 11 The Treasurer The Treasurer shall have the custody and be responsible for all corporate funds and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Association as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Association.

Section 12 Assistant Treasurers The Assistant Treasurers shall perform the duties as are given to them by these Bylaws or as may from time to time be assigned to them by the Board of Directors or by the Treasurer. At the request of the Treasurer or in his absence or disability, the Assistant Treasurer

designated by the Treasurer (or in the absence of such designation the senior Assistant Treasurer) shall perform the duties and exercise the powers of the Treasurer

Section 13 Treasurer's Bond If required by the Board of Directors, the Treasurer and any Assistant Treasurer shall give the Association a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Association, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers money and other property of whatever kind in his possession or under his control belonging to the Association, provided, however, that the cost of the bond shall be paid for by the Association

Section 14 Management As provided in Article IV of the Declaration, the Association may retain independent management of the Project, with the responsibilities of such management being determined by the Board of Directors. Such independent management may jointly manage the Project and other property. In such event, the Association shall not be required to bear in excess of its pro-rata share (based on the ratio that the number of Timeshare Units in the project bears to the number of total units of whatever type so jointly managed) of such independent management expense. Any agreement for independent professional management of the Project shall provide that the management contract may be terminated without cause by delivery of thirty (30) days advance written notice of termination and the term of any such contract shall not exceed one (1) year. Any officer or Member of the Association or any Owner (or any of their respective affiliates, nominees, employers or companies) may be employed as the independent management so long as the fees paid to such related party are reasonable

ARTICLE VIII. ASSESSMENTS

Section 1 Expenses All costs incurred by the Association, including but not limited to any costs incurred in satisfaction of any liability arising within, caused by or in connection with the Association's operation, maintenance or use of the Project, costs of insurance, personal property taxes of any tangible personal property of the Project owned or possessed in common by the Owners, and all other Common Expenses set forth in the Declaration shall be Association expenses. All sums received by the Association, including but not limited to all sums received as proceeds of, or pursuant to, any policy of insurance carried by the Association, shall be Association receipts

Section 2 Assessments

A The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Project, including a reasonable allowance for contingencies and reserves. Such reserves shall include without limitations an adequate reserve fund for the replacement the Common Elements. The assessments established by the Board of Directors of the Association shall be based on the annual budget and actual expenses. Upon written request by an Owner, copies of such budget shall be delivered to the Owner, although the delivery of a copy of the budget to any Owner shall

not affect the liability of any Owner for any existing or future assessment. Should the Board of Directors at any time determine, in the sole discretion of said Board of Directors, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Project in any fiscal year, then the Board of Directors shall have the authority at any time and from time to time to levy such additional assessments as it shall deem to be necessary for that purpose.

B. Special assessments, which are assessments other than those described in Subsection A above, may be made by the Board of Directors of the Association at any time, and from time to time, to meet other needs or requirements of the Association and the Project including, but not limited to, assessments for costs described herein and capital improvements. However, any such special assessment shall not be levied without the prior approval of at least a majority of the Owners representing seventy-five percent (75%) of the Units in the Project.

C. Assessments levied by the Association against each Owner pursuant to Subsection A and/or Subsection B above which are expended on capital expenditures, or which are set aside in a reserve for future repairs or improvements within the Project (whether or not such repairs or improvements would otherwise be considered capital in nature pursuant to Section 263 of the Internal Revenue Code of 1986, as amended) shall be treated as capital contributions by such Owners to the Association and shall be shown on the books of the Association of such.

The provisions of this Subsection C may be amended by a majority vote of the Board of Directors of the Association if, in the sole discretion of said Board of Directors, such action is necessary to conform to any change in the Internal Revenue Code of 1986, as amended, or any Treasury Regulation or Ruling promulgated thereunder. Notwithstanding anything contained in these Bylaws to the contrary, any amendment to this Subsection C duly authorized by the Board of Directors of the Association shall not require the consent of any Owner or mortgagee.

Section 3 Apportionment of Assessments. All assessments levied against an Owner to cover expenses of the Association and the Project shall be apportioned to any paid by the Owners of the Units in accordance with the percentage of value assigned to each Condominium Unit or Timeshare Interest, as may be reasonably determined by the Board of Directors, according to the Declaration without increase or decrease for the existence of appurtenances related to such Unit. Assessments shall be due and payable at least annually in such manner as the Board of Directors shall determine. The payment of an Assessment, shall be in default if such assessment, or any part thereof, is not paid to the Association in full on or before the date thirty (30) days after the date of the Assessment. Assessments in default shall bear interest at the maximum lawful rate of interest from the due date until paid. Each Owner shall be, and remain, personally liable for the payment of all Assessments which may be levied against such Owner by the Association in accordance with these Bylaws, and any unpaid Assessments with accrued interest thereon owed with respect to a Condominium Unit or Timeshare Interest may, at the option of the Association, be collected out of the sale of proceeds of such Condominium Unit or Timeshare Interest in accordance with the Act. In addition, to the extent permitted by law, unpaid Assessments shall become a lien against the Timeshare Interest and each deed from Developer may expressly retain a vendor's lien to secure the payment of all assessments, subject only to (i) assessments,

liens and charges in favor of the state and any political subdivision thereof for taxes past due and unpaid on such Unit, and (ii) amounts due under any mortgage instruments duly recorded. Any First Mortgagee, upon foreclosure thereon, shall not be required to pay any unpaid Assessments owing on said Condominium Unit or Timeshare Interest until such Condominium Unit or Timeshare Interest is subsequently sold, transferred or conveyed by the First Mortgagee to another person or entity. Such unpaid Assessment lien may be recorded in the Real Property Records of Galveston County, Texas, and may be enforced by foreclosure, and the expenses incurred therefore including interest, costs and attorneys' fees shall be chargeable to the Owner in default. Each Owner, by his acceptance of a deed to a Condominium Unit or Timeshare Interest, shall expressly vest in the Association 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 in a like manner as a mortgage or deed of trust lien on real property as provided in §51.002 of the Texas Property Code, and such Owner by acceptance of a deed to a Condominium Unit or Timeshare Interest expressly grants to the Association a power of sale in connection with said lien and agrees to the creation of (and by the acceptance of deed grants) a contractual lien and a vendor's lien to secure the payment of the assessments. The lien provided for in this section shall be in favor of the Association and shall be for the common benefit of all Owners. The Association acting on behalf of the Owners shall have the power to bid upon an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same and to treat the proceeds of any such lease, mortgage or conveyance in the same manner as assessments hereunder.

Section 4 No Exceptions. No Owner may exempt himself from liability for his contribution toward the expenses of the Association and the Project by waiver of the use or enjoyment of any of the Common Elements or by the abandonment, sale or other disposition of a Condominium Unit or Timeshare Interest.

Section 5 Enforcement. The Association may, in addition to its rights under Article 6.6 of the Declaration, Section 3 hereof, and the Act, enforce collection of delinquent assessments by suit at law for a money judgment, and the expenses incurred in collecting unpaid Assessments including interest, costs and attorneys' fees shall be chargeable to the Owner in default. The Association may also discontinue the furnishing of any utilities or other services to an Owner in default of his obligations to the Association or other Owners as set forth herein upon seven (7) days written notice to such Owner of its intent to do so. An Owner in default of his obligation to the Association or other Owner as set forth herein shall not be entitled to vote at any meeting of the Association so long as such default is in existence, and such defaulting Owner's name shall be placed in the announcements of the Association or on a bulletin board of the Association.

ARTICLE IX. OWNER ACTION

Without limiting the other legal rights of any Owner or the Association, legal action may be brought by the Association at its sole discretion on behalf of two (2) or more Owners as their respective interest may appear with respect to any cause of action relating to the Common Elements of more than one (1) Unit.

**ARTICLE X.
OBLIGATIONS OF THE OWNERS**

Section 1. Notice of Sale. Any Owner intending to sell his Unit or any interest therein shall give written notice to the Board of Directors of such intention, together with (i) the address or legal description of the Unit being conveyed, (ii) the name and address of the intended purchaser, (iii) the name, address and phone number of the title company or attorney designated to close such transaction, (iv) names and phone numbers of real estate agents, if any, representing seller or purchaser, and (v) scheduled date of closing. An Owner shall furnish this information to the Board of Directors no less than ten (10) working days before the date of conveyance of the Unit or any interest therein.

Section 2. Proof of Ownership. Except for those Owners who initially purchase a Unit from Declarant, any person, on becoming an owner of a Unit, shall furnish to the Board evidence of ownership in the Unit, which copy shall remain in the files of the Association. A Member shall not be deemed to be in good standing nor be entitled to vote at any annual or special meeting of the Association unless this requirement is first met. This requirement may be satisfied by receipt of a board-approved form that is completed and acknowledged by a title company or attorney at time of conveyance of the Unit or any interest therein.

Section 3. Owners' Address. The Owner or the several co-owners of a Unit shall register and maintain one mailing address to be used by the Association for mailing of monthly statements, notices, demands, and all other communications. The Owner shall keep the Association informed of the Member's current mailing address. If an Owner fails to maintain a current mailing address with the Association, the address of that Owner's Unit shall be deemed to be his mailing address.

Section 4. Registration of Mortgagees. An Owner who mortgages his Unit shall furnish the Board with the name and mailing address of his mortgagee.

Section 5. Assessments. All Owners shall be obligated to pay assessments imposed by the Association to meet the common expenses as defined in the Declaration. A Member shall be deemed to be in good standing and entitled to vote at any meeting of the Association if he is current in the assessments made or levied against him and his Unit.

Section 6. Compliance with Documents. Each Owner shall comply with the provisions and terms of the governing documents, and any amendments thereto. Further, each Owner shall always endeavor to observe and promote the cooperative purposes for which the condominium was established.

**ARTICLE XI.
ASSOCIATION RECORDS**

Section 1. Records. The Association shall use its best efforts to keep the following records:

A. Minutes or a similar record of the proceedings of meetings of the Association. A recitation in the minutes that notice of the meeting was properly given shall be sufficient evidence that such notice was given.

B Minutes or a similar record of the proceedings of meetings of the Board of Directors

C. Names and mailing addresses of the Members, the currency and accuracy of the information being the responsibility of the Members.

D Names and mailing addresses of the mortgagees the currency and accuracy of the information being the responsibility of the Members and their mortgagees.

E Financial records and books of account for the Association, kept in a manner consistent with generally accepted accounting principles

F A copy of plans and specifications acquired by the Association over time for improvements to the condominium

G. Copies of income tax returns prepared for the Internal Revenue Service

H Copies of the governing documents and all amendments to any of these Also, for at least four years, a record of all votes or written consents by which amendments to the governing documents were approved

1 2 Inspection of Books and Records Books and records of the Association shall be made available for inspection and copying pursuant to the Act

1 3 Resale Certificates Any officer may prepare or cause to be prepared, certify, and execute resale certificates The Association may charge a reasonable fee for preparing resale certificates The Association may refuse to furnish resale certificates until the fee is paid Any unpaid fees may be assessed against the Unit for which the certificate is furnished

ARTICLE XII. AMENDMENT

Subject to the requirements of Article 9 7 of the Declaration, the Bylaws may be amended by the Members of the Association from time to time by approval of the Owners representing a majority of the Units, unless otherwise provided herein or in the Act. Any such amendment may be evidenced by an instrument in writing signed and acknowledged by the President and Secretary of the Association certifying that such amendment has been duly approved, and such amendment shall be effective upon its recordation in the Real Property Records of Galveston County, Texas The procedure for proposing amendments thereto shall be set by the Board of Directors

018-22-1381

**ARTICLE XIII.
DEFAULT**


Section 1 Compliance Failure to comply with the Declaration of Condominium Regime, the Articles of Incorporation or Bylaws or duly adopted rules and regulations of the Association shall constitute an event of default and shall be grounds for relief, which may include, without intending to limit the same, an action to recover sums due for damages and injunctive relief, or any combination thereof

Section 2 Attorneys' Fees. In any proceeding arising because of an alleged default by any Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding including without limitation reasonable attorneys' fees and expenses.


**ARTICLE XIV.
BOOKS AND RECORDS**

The Association shall keep or cause to be kept detailed books and records of the administration of the Project as required by Texas Law.

In witness whereof these Third Amended and Restated Bylaws have been signed by Tom J Trammell, President of the Association and by Sharon Robinson, Secretary of the Association to acknowledge and certify that this instrument has been duly approved and adopted effective this 10th day of FEBRUARY, 2003



Tom J Trammell, President



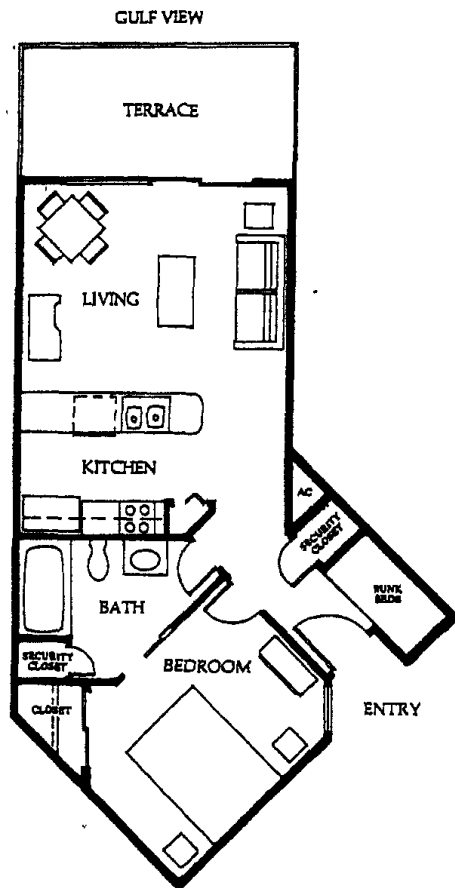
Sharon Robinson, Secretary

SCHOONER II

A

1 BEDROOM/1 BATH
(SECOND FLOOR AND ABOVE)

CONDOMINIUMS



9520 Seawall Blvd. Galveston, Texas 77551 Galveston 4 1 BR/1 BA - 521 SQ. FT.

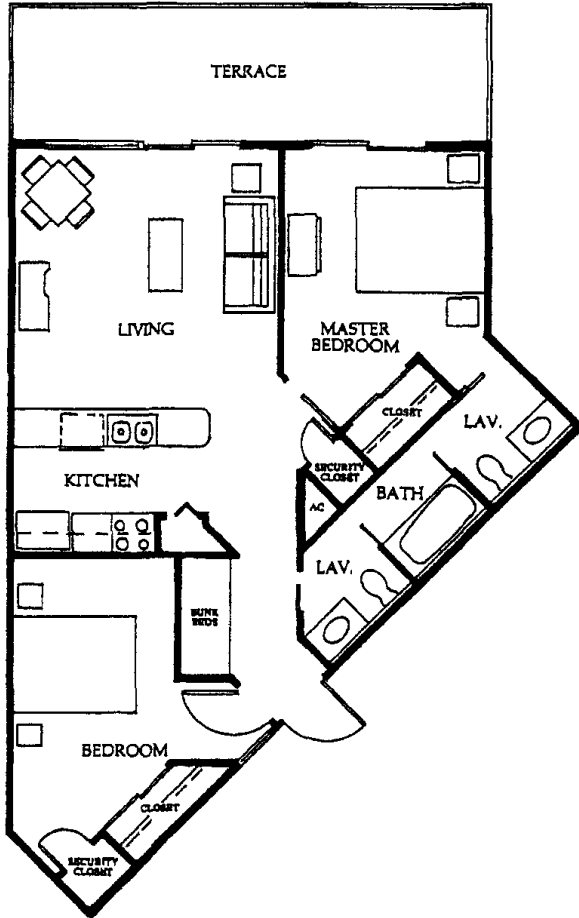
The TRADEWINDS

CONDOMINIUMS

GULF VIEW

TERRACE

C & F
2 BEDROOM
HOLLYWOOD BATH



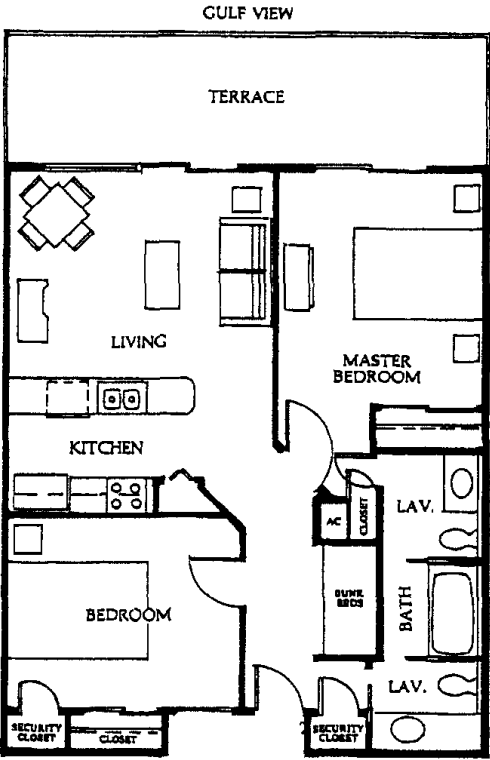
2 BR/1.5 BA - 756 SQ. FT. AND 815 SQ. FT.

The GULFSTREAM

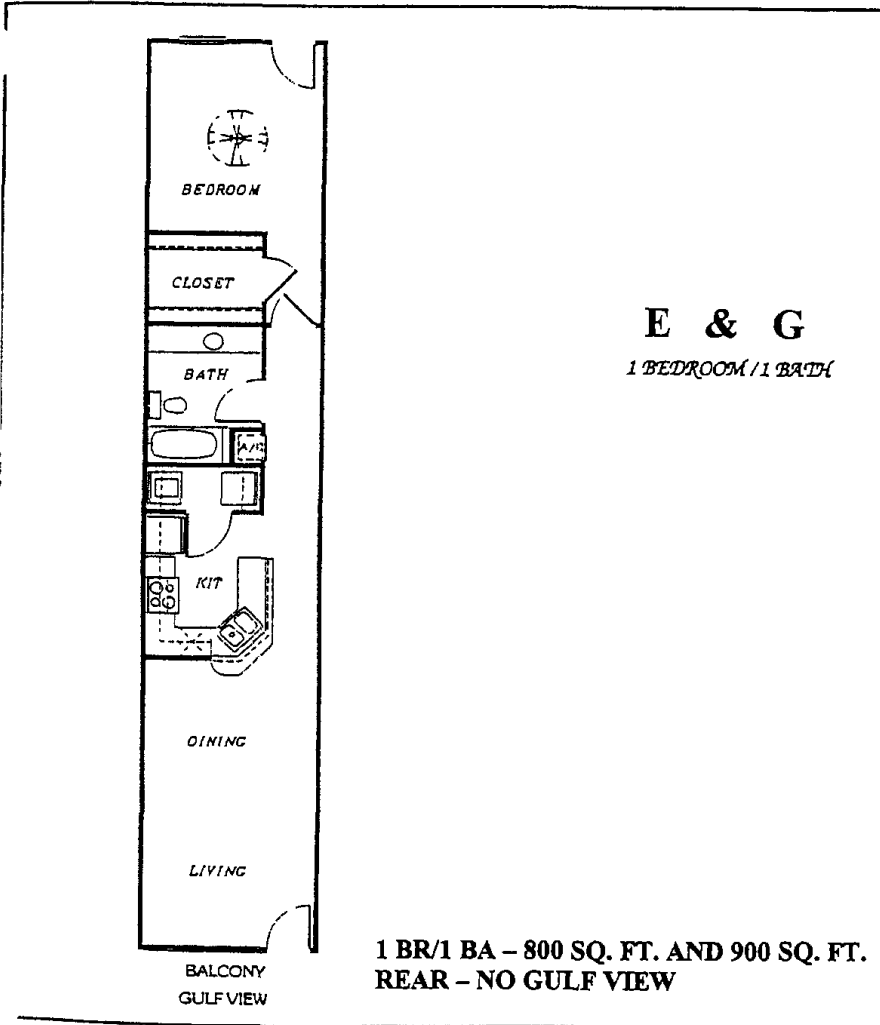
D

2 BEDROOM
HOLLYWOOD BATH

CONDOMINIUMS

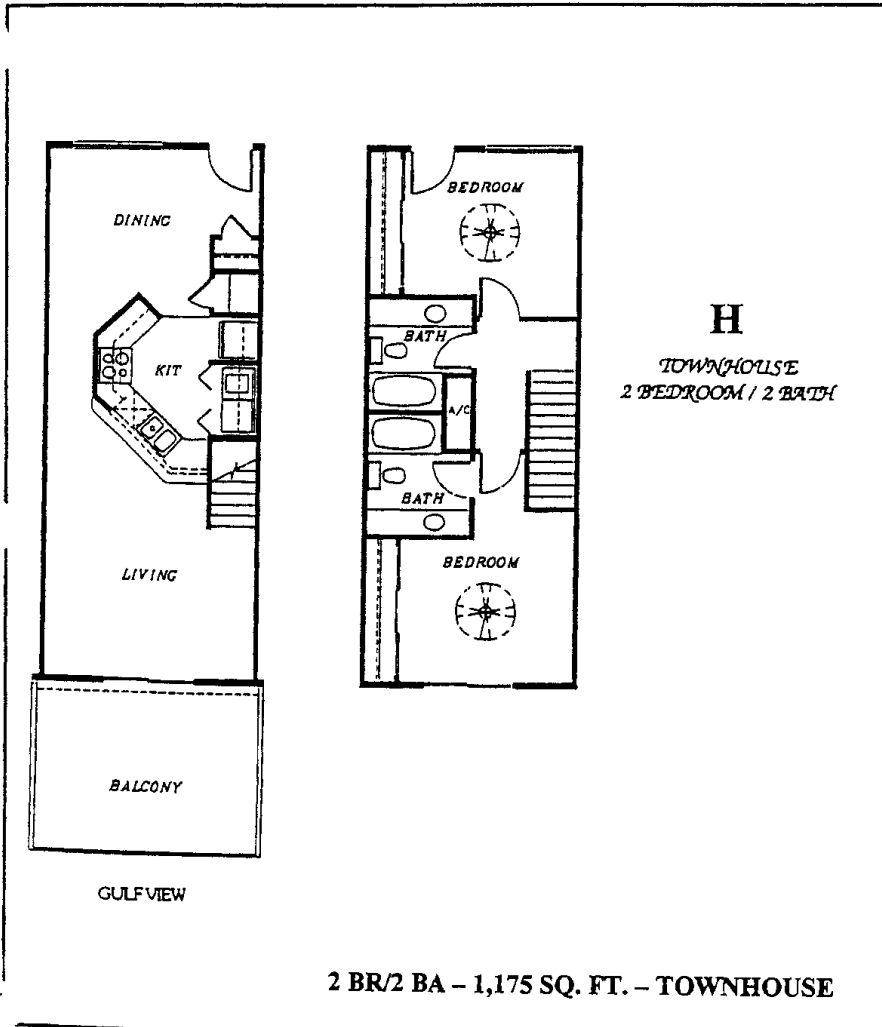


2 BR/1.5 BA - 766 SQ. FT. - FRONT GULF VIEW



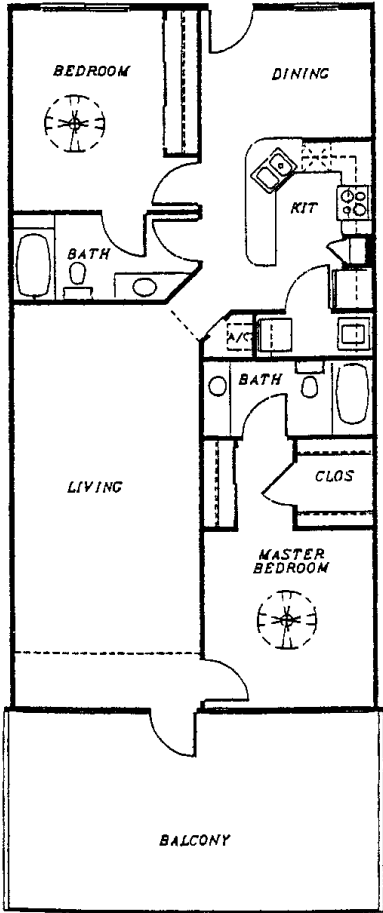
1 BR/1 BA - 800 SQ. FT. AND 900 SQ. FT.
REAR - NO GULF VIEW

9520 Seawall Boulevard • Galveston, Texas 77554
(409) 744-2244



9520 Seawall Boulevard • Galveston, Texas 77554
(409) 744-2244

018-22-1387



I
2 BEDROOM / 2 BATH

GULFVIEW

2BR/2 BA - 1,300 SQ. FT.

9520 Seawall Boulevard • Galveston Texas 77554
(409) 744-2244

EXHIBIT "D"

TO THE THIRD AMENDED AND RESTATED DECLARATION
OF CONDOMINIUM REGIMEMARAVILLA CONDOMINIUMS

OWNERSHIP PERCENTAGE ALLOCATION

<u>Unit Type</u>	<u>Square Footage</u>	<u>Total Unit Type</u>	<u>Total Square Footage</u>	<u>Percentage Ownership</u>	<u>Total Percentage</u>
A	521	105	54,705	0.50131	52.64%
B	600	1	600	0.57732	0.58%
C	756	25	18,900	0.72743	18.19%
D	766	13	9,958	0.73705	9.58%
E	800	3	2,400	0.76977	2.30%
F	815	6	4,890	0.78420	4.71%
G	900	3	2,700	0.86598	2.60%
H	1,175	5	5,875	1.13059	5.65%
I	1,300	3	3,900	1.25087	3.75%
TOTALS		164	103,928		100%

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS OF REAL PROPERTY

*Mary Ann Daigle*2003 MAR 21 12:07 PM 2003017817
ESCOB_V \$129.00
Mary Ann Daigle, COUNTY CLERK
GALVESTON, TEXAS

**FIRST AMENDMENT AND SUPPLEMENT TO
THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME**

MARAVILLA CONDOMINIUMS

This First Amendment and Supplement to Third Amended and Restated Declaration of Condominium Regime is made and entered into as of the 15th day of April, 2003 by Maravilla Owners Association, Inc ("Maravilla"), a Texas non-profit corporation and by TramSty Development II, L P, a Texas limited partnership ("TramSty") and is as follows:

WHEREAS, Maravilla and TramSty executed that certain Third Amended and Restated Declaration of Condominium Regime ("Declaration") on March 21, 2003 and duly recorded said Declaration under Clerk's File No GAC 2003017817 of the Real Property Records of Galveston County, Texas, and

WHEREAS, the Site Plan attached to the Declaration inadvertently omitted the master plan depicting the location and size of the Condominium Units, and

WHEREAS, Maravilla and TramSty have discovered certain errors contained in Exhibits C-1 through C-6 and Exhibit D to the Declaration, and

WHEREAS, Maravilla and TramSty intend to correct the Exhibits by virtue of the filing of this instrument,

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto adopt this First Amendment and Supplement to Third Amended and Restated Declaration of Condominium Regime as follows

1 Replacement Exhibit "D" The Exhibit "D" attached to the Declaration describing the ownership percentage allocation contained certain errors with respect to the unit types depicted thereon Attached hereto and incorporated herein for all purposes is a Revised Exhibit "D" which contains the accurate ownership percentage allocation for all of the Units of the Maravilla Condominiums It is the intention of the parties to replace the Revised Exhibit "D" for the one attached to the Declaration

2 Supplemental Exhibits Attached hereto and incorporated herein for all purposes are Exhibit E-1 (1 page) and Exhibit E-2 (4 pages) depicting the location and unit type of each condominium located in the Maravilla Condominiums The information contained in these Exhibits was inadvertently omitted from the Declaration

3 Replacement Floor Plan Exhibits The Exhibits C-1 through C-6 attached to the Declaration describing the various floor plans of the Units were filed in error Attached hereto and incorporated herein for all purposes are Exhibits E-3 through E-13 which are intended to replace the prior Exhibits C-1 through C-6 of the Declaration The replacement exhibits E-3 through E-13 contain

the correct floor plans for the various units together with the square footage attributable to each unit type

The parties hereto have caused this First Amendment and Supplement to Third Amended and Restated Declaration of Condominium Regime to be executed as of the date set forth above

MARAVILLA OWNERS ASSOCIATION, INC
a Texas non-profit corporation

By Tom J Trammell
Tom J Trammell, President

TRAMSTY DEVELOPMENT II, L P
a Texas limited partnership

By Prism Financial Services, LLC
a Texas limited liability company, General Partner

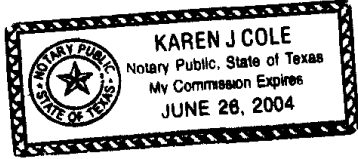
By Tom J Trammell
Tom J Trammell, Manager

AFTER RECORDING RETURN TO

Mary S Tourenq
Zimmerman, Axelrad,
Meyer, Stern & Wise, P C
3040 Post Oak Blvd , Suite 1300
Houston, Texas 77056
(713) 552-1234 / FAX (713) 963-0859
W:\File\MST\TramSty II 11808\Maravilla-002\1st Amended Supplement.wpd

STATE OF TEXAS
COUNTY OF GALVESTON

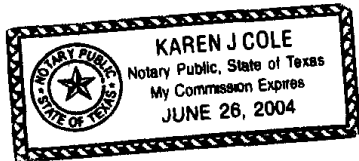
This instrument was acknowledged before me on the 2 day of April, 2003,
by TOM J. TRAMMELL, President of MARAVILLA OWNERS ASSOCIATION, INC , a Texas
non-profit corporation, on behalf of said Corporation.



Karen J Cole
Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF GALVESTON

This instrument was acknowledged before me on the 2 day of April, 2003,
by TOM J. TRAMMELL, Manager of PRISM FINANCIAL SERVICES, LLC, a Texas limited
liability company, on behalf of said limited liability company, General Partner of TRAMSTY
DEVELOPMENT II, L P , a Texas limited partnership.



Karen J Cole
Notary Public, State of Texas

018-27-2374

**REVISED
EXHIBIT "D"**

**TO THE THIRD AMENDED AND RESTATED DECLARATION
OF CONDOMINIUM REGIME**

MARAVILLA CONDOMINIUMS

OWNERSHIP PERCENTAGE ALLOCATION

<u>Unit Type</u>	<u>Square Footage</u>	<u>Total Unit Type</u>	<u>Total Square Footage</u>	<u>Percentage Ownership</u>	<u>Total Percentage</u>
A	521	104	54,184	0.49942	51.94
B	766	31	23,746	0.73419	22.76
C	766	12	9,192	0.73417	8.81
D	815	2	1,630	0.78000	1.56
E-1	800	1	800	0.77000	0.77
E-2	800	1	800	0.77000	0.77
E-3	900	2	1,800	0.86000	1.72
E-4	800	1	800	0.77000	0.77
E-5	1000	1	1,000	0.96000	0.96
F	1300	3	3,900	1.24667	3.74
G	1175	5	5,875	1.12600	5.63
H	600	1	600	0.57000	0.57
TOTALS		164	104,327		100%

EXHIBIT E 2

Condominium Units

Unit No 105 of Type A	Unit No 122 of Type A
Unit No 106 of Type A	Unit No. 123 of Type B
Unit No 107 of Type A	Unit No 124 of Type B
Unit No 108 of Type A	Unit No 125 of Type B
Unit No 109 of Type A	Unit No 126 of Type B
Unit No 110 of Type A	Unit No 127 of Type B
Unit No 111 of Type A	Unit No 128 of Type B
Unit No. 112 of Type A	Unit No. 129 of Type A
Unit No 113 of Type A	Unit No 130 of Type B
Unit No 114 of Type A	Unit No 131 of Type A
Unit No 115 of Type A	Unit No 132 of Type A
Unit No 116 of Type A	Unit No 133 of Type A
Unit No 117 of Type A	Unit No 134 of Type A
Unit No 118 of Type A	Unit No 135 of Type A
Unit No 119 of Type A	Unit No 136 of Type A
Unit No 120 of Type A	Unit No 137 of Type A

EXHIBIT L 2

Unit No 138 of Type A	Unit No 205 of Type A
Unit No 139 of Type A	Unit No 206 of Type A
Unit No 140 of Type A	Unit No 207 of Type A
Unit No 141 of Type A	Unit No 208 of Type A
Unit No. 142 of Type A	Unit No. 209 of Type A
Unit No 143 of Type B	Unit No 210 of Type A
Unit No. 144 of Type A	Unit No 211 of Type A
Unit No. 145 of Type E1	Unit No. 212 of Type A
Unit No 146 of Type B	Unit No 213 of Type A
Unit No 147 of Type E2	Unit No 214 of Type A
Unit No 148 of Type B	Unit No 215 of Type A
Unit No. 149 of Type E3	Unit No 216 of Type A
Unit No. 150 of Type A	Unit No 217 of Type A
Unit No 151 of Type E3	Unit No 218 of Type A
Unit No 152 of Type A	Unit No 219 of Type A
Unit No. 153 of Type E4	Unit No 220 of Type A
Unit No 154 of Type A	Unit No 221 of Type <i>B</i>
Unit No. 155 of Type E5	Unit No 222 of Type A
Unit No. 156 of Type D	Unit No 223 of Type B
Unit No 201 of Type C	Unit No 224 of Type A
Unit No. 202 of Type C	Unit No 226 of Type B
Unit No 203 of Type C	Unit No 227 of Type B
Unit No 204 of Type C	Unit No 228 of Type B

EXHIBIT E 2

Unit No 229 of Type A	Unit No. 254 of Type A
Unit No. 230 of Type B	Unit No 256 of Type D
Unit No 231 of Type A	Unit No. 301 of Type C
Unit No 232 of Type A	Unit No 302 Of Type C
Unit No 233 of Type A	Unit No 303 Of Type C
Unit No. 234 of Type A	Unit No 304 Of Type C
Unit No. 235 of Type A	Unit No 305 of Type A
Unit No 236 of Type A	Unit No. 306 of Type A
Unit No 237 of Type A	Unit No 307 of Type A
Unit No. 238 of Type A	Unit No 308 of Type A
Unit No 239 of Type A	Unit No 309 of Type A
Unit No 240 of Type A	Unit No 310 of Type A
Unit No. 241 of Type A	Unit No. 311 of Type A
Unit No 242 of Type A	Unit No 312 of Type A
Unit No 243 of Type B	Unit No. 313 of Type A
Unit No 244 of Type A	Unit No 314 of Type A
Unit No 245 of Type F	Unit No. 315 of Type A
Unit No. 246 of Type B	Unit No 316 of Type A
Unit No 247 of Type F	Unit No 317 of Type A
Unit No. 248 of Type B	Unit No. 318 of Type A
Unit No. 249 of Type F	Unit No 319 of Type A
Unit No 250 of Type A	Unit No. 320 of Type A
Unit No. 252 of Type A	Unit No 321 of Type B

Unit No 322 of Type A
Unit No. 323 of Type B
Unit No 324 of Type A
Unit No 325 of Type B
Unit No 326 of Type B
Unit No 327 of Type B
Unit No 328 of Type B
Unit No. 329 of Type A
Unit No 330 of Type B
Unit No. 331 of Type A
Unit No. 332 of Type A
Unit No 333 of Type A
Unit No. 334 of Type A
Unit No 335 of Type A
Unit No 336 of Type A
Unit No. 337 of Type A
Unit No 338 of Type A
Unit No. 339 of Type A
Unit No. 340 of Type A
Unit No 341 of Type A
Unit No 342 of Type A
Unit No 343 of Type H
Unit No 344 of Type A

Unit No 345 of Type G
Unit No. 346 of Type B
Unit No 347 of Type G
Unit No 348 of Type B
Unit No 349 of Type G
Unit No 350 of Type A
Unit No 351 of Type G
Unit No 352 of Type A
Unit No. 353 of Type G
Unit No 354 of Type A
Unit No 356 of Type D
Unit No. 401 of Type C
Unit No 402 of Type C
Unit No 403 of Type C
Unit No 404 of Type C

018-27-2379

UNIT NO. 121 OF Type B
UNIT NO. 225 OF Type B

LX111311 L-5

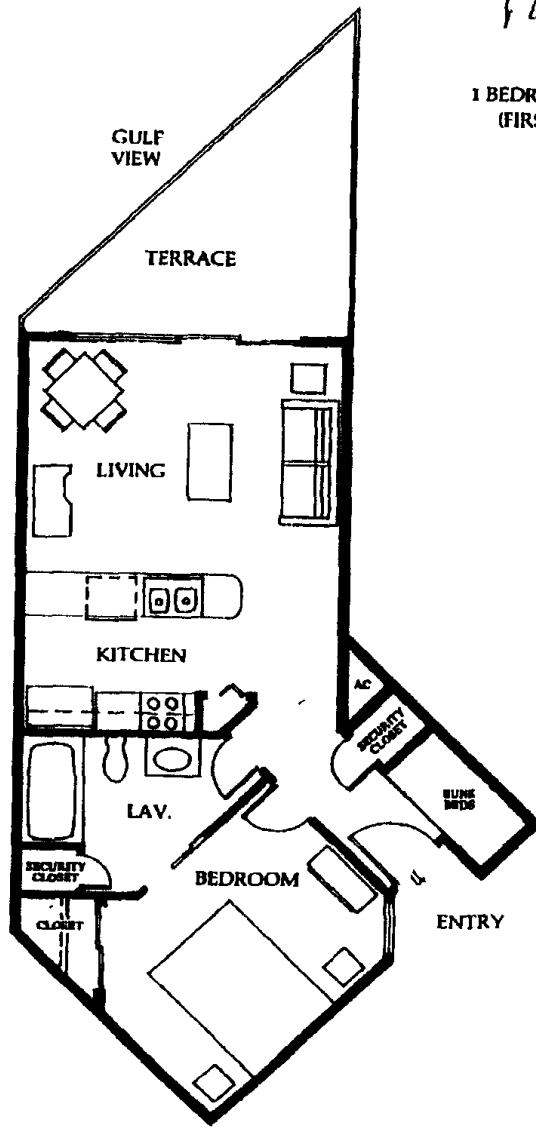
018-27-2380

FLOOR PLAN

A

1 BEDROOM/1 BATH
(FIRST FLOOR)

CONDOMINIUMS



9520 Seawall Blvd. Galveston, Texas

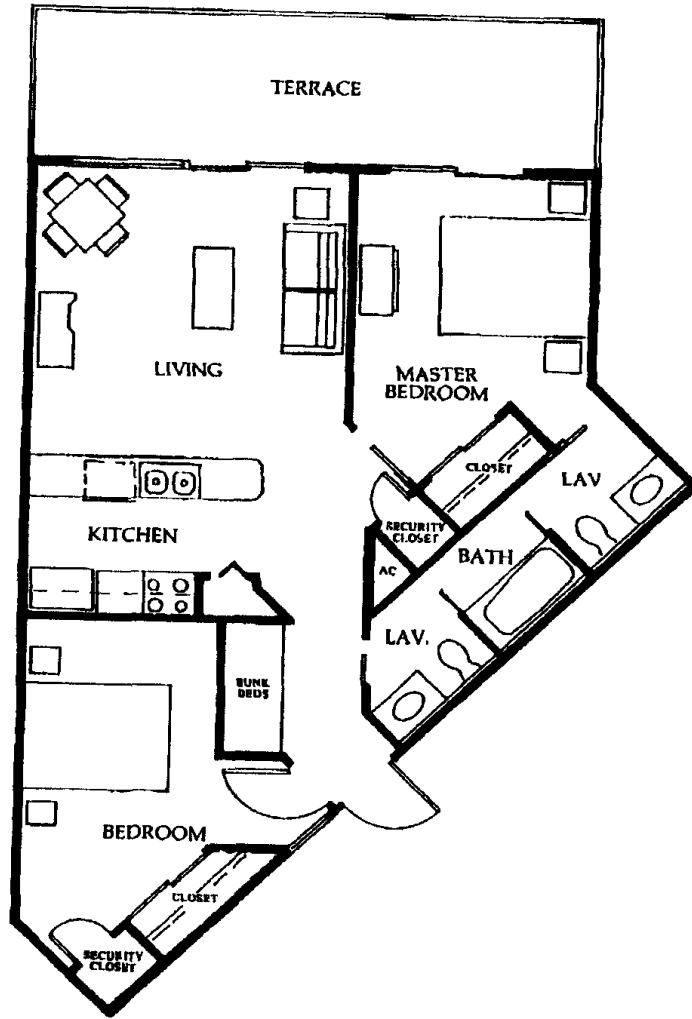
EXHIBIT E 4

CONDOMINIUMS

GULF VIEW

FLOOR PLAN

B
2 BEDROOM
HOLLYWOOD BATH



9520 Seawall Blvd. Galveston, Texas

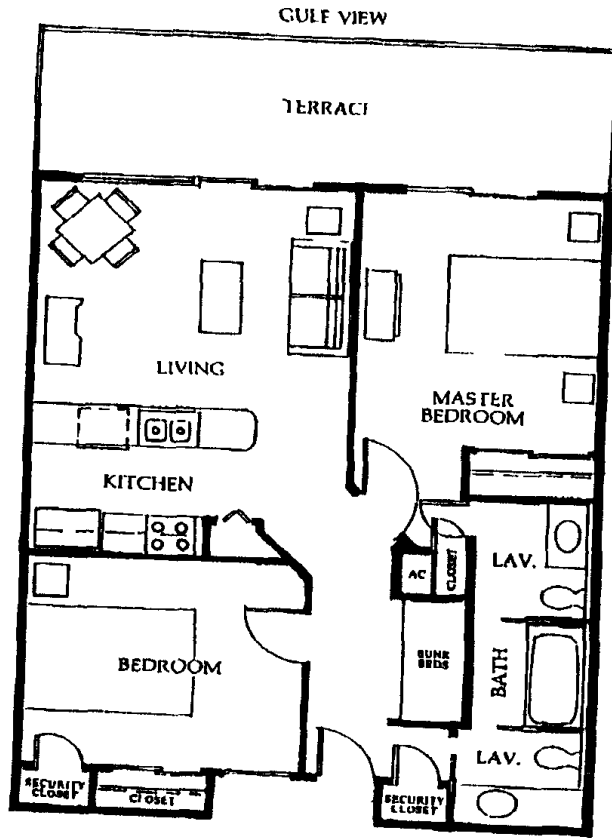
FLOOR
PLAN

C
2 BEDROOM
HOLLYWOOD BATH

EXHIBIT E-5

018-27-2382

CONDOMINIUMS

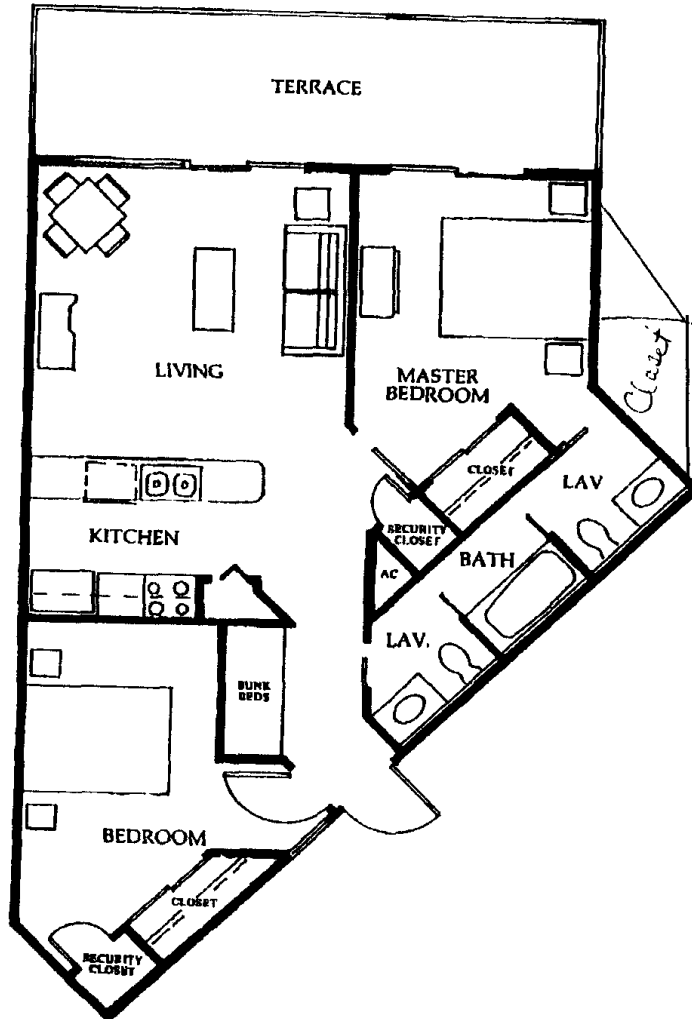


9520 Seawall Blvd. Galveston, Texas

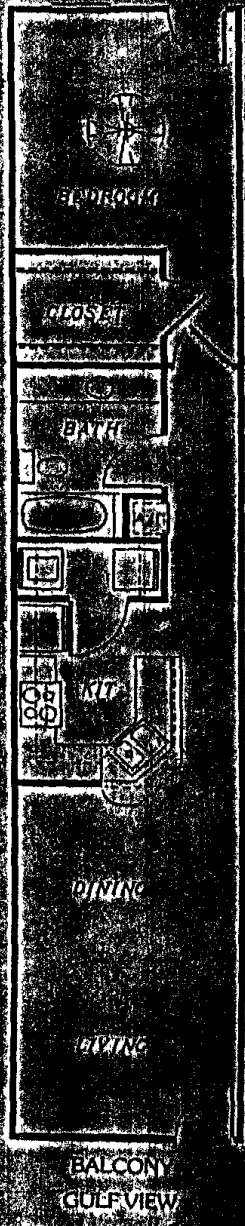
CONDOMINIUMS

GULF VIEW

FLOOR PLAN
D
2 BEDROOM
HOLLYWOOD BATH



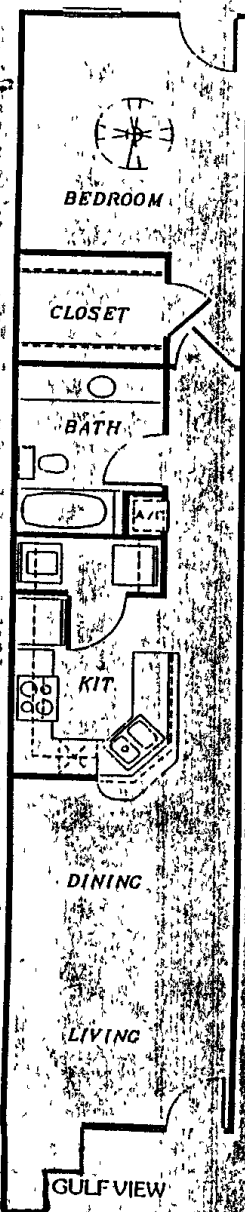
9520 Seawall Blvd. Galveston, Texas



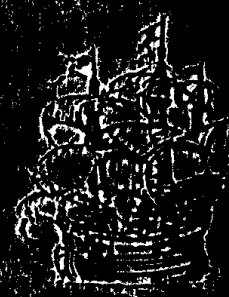
RECORDED

INDEXED

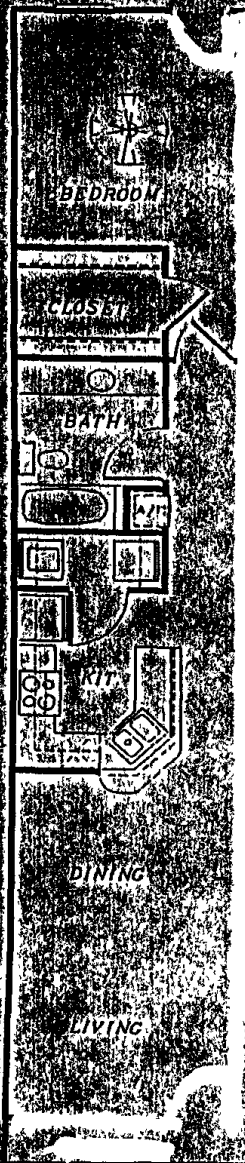
RECORDER'S MEMORANDUM
 At the time of recordation, this instrument was found to be inadequate for the best photographic reproduction because of illegibility, carbon or photo copy, discolored paper, etc. All blockouts, additions and changes were present at the time the instrument was filed and recorded.



1
 1 BEDROOM / 1 BATH
 RENT _____
 SQ. FT. _____



9520 Seawall Boulevard
 (409) 771-2743



FLOOR PLAN

E-5

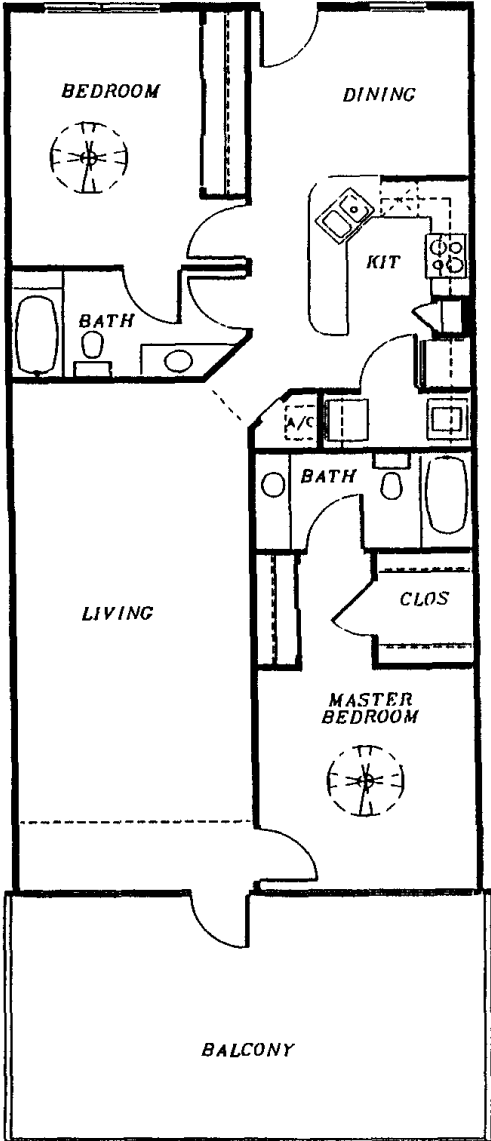
1 BEDROOM / 1 BATH

RENT _____

SQ. FT. 1,000



9520 Seawall Boulevard • Galveston, Texas 77554
 (409) 744-2244



FLOOR PLAN F
2 BEDROOM / 2 BATH

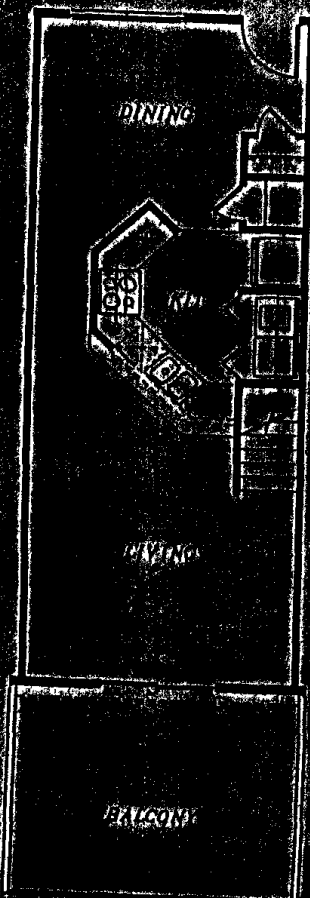
SQ. FT. 1,300



GULF VIEW

9520 Seawall Boulevard • Galveston, Texas 77554
(409) 744-2244

1

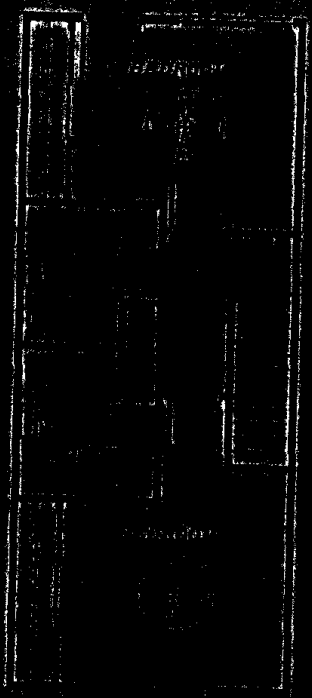


DINING

KITCHEN

LIVING

BALCONY



LIVING

KITCHEN

TO THE GARDEN

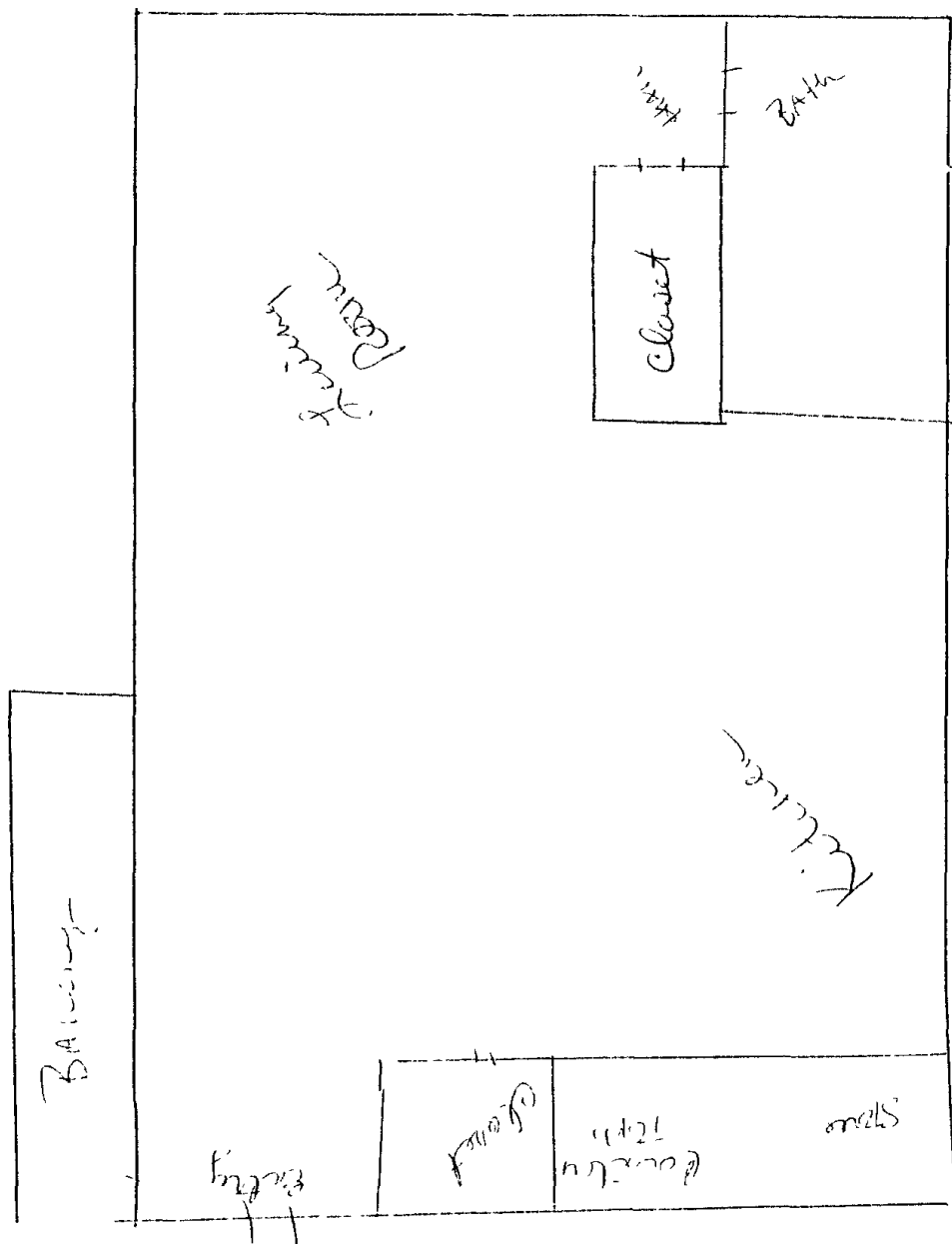
COURTVIEW

DESIGNED BY [illegible] ARCHITECTS

FLOOR PLAN - 11

EXHIBIT L-12

018-27-2389



018-27-2390

EXHIBIT 13

Maravilla Condominium
9520 Seawall Blvd
Galveston, Texas 77554

A - 521 sq .ft.
B - 766 sq. ft.
C - 766 sq. ft.
D - 815 sq. ft.
E-1 800 sq. ft.
E-2 800 sq. ft.
E 3 900 sq. ft.
E-4 800 sq.ft.
E-5 1000 sq.ft.
F - 1300 sq. ft.
G -1175 sq. ft.
H - 600 sq. ft.

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS OF REAL PROPERTY

Mary Ann Daigle

2003 APR 02 11:08 AM 2003020496
ESCOR.V \$47.00
Mary Ann Daigle, COUNTY CLERK
GALVESTON, TEXAS

SECOND AMENDMENT AND SUPPLEMENT TO
THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME

MARAVILLA CONDOMINIUMS

This Second Amendment and Supplement to Third Amended and Restated Declaration of Condominium Regime concerning the real property described in Exhibit A, attached hereto and made a part of, is made and entered into as of the 9th day of April, 2005, by Maravilla Owners Association, Inc ("Maravilla"), a Texas non-profit corporation and by TramSty Development II, L P , (TramSty) a Texas limited partnership and is as follows.

WHEREAS, Maravilla and TramSty executed that certain Third Amended and Restated Declaration of Condominium Regime (Declaration) on March 21, 2003 and duly recorded said Declaration under Film Code No 018-22-1328 (CCN 2003017817) in the Official Public Records of Real Property of Galveston County, Texas; and

WHEREAS, Maravilla and TramSty executed that certain First Amendment and supplement to Third Amended and Restated Declaration of Condominium Regime (First Amendment) on April 1, 2003 and duly recorded said First Amendment under Film Code No. 018-27-2371 (CCN 2003020496) in the Official Public Records of Real Property of Galveston County, Texas; and,

WHEREAS, Maravilla and TramSty intend to modify Section 3.10 entitled "Use Restrictions" of the Declaration;

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Maravilla and TramSty adopt this Second Amendment and Supplement to Third Amended and Restated Declaration of Condominium Regime as follows:

Section 3.10 Use Restrictions

B Right to Lease is hereby deleted in its entirety and replaced with the following language:

"Units may be leased or rented with no restriction on the duration of the term "

It is expressly agreed that, except as hereinabove amended, all of the terms and provisions contained in the Third Amended and Restated Declaration of Condominium Regime and the First Amendment and Supplement to Third Amended and Restated Declaration of Condominium Regime are hereby affirmed to be unamended and in full force and effect.

MARAVILLA OWNERS ASSOCIATION, INC.

By: 
David A. Ranostaj, President

TRAMSTY DEVELOPMENT II, L.P.

By: GAL VILLA, L.L.C., General Partner

BY: 
David A. Ranostaj, Agent for Manager

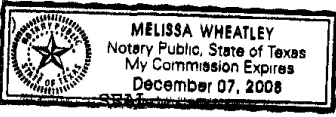
SINGLE ACKNOWLEDGEMENT

STATE OF TEXAS }
COUNTY OF GALVESTON }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared DAVID A. RANOSTA, as President of Maravilla Owners Association and as Agent for Manager of Gal Villa LLC General Partner of Tramsty Development II, LP known to me to be the person(s) whose name(s) subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 29th day of April, 2005, A.D.

(L S)



Melissa Wheatley
Notary Public in and for GALVESTON County, TEXAS
Notary Name

Notary Expiration Date

Return to:

STEWART TITLE CO.
P. O. BOX 1540
GALVESTON, TEXAS 77550

Exhibit "A"

**SECOND AMENDMENT AND SUPPLEMENT TO
THIRD AMENDED AND RESTATED
DECLARATION OF CONDOMINIUM REGIME**

MARAVILLA CONDOMINIUMS

Real Property Included in Project

THE SURFACE ONLY of part of Lots 295 and 310, Section 1 of Trimble and Lindsey Survey of Galveston Island, in Galveston County, Texas, and being more particularly described by metes and bounds as follows.

COMMENCING at the Northeast corner of Lot 310, same being the Northwest corner of Lot 295;

THENCE South 25 degrees East, along the common line between Lots 310 and 295, a distance of 672.00 feet to the PLACE OF BEGINNING of the tract hereinafter described;

THENCE from said Beginning Point North 65 degrees East, across Lot 295, parallel in the Northwest line of Lot 295, a distance of 151 03 feet to a point for corner,

THENCE South 25 degrees East, parallel to the Southwest line of Lot 295, a distance of 715 34 feet to a point for corner;

THENCE South 55 degrees 52 minutes West, along the Northerly right of way line of Seawall Boulevard, 150 foot right of way, a distance of 286.48 feet to a point for corner;

THENCE North 25 degrees 00 minutes West, a distance of 760 81 feet to a point for corner;

THENCE North 65 degrees East, parallel to the Northwest line of Lot 310, a distance of 131.82 feet to the PLACE OF BEGINNING

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS OF REAL PROPERTY

Mary Ann Daigle

2005 MAY 03 10:38 AM 2005028112
JOHNS \$20.00
Mary Ann Daigle, COUNTY CLERK
GALVESTON, TEXAS