

8313536

002-22-0415

CAPTAIN'S COVE RESORT

DECLARATION ESTABLISHING A CONDOMINIUM REGIME,
COVENANTS, CONDITIONS AND RESTRICTIONS

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

That this DECLARATION is made this 15th day of April, 1983, by Sunward Developers, Inc., a Texas corporation, acting herein by and through its duly authorized officers, with its principal office in Galveston County, Texas, and Dwelling Development, Inc., a Texas corporation, acting herein by and through its duly authorized officers, with its principal office in Galveston County, Texas, hereinafter jointly referred to as "Developer," pursuant to the provisions of Article 1301a of the Revised Civil Statutes of the State of Texas ("the Condominium Act".)

RECITALS

A. Developer Dwelling Development, Inc. is the owner of that certain parcel of real property described in Exhibit "A" attached hereto and made a part hereof for all purposes, hereinafter sometime referred to as "the Land"; and

B. Developer has executed a plot plan showing the location of the Building(s) and other improvements constructed or to be constructed on the Land, a true and correct copy of which is attached hereto as Exhibit "B", which is a part hereof for all purposes; and

C. Developer has executed plans for Building(s) existing or to be constructed on the Land that contain Units located, designated and described in Exhibit "C" attached hereto and a part hereof for all purposes; and

D. Developer intends to submit the Land, the Building(s), all improvements and structures constructed or to be constructed thereon, subject to uses, covenants, conditions, restrictions, easements, charges, liens and limitations to a Condominium Regime in the manner provided by the Condominium Act, and as covenants running with the land;

002-22-0416

NOW, THEREFORE, Developer does hereby declare that the Land, the Building(s) all improvements and structures constructed or to be constructed thereon, to be subject to the uses, covenants, conditions, restrictions, easements, charges, liens and limitations set forth herein, as covenants running with the land, are hereby submitted to a Condominium Regime pursuant to the Condominium Act, for the declared purposes of enhancing the desirability, attractiveness and value of the Condominium Project, for the use and benefit of and to be binding upon all parties having or acquiring any right, title or interest therein or any part thereof, their successors and assigns:

WITNESSETH:

ARTICLE I

DEFINITIONS AND DESCRIPTIONS

As used in this Declaration, the Articles of Incorporation of the Association, the Bylaws, and the Exhibits attached hereto, and all amendments thereof, unless the context requires otherwise, the following definitions shall prevail:

1.01 "Association," means the Texas non-profit corporation (existing or to be created), the member of which shall be all Unit Owners; and, it shall be and perform as the 'Council of co-owners' under the Condominium Act. The name of the Association is: Captain's Cove Resort Association. A copy of the Articles of Incorporation of the Association is attached hereto as Exhibit "G".

1.02 "Association Properties," means that real and personal property owned by the Association.

1.03 "Board of Directors," means the board of directors of the Association.

1.04 "Building(s)," means the principal structure(s) erected or to be erected upon the Land in the location(s) shown on Exhibit "B", and as further described in Exhibit "C", each Building being denoted by Letter, viz: A, B, and C.

1.05 "Bylaws," means the bylaws of the Association, as amended from time to time, and shall be understood to be the 'bylaws' referred to in the Condominium Act. A copy of the Bylaws are attached hereto as Exhibit "H".

002-22-0417

1.06 "Common Elements," mean all portions of the Condominium Project, except the Units, and consists of the General Common Elements and the Limited Common Elements. Common Elements shall include the Association Properties.

1.07 "Condominium," means the separate ownership of Units in the Building(s) together with an undivided share of the Common Elements as an appurtenant thereto.

1.08 "Condominium Project," means this real estate project whereby 51 Units in existing or proposed Building(s) are offered or proposed to be offered for sale; the name of which is: Captain's Cove Resort.

1.09 "Declaration," means this document establishing the Property as a condominium regime, as it may be amended from time to time.

1.10 "Developer," means the person named hereinabove who undertakes to develop the Condominium Project referred to herein.

1.11 "General Common Elements," means and includes:

- (1) The Land on which the Building(s) stand(s);
- (2) The foundations, bearing walls and columns, the floor between each floor located within a Unit, roofs, halls, lobbies, stairways, and entrances and exits or communication ways;
- (3) The yards and gardens, if any;
- (4) The premises for the lodging of persons in charge of management or care of the Condominium Project;
- (5) The compartments or installation of central services such as electricity, natural gas, hot and cold water, sanitary sewers, central television systems, telephone systems, reservoirs, tanks, pumps, and swimming pool.
- (6) The devices or installations existing or acquired for common use;
- (7) All other elements of the Building(s) desirable or rationally of common use or necessary to the existence, maintenance and safety of the condominium regime.

002-22-0418

1.12 "Interval Ownership," is a concept whereby a Unit and its interest of the Common Elements are conveyed for periods of time, i.e., Unit Week(s), the purchaser of the Unit Week(s) receiving title to the Unit for the stated time period in perpetuity. However, if the interest created by this "Interval Ownership" is found by a court of law, after all appeals are exhausted, to violate any rule against perpetuities, said interest shall be converted to a fee simple as tenant in common with all other purchasers of Unit Weeks in each such Unit in the Percentage Interest in such Unit, determined and established by Exhibit "E" attached hereto and which is hereby made a part hereof for all purposes.

1.13 "Limited Common Elements," means and includes those Common Elements reserved for the use of a certain Unit or number of Units to the exclusion of the other Units some of which elements are so designated in Exhibits "B", and "C".

(1) Where any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture lies partially within and partially outside the designated boundaries of a Unit, any portions thereof serving only that Unit is a Limited Common Element allocated solely to that Unit, and any portion thereof serving more than one Unit or any portion of the Common Elements is a part of the General Common Elements.

(2) Any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios, and all exterior doors and windows or other fixtures designed to serve a single Unit, but located outside the Unit's boundaries, are Limited Common Elements allocated exclusively to that Unit.

1.14 "Majority of Unit Owners," means the same as 'majority of co-owners' in the Condominium Act and is the Unit Owners with 51% or more of the votes weighed so as to coincide with percentages assigned in Exhibit "D" attached and a part hereof.

1.15 "Management Agreement," means and refers to that agreement between the Association and the Management Firm, a copy of which agreement is attached hereto as Exhibit "F".

1.16 "Management Firm," means and refers to the entity identified as the Manager in the Management Agreement.

002-22-0419

1.17 "Member," means the Unit Owner as a member of the Association.

1.18 "Mortgagee," means the holder of promissory note, the payment of which is secured by a first lien deed of trust (mortgage) of a Unit.

1.19 "Occupant," means a person, or persons, other than a Unit Owner, in possession of a Condominium Unit.

1.20 "Percentage Interest," means the percentage interest which a Unit bears to the total percentage interest of all Units, the sum of all such percentage interest being 100%. The Percentage Interest of each Unit is designated in Exhibit "D" attached and a part hereof. The Percentage Interest in a Unit of each owner of Unit Weeks in that Unit is as set forth in Exhibit "E" attached hereto.

1.21 "Person," means an individual, firm, corporation, partnership, association, trust or other legal entity or any combination thereof.

1.22 "Property," means and includes the Land and the Building(s), all improvements and structures thereon and all easements, rights and appurtenances belonging thereto.

1.23 "To Record," or "Record," means to record in the office of the County Clerk of the county in which the Property is situated, in accordance with the provisions of Title 115, Revised Civil Statutes of Texas, 1925, as amended.

1.24 "Unit," is the same as 'apartment' under the Condominium Act, and means an enclosed space consisting of one (1) or more floors or stories, and having a direct exit to a thoroughfare or to a given common space leading to a thoroughfare.

(1) The boundaries of a Unit shall be and are the unfinished/undecorated interior surfaces of its perimeter walls, floors and ceilings; and the Unit includes the airspace so encompassed, excepting Common Elements.

(2) All lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring, and any other materials constituting any part of the finished surfaces thereof are a part of the Unit, and all other portions of the walls, floors, or ceilings are a part of the Common Elements.

002-22-0420

(3) All spaces, interior partitions, and other fixtures and improvements within the boundaries of a Unit are a part of the Unit.

(4) In interpreting deeds, mortgages, deeds of trust and other instruments, the existing physical boundaries of a Unit or of a Unit reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries regardless of settling, rising, or lateral movement of the Building and regardless of variances between boundaries shown on the plat and those of the Building.

(5) The Units are shown and designated by Numbers in Exhibits "B" and/or "C".

1.25 "Unit Committed to Interval Ownership," means any Unit sold under a plan of Interval Ownership.

1.26 "Unit Owner," or "Owner," means the same as 'co-owner' in the Condominium Act, and is the person who owns a Unit and a Percentage Interest of the Common Elements within this Condominium Project, but does not include a person having an interest in a Unit solely as security for an obligation. The term shall also include all owners of Unit Weeks within any Unit committed to Interval Ownership as one Unit Owner.

1.27 "Unit Week," means a period of ownership in a Unit committed to Interval Ownership which shall consist of not less than seven (7) days. Unit Weeks are computed as follows:

(1) Unit Week No. 1 is the seven (7) days commencing on the first Saturday following the first Friday in each calendar year;

(2) Unit Week No. 2 is the seven (7) days succeeding;

(3) Additional weeks up to and including Unit Week No. 51 are computed in a like manner;

(4) Unit Week No. 52 contains the seven (7) days succeeding the end of Unit Week No. 51 without regard to the month or year, plus any excess days not otherwise assigned until the beginning of the next Unit Week No. 1.

(5) Unit Weeks run from noon on the first Saturday of the period to noon on the last Saturday of the period.

002-22-0421

ARTICLE II

USE AND OCCUPANCY RESTRICTIONS

The restrictions on the use and occupancy of the Property shall be as follows:

2.01 RESIDENTIAL AND RESORT USE. The Owner of a Unit shall occupy and use his Unit as a residential and resort dwelling for himself and members of his family, his social guests, lessees, and for no other purposes.

Notwithstanding the foregoing, nothing in this Declaration shall be construed to restrict the Developer, or any successor in interest to the Developer, from selling and/or conveying any Unit under a plan of Interval Ownership, or any person, from selling, reconveying, or in any other way, transferring same, at any time under the plan of Interval Ownership.

2.02 PROHIBITED ACTS. A Unit Owner shall not permit or suffer anything to be done or kept in his Unit, the Limited Common Elements, or the General Elements which:

- (1) Will increase the rate of insurance in the Property;
- (2) Will result in the cancellation of insurance on any Unit or any part of the Property;
- (3) Will obstruct or interfere with the rights of other Unit Owners;
- (4) Will be in violation of any law, the Declaration, Bylaws, or Rules and Regulations;
- (5) Will commit any waste in any part of the Property;
- (6) Would be noxious or offensive to a reasonable person;
- (7) May be or become an annoyance or nuisance to other Unit Owners.

2.03 COMMON ELEMENTS. The Limited Common Elements and the General Common Elements shall not be used in any manner contrary to or not in accordance with such Rules and Regulations pertaining thereto.

002-22-0422

2.04 MINERAL OPERATIONS. No gas or oil drilling, development, or refining nor quarrying or mining operations of any kind shall be permitted upon any part of the Property.

2.05 CONSTRUCTION IN COMMON ELEMENTS. Nothing shall be altered or constructed in or removed from the Common Elements, except upon prior written consent of the Association and its Rules and Regulations, as amended from time to time, a Unit Owner shall not cause or permit on the exterior of his Unit, Limited Common Elements or the General Common Elements outside his Unit any of the following:

- (1) An observable immaterial thing (including signs and displays);
- (2) Ground cover, plant, shrubbery, flower, or vine;
- (3) Awnings, storm-shutters, screens, or window coverings; and
- (4) Furniture, appliicance, or equipment.

(See also Article VI).

2.07 USE FOR SALES PURPOSES. Developer may maintain models, sales and administrative offices in any of the Units owned by Developer; may maintain signs, displays and sales office on the Common Elements to aid in the sale of the Units; may use portions of the Property and Association Properties for parking for prospective purchasers and other invitees of Developer.

2.08 RENTAL OF UNIT WEEKS. In Units committed to Interval Ownership the Owner of Unit Weeks therein may not rent, lease or permit any occupancy for a period less than the Unit Week period.

ARTICLE III

PROPERTY RIGHTS AND INTERESTS

3.01 CONVEYANCE AND ENCUMBRANCE OF UNITS. A Unit may be individually conveyed and encumbered and may be the subject of ownership, possession or sale and of all types of judicial acts, as if it were entirely independent of the other Units in the Condominium Project.

002-22-0423

3.02 JOINT OR COMMON OWNERSHIP OF UNIT. Any Unit may be jointly or commonly owned by more than one person.

3.03 OWNERSHIP OF UNIT AND SHARE IN COMMON ELEMENTS. An Owner shall have an exclusive ownership to his Unit and shall have a common right to share, with other Owners, in the Common Elements of the Property. Each unit Owner's share in the Common Elements shall be according to the Percentage Interest shown in Exhibits "D" and "E". Each Owner may use the Common Elements in accordance with the purpose for which they are intended, as shown on Exhibit "B" and Exhibit "C" or expressed in this Declaration, the Bylaws, or the Rules and Regulations, without hindering or encroaching upon the lawful rights of the other Owners.

Owners of Unit Weeks are entitled to use of the Common Elements only during the time period of the Unit Week owned.

3.04 COMMON ELEMENTS; PARTITION; MORTGAGES. The Common Elements, both General and Limited, shall remain undivided and shall not be the object of any action for partition or division of the co-ownership by the Unit Owners so long as suitable for a Condominium Regime; and, in any event, all mortgages must be paid prior to the bringing of an action for partition or the consent of all mortgagees must be obtained. Any covenant or action to the contrary shall be void.

3.05 DEED OF UNIT. The deed to each Unit shall describe the Unit in accordance with a reference to the Exhibits included in this Declaration and the Percentage Interest therein conveyed. An individual Unit shall not be conveyed separate from the undivided interest in the Common Elements and vice versa, and any conveyance of a Unit shall be deemed to convey also the undivided interest of the Owner in the Common Elements, both General and Limited, appertaining to the Unit without specifically or particularly referring to the same.

3.06 REGROUPING AND MERGER OF ESTATES. All of the Owners or the sole owner of the Building(s) constituted into this Condominium Regime may waive this regime and request the County Clerk to regroup or merge the records of the filial estates with the principal property, provided, that the filial estates are unencumbered, or, if encumbered, that the creditors in whose behalf the encumbrances are recorded agree to accept as security the undivided portions of the Property owned by the debtors. The undivided interest in

002-22-0424

the Property owned in common which shall appertain to each Owner shall be the Percentage Interest previously owned by such Owner in the Common Elements. However, the merger provided for in this Section shall in no way bar the subsequent constitution of the Property provisions of the Condominium Act.

3.07 OWNER'S MAINTENANCE AND REPAIR EASEMENT.

Each Owner shall have easements to, through and over the General and Limited Common Elements reasonably necessary to carry out his maintenance, repair and replacement responsibilities hereunder; provided, however, he shall not impair the structural integrity of the Building(s), adversely affect any other Unit, nor alter the external appearance of the Building(s) without prior written consent of the Association.

3.08 ASSOCIATION'S EASEMENT. The Association, or its agent, shall have easements to, through and over each Unit (upon notice to Owner and during reasonably working times) as may be reasonably necessary to carry out its maintenance, repair and replacement responsibilities hereunder.

3.09 PUBLIC UTILITY ACCESS. Public or private utility companies furnishing services to the Condominium Project for common use (e.g., water, sanitary sewer, natural gas, electricity, telephones, and television, if any) shall have access to the General and Limited Common Elements and each Unit as may be reasonably necessary for the installation, maintenance, or replacement of such services.

3.10 COMMITTING A UNIT TO INTERVAL OWNERSHIP. A Unit shall become a Unit Committed to Interval Ownership upon the Recording of the first deed to such Unit, conveying Unit Weeks. A Unit will no longer be committed to Interval Ownership any time all Unit Weeks are owned by the same person.

3.11 PERCENTAGE INTEREST IN UNIT COMMITTED TO INTERVAL OWNERSHIP. The respective interest of each owner of Unit Weeks within a Unit Committed to Interval Ownership with respect to each other owner of Unit Weeks in the Unit Committed to Interval Ownership, shall be as set forth in Exhibit "E" which is attached hereto and is a part hereof for all purposes.

3.12 MAINTENANCE WEEKS IN UNITS COMMITTED TO INTERVAL OWNERSHIP. Upon conveying thirty (30) Unit Weeks in any Unit Committed to Interval Ownership, or nine (9) months from the date of the first conveyance under Interval Ownership in any Unit Committed to Interval Ownership, whichever date comes first, the Developer agrees to convey and the Association agrees to accept one (1) Unit Week to be used for maintenance purposes. The Developer shall have the right to choose the Unit Week to be so conveyed. However, in the event any one person becomes holder of record title to all other Unit Weeks in any one Unit, that person may cause the Association to convey said Association Unit Week to that person by notifying the Association, in writing, of its desire that said Unit cease being a Unit Committed to Interval Ownership. The Association shall execute the necessary documents to so convey the Unit Week within sixty (60) days after notice. All expenses of said conveyance shall be borne by the person desiring such conveyance.

3.13 HOLDOVER INTERVAL OWNERS. In the event any Owner of a Unit Week in a Unit Committed to Interval Ownership fails to vacate his Unit at the expiration of his period of Ownership each year, or at such earlier time as may be fixed by the Rules and Regulations adopted by the Association from time to time, he shall be deemed a "holdover owner". It shall be the responsibility of the Association to take such steps as may be necessary to remove such holdover owner from the Unit, and to assist the Owner of any subsequent Unit Week, who may be affected by the holdover owner's failure to vacate, to find alternate accommodations during such holdover period.

(1) In addition to such other remedies as may be available to it, the Association shall secure, at its expense, alternate accommodations for any Owner who may not occupy his Unit due to the failure to vacate of any holdover owner. Such accommodations shall be as near in value to the Owner's own Unit as possible. The holdover owner shall be charged for the cost of such alternate accommodations, any other costs incurred due to his failure to vacate, and an administrative fee, as may be determined by the Association (but not less than \$50.00 per day) during his period of holding over. In the event it is necessary that the Association contract for a period greater than the actual period of holding over, in order to secure alternate accommodations as set forth hereinabove, the entire period shall be charged to and shall be the liability of the holdover owner, although the administrative fee shall cease upon actual vacating by the holdover owner.

(2) The Association shall submit its statement to the holdover owner as provided for hereinabove. In the event the holdover owner fails to pay the same within ten (10) days of the date thereof, a lien shall be and is hereby fixed against the holdover owner's interest in the Unit in accordance with other provisions of this Declaration.

(3) The foregoing provisions shall not abridge the Association's right to take such other action as is provided by this Declaration, or law, including, but not limited to, forcible detainer or other eviction proceedings.

3.14 ASSOCIATION PROPERTIES. As planned, the Association will acquire the Association properties for the common use and benefit of all Unit Owners in the project. The Developer may retain the legal title to said Association Properties until such time as it has completed improvements thereon and until such time as, in the opinion of the Developer, the Association is able to maintain the same but, notwithstanding any provision herein, the Developer hereby covenants, for itself, its heirs and assigns that it shall convey said Association properties to the Association, free and clear of all liens and encumbrances on or before five (5) years after the date Developer conveys any interest in a Unit, or upon completion and sale of all Units in the Project, whichever shall occur first. Relative to said Association properties:

(1) The Association agrees that it will accept title to the Properties to be conveyed from the Developer, and will hold same for the use and benefit of all Condominium Unit Owners in the Project.

(2) The Association shall operate and administer such properties, including the collection of any income therefrom and the payment of all costs and expenses incurred therewith. All income shall inure to the benefit of the Association and all such expenses are and shall be common expenses of all the Condominiums in the Project, assessable and collectible by the Association, against all the Unit Owners in the said Project in the manner provided by this Declaration and Bylaws.

(3) The Owners of Units within the Project, as to the Association properties, shall have in addition to all other rights granted hereunder:

002-22-0427

(a) A perpetual non-exclusive easement in and to the entire road system for ingress and egress to their respective Unit and recreational facilities and other improvements located on the Association properties;

(b) A perpetual non-exclusive easement in and to portions thereof as may be necessary to provide utility service to their respective Unit; and

(c) The right to construct and maintain on and to make such changes in the property covered by the above easements as may reasonably be necessary to utilize the easements hereinabove provided.

(4) The Developer herein, its successors and assigns, shall have such easements in and to the Association properties as may be necessary to provide utility services for other lands in the Project and shall have also the right to use the interior private road system as they may deem necessary from time to time in connection with sales or further development of the said project.

(5) All expenses incurred in connection with the maintenance of Association properties, including but not limited to real estate taxes, repair expenses and upkeep, shall be deemed a common expense of the Association and shall be paid as herein provided.

3.15 DEVELOPER'S RESERVATIONS. The Developer reserves the right to change the interior design and arrangement of all Units and to alter the boundaries between Units, as long as the Developer owns the Units so altered; however, no such alterations shall increase the number of Units nor alter the boundaries of the Common Elements, except the party wall between any Units, without amendment of this Declaration set forth hereinafter. In the event the Developer shall make any such changes in Units, such changes shall be reflected by an Amendment of this Declaration, including such plats and building plans to reflect such alterations.

ARTICLE IV

ADMINISTRATION OF THE CONDOMINIUM REGIME

4.01 IN GENERAL. The administration of this Condominium Regime shall be governed by the Association in accordance with the Condominium Act, this Declaration, the Articles of Incorporation of the Association, and the Bylaws of the Association.

002-22-0428

4.02 ORGANIZATION OF ASSOCIATION. The Association shall be organized no later than the date of the Recording of this Declaration (which will be Recorded prior to the recording of the first deed conveying any interest in any Unit from the Developer). The Membership of the Association at all times shall consist exclusively of all the Unit Owners or, following termination of the Condominium Regime, of all former Unit Owners entitled to distributions of proceeds under this Declaration, or their heirs, successors, or assigns. The Association shall be organized as a nonprofit corporation.

4.03 POWERS OF ASSOCIATION. Subject to the provisions of this Declaration, the Association may:

- (1) Adopt and amend Bylaws, Rules, and Regulations;
- (2) Adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for Common Expenses from Unit Owners;
- (3) Hire and terminate managing agents and other agents, employees, and independent contractors;
- (4) Make contracts and incur liabilities;
- (5) Regulate the use, maintenance, repair, replacement, and modification of Common Elements;
- (6) Cause additional improvements to be made as a part of the Common Elements;
- (7) Acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property;
- (8) Grant easements, leases, licenses, and concessions through or over the Common Elements;
- (9) Impose and receive any payments, fees, or charges for the use, rental, or operation of the Common Elements other than Limited Common Elements;
- (10) Impose charges for late payment of Assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws, and Rules and Regulations of the Association;

002-22-0429

(11) Impose reasonable charges for the preparation and recordation of amendments to the Declaration, resale certificates, or statements of unpaid assessments;

(12) Provide for the indemnification of its officers and Board of Directors and maintain directors' and officers' liability insurance;

(13) Exercise any other powers conferred by the Declaration or Bylaws;

(14) Exercise all other powers that may be exercised in Texas by non-profit corporations; and

(15) Exercise any other powers necessary and proper for the governance and operation of the Association.

Notwithstanding the foregoing portion of this Section, this Declaration does not impose limitations on the power of the Association to deal with the Developer that are more restrictive than the limitations imposed on the power of the Association to deal with other persons.

4.04 BOARD OF DIRECTORS AND OFFICERS.

(1) Except as provided in this Declaration, the Bylaws, or in Paragraph (2) hereinafter, or the Condominium Act, the Board of Directors may act in all instances on behalf of the Association.

(2) The Board of Directors may not act on behalf of the Association to amend this Declaration, to terminate the Condominium Regime, or to elect directors of the Board of Directors or determine the qualifications, powers and duties, or terms of office of the Board of Director members, but the Board of Directors may fill vacancies in its membership for the unexpired portion of any term.

(3) Subject to the provisions in this Paragraph (3) Developer shall control the Association, during which period Developer, or persons designated by Developer, may appoint and remove the officers and members of the Board of Directors. Such period of Developer control extends from the date of the first conveyance of any interest in a Unit to a person other than Developer for a period of five (5) years. Regardless of such five (5) year period the period of Developer control terminates

002-22-0430

no later than sixty (60) days after conveyance of 95% of the Units to the Unit Owners other than Developer. Developer may voluntarily surrender the right to appoint and remove officers and members of the Board of Directors before termination of that period.

(4) Not later than the termination of any period of Developer control, the Unit Owners shall elect a Board of Directors of at least three members, all of whom must be Unit Owners or owners of Unit Weeks. The Board of Directors shall elect the officers. The persons elected shall take office upon election.

4.05 ACTIONS ON BEHALF OF OWNERS. Without limiting the rights of any Owner, action may be brought by the Association, and in the discretion of the Association, on behalf of itself or two (2) or more of the Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Elements of more than one (1) Unit.

4.06 BYLAWS. The Bylaws of the Association must provide for:

(1) The number of directors of the Board of Directors and the titles of the officers of the Association;

(2) Election by the Board of Directors of a president, treasurer, secretary, and any other officers of the Association the Bylaws specify;

(3) The qualifications, powers and duties, terms of office, and manner of electing and removing Directors and officers and filling vacancies;

(4) Which, if any, of its powers the Board of Directors or officers may delegate to other persons or to a managing agent; and

(5) Which of its officers may prepare, execute, certify, and record amendments to this Declaration on behalf of the Association.

Subject to the provisions of this Declaration, the Bylaws may provide for any other matters the Association deems necessary and appropriate.

002-22-0431

4.07 MEETINGS OF MEMBERS. The Bylaws must require that meetings of the Members of the Association be held at least once each year and provide for special meetings. The Bylaws must specify which of the Association's officers, not less than ten (10) nor more than fifty (50) days in advance of any meeting, shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address of each Unit or to any other mailing address designated in writing by the Unit Owner. The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to this Declaration or Bylaws.

4.08 QUORUMS. Quorums for meetings of the Members of the Association and the Board of Directors shall be as follows:

(1) A quorum is deemed present throughout any meeting of the Members of the Association if persons entitled to cast 10% of the votes which may be cast for election of the Board of Directors are present in person or by proxy at the beginning of the meeting.

(2) A quorum is deemed present throughout any meeting of the Board of Directors if Directors entitled to cast a majority of the votes on that Board of Directors are present at the beginning of the meeting.

4.09 VOTING: PROXIES. The Owner of each Unit Week shall be entitled to one (1) vote. If some individual, corporation or other entity owns all of a Unit, he shall be entitled to fifty-two (52) votes.

(1) The vote allocated to a Unit Week may be cast pursuant to a proxy duly executed by a Unit Week Owner. A Unit Week Owner may not revoke a proxy given pursuant to this section except by actual notice of revocation of the person presiding over the meeting of the members of the Association. A proxy is void if its not dated or purports to be revocable without notice. A proxy terminates eleven (11) months after its date, unless it specifies a shorter term.

(2) No votes allocated to a Unit, or Unit Week, owned by the Association may be cast.

(3) The Bylaws may provide for administrative voting procedures.

002-22-0432

4.10 ASSOCIATION AS TRUSTEE. With respect to a third person dealing with the Association in the Association's capacity as a trustee, the existence of trust powers and their proper exercise by the Association may be assumed without inquiry. A third person is not bound to inquire whether the Association has power to act as trustee or is properly exercising trust powers and a third person, without actual knowledge that the Association is exceeding or improperly exercising its powers, is fully protected in dealing with the Association as if it possessed and properly exercised the powers it purports to exercise. A third person is not bound to assure the proper application of trust assets paid or delivered to the Association in its capacity as trustee.

4.11 MANAGEMENT AGREEMENT. The Association has entered into a Management Agreement, a copy of which is annexed hereto as Exhibit "F" and made a part hereof.

The Association has delegated to the Management Firm the power of the Association, through its Board of Directors, to determine the budget, make assessments for common expenses and collect assessments. Each Unit Owner, his heirs, successors and assigns, shall be bound by said Management Agreement for the purposes therein expressed, including but not limited to:

(1) Adopting, ratifying, confirming and consenting to the execution of said Management Agreement by the Association.

(2) Covenanting and promising to perform each and every of the covenants, promises and undertakings to be performed by Unit Owners in the cases provided therefor in said Management Agreement.

(3) Ratifying, confirming and approving each and every provision of said Management Agreement, and acknowledging that all of the terms and provisions thereof are reasonable.

(4) Agreeing that the persons acting as Directors and Officers of the Association entering into such an Agreement have not breached any of their duties or obligations to the Association.

(5) It is specifically recognized that some or all of the persons comprising the original Board of Directors of the Association, are or may be stockholders, Officers and Directors of the Management Firm, and that

002-22-0433

such circumstances shall not and cannot be construed or considered as a breach of their duties and obligations to the Association, nor as possible grounds to invalidate such Management Agreement, in whole or in part.

(6) The acts of the Board of Directors and Officers of the Association in entering into the Management Agreement be and the same are hereby ratified, approved, confirmed and adopted.

4.12 TERMINATION; VOLUNTARY, MAJOR DAMAGE. If 75% of Unit Owners and holders of all liens and mortgages affecting any of the Condominium Parcels executed and duly record an instrument terminating the Condominium Regime, or if "major damage" occurs as defined in the insurance provisions hereunder, said property shall be deemed to be subject to termination and thereafter owned in common by the Unit Owners. The undivided interest in the property owned in common by the Unit Owners shall then become the percentage of the undivided interest previously owned by such Owner in the Common Elements upon termination of the Condominium Regime.

4.13 UNIT WEEK TERMINATION. If a court of competent jurisdiction in Galveston County, Texas, after all appeals have been exhausted, finds that the form of Interval Ownership contemplated by this Declaration violates any rule against perpetuities, each purchaser of Units Committed to Interval Ownership shall thereupon become tenants in common. The Board of Directors of the Association shall, not less than thirty (30) days, nor more than fifty (50) days after the actual date of such conversion to tenancy in common, call a meeting of all Owners of Unit Weeks in Units committed to Interval Ownership. At such meeting, a vote shall be taken to decide the disposition of the Units committed to Interval Ownership. A quorum at such meeting shall be a majority of the total outstanding votes of all Owners of Unit Weeks in Units committed to Interval Ownership. At such meeting the Owners, by a majority vote of those present, may vote to continue their intervals, in which case the restrictive covenants set forth below will be adopted as covenants running with the land for a period of ten (10) years. The Board of Directors of the Association shall, not less than thirty (30) days nor more than fifty (50) days prior to the actual expiration of said ten (10) year period, call a meeting of all Owners of Unit Weeks in Units committed to Interval Ownership. A quorum at such meeting shall be a majority of the total outstanding votes of all Owners of the Unit Weeks in Units committed to Interval Ownership. The

002-22-0434

Owners may then vote to continue the intervals for an additional ten (10) year period. This process shall be repeated as the end of each successive ten (10) year period approaches. Should less than a majority of the Owners present vote to continue the intervals at any such meeting, then the Board of Directors of the Association shall file suit in a Court of competent jurisdiction in Galveston County, Texas, for partition of the Units.

(1) In the event the Owners vote to continue their Unit Weeks as provided above, then each Owner shall have the exclusive right to occupy his Unit, and as between Owners to use and enjoy the Common Elements and Association Properties of the Condominium and the rights and easements appurtenant to his Unit during his Unit Week (and, in the case of Developer, during all Unit Weeks not theretofore conveyed, and to authorize others so to do together with the non-exclusive right in common with all other Owners, but only when acting through the Association), to maintain and repair the Units during maintenance weeks. No Owner shall occupy his Unit, or exercise any other rights of Ownership in respect of his Unit other than the rights herein provided to him, during any other Unit Weeks unless expressly so authorized by the Owner entitled to occupy the Unit during such Unit Weeks or during any maintenance week except when acting through the Association. Each Owner shall keep his Unit and all furnishings in good condition and repair during his Unit Weeks, vacate the Unit at the expiration of his Unit Weeks, remove all persons and property therefrom excluding only furnishings, leave the Unit in good and sanitary condition and repair, and otherwise comply with such reasonable checkout and other procedures as may from time to time be contained in rules promulgated by the Association.

(2) No Owner or other person or entity acquiring any right, title or interest in a Unit shall seek or obtain through any legal procedures, judicial partition of the Unit or sale of the Unit in lieu of partition at any date prior to the expiration of each successive ten (10) year period voted by a majority of Owners. If, however, any Unit Weeks shall be owned by two or more persons as tenants-in-common or as joint tenants, nothing herein contained shall prohibit a judicial sale of the Unit Weeks in lieu of partition as between such co-tenants or joint tenants.

002-22-0435

ARTICLE V

EXPENSES AND ASSESSMENTS

5.01 CONTRIBUTIONS TOWARD EXPENSES. All Owners are bound to contribute pro-rata toward the expense of administration and of maintenance and repair of the Common Elements and toward any other expenses lawfully authorized by the Association. No Owner shall be exempt from contributing toward such expenses for any reason, including, but not by way of limitation, waiver of the use of enjoyment of the Common Elements, either General or Limited, or by abandonment of his Unit or Unit Week.

Such expenses, referred to hereinafter as "assessments" and "maintenance fees", are:

(1) Personal obligations of the Owner of the Unit or Unit Week;

(2) Subject to interest at the rate of 10% per annum from due date until paid if not fully paid ten (10) days after due date; and

(3) Subject to a late charge of not less than \$25.00, nor more than \$50.00, as may be determined by the Association, if payment is not fully paid ten (10) days after due date.

5.02 DEVELOPER EXPENSES. During the period of the sale of the Units and/or Unit Weeks, the Developer shall contribute its share of expenses for the Common Elements allocated to unsold Units and/or Unit Weeks. After any assessment has been made by the Association, assessments shall be made at least annually and shall be based on a budget adopted at least annually by the Association.

5.03 ALLOCATION OF ASSESSMENTS. Common Expenses shall be assessed against all the Units in accordance with the Percentage Interest allocated to each Unit.

5.04 TYPE OF ASSESSMENTS. The expenses approved by the Association shall be charged to each Owner according to the Percentage Interest of each such Unit, and shall be paid at the place designated by the Association. Such charges are referred to herein as "assessments." There may be two types of assessments:

(1) Annual assessments shall be for the normal and routine expenses anticipated by the Association, including, but not by way of limitation, the following: Insurance obligated or permitted herein; common utility, repair, maintenance, and replacement expenses; wages, taxes; accounting, legal and management fees; reserve funds for repair and replacements.

(2) Special assessments shall be for out of the ordinary expenditures approved by the Association and would include capital expenditures, normally, but other extraordinary costs may also be assessed if approved by the Association.

5.05 SPECIAL ASSESSMENTS. The Board of Directors of the Association shall approve proposed special assessments from time to time, in order to meet the obligations of the Condominium Regime. Notice of such approved proposals shall be submitted to the Owners by mail. The Unit Owners, by two-thirds (2/3) vote, may reject any special assessment approved by the Board of Directors, within thirty (30) days after the date the approved proposals are submitted to the Owners.

5.06 MAINTENANCE FEE FOR UNITS COMMITTED TO INTERVAL OWNERSHIP. All Owners of Unit Weeks in Units committed to Interval Ownership shall pay a "maintenance fee." The maintenance fee shall include, but shall not be limited to, the following:

- (1) The particular Unit Week Owner's share of Assessments (See 5.04 and 5.05);
- (2) Cleaning, repair and maintenance of Units for normal wear and tear (e.g., repainting interior walls);
- (3) Cleaning, repair and replacement of furniture, fixtures, appliances, carpeting, linens and utensils, etc.;
- (4) Casualty and/or liability insurance on the Unit and its contents;
- (5) Utilities for the Unit;
- (6) Personal property, real estate, and any other applicable taxes;

002-22-0437

(7) Any other expenses incurred in the normal operations and maintenance of the Unit committed to Interval Ownership which cannot be attributed to a particular Unit Week Owner.

The maintenance fee shall be prorated among all Owners of Unit Weeks in a specific Unit by applying a fraction, the numerator of which is the number of Unit Weeks owned by a specific Owner, the denominator of which is fifty-one, to the total of all such expenses. The foregoing shall not apply to any Unit Week conveyed to the Association.

5.07 ASSESSMENT DATES. Annual assessments and maintenance fees shall be made for each calendar year. On or before December 31st of each year, the Association shall determine the amount of the assessment on each Owner's Unit or Unit Week for the next calendar year. As soon as is practicable, the Association shall notify each Owner of the amount of said assessment for the next calendar year. Such assessments or fees shall be due and payable as of the date determined, from time to time, by the Association.

5.08 LIMITATIONS. Each year the Association may not increase the Annual Assessments or the Maintenance Fee above the previous year by more than the amount of the direct increases in the costs of insurance, taxes, utilities plus 10% of all other expenses. In the event the Board of Directors recommends such assessments or maintenance fees in excess of the foregoing limitation then such budget shall be submitted by mail to the Members for approval more than thirty (30) days prior to the effective date for such assessment or maintenance fee. To be effective such increased assessment and maintenance fee must be approved by a majority of the votes cast by the Members (See 4.09).

5.09 PAYMENT OF ASSESSMENTS UPON SALE. Upon the sale or conveyance of a Unit, all unpaid assessments against an Owner for his pro-rata share of the expenses approved by the Association, as provided for herein, shall first be paid out of the sales price or by the purchaser in preference over any other assessments or charges of whatever nature except the following:

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

(2) Amounts due under duly recorded first mortgages.

5.10 LIEN FOR ASSESSMENTS. The Association shall have and does have a lien on each Unit, together with a lien or security interest on all tangible personal property located within the Unit, against the Unit owner for unpaid assessments, maintenance fees, interest thereon, late payment charges, administrative fees, reasonable attorneys' fees incurred by the Association incident to the collection of such charges or the enforcement of such lien(s), all sums advanced and paid by the Association for taxes and payments on account of mortgages, liens or encumbrances which may be required to be advanced by the Association, in order to preserve and protect its lien(s). When an assessment is payable in installments, the full amount of the assessment is a lien from the date the first installment becomes due. The lien of the Association may be enforced and foreclosed by power of sale pursuant to Article 3810, Revised Civil Statutes of Texas, as amended from time to time. To this end, Developer, for itself, its successors and assigns, for the purpose of securing the payment of the foregoing charges subject to this lien ("the indebtedness"), and in consideration of the uses, purposes and trusts hereinafter set forth, have granted and by these presents do grant to Willis M. Lucas, Trustee, of Galveston County, Texas, and his substitutes or successors, all Units and/or Unit Week described in this Declaration; to have and to hold the same together with the rights, privileges and appurtenances thereto belonging to the Trustee, and to his substitutes or successors forever. Developer hereby binds itself, its successors and assigns to warrant and forever defend the said premises to the Trustee, his substitutes, or successors and assigns forever, against the claim, or claims, of all persons claiming or to claim the same or any part thereof. This conveyance is made in TRUST to secure the payment of indebtedness provided for in this Declaration payable to the Association ("the Beneficiary" herein) in the amounts and at the times provided for in this Declaration, the Bylaws, bearing interest and for costs and attorneys' fees. Should Developer, its successors and assigns do and perform all of the covenants and agreements contained in this Declaration, and make prompt payment of the indebtedness as the same shall become due and payable, then this conveyance shall become null and void and of no further force and effect. Developer, its successors and assigns agree as follows:

- (a) That in the event of default in the payment of any installment, principal or interest, of the indebtedness hereby secured, in accordance with the terms thereof, then Beneficiary may elect, to declare the entire principal indebtedness hereby secured with

002-22-0439

all interest accrued thereon and all other sums secured immediately due and payable, and in the event of default in payment of said indebtedness when due and declared due, it shall thereupon, or at any time thereafter, be the duty of the Trustee, or his successor or substitute as hereinafter provided, at the request of Beneficiary (which request is hereby conclusively presumed), to enforce this trust; and after advertising the time, place and terms of the sale of the above described and conveyed property, then subject to the lien hereof, for at least twenty-one (21) days preceding the date of sale by posting written or printed notice thereof at the Courthouse door of the county where said real property is situated, which notice may be posted by the Trustee acting, or by any person acting for him, and the Beneficiary (the holder of the indebtedness secured hereby) has, at least twenty-one (21) days preceding the date of sale, served written or printed notice of the proposed sale by certified mail on each debtor obligated to pay the indebtedness according to the records of the Beneficiary, by the deposit of such notice, enclosed in a postpaid wrapper, properly addressed to such debtor at debtor's most recent address as shown by the records of Beneficiary, in a post office or official depository under the care and custody of the United States Postal Service, the Trustee shall sell the above described property, then subject to the lien hereof at public auction in accordance with such notice at the Courthouse door of said county where such real property is situated, on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P.M., to the highest bidder for cash, selling all of the property as an entirety or in such parcels as the Trustee acting may elect, and make due conveyance to the Purchaser or Purchasers, with general warranty binding Grantors, their heirs and assigns; and out of the money arising from such sale, the Trustee acting shall pay first, all the expenses of advertising the sale and making the conveyance, including a commission of 5% to himself, which commission shall be due and owing in addition to the attorneys' fees provided for in this Declaration and then to Beneficiary the full amount of principal, interest, attorney's fees and other charges due and unpaid on the indebtedness secured hereby, rendering the balance of the sale price, if any, to Developer, its successors and assigns; and the recitals in the conveyance to the Purchaser or Purchasers shall be full and conclusive evidence of the truth of

002-22-0440

the matters therein stated, and all prerequisites to said sale shall be presumed to have been performed, and such sale and conveyance shall be conclusive against Developer, its successors and assigns.

(b) It is agreed that in the event a foreclosure hereunder should be commenced by the Trustee, or his substitute or successor, Beneficiary may at any time before the sale of said property direct the said Trustee to abandon the sale, and may then institute suit for the collection of said indebtedness, and for the foreclosure of this lien; it is further agreed that if Beneficiary should institute a suit for the collection thereof, and for a foreclosure of this lien, that he may at any time before the entry of a final judgment in said suit dismiss the same, and require the Trustee, his substitute or successor to sell the property in accordance with the provisions of this Deed of Trust.

(c) Beneficiary shall have the right to purchase at any sale of the property, being the highest bidder and to have the amount for which such property is sold credited on the debt then owing.

(d) Beneficiary in any event is hereby authorized to appoint a substitute trustee, or a successor trustee, to act instead of the Trustee named herein without other formality than the designation in writing of substitute or successor trustee; and the authority hereby conferred shall extend to the appointment of other successor trustees successively until the indebtedness hereby secured has been paid in full, or until said property is sold hereunder, and each substitute and successor trustee shall succeed to all of the rights and powers of the original trustee named herein.

(e) In the event any sale is made of the above described property, or any portion thereof, under the terms hereof, Developer, its successors and assigns, shall forthwith upon the making of such sale surrender and deliver possession of the property so sold to the Purchaser at such sale, and in the event of their failure to do so they shall thereupon from and after the making of such sale be and continue as tenants at will of such Purchaser, and in the event of their failure to surrender possession of said property upon demand, the Purchaser, his heirs or assigns, shall be entitled to institute and maintain an action for forcible detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such property, or any part thereof, is situated.

002-22-0441

(1) In the case of a Unit committed to Interval Ownership the lien against such Owner shall be limited to the Unit Week(s) owned by that Owner, and shall not encumber the interests of any other Unit Week Owners.

(2) A lien under this Section is prior to all other liens and encumbrances on a Unit EXCEPT:

(a) Mortgages and deeds of trust on the Unit or Unit Weeks securing first mortgage holders and recorded before the due date of the assessment or the due date of the first installment payable on the assessment; and

(b) Liens for real estate taxes and other governmental assessments or charges against the Unit.

(3) Recording of this Declaration constitutes record notice and perfection of the lien. No further recordation of any claim of lien for assessment under this Section is required.

(4) Nothing in this Section shall be construed to prohibit actions or suits to recover sums for which this Section creates a lien, or to prohibit the Association from taking a deed in lieu of foreclosure.

(5) A judgment or decree in any action or suit, brought under this Section shall include costs and reasonable attorneys' fees for the prevailing party.

(6) The Association shall have the right to assign its claim and lien rights for the recovery of any unpaid assessments to the Developer, to any Unit Owner or group of Owners, or to any third party.

(7) The Association shall furnish to a Unit Owner upon written request a recordable statement setting forth the amount of unpaid assessments currently levied against his Unit. The statement shall be furnished within ten (10) business days after receipt of the request and is binding on the Association, the Board of Directors, and every Unit Owner.

5.11 **ENFORCEMENT.** In addition to the foregoing rights and remedies available to the Association (but in no way limiting such other remedies as may be available to the Association in law or in equity) may pursue any or all of the following as well:

002-22-0442

(1) Institute a personal action against the Owner for such charges;

(2) Restrict the right of such Owner as to the use of the Common Elements, General or Limited, in such manner as the Association shall deem appropriate.

(3) Suspend the voting rights of such Owner during the delinquency;

(4) Discontinue services included in the Common Elements.

5.12 ASSESSMENTS PRIOR TO SUBSEQUENT OCCUPANCY.

Except in the case of a Mortgagee's acquisition of a Unit through foreclosure of Mortgagee's lien or deed-in-lieu of foreclosure, any person who acquires any interest in a Unit, including, without limitation, acquisition by operation of law and purchaser at judicial sales, shall not be entitled to occupancy of the Unit or use of the Common Elements until all unpaid assessments due and owing by the former Unit Owners have been paid.

5.13 SURPLUS FUNDS.

Any surplus funds of the Association remaining after payment of or provision for Common Expenses and any prepayment of reserves must be credited to the Unit Owners to reduce their future Common Expense assessments.

5.14 ACCOUNTS.

The person appointed by the Bylaws of the Association shall keep or cause to be kept books and records with detailed accounts of the receipts and expenditures affecting the Condominium Regime and its administration and specifying the maintenance and repair expenses of the Common Elements and any other expenses incurred by or in behalf of the Condominium Regime. Both the book and vouchers accrediting the entries made thereon shall be available for examination by all the Owners at convenient hours on working days that shall be set and announced for general knowledge. All books and records shall be kept in accordance with good accounting procedures and be audited at least once a year by an auditor outside of the Association.

5.15 AD VALOREM TAXES.

The Owners of each and every Unit shall render and declare the same for the purpose of ad valorem taxes with the Tax Assessor of the County wherein the Condominium is situated, or for such other future legally authorized governmental office or authority having jurisdiction over same. Nothing herein shall be

002-22-0443

construed, however, as giving to any Unit Owner the right of contribution or any right or adjustment against any other Unit Owner on account of any deviation by the taxing authorities. Each Unit Owner is to pay ad valorem taxes and special assessments as are separately assessed against his Unit. Ad valorem taxes on a Unit committed to Interval Ownership shall be paid by the Association and said taxes shall be collected as part of the maintenance fee.

For this purpose of ad valorem taxation, the interest of the Owner of a "Condominium Unit" and his interest in the "Common Elements," shall be considered a Unit. The value of said Unit shall be equal to the percentage of the value of the entire Condominium, including land and improvements as has been assigned to said Unit in this Condominium Declaration. The total of all of said percentages equals 100% of the value of all of the land and improvements thereon.

ARTICLE VI

MAINTENANCE AND ALTERATIONS

6.01 CONTRACT AUTHORITY. The Board of Directors of the Association may enter into contracts with any person in contracting for the maintenance and repair of the Condominium Project, Association Properties, and other type properties and may contract for the management of the Condominium Regime, Association Properties, and any other type properties, and may delegate to the contractor or manager all the powers and duties of the Association, except such as are specifically required by this Declaration, or by the Bylaws, to have the approval of the Board of Directors or the membership of the Association. The contractor or manager may be authorized to determine the budget, make assessments for common expenses and collect assessments, as provided by this Declaration and the Bylaws. The Association, through its Board of Directors, has entered into a Management Agreement, attached hereto as Exhibit "F" which encompasses the provisions of this Section.

6.02 AGREEMENTS OF OWNERS OF A UNIT. Each Owner of a Unit not committed to Interval Ownership agrees as follows:

(1) To maintain in good condition and repair his Unit and all interior surfaces within or surrounding his Unit (such as the surfaces of the walls, ceilings, floors) whether or not a part of the Unit or Common Elements, and maintain and repair the fixtures therein and pay for any utilities which are separately metered to his Unit.

002-22-0444

(2) Not to make or cause to be made any structural addition, alteration, decoration, repair, replacement or change the Common Elements or to any outside or exterior portion of the building whether within a Unit or part of the Limited Common Elements without the prior written consent of the Board of Directors of the Association.

6.03 AGREEMENTS OF OWNERS OF UNIT WEEKS. Each Owner of Unit Weeks in a Unit Committed to Interval Ownership agrees:

(1) To pay his proportionate share of the cost of the maintenance and repair of all interior and exterior components of said Unit, the cost of maintenance, repair and replacement of all appliances, furniture, carpeting, fixtures, equipment utensils, and other personal property within said Unit, and such other costs of repair, maintenance, upkeep and operation of the Unit as is necessary to the continued enjoyment of said Unit by all said Owners of Unit Weeks therein.

(2) Not to make cause, or allow to be made, any repairs, modifications, alterations, or replacements to the Common Elements, Limited Common Elements, outside or exterior portion of the buildings whether within a Unit or part of the Limited Common Elements or Common Elements exterior or interior of his Unit, or of the furnishings, appliances, personal property, or decor thereof, without the prior written consent of the Board of Directors of the Association, and all other Owners of Unit Weeks therein.

(3) Expenses of repairs or replacements to the Unit or its components, furnishings, carpeting, appliances, or other property, real, personal, or mixed, occasioned by the specific use of abuse of any Owner of Unit Weeks in any Unit, or any licensee or tenant of said Owner, shall be borne in their entirety by said Owner.

(4) The Association, shall determine the interior color scheme, decor and furnishings, of each such Unit, as well as the proper time for redecorating and replacements thereof.

6.04 AGREEMENTS OF ALL OWNERS. All Owners of Units, including Owners of Unit Weeks in Units committed to Interval Ownership agree as follows:

(1) To allow the Board of Directors, or the agents or employees of any Management Firm or the Association, to enter into any Unit for the purpose of maintenance, inspection, repair, replacement of the improvements within the Units, Limited Common Elements or the Common Elements, to determine in case of emergency, circumstances threatening Units, Limited Common Elements or the Common Elements, or to determine compliance with the provisions of this Declaration and the Bylaws.

(2) To show no signs, advertisements or notices of any type on the Common Elements, Limited Common Elements, or his Unit, and to erect no exterior antenna or aerials, except as consented to by the Board of Directors of the Association.

6.05 BREACH OF AGREEMENTS. In the event the Owner of a Unit fails to maintain the said Unit and Limited Common Elements, as required herein, or makes any alterations or additions without the required written consent, or otherwise violates or threatens to violate the provisions hereof, the Association, shall have the right to proceed in a court of equity for an injunction to seek compliance with the provisions hereof. In lieu thereof and in addition thereto, the Association shall have the right to levy an assessment against the Owner of a Unit, and the Unit, for such necessary sums to remove any unauthorized addition or alteration and to restore the property to good condition and repair. Where said failure, alteration, addition, or other violation is attributable to an Owner of Unit Weeks in a Unit Committed to Interval Ownership, any such levy of an assessment shall be limited to the Unit Weeks owned by said Owner of Unit Weeks and shall be of no force and effect as to any other Owner of Unit Weeks in said Unit.

Said assessment shall have the same force and effect as all other special assessments. The Association, shall have the further right to have its employees or agents, or any contractors appointed by it, enter a Unit at all reasonable times to do such work as it deemed necessary by the Board of Directors of the Association, to enforce compliance with the provisions hereof.

6.06 ASSOCIATION AUTHORITY. The Association, shall determine the exterior color scheme of the buildings and all exteriors, and interior color scheme of the Common Elements, and shall be responsible for the maintenance thereof, and no Owner shall paint an exterior wall, door, window, or any exterior surface, or replace anything thereon or affixed thereto, without the written consent of the Board of Directors of the Association.

002-22-0446

6.07 ASSOCIATION RESPONSIBILITY. The Association shall be responsible for the maintenance, repair, and replacement of the Common Elements, including but not limited to all recreation facilities, and all property not required to be maintained, repaired and/or replaced by the Unit Owners. Notwithstanding the other responsibilities as to his Unit, as is provided in this Declaration and Exhibits attached hereto, the Association, may enter into an Agreement with such firms or companies as it may determine to provide certain services and/or maintenance for and on behalf of the Unit Owners whereby maintenance and service are provided on a regularly scheduled basis for air conditioning maintenance and services as the Association deems advisable and for such period of time and on such basis as it determines. Said Agreements shall be on behalf of all Unit Owners and the assessment due from each Unit Owner for common expenses shall be increased by such sum as the Association deems fair and equitable under the circumstances in relation to the charge for said maintenance or service, subject to the limitations set forth in Paragraph 5.08. Each Unit Owner shall be deemed a party to said Agreement with the same force and effect as though said Unit Owner had executed said Agreements as the Agent for the Unit Owner. The aforesaid assessments shall be deemed to be an assessment under the provisions of Article V of this Declaration.

ARTICLE VII

INSURANCE AND CONDEMNATION

7.01 IN GENERAL. Commencing not later than the time of the first conveyance of a Unit to a person other than Developer, the Association shall maintain, to the extent reasonably available:

(1) Property insurance on the Common Elements and Units, exclusive of improvements and betterments installed in Units by Unit Owners, insuring against all risks of direct physical loss commonly insured against. The total amount of insurance after application of any deductibles shall not be less than 80% of the actual cash value of the insured property, exclusive of land, excavations, foundations, and other items normally excluded from property policies; and

(2) Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board of Directors covering all occurrences commonly insured against for death, bodily

002-22-0447

injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the Common Elements.

7.02 NOTICE OF NO INSURANCE. If the insurance described in Section 7.01 is not maintained, the Association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Unit Owners. The Association, in any event, may carry any other insurance it deems appropriate to protect the Association or the Unit Owners.

7.03 INSURANCE ADJUSTMENT AND DISBURSEMENT. Any loss covered by the property policy under Section 7.01 shall be adjusted with the Association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated by the Association for that purpose, or otherwise to the Association, and not to any mortgagee or beneficiary under a deed of trust. The insurance trustee or the Association shall hold any insurance proceeds in trust for Unit Owners and lien holders as their interests may appear. Subject to the provisions of this Section, the proceeds shall be disbursed first for the repair or restoration of the damaged Common Elements and Units, and Unit Owners and lien holders are not entitled to receive payment of any portion of the proceeds after the Common Elements and Units have been completely repaired or restored, or the Condominium Regime is terminated.

7.04 UNIT OWNER'S INSURANCE. An insurance policy issued to the Association does not prevent a Unit Owner from obtaining insurance for his own benefit.

7.05 CERTIFICATES AND CANCELLATION NOTICE. An insurer that has issued an insurance policy under this Article VII shall issue certificates or memoranda of insurance to the Association and, upon request, to any Unit Owner, Mortgagee, or beneficiary under a first lien deed of trust. The insurance may not be cancelled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Unit Owner and each Mortgagee or beneficiary under a first lien deed of trust to whom certificates of insurance have been issued.

7.06 EXCEPTIONS TO REBUILDING. Any portion of the Condominium Project damaged or destroyed shall be repaired or replaced promptly by the Association unless:

- (1) The Condominium Regime is terminated;

002-22-0448

(2) Repair or replacement would be illegal under any state or local health or safety statute or ordinance;

(3) 30% of the Unit Owners, including every Owner of a Unit or assigned Limited Common Element which will not be rebuilt, vote not to rebuild; or

(4) The disaster comprises all or more than two-thirds (2/3) of all the Buildings as determined by the Association.

In the event it is determined by the Association that reconstruction shall not take place as provided for in this Section 7.06, and unless otherwise unanimously agreed upon by the Owners, or their mortgagees, as their interest may appear, entitled to it in accordance with Unit's Percentage Interest set forth in this Declaration.

Should it be proper to proceed with the reconstruction, the provisions for such eventuality made in the Bylaws shall be observed, or if there be no such provision the decision of the Association shall govern.

7.07 COSTS IN EXCESS OF INSURANCE PROCEEDS.

Where the insurance indemnity is insufficient to cover the cost of reconstruction and reconstruction is required under the proceeding Section hereof, the building costs in excess of the insurance proceeds shall be paid by all the Owners directly affected by the damage as provided in the Bylaws; however, if there is no valid Bylaw provision, then, in proportion to the Percentage Interest assigned to the respective Unit or Unit Weeks so affected. If any one or more of those composing the minority shall refuse to make such payments, the majority may proceed with the reconstruction at the expense of all the Owners benefited thereby, upon proper resolution setting forth the circumstances of the case and the cost of the work.

The provisions of this Section may be changed by unanimous resolution of the Owners concerned, adopted subsequent to the date on which the fire or other disaster occurs.

7.08 CONDEMNATION. If at any time or times during this Condominium Regime all or any part of the Condominium Project shall be taken or condemned by any public authority under power of eminent domain, these provisions shall apply. A voluntary sale or conveyance of all or any part of the Condominium Project in lieu of condemnation, but under threat of condemnation, shall be deemed to be a taking by power of eminent domain.

002-22-0449

(1) All compensation, damages, and other proceeds from any such taking by power of eminent domain (hereinafter the "condemnation award") shall be made payable to the Association and shall be distributed by the Association as herein provided.

(2) In the event the entire Condominium Project is taken by power of eminent domain, condominium ownership pursuant hereto shall terminate and the condemnation award shall be allocated among and distributed to the Owners in proportion to their respective undivided interests in the Common Elements. Such distribution shall be made by check payable jointly to each Owner and his respective Mortgagee, as appropriate.

(3) In the event less than the entire Project is taken by power of eminent domain, the following shall occur:

(a) Allocation of Award. If apportionment or allocation is established by applicable negotiations, judicial decree, or statute, the Association shall employ such apportionment and allocation to the extent appropriate. Otherwise, as soon as practicable, the Association shall, reasonably and in good faith, apportion the condemnation award between compensation, severance damages, or other proceeds, and shall allocate such apportioned amounts and pay the same to the Owners as follows:

(i) The total amount apportioned to taking of or injury to the Common Elements shall be allocated among and distributed to all Owners (including Owners whose entire Units or Units committed to Interval Ownership have been taken) in proportion to their respective undivided interests in the Common Elements;

(ii) The total amount apportioned to severance damages shall be allocated among and distributed to the Owners of those Units that have not been taken, in proportion to their respective undivided interests in the Common Elements;

(iii) The respective amounts apportioned to the taking of or injury to a particular Unit shall be allocated and distributed to the Unit Owners;

002-22-0450

(iv) The total amount apportioned to consequential damages and any other takings or injuries shall be allocated and distributed as the Association determines to be equitable under the circumstances;

(v) Distribution of allocated proceeds shall be made by check payable jointly to each Owner and his respective Mortgagees, as appropriate.

(b) Continuation and Reorganization. If less than the entire Project is taken by power of eminent domain, the Condominium Regime shall not terminate, but shall continue. If any partial taking results in the taking of an entire Unit or Units committed to Interval Ownership or Time Period Unit, the Owner thereof shall cease to be a Member of the Association. The Association shall reallocate the voting rights and the undivided interest in the Common Elements appertaining to such Unit or Units committed to Interval Ownership in accordance with the provisions of the Condominium Act.

(c) Reconstruction or Repair. Any reconstruction or repair necessitated by condemnation shall be governed by the procedures specified in Sections 4.12, 7.03 through 7.06 hereof.

ARTICLE VIII

MORTGAGEE'S PROTECTION

8.01 NOTICES. A Mortgagee, upon request, will be entitled to written notification from the Association of any default in the performance by an Owner-Mortgagor, of any obligation under this Declaration and other documents governing this Condominium Regime, which is not cured within sixty (60) days.

8.02 FORECLOSURE EXEMPTION. Any Mortgagee which obtains title to a Unit pursuant to the remedies provided in the mortgage instruments, or foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure will be exempt from any "right of first refusal" contained in this Declaration or other documents governing this Condominium Regime, if any.

002-22-0451

8.03 ASSESSMENTS. Any Mortgagee which obtains title to a Unit pursuant to the remedies provided in the mortgage or foreclosure of the mortgage will not be liable for such Unit's unpaid assessments which accrue prior to the acquisition of title to such Unit by the Mortgagee.

8.04 PROHIBITIONS. Unless at least 75% of the first mortgagees (based upon votes equal to the Percentage Interest of the Unit or Unit Week subject to the Mortgage), or Owners (other than Developer) have given their prior written approval in recordable form, the Association shall not be entitled to:

(1) By act or omission, seek to abandon or terminate the Condominium Regime;

(2) Change the Percentage Interest or obligations of any Unit for the purpose of:

(a) Levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or

(b) Determining the pro-rata share of ownership of each Unit in the Common Elements;

(3) Partition or subdivide any Unit;

(4) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements (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 clause);

(5) Use hazard insurance proceeds for losses to the Condominium Project (whether to Units or to Common Elements) for other than the repair, replacement or reconstruction of such property, except as provided by statute in the case of substantial loss to the Units or Common Elements of the Condominium Project (See Article VI).

8.05 RECORDS. Mortgagees shall have the right to examine the books and records of the Association.

002-22-0452

8.06 RESERVE FUNDS. The Association assessments and charges shall include an adequate reserve fund for maintenance, repairs and replacements.

8.07 LIENS. All taxes, assessments and charges which may become liens prior to the first mortgage under local law shall relate only to individual Units and not to the Condominium Project.

8.08 INSURANCE, ETC. PROCEEDS. No provision of the Declaration or other documents governing this Condominium Regime shall give any Owner, or any other party, priority over any rights of Mortgagees of the Units pursuant to their mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of Units and Common Elements.

ARTICLE IX

AMENDMENT OF DECLARATION

9.01 IN GENERAL. Except in cases of amendments that may be executed by Developer under other Sections of this Article IX, and subject to Article IX hereof, this Declaration, including the plats and plans, may be amended only by vote or agreement of Unit Owners to which at least two-thirds (2/3) of the votes of the Association are allocated. No amendment shall change the rights and privileges of the Developer without Developer's approval.

9.02 RECORDING. Every amendment to this Declaration must be Recorded.

9.03 UNANIMOUS CONSENT. Except to the extent expressly permitted or required by other provisions of this Declaration or the Condominium Act, no amendment to this Declaration may increase the number of Units, or change the boundaries of any Unit, the Percentage Interest, or the uses to which any Unit is restricted, in the absence of unanimous consent of the Owners.

9.04 PREPARATION AND CERTIFICATION. Amendments to this Declaration to be Recorded by the Association shall be prepared, executed, recorded, and certified by the president and/or secretary of the Association.

9.05 AMENDMENTS BY DEVELOPER. Notwithstanding anything in this Declaration to the contrary, Developer may amend this Declaration in order to:

002-22-0453

(1) Correct Exhibits or other errors which may have been made in this Declaration during the period of Developer control of the Association;

(2) Change the Percentage Interest assigned to and dimensions of Units owned by Developer so long as such changes do not decrease the Percentage Interest assigned to Units of other Owners; and

(3) Conform with the requirements of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, or similar financial institutions with respect to Condominium documentation.

each by written instrument to such effect, executed and acknowledged by Developer only, and duly Recorded.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.01 VENUE. The obligations and undertakings of each of the parties subject to this Declaration shall be performable in the County in which the Property is located.

10.02 LEGAL CONSTRUCTION. If any term provision, covenant, or condition of this Declaration, the Articles of Incorporation, the Bylaws, or the Management Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

10.03 CONFLICTS. In the event any conflict between the Condominium Act, this Declaration, the Bylaws, the Management Agreement, or the Rules and Regulations, then the provisions of those documents shall prevail in the order in which those documents are listed in this Section.

10.04 TEXAS LAW. This Declaration shall be governed by and construed in accordance with the laws of the State of Texas.

10.05 PARTIES BOUND. This Declaration shall be binding upon and inure to the benefit of the successors and assigns of Developer, and all future Owners by their acceptance of their deeds.

002-22-0454

10.06 ATTORNEY'S FEES. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions hereof, the prevailing party shall be entitled to recover reasonable attorney's fees from the other party, which fees may be set by the court in the trial of such action or may be enforced in a separate action brought for that purpose, and which fees shall be in addition to any other relief which may be awarded.

10.07 ENFORCEMENT. The terms and provisions of this Declaration, the Bylaws, and the Condominium Act may be enforced in law or equity by the Association, or any Owner. Failure to comply therewith shall entitle the Association or any Unit Owner to recover damages or injunctive relief, or both. Any failure to so enforce this Declaration, from time to time, shall not be deemed a waiver of such breach or failure to adhere to the provisions hereof.

10.08 NOTICES. Whenever notices are required to be sent hereunder, the same may be delivered to Unit Owners either personally or by mail, addressed to such Unit Owners at their address on file with the Association from time to time. Proof of such mailing or personal delivery by the Association or any Management Firm shall be given by the Affidavit of the person mailing or personally delivering said notices. Notices to the Association shall be delivered by mail to the Secretary of the Association, or the President of the Association. The change of the mailing address of any party as specified herein shall not require an Amendment to this Declaration.

Notices to the Developer shall be delivered by mail at: Sunward Developers, Inc., 7600 Seawall Boulevard, Galveston, Texas 77551.

Notices to the Management Firm shall be delivered by mail at: Sun Resort Management, Inc., 7600 Seawall Boulevard, Galveston, Texas 77551.

All notices shall be deemed and considered sent when mailed. Any party may change his or its mailing address by written Notice, duly receipted for. Notices required to be given to the personal representatives of a deceased Owner or devisee, when there is no personal representative, may be delivered either personally or by mail to such party at his or its address appearing in the records of the Court wherein the Estate of such deceased Owner is being administered. The change of the mailing address of any party, as specified herein, shall not require an Amendment to the Declaration.

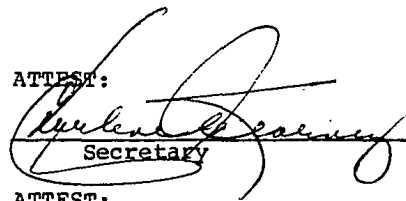
002-22-0455

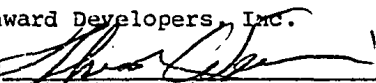
10.09 GENDER AND NUMBER. Wherever the context shall so require, all words herein in any gender shall be deemed to include the masculine, feminine, or neuter gender. All singular words shall include the plural, all plural words shall include the singular.

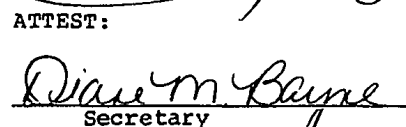
10.10 HEADINGS. The headings used in this Declaration are used for administrative purposes only and do not constitute substantive matter to be considered in construing the terms hereof.

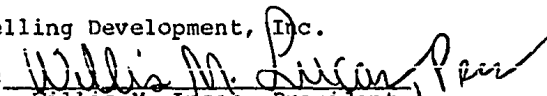
10.11 THE CONDOMINIUM ACT. The Property rights and obligations provided for in the Condominium Act are included herein, however, the provisions of the Condominium Act shall take precedent over any provision herein that may be in conflict therewith.

EXECUTED by Developer on the day and year first above written.

ATTEST: 
Secretary

Sunward Developers, Inc.
By: 
Theodore Weiswasser, President

ATTEST: 
Secretary

Dwelling Development, Inc.
By: 
Willis M. Lucas, President

ACKNOWLEDGEMENT

THE STATE OF TEXAS *
*
COUNTY OF GALVESTON *

BEFORE ME, the undersigned authority, on this day personally appeared Theodore Weiswasser, President of Sunward Developers, Inc., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

002-22-0456

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th
day of April, 1983.

Cathy Reid

Notary Public in Galveston County
For the State of Texas
(CATHY REID)
My Commission Expires: 4/9/85

THE STATE OF TEXAS *
*
COUNTY OF GALVESTON *

BEFORE ME, the undersigned authority, on this day
personally appeared Willis M. Lucas, President of Dwelling
Development, Inc., known to me to be the person whose name
is subscribed to the foregoing instrument and acknowledged
to me that he executed 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 the 15th
day of April, 1983.

Cathy Reid

Notary Public in Galveston County,
For the State of Texas
(CATHY REID)
My Commission Expires: 4/9/85

ACCEPTANCE

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of
which is hereby acknowledged, Captain's Cove Resort Association,
a Texas non-profit corporation, hereby agrees to accept all
of the benefits and all of the duties, responsibilities,
obligations and burdens imposed upon it by the provisions of
the Declaration of Condominium and Exhibits attached hereto.

IN WITNESS WHEREOF, the above described Corporation, a
Texas non-profit corporation, has caused these presents to
be signed in its name by its President, and its Corporate
Seal affixed, attested by its Secretary, this 15th day of
April, 1983.

Captain's Cove Resort Association
By: *Carlton*
President

ATTEST:

Cathy Reid
Secretary

VAN A. BARNETT

REGISTERED PROFESSIONAL SURVEYOR
OF THE STATE OF TEXAS
LICENSE NO. 1000

002-21-0457

ESTIMATES
LAND SURVEYING
PUBLIC IMPROVEMENTS
CONCRETE DESIGN
TIMBER STRUCTURES
LAND PLANNING
SUBDIVISIONS

EXHIBIT "A"

LAND DESCRIPTION

March 15, 1952

3818 AVENUE N,
GALVESTON TEXAS
PHONE 762-3944

REVERSE DESCRIBED FOR THIS LOT

Survey a part of Lot 140 and east 1/2 Lot 151, Section 1, Trickle Creek Subdivision, City of Galveston, Brazoria County, Texas, described as follows: - Begin in south line of Stewart Road which is 235 feet east of east line of said Lot 151; thence S25°E, parallel with east line of said Lot 151, 121 feet to corner; thence S 5°E, parallel with said South line, 70 feet to corner in east line of east 1/2 of said Lot 151; thence S25°E, along said east line, 163.30 feet to corner in Northerly Line of Seawall Boulevard; thence N55° 55'E, along said Northerly line across lots 151 and 140, 501.28 feet to corner in east line of said Lot 140; thence N25°E, along said east line, 107.9 feet to corner; thence S55° 55'W 160 feet to corner; thence S25°E, parallel with said East Line, 152.80 feet to corner in said South Line of Stewart Road; thence Southwesterly, along said South Line which is a curve to the right with a 1482.72 foot radius, 219.39 feet to Point of Tangency; thence S85°W, along said South line, 48.03 feet to place of Beginning.

V. A. Barnett

Van A. Barnett, Reg. P.S.

EXHIBIT "A"-1

VAN A. BARNETT

REGISTERED PROFESSIONAL SURVEYOR

STATE OF TEXAS

002-21-0458

ESTIMATES
LAND SURVEYING
PUBLIC IMPROVEMENTS
CONCRETE DESIGN
TIMBER STRUCTURES
LAND PLANNING
SUBDIVISIONS

3818 AVENUE N.
GALVESTON TEXAS
PHONE 762-3944

March 17, 1957

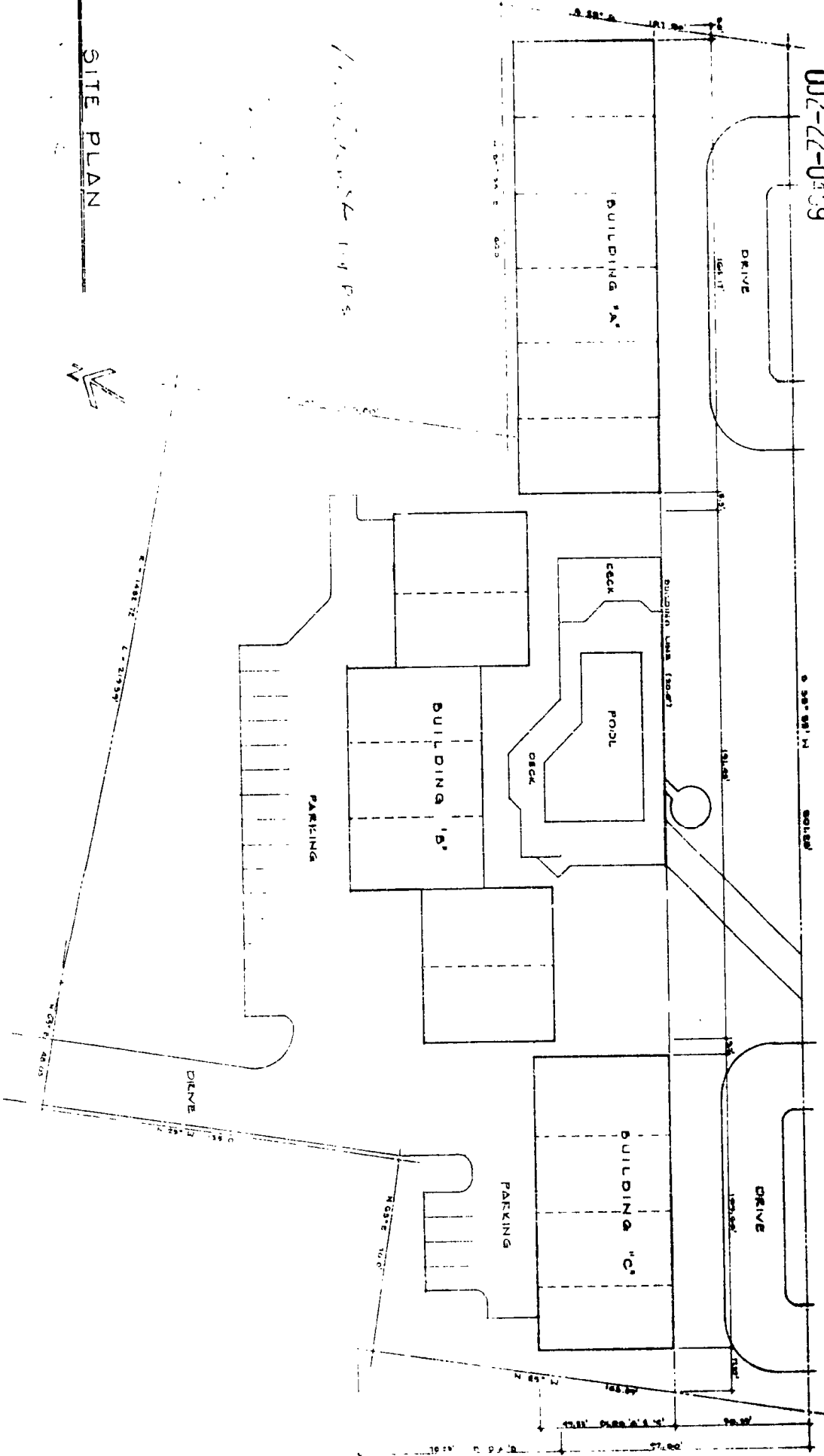
REVISION SURVEY FOR PLAT

Survey a part of Lot 140 and east 1/2 of Lot 151, section 1, tracts 2 & 11 by subdivision, City of Galveston, State of Texas, described as follows: - Beginning at point in south line of Stewart Road which is 235 feet east of east line of said Lot 151; thence S 75° 00' E, parallel with east line of said Lot 151, 105 feet to corner; thence S 50° 00' E, parallel with said South Line, 70 feet to corner in east line of east 1/2 of said Lot 151; thence S 25° 00' E, along said east line, 105.80 feet to corner in Northerly Line of section 11 boundary; thence N 55° 55' E, along said Northerly line across lots 141 and 140, 501.28 feet to corner in east line of said Lot 140; thence N 25° 00' E, along said east line, 107.9 feet to corner; thence S 55° 55' W 160 feet to corner; thence S 25° 00' E, parallel with said east line, 152.80 feet to corner in said South Line of Stewart Road; thence south westerly, along said South Line which is a curve to the right with a 1482.72 foot radius, 219.29 feet to Point of Tangency; thence S 65° 00' E, along said South line, 48.03 feet to place of Beginning.

Van A. Barnett
Van A. Barnett, Reg. P.S.

3922

002-22-0409



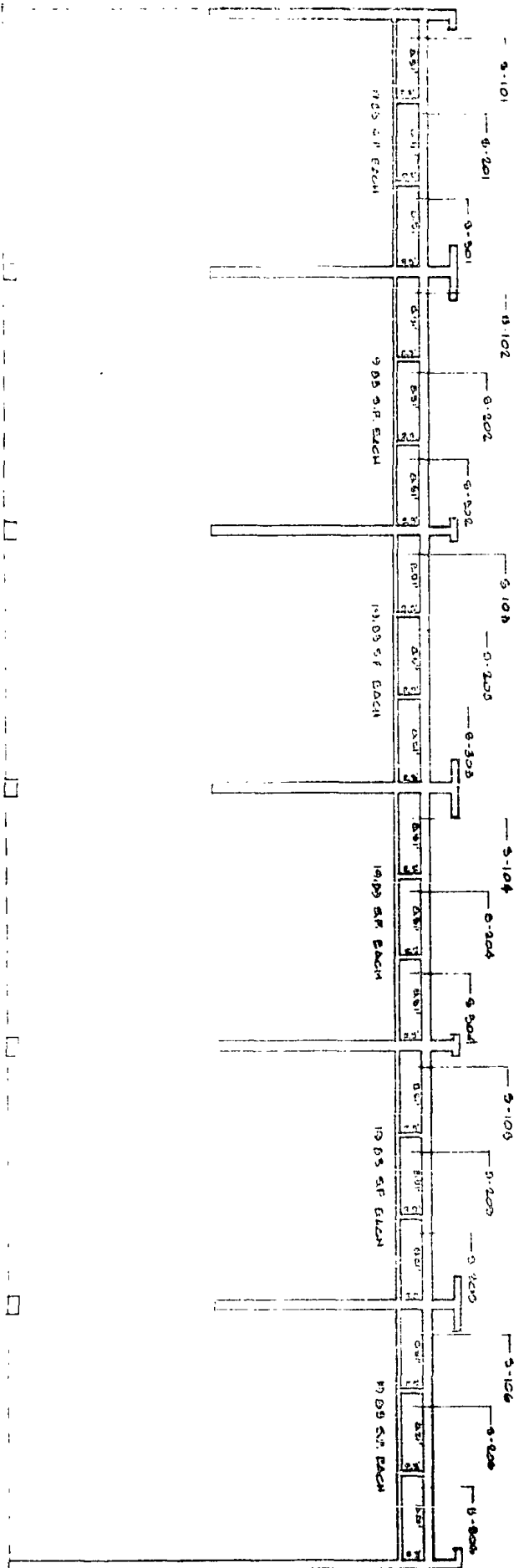
SITE PLAN



1

1

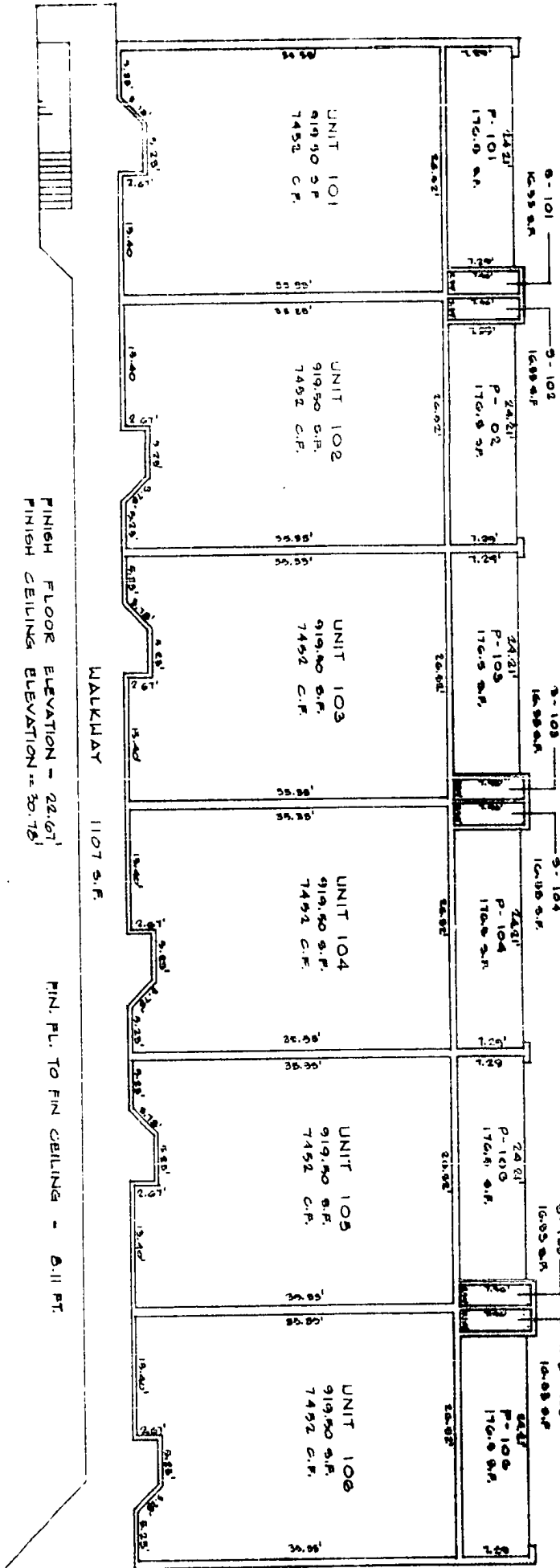
002-22-0110



BUILDING "A" GROUND FLOOR

WILLIAMS, BROWN & CO., INC.

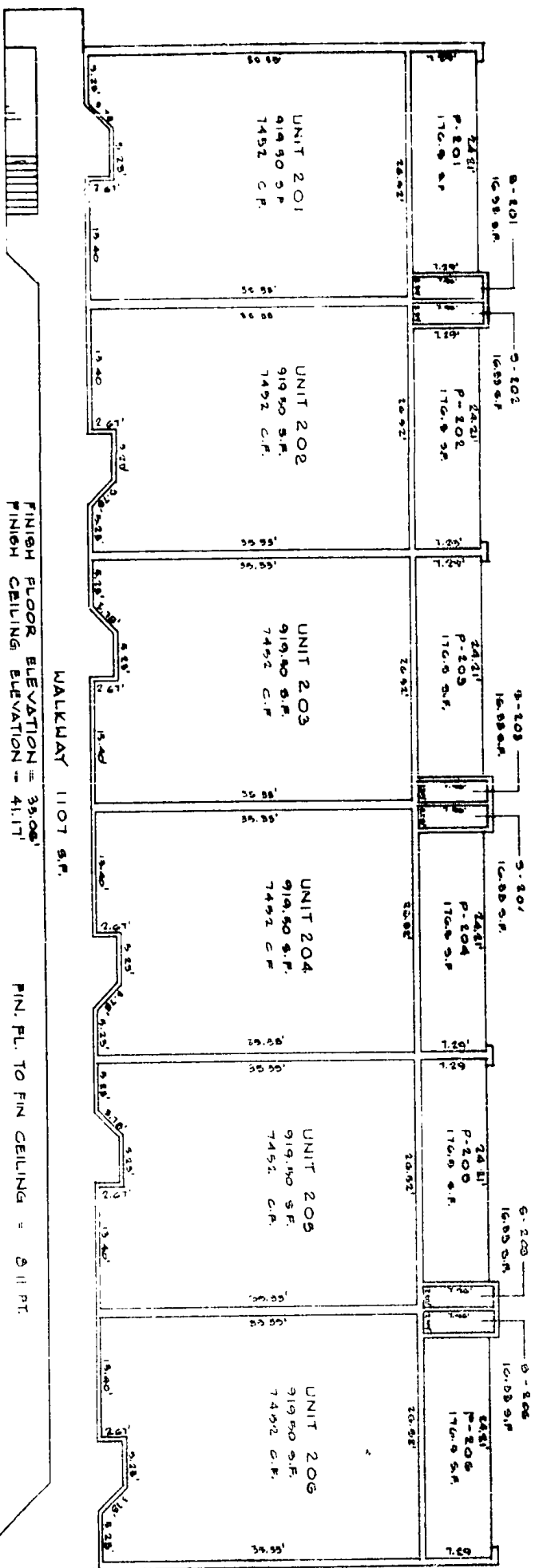
002-22-0461



BUILDING "A" ——— FIRST FLOOR

David Stewart, Reg. P.E.

002-2-0142



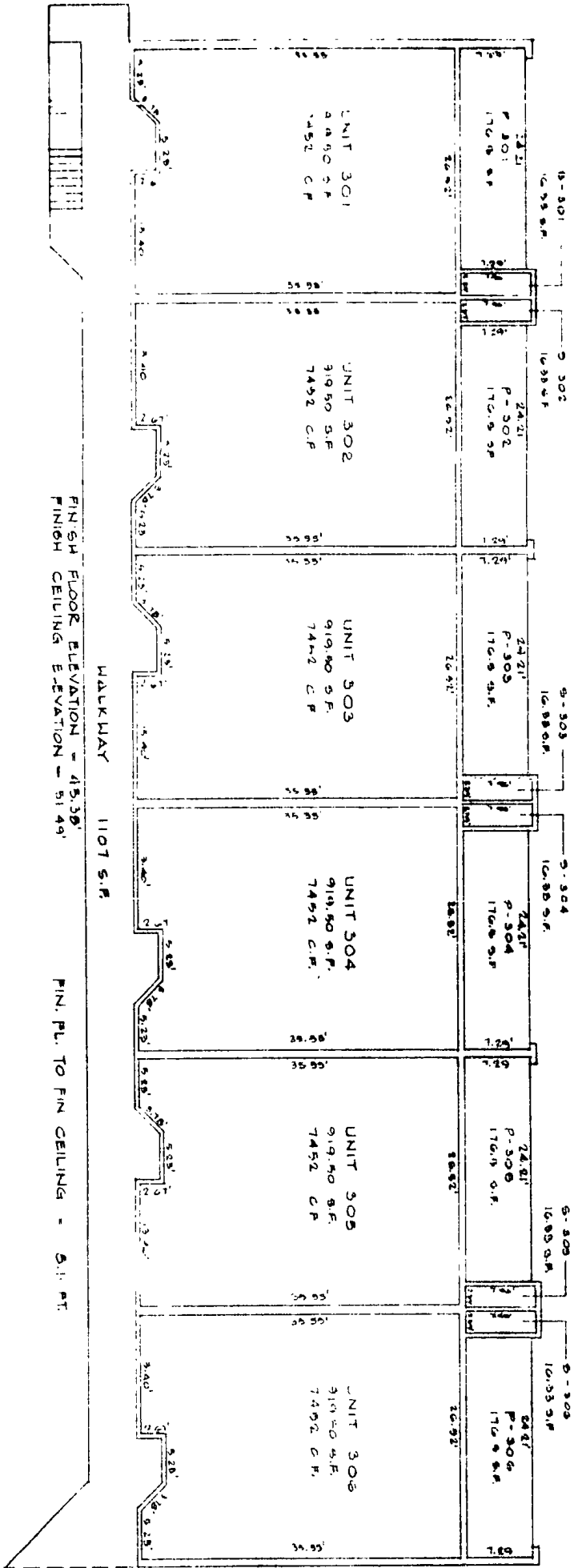
FINISH FLOOR ELEVATION = 35.00'
FINISH CEILING ELEVATION = 41.17'

FIN. FL. TO FIN. CEILING = 5' 11" PT.

BUILDING "A" SECOND FLOOR

Walter C. Adamczyk, Reg. P.E.

002-22-0463



FINISH FLOOR ELEVATION - 45.35'
FINISH CEILING ELEVATION - 51.49'

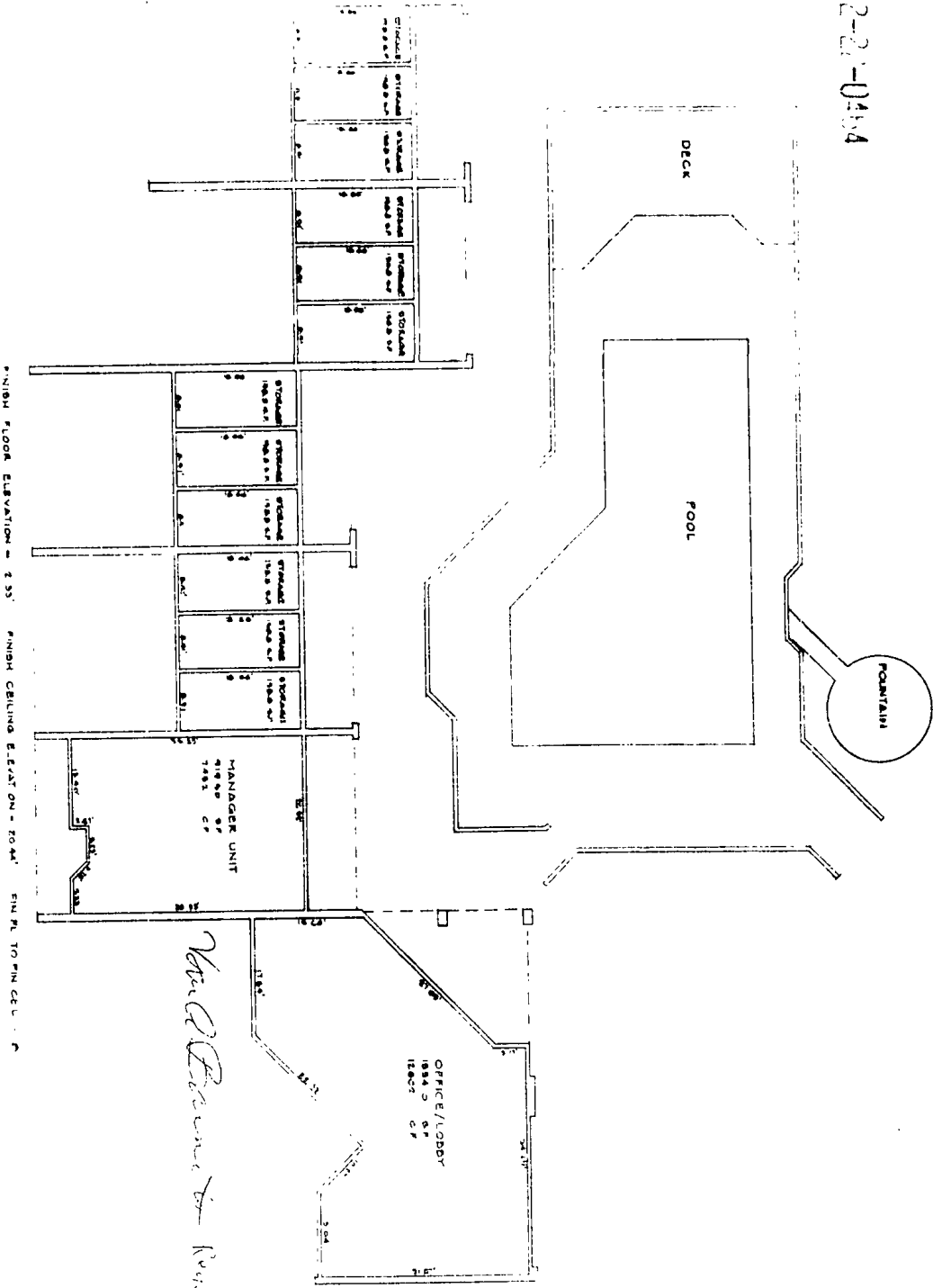
FIN. FL. TO FIN. CEILING - 5:11 FT

BUILDING "A" THIRD FLOOR

Wm. C. Peterson, Reg. P.E.

002-21-0454

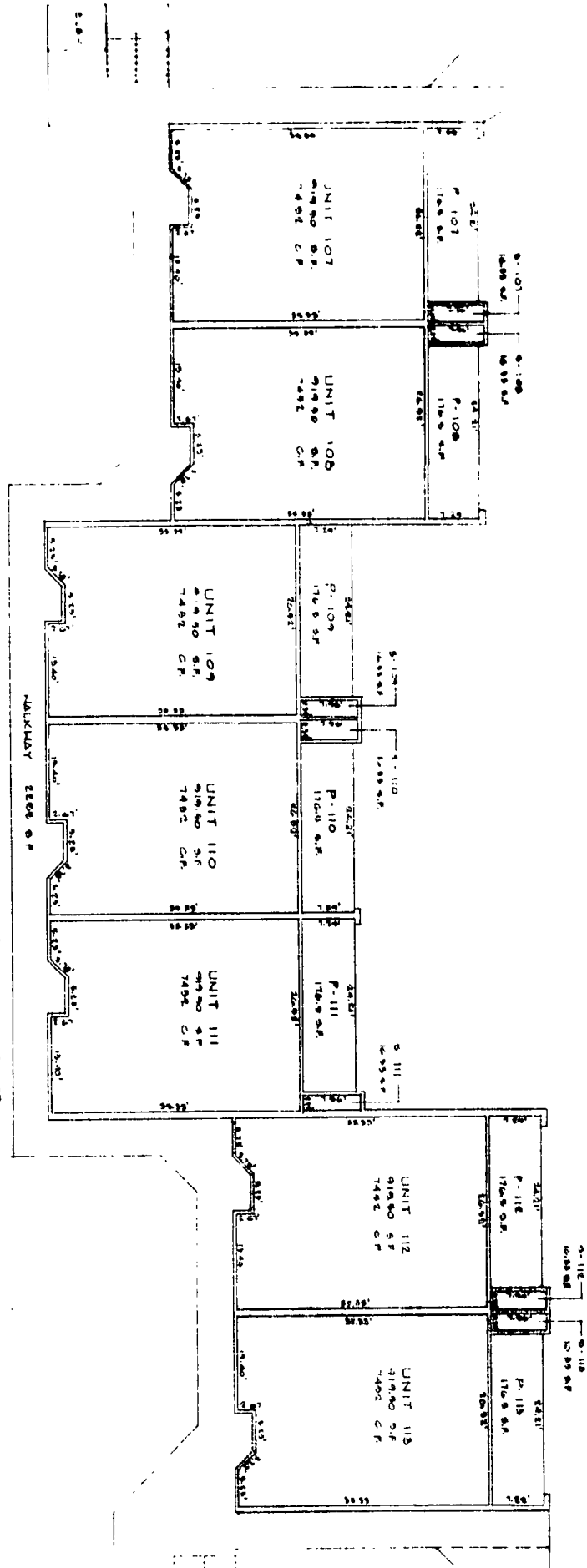
BUILDING PLAN - GROUND FLOOR



FINISH FLOOR ELEVATION = 1.35' FINISH CEILING ELEVATION = 20.04' FIN. PL. TO FIN. CEIL.

Mark O. De... R.P.E.

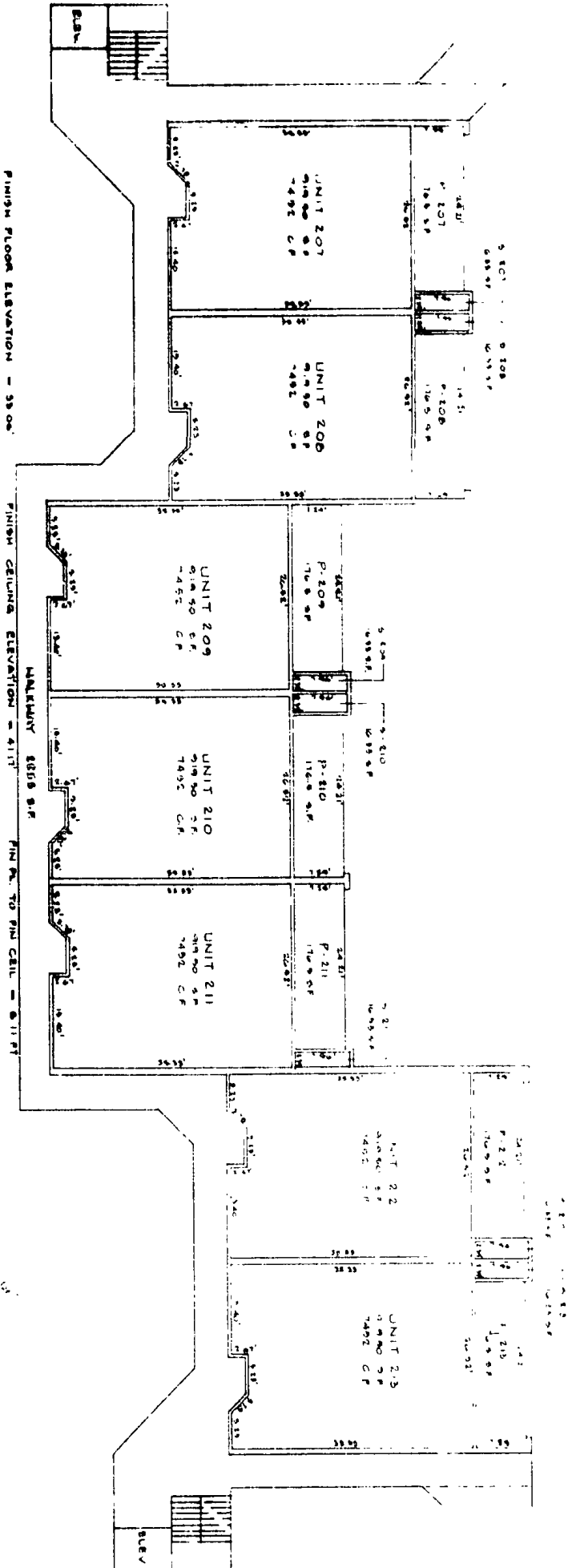
002-22-0465



BUILDING 'B' FIRST FLOOR

Van & Barwick, Reg. P.E.

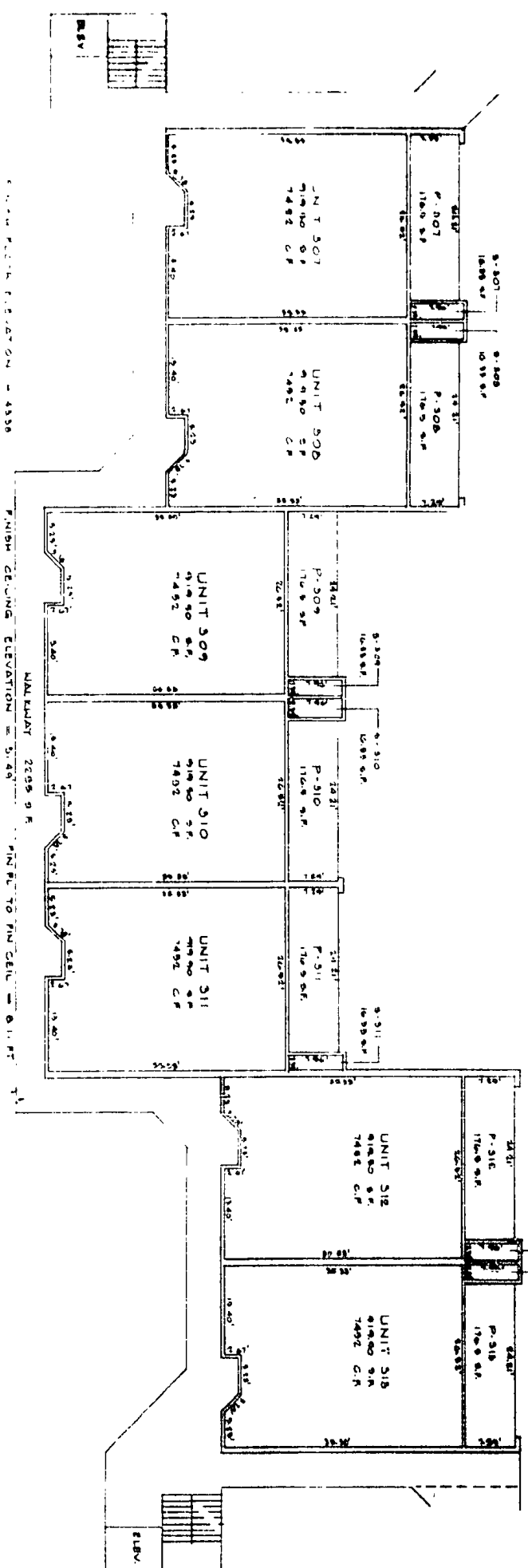
002-21-0406



BUILDING 'B' SECOND FLOOR

W.C. Bennett, Reg. P.E.

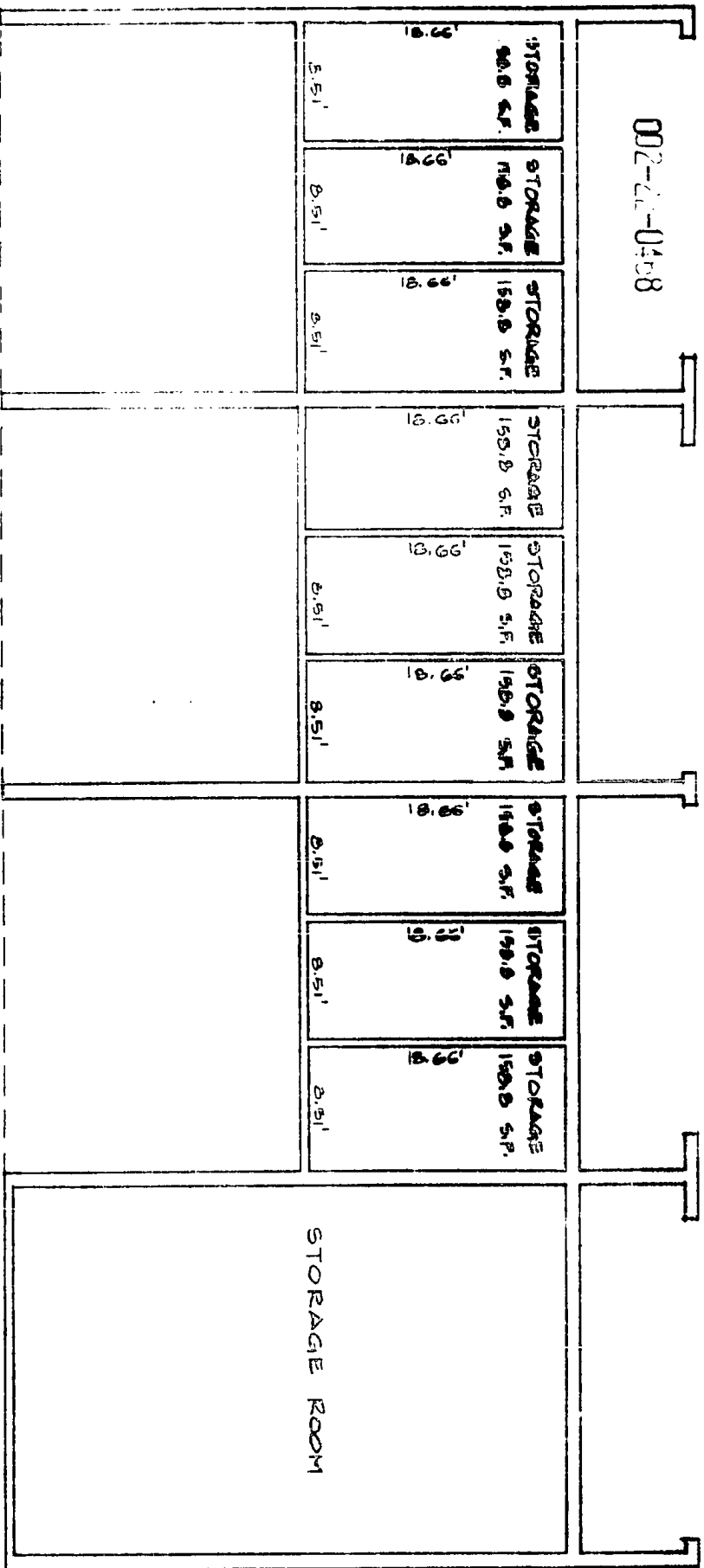
002-66-037



BUILDING 'B' THIRD FLOOR

W. D. D. R. P. E.

002-27-0468



Handwritten signature
Handwritten Name
Reg. P.E.

BUILDING "C" ————— GROUND FLOOR

002-22-0409

5-114
16.95 S.F.

5-115
16.95 S.F.

5-116
16.95 S.F.

5-117
16.95 S.F.

24.21'
P-114
176.5 S.F.

24.21'
P-115
176.5 S.F.

24.21'
P-116
176.5 S.F.

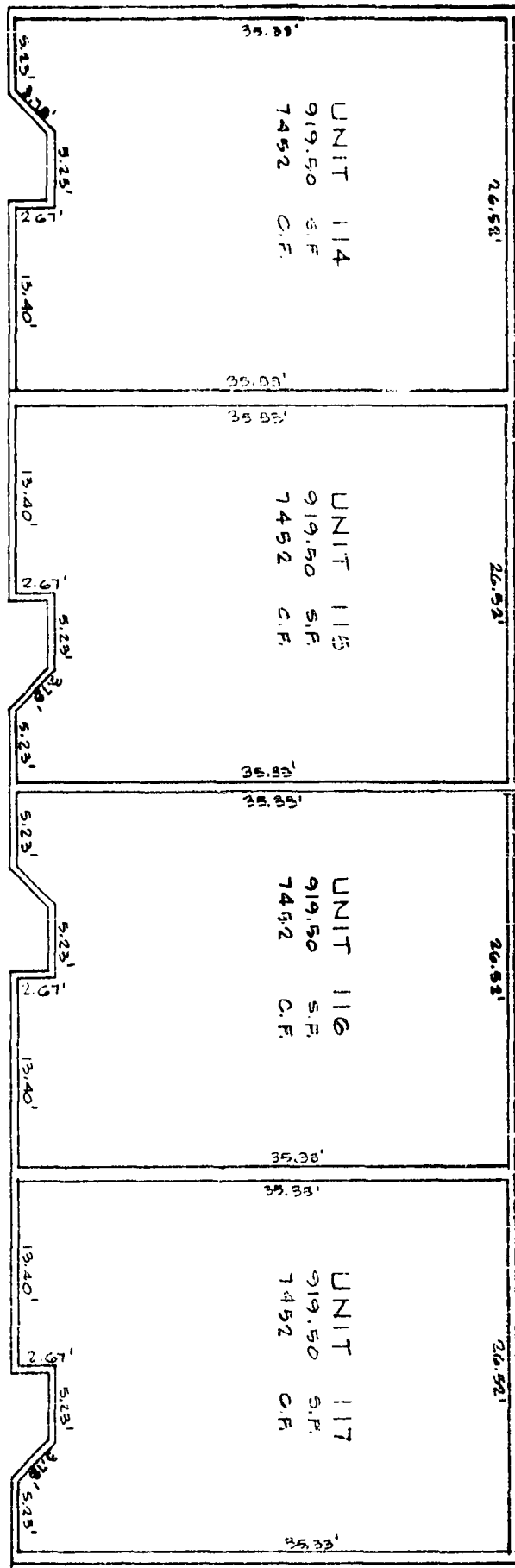
24.21'
P-117
176.5 S.F.

UNIT 114
919.50 S.F.
7452 C.F.

UNIT 115
919.50 S.F.
7452 C.F.

UNIT 116
919.50 S.F.
7452 C.F.

UNIT 117
919.50 S.F.
7452 C.F.



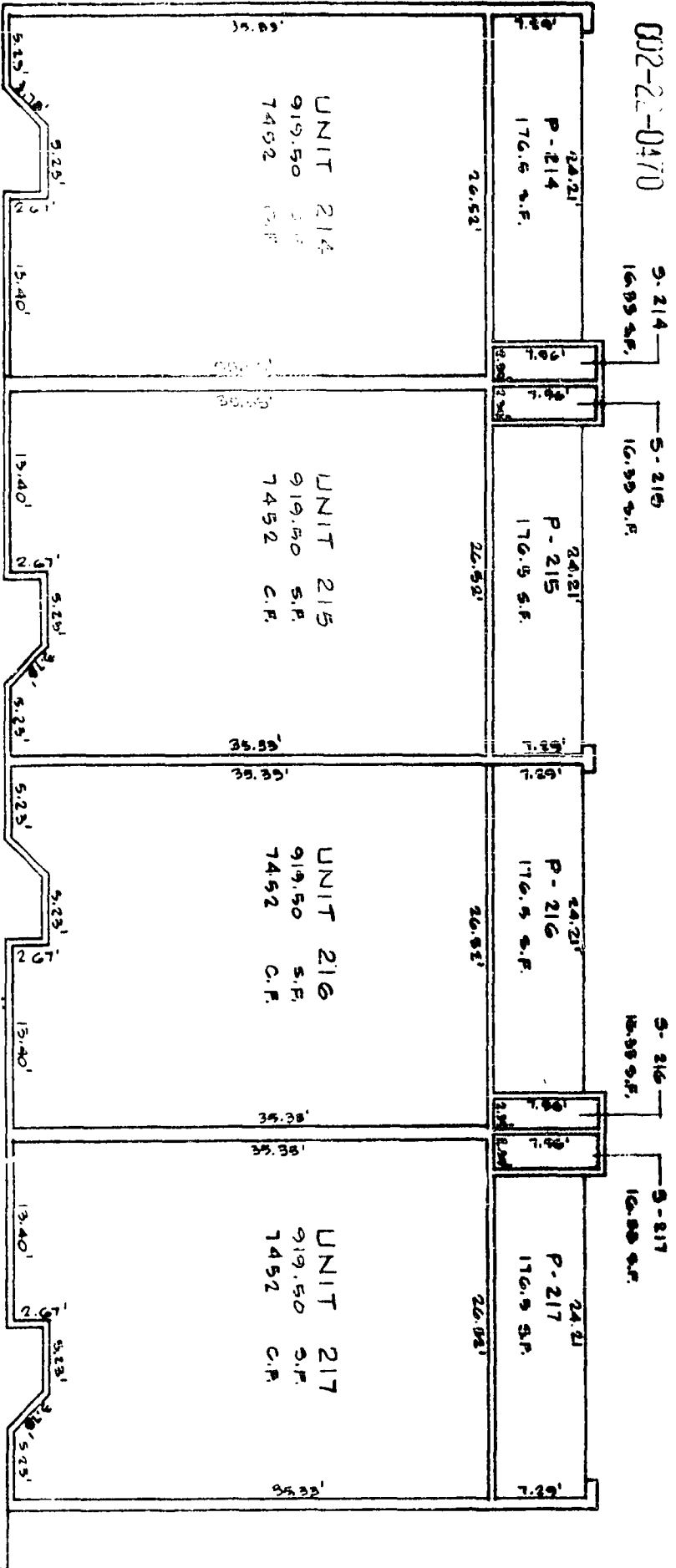
WALKWAY 782 S.F.

FINISH FLOOR ELEVATION = 22.61'
FINISH CEILING ELEVATION = 30.76'
FIN. FL. TO FIN. CEIL. = 8.11 FT

W. J. Barrett
ROD. P. E.

BUILDING "C" FIRST FLOOR

002-22-0470

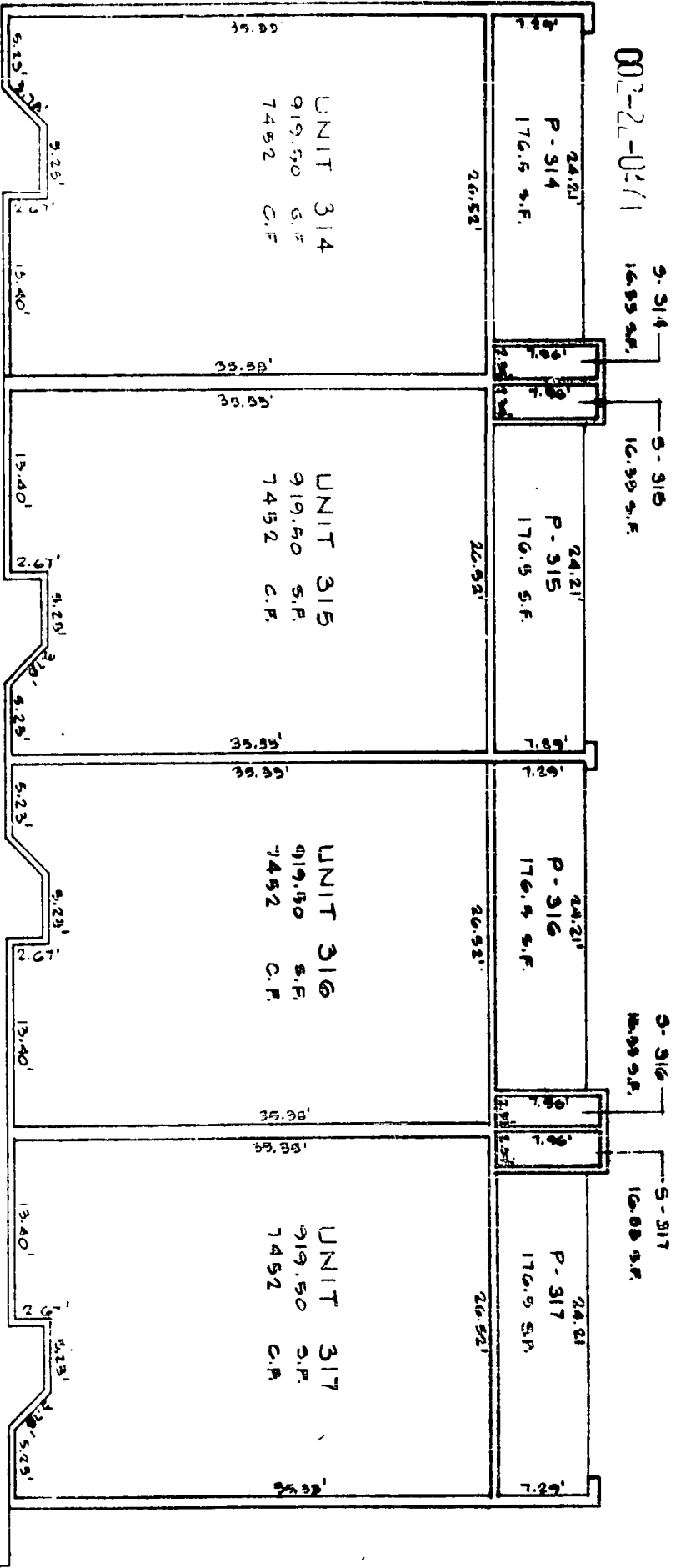


FINISH FLOOR ELEVATION = 59.06'
 FINISH CEILING ELEVATION = 41.17'
 FIN. FL. TO FIN. CEIL. = 17.89 FT

Van C. Bennett Reg. P.E.

BUILDING "C" SECOND FLOOR

002-2-04/1



WALKWAY 782 S.F.

FINISH FLOOR ELEVATION = 45.98'
 FINISH CEILING ELEVATION = 51.49'
 FIN. FL. TO FIN. CEIL. = 5.51 FT

W. C. Brune
 W. C. Brune & Co., Reg. P. E.

BUILDING "C" ————— THIRD FLOOR

002-22-0472

EXHIBIT "B"

PLAT OF LAND, BUILDING LETTERS, LOCATION OF
BUILDING(S), COMMON ELEMENTS, AND
LIMITED COMMON ELEMENTS

(See the drawing(s) hereof, submitted with this Declaration to the County Clerk of Galveston County, Texas, which drawing(s) are incorporated herein by reference).

EXHIBIT "B"-1

002-22-0473

EXHIBIT "C"

PLAT OF EACH FLOOR OF EACH BUILDING
SHOWING THE LETTER OF THE BUILDING,
THE NUMBER OF THE FLOOR; THE GENERAL DESCRIPTION
AND NUMBER OF EACH UNIT, ITS AREA, LOCATION AND
OTHER IDENTIFICATION DATA; THE GENERAL DESCRIPTION,
LOCATION AND IDENTIFICATION OF LIMITED COMMON ELEMENTS

(See the drawing(s) hereof, submitted with this Declaration to the County Clerk of Galveston County, Texas, which drawing(s) are incorporate herein by reference).

EXHIBIT "C"-1

002-22-0474

EXHIBIT "D"

UNIT PERCENTAGE INTEREST

Each Unit Owner within the Condominium Project shall have a 1.9608% interest in and to the Common Elements and Common Surplus, and shall be responsible for said 1.9608% of the Common Expense Assessments by the Association.

EXHIBIT "D"-1

002-22-0475

EXHIBIT "E"

PERCENTAGE INTEREST IN EACH UNIT

In the case of each Unit Committed to Interval Ownership, each Owner of Unit Weeks in such Unit will own a percentage share of the Unit and the Percentage Interest assigned to the Unit by Exhibit "D" hereof according to the following schedule:

<u>Owned Weeks Numbered</u>	<u>Percentage Share of Unit Week Owned of Percentage Interest of Unit</u>
Each of 51 weeks within weeks numbered 1 through 51 (excluding that week owned by the Association)	1.9165%
52	2.2585%

EXHIBIT "E"-1

002-22-0476

MANAGEMENT AGREEMENT

THIS AGREEMENT, Made this 15th day of April, 1983,
by and between CAPTAIN'S COVE RESORT ASSOCIATION,
a Texas non-profit corporation, acting herein by and through its duly authorized
officer, hereinafter referred to as "the Association," and SUN RESORT MANAGEMENT,
INC., a Texas corporation, acting herein by and through its duly authorized
officer, hereinafter referred to as "the Manager."

RECITALS

A. The Association is the entity charged with the administration of a Condominium Regime in which there are, or there will be, dwelling units committed to fee Interval Ownership, in accordance with the Declaration Establishing A Condominium Regime, Covenants, Conditions and Restrictions ("the Declaration"), recorded or to be recorded in the Condominium Records, the Association's Articles of Incorporation ("the Articles"), the Association's Bylaws ("the Bylaws"), and the Condominium Act (Revised Civil Statutes of the State of Texas, Article 1301a), all of which documents are hereby incorporated herein by reference for all purposes.

B. The Association is authorized to retain a professional management organization and to delegate to such organization all of the Association's obligations and authority for the administration of said Condominium Regime subject to such limitations as may be contained in the documents referred to hereinabove.

C. The Association desires to retain and to delegate its permissible obligations and authority to the Manager, and the Manager, which is affiliated with the Developer, desires to be retained for and to provide such services for the Association.

NOW THEREFORE, in consideration of the foregoing premises, the services to be rendered hereunder by the Manager, and the compensation herein agreed to be paid by the Association to the Manager for such services, the parties hereto agree as follows:

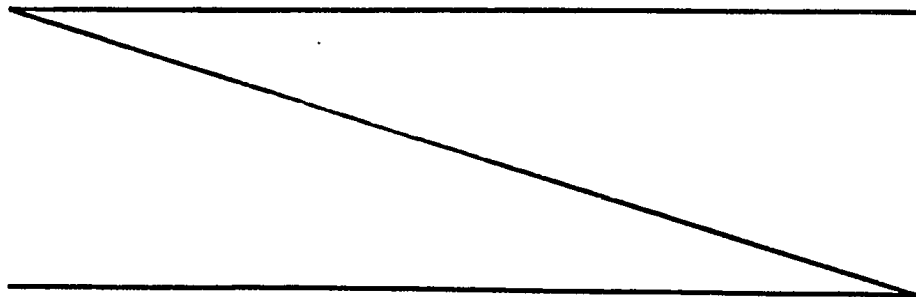


EXHIBIT "F"

W I T N E S S E T H :

002-22-0477

ARTICLE I

APPOINTMENT, ACCEPTANCE AND BASIC PROVISIONS

1.01 APPOINTMENT AND ACCEPTANCE. The Association does hereby appoint the Manager as exclusive agent with all of the duties, responsibilities, and with all of the authority of the Association to administer the Condominium Regime of CAPTAIN'S COVE RESORT, that may be delegated by the Association, and the Manager does hereby accept such appointment, subject to the terms and conditions set forth in this Agreement.

1.02 RELATIONSHIP OF PARTIES. The Manager is retained as an independent contractor, and is not a partner, joint venturer, or employee of the Association. No person, or any other party, providing services that are to be performed or provided by the Manager under this Agreement shall be deemed as an employee, agent or contractor of the Association, but rather shall be deemed as an employee, agent, or contractor of the Manager.

1.03 MANAGEMENT STANDARDS. The manager agrees to furnish the services of its organization, to exert its best efforts, and to exercise the highest degree of professional skill and competence necessary to operate and manage the Condominium Regime according to the highest achievable standards consistent with the overall policies of the Association and the interests of the Unit Owners. In particular, the Manager shall perform its services in accordance with the terms of this Agreement, the Declaration, the Articles, the Bylaws, the Rules and Regulations adopted by the Association, and the Condominium Act.

1.04 TERMINATION OF CONDOMINIUM REGIME. In the event the Condominium Regime shall be terminated, each of the Owners thereby become a tenant-in-common, as is provided for in the Declaration. Then as to each Owner's separate interest, they shall continue to be a party to this Agreement and shall be bound by the provisions hereof, and the Manager shall continue its management duties, responsibilities and its authority hereunder as to each Owner's interest pursuant to the provisions of this Agreement and as to the Nature of each Owner's interest as the context of this Agreement shall permit.

ARTICLE II

TERM OF AND TERMINATION OF AGREEMENT

2.01 TERM OF AGREEMENT. The term of this Agreement shall commence on the 1st day of April, 1983, and shall continue until the 31st day of December, 1986, unless renewed or sooner terminated as provided for hereinafter.

2.02 AUTOMATIC RENEWAL OF TERM. The term of this Agreement shall automatically be renewed for successive three (3) year periods unless the Agreement has been previously terminated as provided in this Agreement.

2.03 TERMINATION OF THE ASSOCIATION. This Agreement may be terminated by or on behalf of the Association:

(1) As of the end of the initial term, or as of the end of any succeeding three (3) year term, by giving the Manager written notice of termination at least sixty (60) days prior to the expiration of such term.

(2) As of the last date permissible for the Manager to correct its event of default as provided for in this Agreement.

2.04 TERMINATION BY THE MANAGER. This Agreement may be terminated by the Manager:

(1) As of the end of the initial term, or as of the end of any succeeding three (3) year term, by giving the Association written notice of termination at least sixty (60) days prior to the expiration of such term.

(2) As of the last date permissible for the Association to correct its event of default as provided hereinafter.

2.05 EFFECT OF TERMINATION. On termination of this Agreement:

(1) All records in the possession of the Manager pertaining to the operation of the Condominium Regime, together with all supplies or other items of property owned by the Association and in the possession of the Manager, shall be forthwith delivered to the Association or its designee.

(2) The Manager's right to compensation, other than for any termination fee allowable under this Agreement, shall immediately cease, but the Manager shall be entitled to be compensated for services rendered hereunder prior to the date of termination.

(3) The agency hereby created shall immediately cease, and the Manager shall have no further right and authority to act for the Association.

ARTICLE IIIDUTIES OF THE ASSOCIATION

3.01 DOCUMENTS. The Association shall provide the Manager with true and correct copies of any and all documents or may assist the Manager in performing its obligations hereunder, including without limitation, the Declaration, the Articles, the Bylaws, and Rules and Regulations adopted by the Association, and any other written instruments executed by or on behalf of the Association affecting management of the Condominium Regime. The Association shall timely provide the Manager with any information not known to the Manager which may be relevant to the Manager's performance of its obligations under this Agreement.

3.02 COOPERATION. The Association shall fully cooperate with the Manager in connection with Manager's performance of its obligations hereunder. In particular the Association shall aid and assist the Manager in any reasonable manner requested by the Manager as to the collection of Assessments and other charges, and so as to simplify the method of collecting the Assessments and other charges due from Unit Owners.

3.03 INTERFERENCE. The Association will not interfere nor permit or cause any of its officers, directors, or its Members to interfere with the Manager in the performance of its obligations or the exercise of its authority hereunder.

3.04 ON-SITE FACILITIES. The Association will provide adequate management facilities on the site of the Project and will not make any charge to the Manager for the use thereof.

3.05 OBLIGATION FOR EXPENSES. All obligations or expenses incurred by the Manager in carrying out its duties and responsibilities under this Agreement shall be for the account and expense of the Association. No part of the Manager's funds or compensation, as provided for in this Agreement, shall be subject to any such obligations or expenses incurred by the Manager hereunder. In the event it shall appear to the Manager that the Assessments and other charges, if any, of the Association and its Members are insufficient, the Manager shall forthwith determine such additional or Special Assessments or other charges as is required and advise the Association accordingly.

3.06 INDEMNIFICATION. The Association agrees to indemnify, defend, and hold harmless the Manager from and against any and all obligations, debts, damages, claims, causes of action, loss, demands, suits, controversies, costs, fees (including reasonable attorneys' fees), and liabilities which result from or which would not have been sustained or incurred but for the Manager's involvement with the Condominium Regime under this Agreement, except to the extent that any of the foregoing result from the gross negligence or intentional misconduct of the Manager. The foregoing right of indemnification shall survive any termination of this Agreement. The obligations of the Manager shall not be liable for any error or judgment, or for any mistake of law or fact, or for anything which it may do or refrain from doing, except in cases of willful misconduct or gross negligence.

002-22-0480

ARTICLE IV

DUTIES OF THE MANAGER IN RELATION TO THE OWNERS

The Manager hereby accepts the following duties, responsibilities and authority in relation to the Unit Owners.

4.01 OWNERSHIP RECORDS. The Manager shall maintain and make available to the Association a current record setting forth the name of each Unit Owner and the registered address of such Unit Owner.

4.02 RULES AND REGULATIONS. The Manager shall make available to all Owners and occupants of Units copies of any Rules and Regulations which currently affect the Common Elements, the Owners, or the Units within the Condominium Project.

4.03 COLLECTION OF ASSESSMENTS AND CHARGES. The Manager shall notify each Unit Owner of the Assessments and other charges which are due from such Unit Owner, and it shall collect the same. Such receipts will be deposited in the Operating Account, separate from all other accounts and funds, with a bank selected by the Association and maintained in accordance with this Agreement, which account will be carried in the name of the Manager and designated as Operating Account.

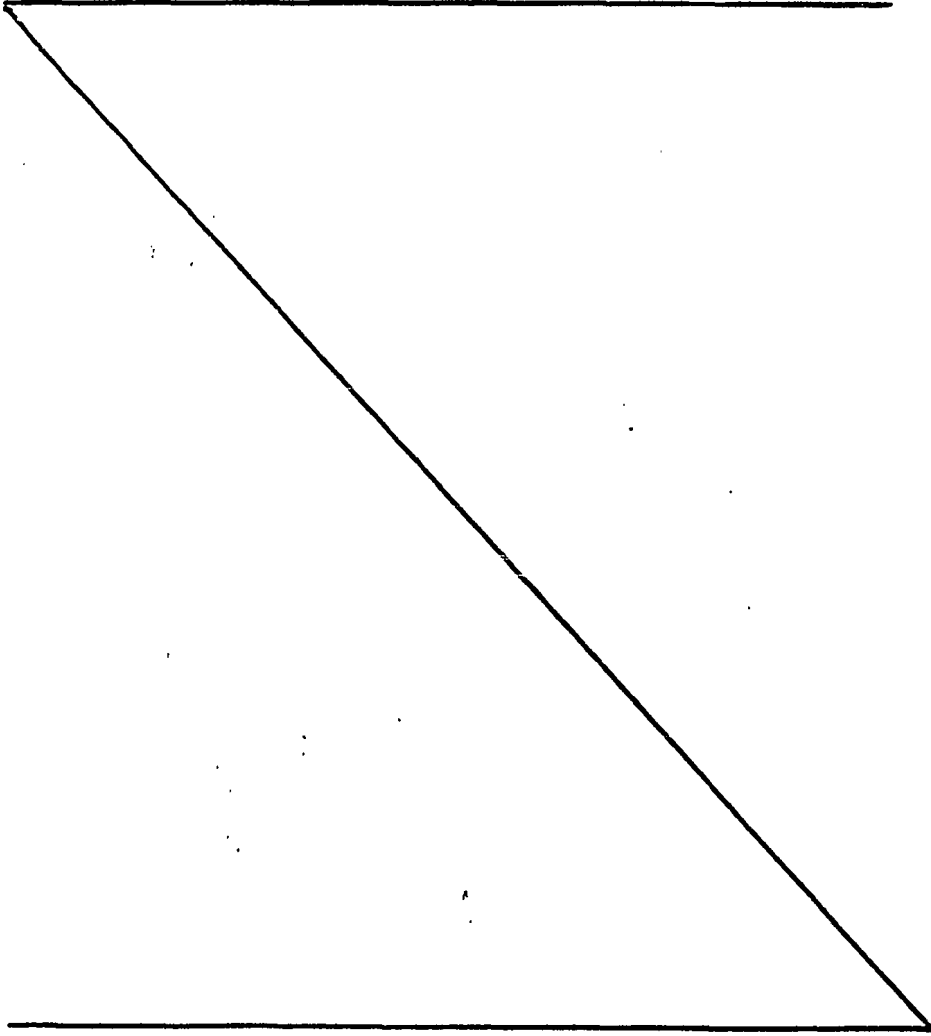
4.04 LIENS. The Manager, during the term of this Agreement, may file a lien against an Owner's Unit should the Owner fail to pay his Assessment or other charges as required and provided in the Declaration, and take such other action as provided in the Declaration, either in its name or in the name of or as agent of the Association. The Manager may compromise liens in such amount as it deems advisable in its sole discretion, and it may satisfy liens of record.

4.05 REQUESTS AND COMPLAINTS. The Manager shall maintain businesslike relations with all Owners and occupants of Units; receive and investigate all service requests from Owners, take such action thereon as may seem to be reasonably justified, and will keep records of the same; and, shall, after thorough investigation, report in writing to the Association the manager's recommendations regarding requests or complaints of a serious nature made by Owners and occupants of Units. Emergency requests will be received and serviced on a twenty-four (24) hour basis.

4.06 ENFORCEMENT. The Manager shall take such action, by legal process or otherwise, as may be reasonably necessary to ensure that all Units and the Common Elements are used and occupied in a manner consistent with law, the Declaration, the Articles, the Bylaws, and the Rules and Regulations adopted by the Association. In connection herewith the Manager may incur collection fees, costs, expenses, legal fees, and to charge such to the Association as expenses of the Association.

002-22-0481

4.07 INDIVIDUAL OWNERS. This Agreement shall not preclude the Manager from contracting with individual Owners or occupants of Units for payment by such to the Manager for any services it may render to such Owners or occupants in addition to the services required of the Manager under this Agreement. Any sums received by the Manager pursuant to any such contracts shall belong to the Manager, and the Association shall have no claim thereto.



ARTICLE VDUTIES OF THE MANAGER IN RELATION TO OPERATIONS

5.01 ASSIST ASSOCIATION. Upon request of the Association, an appropriate officer or agent of the Manager shall be in attendance at all meetings of the Members of the Association and all meetings of the Board of Directors of the Association. The Manager shall freely confer with the Association in connection with performance under this Agreement and shall furnish the Association with any assistance or suggestions which might aid in the proper management and operation of the Condominium Regime.

5.02 EMPLOYMENT. The Manager shall employ, discharge, and pay all employees, or contractors necessary to be employed in the management and operation of the Condominium Regime. All employees shall be employees of the Manager and not the Association. The Manager shall discharge any employee, or contractor whose discharge is demanded in writing by the Association, except that the Manager shall not be required to respect such demand if it is in violation of any written agreement existing with respect to any such employee or contractor.

5.03 EMPLOYEE TAX REPORTS. The Manager shall prepare and file all tax forms, reports, and returns required by law to be filed in connection with any unemployment insurance, workmen's compensation insurance, disability benefits, social security, and similar taxes and benefits applicable to the personnel involved in performing the obligations of the Manager under this Agreement.

5.04 MAINTENANCE. The Manager will cause the Common Elements and property of the Association to be maintained and repaired and perform all maintenance of Units Committed to Interval Ownership to the same extent that the Association is required to repair and maintain as provided in the Declaration, and in a condition at all times reasonably acceptable to the Association. Such maintenance and repair shall include but not be limited to cleaning, painting, decorating, plumbing, carpentry, grounds care, swimming pool, tennis court, and such other maintenance and repair work as may be reasonably necessary, subject, however, to the limitations imposed by the Association in addition to those contained herein. Incident thereto, the following provisions will apply:

- (1) Special attention will be given to preventive maintenance, and to the greatest extent feasible, the services of regular maintenance personnel or contractors will be used.
- (2) The Manager may contract with qualified independent contractors for the maintenance and repair of systems and services beyond the capability of regular maintenance employees.
- (3) The Manager will systematically and promptly receive and investigate all service requests from Owners, take such action thereon as may be justified, and will keep records of the same. Emergency requests will be received and serviced on a twenty-four (24) hour basis. Complaints of a serious nature will be reported to the

002-22-0483

Association, after investigation, together with the Manager's recommendation regarding the same.

(4) The Manager is authorized to purchase all materials, equipment, tools, appliances, supplies, and services necessary for proper maintenance and repair.

(5) Notwithstanding any of the foregoing provisions, the prior approval of the Association will be required for an expenditure which exceeds \$10,000.00 in any one instance for labor, materials, or otherwise; except, however, for (1) recurring expenses within the limits of the Operating Budget or (2) emergency repairs involving manifest danger to persons or property, or (3) required to avoid suspension of any necessary services to the Condominium Project. In the latter event, the Manager will inform the Association of the facts as promptly as possible.

5.05 UTILITIES AND SERVICES. The Manager will contract on behalf of the Association for water, sanitary sewer, natural gas, electricity, garbage and trash removal, telephone, extermination, laundry facilities, televisions cable, and other services and commodities necessary in the operation and maintenance of the Common Elements and for Units Committed to Interval Ownership to the extent not separately metered or charged.

5.06 INSURANCE. The Manager shall purchase on behalf of the Association such insurance as is required under the Declaration for the Association to acquire and such other insurance as the Association may direct from time to time in writing. All parties required to be named in insurance policies required under the Declaration shall be named in those policies of insurance.

(1) The Manager shall promptly investigate and shall make a full written report to the Association concerning any damage in excess of \$1,000.00 per occurrence to the Common Elements, Units Committed to Interval Ownership (including furniture and furnishings), or any portion of the Condominium Project; and, all accidents or claims for damages in excess of \$1,000.00 per occurrence relating to the administration of the Condominium Regime.

(2) The Manager shall cooperate with and make all reports required by the insurer concerned.

(3) The Manager shall act as Agent for the Association, each Unit Owner, and for each owner of any other insured interest; to adjust all claims arising under insurance policies; to bring suit thereon and deliver releases upon payment of claims, to otherwise exercise all of the rights, powers and privileges of the insured parties; to receive on behalf of the insured parties all insurance proceeds, subject to the provisions of the Declaration.

5.07 LESS THAN MAJOR DAMAGE. If maintenance of the Condominium Project referred to in the Declaration, or any portion thereof, including any Unit, and/or the Common Elements, is required due to loss by Act of God or other cause, which is other than normal wear and tear, and which loss is less than "major damage," as defined in the Declaration, then in such event, the Manager shall be authorized and empowered to determine, assess, charge and levy the costs of repairing and restoring such loss among the Unit Owners in such proportions as it deems advisable, pursuant to the Declaration, notwithstanding the fact that said loss or damage was, or was not covered by insurance, and said total assessment shall be equal to the cost of said repair which shall include the costs of the Manager's personnel and overhead, materials and equipment, and any and all other contractors, subcontractors, or materialmen as are required. Should the loss be covered by insurance the proceeds thereof shall be applied as a credit against the total costs of said repair and restoration, shall be from insurance proceeds, where such are received, and then from assessments collected; and, should there be a surplus of such funds, the said surplus shall be distributed to or on behalf of the Unit Owners, as provided in the Declaration.

5.08 GOVERNMENTAL REGULATIONS. The Manager will comply with all building codes, zoning, and licensing requirements, and other requirements of federal, state, county, or municipal authorities having jurisdiction over the Condominium Project with the exception that the Manager must notify the Association promptly of all written orders and notices received by the Manager from the above authorities regarding such requirements; and, if the Association instructs the Manager not to comply on the grounds that the requirements are invalid or on any other grounds then the Manager is not required to comply with this provision. The Manager may, with the prior written consent of the Association, appeal from any requirement imposed by the above authorities where the Manager considers such requirement unwarranted or unreasonable and may, with or without an appeal, compromise or settle any dispute regarding any requirements imposed by the above authorities.

5.09 LEGAL AND ACCOUNTING SERVICES. The Manager shall refer matters requiring legal or accounting services to qualified professionals approved by the Association, and shall charge the fees for such services to the Association's account as an operating expense of the Association.

5.10 UNITS COMMITTED TO INTERVAL OWNERSHIP. As to all Units Committed to Interval Ownership, the Manager shall enter into such contracts and place such orders as may be reasonably necessary to provide maid service (on a weekly basis, or on such other basis as the Manager may from time to time be directed by the Association), all cleaning, maintenance, painting, and repair of such Units, and all repair and replacement of furniture and furnishings in such Units as the Manager may reasonably determine so as to maintain such Units as originally contained in such Unit at the time it is committed to Interval Ownership.

5.11 RESORT SERVICES. The Manager shall provide activities and services to individual owners during their occupancy at the resort, which activities and services shall be designed, in the Manager's sole discretion, to enhance the resort and recreation environment of the premises.

002-22-0485

ARTICLE VI

DUTIES OF THE MANAGER IN RELATION TO BUDGET,
COLLECTION, AND DISBURSEMENT AND
ACCOUNTING OF FUNDS

6.01 OPERATING BUDGET. The Manager shall prepare a proposed annual Operating Budget for the Association and submit the same to the Association as the Association directs from time to time. The proposed Operating Budget shall set forth an itemization of the receipts and expenses of the Association anticipated for year commencing the next January, and it shall specify therein each Unit Owner's share thereof (it being understood that a portion of the maintenance fee will be set aside as a reserve for future replacements and repairs), together with a written report substantiating or explaining the basis of the estimates in the proposed Operating Budget. The Association may modify or accept the proposed Operating Budget; however, the Association shall deliver its approved Operating Budget to the Manager on or before thirty (30) days after the Manager delivers its proposed Operating Budget to the Association. In the event the Association should fail to deliver its approved Operating Budget within the thirty (30) day period, then the Manager's proposed Operating Budget shall be deemed to have been approved by the Association as submitted. The Manager will prepare a recommended Operating Budget for each subsequent fiscal year beginning during the term of this Agreement, and will submit the same to the Association for approval. The Manager will keep the Association informed of any anticipated deviation from the receipts or disbursements stated in the approved budget.

6.02 OPERATING ACCOUNT. The Manager shall establish and maintain, in banks or savings associations acceptable to the Association, a trust account for the Association for the deposit of all moneys collected from the Owners or others on behalf of the Association. Such account shall be known as the Operating Account in which moneys are to be deposited on or before the first banking day following the day of receipt, and to withdraw from this account any and all payments that the Manager must make to discharge the Manager's duties and responsibilities incurred under this Agreement.

6.03 DISBURSEMENT CONTROLS. The Manager shall organize and maintain a system of controls designed to assure the authenticity of bills, invoices, and statements charged and paid, and, in carrying out this responsibility, the Manager shall authorize all purchases and the hiring of services as to the Project only by supervisory personnel at the Manager's office, with the exception that the Manager's employees on the premises of the Project may make purchases or hire services to be paid from petty cash fund in an amount not to exceed \$100.00, and the Manager shall further order goods and services from a list of supplies and servicemen if such a list is submitted by the Association to the Manager.

6.04 DISBURSEMENTS FROM OPERATING ACCOUNTS. From the funds collected and deposited by the Manager in the Operating Account pursuant to the provision hereinabove, the Manager will make the disbursements promptly when payable by the Association as expenses of the Association authorized to be incurred by the Manager under the terms of this Agreement, including compensation payable to the Manager.

(1) Except for the disbursements referred to hereinabove, funds will be disbursed or transferred from the Operating Account only as the Association may from time to time direct in writing.

(2) In the event that the balance in the Operating Account is at any time insufficient to pay disbursements due and payable, the Manager will inform the Association of that fact and the Association will then remit to the Manager sufficient funds to cover the deficiency. In no event will the Manager be required to use its own funds to pay such disbursements.

6.05 BOOKS OF ACCOUNTS. The Manager shall maintain accurate, complete, and separate records in accordance with generally accepted accounting standards and procedures, showing receipts and expenditures relating to the operation of the Common Elements, of the Condominium Project, the Units, the Units Committed to Interval Ownership (including furniture and furnishings), and from which accounts payable and accounts receivable, available cash, and other assets and liabilities pertaining to the Association's responsibility for the Condominium Regime can be readily identified and the amounts thereof determined at any time. The Association shall have the right at any reasonable time through its attorney or accountant or other representative to inspect the records kept by the Manager pertaining to the Project, including, but not limited to, all checks, bills, invoices, statements, vouchers, cash receipts, correspondence, and all other records dealing with the management duties, responsibilities and authority of the Manager under this Agreement; and the Association shall have the further right to have an audit made of all account books and records pertaining to the management obligations hereunder.

In addition to the other requirements specified in this Agreement, the Manager will have the following responsibilities with respect to records and reports:

(1) With respect to each fiscal year ending during the term of this Agreement, the Manager, if economically feasible, will cause an annual financial report to be prepared by a Certified Public Accountant or other person acceptable to the Association, based on the preparer's examination of the books and records of the Association and the Manager. The report will be certified by the preparer and the Manager, and will be submitted to the Association within ninety (90) days after the end of the fiscal year. Compensation for the preparer's services will be paid out of the Operating Account as an expense of the Association.

(2) The Manager will furnish such information as may be reasonably requested by the Association from time to time with respect to the financial, physical, or operational condition of the Common Elements of the Project.

6.06 QUARTERLY STATEMENTS. The Manager will furnish quarterly to the Association a detailed statement of all receipts and disbursements for

002-22-0487

each calendar quarter, such statements to be furnished on or before the 20th day of each month succeeding each quarter. Such statement shall show the status of collections and shall be supported by cancelled checks, vouchers, duplicate invoices, and similar documentation covering all items of income and expense, which shall be kept in the Manager's office and be available for inspection of the Association's representatives at all reasonable times. The Manager shall also furnish a quarterly operating statement showing the same portion of the preceding year. If this report is prepared by a computer, the Association shall pay the fee charged the Manager for the use of the computer. The Manager shall be under no obligation to advance funds on behalf of the Association, but in the event disbursements are in excess of the funds collected, the Association agrees to pay such excess promptly upon demand.

6.07 CERTIFICATES. The Manager shall issue certificates of accounts to Members of the Association, or their mortgagees without liability for errors unless as a result of gross negligence. Where the Declaration provides, or the Association so directs, the Manager shall charge and collect, for the account of the Association, all fees for issuance of such certificates.

6.08 INCOME TAX RETURN. The preparation of the Association's income tax return, if any, is the responsibility of the Association; however, the Manager agrees that its records and reports furnished the Association shall set forth all data required and shall be otherwise sufficient for the preparation of the Association's income tax return as to the Manager's services.

ARTICLE VIITHE MANAGER'S COMPENSATION

The Association agrees to compensate the Manager for its services under this Agreement as follows.

7.01 MANAGEMENT YEAR. The management year shall commence on the first day of January and shall end on the last day of December of each calendar year.

7.02 ANNUAL COMPENSATION. Each management year the Manager shall be paid a sum equal to Twelve and one-half (12.50%) Percent of the total amount of all Annual assessments, Special assessments, and Maintenance fees for Units, all of which are referred to herein as "the Assessments" (except any portions of the Assessments pertaining to the Manager's compensation hereunder, which portions shall not be included in computing the Manager's compensation hereunder) levied on each Unit for each management year. The Manager's annual compensation shall be payable in four (4) consecutive equal quarter-annual installments due on the 25th day of April, July, October, and January, respectively, of each management year. All unpaid portions of the Manager's annual compensation hereunder shall bear interest at the rate of ten (10%) percent per annum from the due date of such portions until paid.

7.03 ADJUSTMENTS. In the event the Manager renders services hereunder or is entitled to receive compensation for only a portion of a management year, the Manager's annual compensation shall be prorated (except where the Assessments pertain only to the same portion of a management year for which the Manager is entitled to receive compensation) and the Manager shall receive only that portion of such annual sums as is attributable to the number of days during which the Manager rendered services or was entitled to compensation in the management year concerned.

7.04 NET COMPENSATION. The annual compensation to be paid the Manager hereunder is net above all costs, expenses, and charges incurred by the Manager on behalf of the Association in performing its services under this Agreement.

7.05 PROHIBITED COMPENSATION. All rebates, discounts, or commissions collected by the Manager, or credited to the Manager's use, which relate to the purchasing of supplies or the rendering of services for the Association under this Agreement, shall be disclosed fully to the Association, and that part of any rebate, discount, or commission that is allocable to the purchasing of supplies or the rendering of services for the Association hereunder shall be credited to the Association's account.

002-22-0489

ARTICLE VIII
EVENTS OF DEFAULT

8.01 DEFAULTS BY THE MANAGER. Any failure of the Manager to substantially perform its duties, responsibilities and to exercise its authority under this Agreement shall be an event of default by the Manager under this Agreement.

8.02 DEFAULT BY THE ASSOCIATION. The Association shall be in default under this Agreement upon the occasion of any of the following events of default:

(1) Any failure of the Association to substantially perform any of its obligations under this Agreement.

(2) The interference by the Association or the Owners with the Manager in the performance of its duties, responsibilities or the exercise of its authority under this Agreement.

8.03 NOTICE OF DEFAULT. In the event either party hereto commits an event of default as provided hereinabove, the non-defaulting party shall give written notice to the defaulting party setting forth therein the alleged default. The defaulting party shall be granted thirty (30) days after such notice within which to correct the alleged default. In the event the defaulting party does not correct the alleged default within the thirty (30) day period, then the non-defaulting party may seek any remedy provided for in this Agreement.

8.04 REMEDIES. In the event of default by a party to this Agreement, in addition to the right to terminate this Agreement as provided for elsewhere in this Agreement, the non-defaulting party shall have the right but not the obligation and in addition to any other remedy given by this Agreement, or in law, or in equity, to bring an action against the defaulting party (and in the case of the Association's default, against its Members) for damages, specific performance, injunction, or such other redress as it may have.

ARTICLE IX
GENERAL PROVISIONS

002-22-0:90

9.01 APPLICABLE LAW. This Agreement shall be construed under and in accordance with the laws of the State of Texas.

9.02 ASSIGNABILITY. The Manager may assign its right, title and interest in this Agreement to another management firm operating and existing under the laws of the State of Texas, upon conditions (a) that the assignee shall expressly assume and agree, in writing to perform each and every obligation of the Manager under this Agreement; (b) that the assignment shall be duly recorded in the Condominium Records; and (3) that an executed duplicate original of such assignment shall be delivered to the Association in the manner provided in this Agreement for the delivery of notices not less than ten (10) days prior to the effective date of the assignment.

9.03 ATTORNEYS' FEES. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees from the other party, which fees may be set by the court in the trial of such action or may be enforced in a separate action brought for that purpose, and which fees shall be in addition to any other relief which may be awarded.

9.04 COUNTERPARTS. This Agreement and all other executed copies thereof, shall be deemed to be one agreement, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.05 DEFINITION OF TERMS. The terms used in this Agreement, unless specifically defined herein, shall be defined as in the Declaration.

9.06 HEADINGS. The headings, captions, and arrangements used in this Management Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof.

9.07 LEGAL CONSTRUCTION. In case any one or more of the provisions in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

9.08 MAILING AND NOTICE. All notices and periodic statements required under this Agreement shall be in writing, and shall be either (a) delivered by registered or certified mail, postage prepaid, and return receipt requested; or (b) delivered in person. A telegraphic communication shall be deemed communicated as of deposit in the United States Postal Service, delivery to the telegraph company, or on personal delivery. Notices and periodic statements shall be addressed to the parties hereto at the address set forth opposite the signatures of the parties to this Agreement.

002-22-0491

9.09 NOTICES. When either party hereto, and the Association's Members, desire to or are required to give notice to the other, or others, in connection with and according to the provisions of this Agreement, such notices shall be in writing and may be delivered or mailed to the address of each party hereto at the address set forth in this Agreement, and in the case of notice to the Members of the Association, to the last address of the Member on the records of the Association. Any notice given by mail shall be deemed to have been delivered when deposited with the United States Postal Service, postage prepaid. In the case of mailed notice to either party hereto it shall be sufficient if the notice is given either by Certified or Registered mail.

9.10 NUMBER AND GENDER. Whenever used herein, the singular number shall include the plural and the singular, and the use of any gender shall be applicable to all genders.

9.11 PARTIES BOUND. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns (and in the case of the Association, its Members also) except as otherwise expressly provided herein.

9.12 SOLE AGREEMENT. This Agreement together with the Declaration, the Articles, the Bylaws, and the Rules and Regulations, constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting subject matter hereof. No provision of this Agreement may be waived, altered, or modified except by a written instrument signed by the parties hereto.

9.13 TIME OF ESSENCE. Time is of the essence in every particular in this Agreement, and especially where the obligation is to pay money.

9.14 WAIVER. No waiver of a breach of any of the provisions of this Agreement shall be construed to be a waiver of any succeeding breach of the same provision or any other provision.

002-22-0492

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

THE ASSOCIATION:

ADDRESS:

7600 Seawall Boulevard
Galveston, Texas 77550

CAPTAIN'S COVE RESORT ASSOCIATION

By *Charlene A. Kearney*
CHARLENE A. KEARNEY
Its President

THE MANAGER:

ADDRESS:

7600 Seawall Boulevard
Galveston, Texas 77550

SUN RESORT MANAGEMENT, INC.

By *Theodore Weiswasser*
THEODORE WEISWASSER
Its President

STATE OF TEXAS)
) SS:
COUNTY OF GALVESTON)

Before me, the undersigned authority, on this day personally appeared CHARLENE A. KEARNEY, President of CAPTAIN'S COVE RESORT ASSOCIATION, a Texas non-profit corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this 15th day of April, 19 83.

Cathy Reid
CATHY REID
Notary Public in and for the County and State aforesaid

My Commission Expires: 4/9/85

002-22-0493

STATE OF TEXAS)
) SS:
COUNTY OF GALVESTON)

Before me, the undersigned authority, on this day personally appeared THEODORE WEISWASSER, President of SUN RESORT MANAGEMENT, INC., a Texas corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this 15th day of April, 1983.

Cathy Reid
CATHY REID
Notary Public in and for the County and
State aforesaid

By Commission Expires: 4/9/85

002-22-0494

EXHIBIT "G"

ARTICLES OF INCORPORATION OF
CAPTAIN'S COVE RESORT ASSOCIATION

We, the undersigned natural persons of the age of eighteen (18) years or more, at least two of whom are citizens of the State of Texas, acting as incorporators of a corporation under the Texas Non-Profit Corporation Act, do hereby adopt the following Articles of Incorporation for such Corporation:

ARTICLE I.

The name of the Corporation is Captain's Cove Resort Association.

ARTICLE II.

The Corporation is a non-profit corporation.

ARTICLE III.

The period of its duration is perpetual.

ARTICLE IV.

The purposes for which this Corporation is formed are:

(1) The primary purpose is to operate and provide for the acquisition, construction, management, maintenance and care of the corporate property, referred to in the Condominium Declaration for Captain's Cove Resort as both general and limited common elements;

(2) The general purposes and powers are to have and exercise all rights and powers conferred on non-profit corporations under the laws of Texas, or which may hereafter be conferred, including the power to contract, rent, buy or sell personal or real property;

(3) Notwithstanding any of the above statements of purposes and powers, this Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purpose of this Corporation.

EXHIBIT "G"-1

002-22-0495

This Corporation is organized pursuant to the Texas Non-Profit Corporation Act and does not contemplate pecuniary gain or profit to the members thereof and is organized for non-profit purposes.

ARTICLE V.

The street address of the initial registered office of the Corporation is 7600 Seawall Boulevard, Galveston, Texas 77551, and the name of its initial registered agent at such address is Charlene Kearney.

ARTICLE VI.

The number of directors constituting the initial board of directors of the Corporation is three (3), and the names and addresses of the persons who are to serve as the initial directors are:

Willis M. Lucas
7600 Seawall Boulevard
Galveston, Texas 77551

Theodore Weiswasser
7600 Seawall Boulevard
Galveston, Texas 77551

Charlene Kearney
7600 Seawall Boulevard
Galveston, Texas 77551

ARTICLE VII.

The name and street address of each incorporator are:

W. Daniel Vaughn
802 Rosenberg
Galveston, Texas 77550

John J. White
802 Rosenberg
Galveston, Texas 77550

Nancy R. Kline
802 Rosenberg
Galveston, Texas 77550

EXHIBIT "G"-2

002-22-0496

IN WITNESS WHEREOF, we have hereunto set our hands,
this _____ day of _____, 1983.

12/

W. Daniel Vaughn

13/

John J. White

13/

Nancy R. Kline

THE STATE OF TEXAS *
*
COUNTY OF GALVESTON *

I, a Notary Public, do hereby certify that on this
_____ day of _____, 1983, personally appeared W.
Daniel Vaughn, John J. White and Nancy R. Kline, who being
by me first duly sworn, declared that they are the persons
who signed the foregoing document as incorporators, and that
the statements therein contained are true.

13/

Notary Public in Galveston County,
For the State of Texas

My Commission Expires: _____

EXHIBIT "G"-3

002-22-0497

EXHIBIT "H"

BYLAWS OF

CAPTAIN'S COVE RESORT ASSOCIATION

A TEXAS NON-PROFIT CORPORATION

Captain's Cove Resort Association is a Texas non-profit corporation having as its primary function the administration of the Condominium Regime of Captain's Cove Resort, a Condominium, in accordance with the "Declaration Establishing A Condominium Regime, Covenants, Conditions and Restrictions," ("the Declaration") recorded or to be recorded in the Condominium Records of Galveston County, Texas, which is located at 7600 Seawall Boulevard, Galveston, Texas; and in particular to serve all of the functions of the "Council of Co-Owners" provided for in the Texas Condominium Act (Article 1301a, Revised Civil Statutes of the State of Texas).

ARTICLE I

NAME AND OFFICES

1.01 Until the Board of Directors otherwise determine, the registered office of Captain's Cove Resort Association required by the Texas Non-Profit Corporation Act to be maintained in the State of Texas, shall be 7600 Seawall Boulevard, Galveston, Texas 77551, but such registered office may be changed from time to time by the Board of Directors in the manner provided by law and need not be identical to the principal office of the corporation. Meetings of members and directors may be held at such places within the State of Texas, County of Galveston, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

2.01 "Association" shall mean and refer to Captain's Cove Resort Association, a Texas non-profit corporation, its successors and assigns.

2.02 The "Property" shall mean and refer to that certain real property situated in Galveston, Galveston County, Texas, for Captain's Cove Resort, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

002-22-0498

2.03 "Common Elements" means all portions of the Condominium Project, except the Units, and consists of the General Common Elements and the Limited Common Elements. Common Elements shall include the Association Properties.

2.04 "Developer" means the person named hereinabove who undertakes to develop the Condominium Project referred to herein.

2.05 "Interval Ownership" is a concept whereby a Unit and its interest of the Common Elements are conveyed for periods of time, i.e., Unit Week(s), the purchaser of the Unit Week(s) receiving title to the Unit for the stated time period in perpetuity. However, if the interest created by this "Interval Ownership" is found by a court of law, after all appeals are exhausted, to violate any rule against perpetuities, said interest shall be converted to a fee simple as tenant in common with all other purchasers of Unit Weeks in each such Unit in the Percentage Interest in such Unit, determined and established by the attached (to the Declaration) as Exhibit "E".

2.06 "Management Agreement" means and refers to that agreement between the Association and the Management Firm, a copy of which agreement is attached hereto (to the Declaration) as Exhibit "F".

2.07 "Management Firm" means and refers to the entity identified as the Manager in the Management Agreement.

2.08 "Member" means the Unit Owner as a member of the Association.

2.09 "Unit Committed to Interval Ownership" means any Unit sold under a plan of Interval Ownership.

2.10 "Unit Owner" or "Owner" means the same as 'co-owner' in the Condominium Act, and is the person who owns a Unit and a Percentage Interest of the Common Elements within this Condominium Project, but does not include a person having an interest in a Unit solely as security for an obligation. The term shall also include all owners of Unit Weeks within any Unit committed to Interval Ownership as one Unit Owner.

2.11 "Declaration" shall mean and refer to the Master Declaration for Captain's Cove Resort, as recorded in the Official Public Records of Real Property of Galveston County, Texas. The terms and provisions of the Declaration

EXHIBIT "H"-2

002-22-0499

are deemed incorporated herein in their entirety, as if fully set forth herein, and made a part hereof for all purposes. If any provision of these Bylaws shall conflict or be inconsistent with the terms of the Declaration, the terms of the Declaration shall control.

ARTICLE III

MEMBERS

3.01 Members. The Members of this Association are the Unit Owners within this Condominium Project. The term "Member" includes all owners of Unit Weeks within a Unit committed to Interval Ownership as one Unit Owner.

3.02 Membership. Membership shall be automatic with the acceptance of title of a Unit or Unit Week. If a Unit or Unit Week is owned by more than one person, then all such owners shall be Members eligible to hold office, and attend meetings, etc.

3.03 Transfer of Membership. Membership in this Association may be transferred only upon the transfer of ownership of a Unit or Unit Week.

3.04 Termination of Membership. Membership in this Association is automatically terminated upon transfer of ownership of a Unit or Unit Week. There is no other type of termination.

3.05 Resignation. No Member may resign his membership in this Association, the same being coupled with his ownership of a Unit or Unit Week.

3.06 Voting Rights. Each Member shall be entitled to cast one vote for each Unit Week he owns. If an entire Unit is owned by one Member, that Member shall be entitled to cast fifty-two votes.

If a Unit or Unit Week is owned by more than one person, the votes of that Unit or Unit Week shall be cast by the "voting member" designated by the owners of the Unit or Unit Week.

If the ownership of a Unit or Unit Week is vested in a corporation, the corporation may designate an individual officer or employee of the corporation as its "voting member."

EXHIBIT "H"-3

002-22-0500

The Association shall have no vote for any Unit or Unit Week conveyed to it.

3.07 Voting Members. If a Unit or Unit Week is owned by one person, his right to vote shall be established by the recorded deed to the Unit or Unit Week.

If a Unit or Unit Week is owned by more than one person, all record owners of the Unit or Unit Week shall sign and file with the Secretary of the Association a certificate designating the voting member entitled to cast the votes for the Unit or Unit Week.

If a Unit or Unit Week is owned by a corporation, the corporation shall file a certificate with the Secretary of the Association, signed by the corporation president, designating an officer or employee of the corporation as the voting member entitled to cast the votes for the Unit or Unit Week.

If a certificate of multiple owners or a corporate owner is not filed with the Secretary of the Association, the votes of those Units or Unit Weeks shall not be considered in determining quorum requirements. Such certificates shall be void until revoked or replaced by such owner(s).

If a Unit or Unit Week is owned by husband and wife, then (a) they may designate a voting member; (b) if no voting member is designated and if both are present at a meeting of the Members and are unable to agree on an issue under consideration, the votes allocated to their Unit or Unit Week shall not be counted on that issue; and (c) where no voting member is designated, and one of them is absent from the meeting of the Members, then the one present shall be entitled to cast the votes of their Unit or Unit Week.

ARTICLE IV

MEETINGS OF MEMBERS

4.01 Annual Meeting. An annual meeting of the Members shall be held in the month of April in each year, beginning with the year 1984 at a date, time and place to be determined by the Board of Directors, for the purpose of electing officers and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Texas, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated for any annual meeting, or at any

EXHIBIT "H"-4

002-22-0501

adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Members as soon thereafter as conveniently may be.

4.02 Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) days but not more than fifty (50) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association, for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting including the general nature of any proposed amendment to the Declaration or Bylaws. The business of the annual meeting shall include receiving annual reports of officers, directors and committees, electing directors for those terms expiring, and any other business properly before the meeting.

4.03 Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, 10% of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

4.04 Special Meetings. Special meetings may be called by the president or upon written request of a majority of the Board of Directors, or upon written request of the Members who are entitled to vote one-third (1/3) of all the votes of the Members, to transact and consider specific items of business. Notice for any special meeting shall be given in the same manner as for the annual meeting. No business other than specified in the notice shall be transacted at any special meeting of the Members.

4.05 Proxies. At all meetings of Members, each Member may vote in person or by proxy. A proxy shall be in writing and revocable at the pleasure of the Member executing it. The duration of any proxy shall be eleven (11) months from its execution, unless the proxy shall contain specific instructions to the contrary.

002-22-0502

4.06 Decisions of Members. A majority of the votes cast at a meeting of the members shall be the decision of the Members, unless the Condominium Act, the Declaration, the Articles of Incorporation, or these Bylaws provide otherwise.

4.07 Management Firm. During the term of any Management Agreement, the Management Firm shall be entitled to notice of all meetings of the Members and be entitled to have representatives attend such meetings.

4.08 Nomination and Election of Directors. The nomination for election to the Board of Directors shall be made from the floor at the annual meeting. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted. Election shall be by plurality vote.

ARTICLE V

BOARD OF DIRECTORS

5.01 General Powers. The affairs of the Association shall be managed by its Board of Directors in accordance with the duties and responsibilities imposed upon the Council of Co-Owners under Article 1301a of the Revised Civil Statutes of Texas (the Condominium Act), the Declaration, the Articles of Incorporation of this Association, all of which are incorporated herein by reference for all purposes, and these Bylaws.

5.02 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all acts and things as are not by law or by the Condominium Act, the Declaration, the Articles of Incorporation, or these Bylaws, directed to be exercised and done by Unit Owners. Specifically, but not by way of limitation, the Board of Directors may:

- (1) Exercise all powers of the Association set forth in the Declaration, the Articles of Incorporation, these Bylaws, and the Condominium Act, and all powers incidental thereto.

002-22-0503

(2) Make, determine and collect assessments and maintenance fees; use and expend the assessments and maintenance fees to carry out the purposes and powers of the Association.

(3) Employ, direct and control the personnel necessary for the maintenance and operation of the Condominium Regime, and the Common Elements and facilities, including the right and power to employ attorneys, accountants, contractors, and other professionals.

(4) Make and amend regulations respecting the use and operation of the Common Elements and Association Property, and the Units.

(5) Contract for the management of the Condominium Regime, and the Common Elements.

(6) Make improvements of the Association Property, both real and personal; purchase items of furniture, furnishings, fixtures and equipment.

(7) Enter into and terminate agreements with organizations providing Owners of Unit Weeks an opportunity to trade their time periods with Owners of time periods at other projects.

5.03 Number, Tenure and Qualifications. The Board of Directors shall consist of three (3) persons, but the number of directors may be increased from time to time by amendment to the Eylaws of the corporation; provided, however, that the number of directors shall never be less than three. Until the election of directors at the first annual meeting of the Members, the initial Board of Directors shall so serve. Each director shall hold office until the next annual meeting of the Members and his successor shall have been elected and qualified. All directors, except those designated by the Developer, shall be Members. All officers of a corporate owner shall be deemed to be Members of the Association for the limited purpose of being qualified to serve as a director herein. No Member shall continue to serve as a director should the Member be more than thirty (30) days delinquent of the payment of any assessment or maintenance fee. Such a delinquency shall automatically constitute a resignation, effective upon acceptance by the Board of Directors.

5.04 Election and Term. The directors shall be elected by the Members at the annual meeting of the Members, or at a special meeting of the Members held in lieu of the annual meeting, if the same is not held when provided for by these Bylaws, and each such director shall hold office, unless removed in accordance with the provisions of these Bylaws or he resigns, for a term of one (1) year and until his successor shall have been elected and qualified. Each director shall qualify by accepting his election to office either expressly or by acting as a director.

5.05 Resignation. Any director or officer of the Association may resign at any time by providing the secretary of the Association with written notice of his resignation.

5.06 Vacancy and Increase. Any vacancy or vacancies occurring in the Board of Directors may be filled by the affirmative vote of a majority 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 and until his successor shall have been elected and qualified. In case of any increase in the number of directors, the additional director or directors shall be elected at either an annual meeting or a special meeting of the Members called for that purpose.

5.07 Regular Meetings. A regular annual meeting of the Board of Directors shall be held without notice other than this Bylaw, immediately after, and at the same place, as the annual meeting of Members. The Board of Directors may provide by resolution the time and place within Galveston County, Texas, for the holding of additional regular meetings of the Board of Directors.

5.08 Notice and Waiver. Notice of all regular (other than regular annual meetings) and special meetings of the Board of Directors shall be given at least three (3) days previously thereto by written notice delivered personally or sent by mail or telegram to each director at his address as shown by the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any 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 because the meeting is not lawfully called or convened. The business to be transacted at the meeting need not be specified in the notice of such meeting, unless specifically required by law or by these Bylaws.

5.09 Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; but if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. The joinder of a director in the action of a meeting by signing a consent concurring in the minutes thereof shall constitute the presence of such director at such meeting.

5.10 Manner of Acting. The act of a majority of the directors present at a Board of Directors 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 or these Bylaws.

5.11 Removal. At any time after the directors are elected by the Members, as distinguished from the appointment of directors by the Developer, any director may be removed from office, with or without cause, by the affirmative vote of two-thirds (2/3) of the Members at a duly called meeting of the Members, and a successor may then be elected by the Members to fill that vacancy. If the Members do not elect a successor director, then the Board of Directors may fill the vacancy as provided for in these Bylaws.

5.12 Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

5.13 Management Firm. In the event the Association enters into a contract with a Management Firm, then for as long as such contract is in effect, the Management Firm shall be provided notice of all meetings of the Board of Directors, shall be entitled to attend such meetings, and it may designate its representative(s) to attend such meetings on its behalf.

5.14 Special Meetings. Special meetings may be called by the president or upon written request of a majority of the Board of Directors to transact and consider specific items of business. No business other than specified in the notice shall be transacted at any special meeting of directors unless all directors shall be present.

002-22-0506

5.15 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could have taken at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI

OFFICERS

6.01 Officers. The officers of the Association shall be a president, vice president, secretary, assistant secretary, and treasurer, and such other officers as the Board of Directors may from time to time by resolution create.

6.02 Election and Term of Office. At its annual meeting, the Board of Directors shall elect persons to fill all offices for a term of one (1) year or until the next meeting. Officers need not be directors or owner-members. The same person may hold two (2) or more offices simultaneously.

6.03 Duties of Officers. The duties and powers of the respective officers shall be as follows:

President. The president shall be the chief executive officer of the Association and shall be empowered to: (a) preside at all meetings of the Board of Directors, but shall not vote unless also elected as a director; (b) execute all documents on behalf of the Association, including amendments to the Declaration; (c) review monthly reports by legal counsel, CPA or trust institution certifying conveyances to the Association by the Developer; (d) review reports of the Association and of any Management Firm engaged by the Board of Directors; (e) call meetings of the Board of Directors at his discretion; and (f) supervise all affairs of the Association.

Vice President. The vice president shall perform the duties of the president in the event of the death, extended absence, or extended inability to act as the president. Extended absence or extended inability shall mean continuation of the condition for more than thirty (30) days.

Secretary. The secretary shall be empowered to: (a) give notice of meetings to the Board of Directors and Members as required by these Bylaws; (b) attend all meetings of Members and record minutes of all transactions;

EXHIBIT "H"-10

002-22-0507

(c) maintain all Association records including a list of Members in good standing and review the performance of this function by management engaged by the Board of Directors; (d) attest to all documents; and (e) retain and apply the Association seal as appropriate.

Assistant Secretary. The assistant secretary shall be empowered to perform the duties of the secretary in the event of the death, extended absence, or extended inability of the secretary to act. The assistant secretary shall attest to documents executed by the president or treasurer at their convenience.

Treasurer. The treasurer shall be empowered to: (a) maintain all monies, accounts and bookkeeping records or supervise the performance of this function by management engaged by the Board of Directors; (b) report on the financial condition of the Association at the annual meeting of Members; (c) review the Association expenses and recommend modifications to the annual use fee as required; (d) conduct the financial affairs of the Association under the direction and control of the Board of Directors; and (e) turn over all monies, property and records to his successor promptly upon expiration of his term.

6.04 Bond of Officers. At the request of the Board of Directors, any officer shall provide at the Association expense a bond in a reasonable amount to insure the faithful discharge of his obligations as an officer.

6.05 Removal. Any officer elected or appointed by the Board of Directors may be removed by the vote of a majority in number of the Board of Directors whenever in its judgment the best interest of the Association would be served thereby.

6.06 Vacancies. A vacancy in any office, because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

ARTICLE VII

COMMITTEES

7.01 Committees. Committees not having and exercising the authority of the Board of Directors in the management of the Association may be designated by a resolution adopted by the Board of Directors. Except as otherwise provided in

EXHIBIT "H"-11

002-22-0508

such resolution, members of such committee shall be members of the Association, and the president shall appoint the members thereof. Any committee member may be removed by the Board of Directors whenever in its judgment the best interest of the Association shall be served thereby.

7.02 Term of Office. Each committee member shall continue as such until the next annual meeting of the Members of the Association and until his successor is appointed, unless the committee shall be sooner terminated by the Board of Directors, or unless such committee member be removed from such committee, or unless he shall cease to qualify.

7.03 Chairman. One member of each committee shall be appointed chairman by the president.

7.04 Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

7.05 Quorum. Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the committee members present at the meeting at which a quorum is present shall be the act of the committee.

ARTICLE VIII

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

8.01 Contracts. The Board of Directors may authorize any officer or officers, agent or agents of the Association, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. However, the provisions of any Management Agreement may delegate contracting functions to the Management Firm.

8.02 Checks, Drafts, or Orders for Payment. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association, and in such manner as shall from time to time be determined by resolution of the Board of Directors. Such instruments shall be signed by the treasurer or an assistant treasurer and countersigned by the president or a vice-president of the Association.

EXHIBIT "H"-12

002-22-0509

8.03 Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board of Directors may select.

8.04 Gifts. The Board of Directors may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purposes, or for any special purpose, of the Association.

ARTICLE IX

ASSESSMENTS

9.01 Annual Assessments and Maintenance Fees. As provided for in and subject to the limitations set forth in the Declaration, the Board of Directors shall determine the annual assessments and maintenance fees and give timely notice thereof to the Members.

9.02 Special Assessments. As provided in the Declaration the Board of Directors shall approve proposed special assessments, from time to time; submit notices thereof to the Members; and provided the Members do not reject the proposed special assessments, shall establish and collect such special assessments.

9.03 Payment of Assessments and Maintenance Fees. The Board of Directors is specifically charged with the responsibility and authority to collect all assessments and maintenance fees on behalf of the Association. From time to time, the Board of Directors shall determine whether or not the assessments and/or maintenance fees shall be paid in installments as distinguished from a lump-sum amount.

9.04 Default in Payments. The Board of Directors may utilize all of the authority reserved to the Association in the Declaration and available to it under law or equity upon any default in payments.

9.05 Management Firm. Notwithstanding any provision herein to the contrary, the Board of Directors is authorized to delegate to a Management Firm such duties and authority of the Board of Directors in regard to determining and collecting assessments and/or maintenance fees as the Board of Directors may determine from time to time.

002-22-0510

ARTICLE X

GENERAL PROVISIONS

10.01 Books and Records. The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Members and its Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the Members entitled to vote. All books and records of the Association may be inspected by any member, his agent, or attorney, for any proper purpose at any reasonable time.

10.02 Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the last day of December in each year. However, the Board of Directors may change the fiscal year from time to time.

10.03 Corporate Seal. The Board of Directors shall provide a corporate seal, which shall be in the form of a circle with the name of the Association contained therein.

10.04 Waiver of Notice. Whenever any notice is required to be given under the provisions of the Texas Non-Profit Corporation Act, the Condominium Act, the Declaration, the Articles of Incorporation, or the Bylaws of the Association, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

10.05 Laws and Statutes. Whenever used or appearing in these Bylaws, the word "law" or "laws" or "statute" or "statutes", respectively, shall mean and refer to laws and statutes, or a law or a statute, of the State of Texas, to the extent only that such is or are expressly applicable, except where otherwise expressly stated or the context requires that such words not be so limited.

10.06 Headings. The headings of the articles and sections of these Bylaws are inserted for convenience of reference only and shall not be deemed to be a part thereof or used in the construction or interpretation thereof.

ARTICLE XI

AMENDMENTS

11.01 Amendments. These Bylaws may be amended, repealed, or added to, or new Bylaws may be adopted, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy.

EXHIBIT "H"-14

002-22-0511

IN WITNESS WHEREOF, we, the Board of Directors of
Captain's Cove Resort Association, have adopted these Bylaws
this 15th day of April, 19 83.

Willis M. Lucas

[Signature]

[Signature]

CERTIFICATE OF SECRETARY

The undersigned, Secretary of the Texas Non-Profit
Corporation known as Captain's Cove Resort Association, does
hereby certify that the above and foregoing Bylaws were duly
adopted by the Board of Directors of said Association on the
15th day of April, 19 83, and that they now constitute
said Bylaws.

Signed this 15th day of April, 19 83.

Cathy Reed
Secretary

EXHIBIT "H"-15

CAPTAIN'S COVE RESORT

002-22-0512

ESTIMATED OPERATING & MAINTENANCE BUDGET

<u>ITEM</u>	<u>TOTAL MONTHLY</u>	<u>TOTAL ANNUAL</u>	<u>TOTAL PER UNIT WEEK</u>
Accounting & Legal Fees	\$ 250.00	\$ 3,000.00	\$ 1.15
Postage	200.00	2,400.00	.92
Office Supplies	500.00	6,000.00	2.31
Newspapers & Magazines	300.00	3,600.00	1.38
Owners' Magazine	500.00	6,000.00	2.31
Pest Control	200.00	2,400.00	.92
Office Telephone	1,000.00	12,000.00	4.62
Unit Telephones	500.00	6,000.00	2.31
Insurance	1,500.00	18,000.00	6.92
Electricity, Common Area, Pool, Office, Tennis	400.00	4,800.00	1.85
Electricity, Units	5,000.00	60,000.00	23.07
Water	500.00	6,000.00	2.31
Sewer	250.00	3,000.00	1.15
Garbage Pick-Up	300.00	3,600.00	1.38
Pool Supplies	50.00	600.00	.23
Laundry	2,167.50	26,010.00	10.00
Maid Service	8,840.00	106,080.00	40.78
* Manager	2,167.50	26,010.00	10.00
* Asst. Manager (part-time)	833.33	10,000.00	3.84
* Maint. Manager (part-time)	1,300.00	15,600.00	6.00
* Groundskeeper	1,000.00	12,000.00	4.61
* Social Director	1,300.00	15,600.00	6.00
Maintenance Reserve	1,083.75	13,005.00	5.00
Depreciation Reserve	1,083.75	13,005.00	5.00
Real Estate Taxes	5,000.00	60,000.00	23.07
Management Fee (12½%)	5,283.34	63,400.00	24.38
Cleaning Supplies	457.08	5,485.00	2.11
Maintenance Supplies	300.00	3,600.00	1.38
TOTALS	\$ 42,266.25	\$ 507,195.00	\$ 195.00

Each budget item is based on present estimates. The Developers guarantees the operating budget shall not exceed \$195.00 through December 31, 1983.

* Compensation budget items include FICA and benefit expenses.

002-22-0513

INITIAL RULES AND REGULATIONS

The Rules and Regulations hereinafter enumerated as to the Condominium Property, the Common Elements, the Limited Common Elements and the Condominium Units shall be deemed in effect until amended by the Board of Directors of the Association, and shall apply to and be binding upon all Unit Owners. The Unit Owners shall, at all times, obey said Rules and Regulations and shall use their best efforts to see that they are faithfully observed by their families, guests, invitees, servants, lessees and persons over whom they exercise control and supervision. Said initial Rules and Regulations are as follows:

1. The sidewalks, if any, walkways, entrances, and all of the Limited Common Elements and Common Elements must not be obstructed or encumbered or used for any purpose (excluding patios, decks and balconies) other than ingress and egress to and from the premises; nor shall any carriages, bicycles, wagons, shopping carts, chairs, benches, tables, or any other object of a similar type and nature be left therein or thereon.

2. The personal property of all Unit Owners shall be stored within their Condominium Units or the exterior storage space of their Unit.

3. No garbage cans, supplies, milk bottles, or other articles shall be placed on the patios, decks, balconies, and entry ways, nor shall any linens, cloths, clothing, curtains, rugs, mops, or laundry of any kind, or other articles be shaken or hung from any of the windows, doors, patios, decks, balconies, or entry ways, or exposed on any part of the Limited Common Elements or Common Elements; and the Limited Common Elements and Common Elements shall be kept free and clear of all refuse, debris and other unsightly material.

4. No Unit Owner shall allow anything whatsoever to fall from the windows, patios, decks, balconies, entry ways or doors of the premises, nor shall he sweep or throw from his Unit any dirt or other substances outside of his Unit or on the Limited Common Elements or Common Elements of the Condominium.

5. Refuse and bagged garbage shall be deposited only in the area provided therefor.

002-22-0514

6. No Unit Owner shall store or leave boats, trailers, mobile homes, recreation vehicles and the like on the Condominium Property except in areas designated for same.

7. Employees of the Association or Management Firm shall not be sent off the Condominium premises by any Unit Owner at any time for any purpose. No Unit Owner or resident shall direct, supervise or in any manner attempt to assert any control over the employees of the Management Firm or the Association.

8. No Unit Owner shall make or permit any disturbing noises by himself, his family, servants, employees, agents, visitors, and licensees, nor do or permit anything by such persons that will interfere with the rights, comforts or convenience of the Unit Owners. No Unit Owner shall play upon or suffer to be played upon any musical instrument, or operate or suffer to be operated, a phonograph, television, radio or sound amplifier in his Unit, in such a manner as to disturb or annoy other occupants of the Condominium. All party(s) shall lower the volume as to the foregoing from 11:00 P.M. to 8:00 A.M. each day.

9. No Unit Owner will allow more than eight (8) people to occupy their unit overnight at any time.

10. No radio or television installation, or other wiring, shall be made without the written consent of the Board of Directors.

11. No sign, advertisement, notice or other lettering shall be exhibited, displayed, inscribed, painted or affixed, in, on or upon any part of the Condominium Units, Limited Common Elements or Condominium Property by any Unit Owner or occupant without permission of the Association.

12. Complaints regarding the service of the Condominium shall be made in writing to the Management Firm, as long as the Management Agreement remains in effect, and thereafter, to the Board of Directors.

13. No inflammable, combustible, or explosive fluid, chemical or substance shall be kept in any Unit or Limited Common Element except such as are required for normal household use.

