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NOTICE OF DEDICATORY INSTRUMENT for

THE CAPITOL LOFTS COUNCIL OF CO-OWNERS

THE STATE OF TEXAS

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COUNTY OF HARRIS

The undersigned, being the Managing Agent for The Capitol Lofts Council of Co-Owners ("Association"), a property owners' association as defined in Section 202.001 of the Texas Property Code hereby certifies as follows:

- 1. <u>Property</u>: The Property to which the Notice applies is described as follows:
 - The Capitol Lofts, a condominium regime located in Harris County, Texas according to the map or plat thereof recorded in Volume 179, Page 25, et seq. and re-filed in Volume 179, Page 49, et seq. of the Condominium Records of Harris County, Texas and any replats thereof.
- 2. <u>Restrictive Covenants</u>: The description of the documents imposing restrictive covenants on the Property, the amendments to such documents, and the recording information for such documents are as follows:
 - a. Documents:
 - (1) The Condominium Declaration for The Capitol Lofts A Condominium.
 - b. Recording Information:
 - (1) Harris County Clerk's Film Code No. 179025 and re-filed under Film Code No. 179049.
- 3. <u>Dedicatory Instrument</u>: In addition to the Dedicatory Instrument identified in Paragraph Two (2) above, the following documents are Dedicatory Instrument governing the Association:
 - Articles of Incorporation of The Capitol Lofts Council of Co-Owners.
 - b. Condominium By-Laws of The Capitol Lofts Council of Co-Owners.
 - c. Rules of The Capitol Lofts Council of Co-Owners for Residential Units.
 - d. Rules of The Capitol Lofts Council of Co-Owners for Commercial Units.

True and correct copies of such Dedicatory Instrument are attached to this Notice.

This Notice is being recorded in the Official Public Records of Real Property of Harris County, Texas for the purpose of complying with Section 202.006 of the Texas Property Code. I hereby certify that the information set forth in this Notice is true and correct and that the copies of the Dedicatory Instrument attached to this Notice are true and correct copies of the originals.

Executed on this Sth day of

THE CAPITOL LOFTS COUNCIL OF CO-**OWNERS**

Prime Site, Inc., Managing Agent By:

koboda

THE STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned notary public, on this day personally appeared Jan Svoboda of Prime Site, Inc., Managing Agent for The Capitol Lofts Council of Co-Owners, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purpose and in the capacity therein expressed.

SUBSCRIBED AND SWORN TO BEFORE ME on this the , 2006, to certify which witness my hand and official seal.

Notary Public in and for the State of Texas

SHELIA M. COLLINS MY COMMISSION EXPIRES January 23, 2007

Return to: Butler & Hailey, P.C. 1616 S. Voss, Suite 500 Houston, Texas 77057

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FILED In the Office of the Secretary of State of Texas

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ARTICLES OF INCORPORATION OF

THE CAPITOL LOFTS COUNCIL OF CO-OWNERS

Corporations Section

The undersigned, a natural person over the age of eighteen years, acting as incorporator of The Capitol Loss Council of Co-Owners (the "Corporation") under the Texas Non-Profit Corporation Act (the "Act"), does hereby adopt the following Articles of Incorporation (these "Articles") for the Corporation:

ARTICLE I

Condominium Association

The Corporation shall be, mean, and constitute a unit owners' association organized under Section 82.101 of the Uniform Condominium Act (Texas Property Code, Chapter 82) (the "Condominium Act"), as more specifically described in the Declaration of The Capitol Lofts, a Condominium, recorded under Film Code No. 179025 and re-recorded under Film Code No. 179049, both in the Real Property Records of Harris County, Texas, as amended from time to time (the "Declaration"), with respect to certain real property located in the City of Houston, Harris County, Texas, and described in the Declaration.

ARTICLE II

Name

The name of the Corporation is The Capitol Lofts Council of Co-Owners.

ARTICLE M

Non-Profit Corporation

The Corporation is a Non-Profit Corporation.

ARTICLE IV

Duration

The duration of the Corporation shall be perpetual.

ARTICLE V

Purposes

The purposes for which the Corporation is formed are to exercise the rights and powers of a unit owners' association under the Condominium Act, and to perform the duties and obligations of the Corporation in accordance with the Declaration, by-laws of the Corporation

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(the "By-Laws"), and the laws of the State of Texas, including the Condominium Act, as each may be amended from time to time. Such purposes include (without limitation) the acquisition, construction, management, maintenance and care of property owned by the Corporation or owned commonly by the members.

ARTICLE VI

Powers

In furtherance of its purposes, the Corporation shall have the following powers which, unless otherwise provided in these Articles, the Declaration, the By-Laws, or the laws of the State of Texas, may be exercised by the board of directors:

- 1. all rights and powers conferred upon Non-Profit corporations by the laws of the State of Texas in effect from time to time;
- 2. all rights and powers conferred upon condominium associations by the laws of the State of Texas, including the Condominium Act, as amended from time to time; and
- 3. all powers necessary, appropriate, or advisable to perform any purpose or duty of the Corporation as set out in these Articles, the Declaration, the By-Laws, or the laws of the State of Texas.

ARTICLE VII

Prohibitions

No loans shall be made by the Corporation to its directors, unless permitted by the Act. No dividend shall be paid and no part of the income or net earnings the Corporation shall be distributed to, or inure to the benefit of, its members, directors, or officers, provided that:

- 1. The Corporation may pay compensation in a reasonable amount to its members, directors, or officers for services rendered and for actual expenditures made;
- 2. The Corporation may confer benefits upon its members in conformity with its purposes, including (without limitation) by acquiring, constructing or providing management, maintenance and care of property owned by the Corporation or owned commonly by the members, or by rebating excess membership dues, fees or assessments;
- 3. Upon dissolution or final liquidation, the Corporation may make distributions to its members, as permitted by the Act, the Condominium Act, and the Declaration; and
- 4. Any other distributions may be made if permitted by the Act or the Condominium Act.

ARTICLE VIII

Membership

The Corporation shall be a non-stock membership corporation. The members of the Corporation shall consist solely of the owners of units of the condominium created by the Declaration. The Declaration and By-Laws shall determine the number and qualifications of members of the Corporation; the classes of membership, if any; the voting rights and other privileges of membership; and the obligations and liabilities of members. Cumulative voting is not allowed.

ARTICLE IX

Management by Board of Directors

The management and affairs of the Corporation shall be vested in the board of directors, known as the Board of Administrators, except for those matters expressly reserved to the members in the Declaration and By-Laws. The Declarations and By-Laws shall determine the number and qualifications of directors; the term of office of directors; the methods of electing, removing, and replacing directors; and the methods of holding board meetings and obtaining consents.

ARTICLE X

Limitations on Liability

An officer or director of the Corporation shall not be liable to the Corporation, any unit owner or any other person for an act or omission in the officer's or director's capacity as an officer or director, unless a person seeking to establish liability proves that the officer or director has not acted: (1) in good faith; (2) with ordinary care; and (3) in a manner the officer or director reasonably believes to be in the best interest of the Corporation.

If the Texas Miscellaneous Corporation Laws Act, the Condominium Act, or the Act is amended after the date of adoption of this Article X to authorize action further eliminating or limiting the personal liability of officers or directors, then the liability of an officer or director of the Corporation shall be eliminated or limited to the fullest extent permitted by such statutes, as so amended. Any repeal or modification of the foregoing paragraph shall not affect adversely any right of protection of an officer or director of the Corporation existing at the time of such repeal or modification.

ARTICLE XI

Indemnification

The Corporation shall indemnify and advance expenses to each director and officer of the Corporation to the fullest extent permitted by law, including Article 1396-2.22A of the Act, for indemnifying and advancing the expenses of directors of non-profit corporations. The Corporation may, by By-Law or by resolution of the directors, indemnify and advance expenses to an employee or agent of the Corporation, or a person serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, to the same extent and subject to the same conditions under which it may indemnify and advance expenses to directors and officers under this Article.

The indemnification provided by this Article shall be in addition to any indemnification provided in the Declaration and By-Laws. Any repeal or modification of the indemnification provisions in the Act, this Article, the Declaration or the By-Laws shall not affect adversely any right to indemnification existing at the time of such repeal or modification.

ARTICLE XII

Interested Transactions

A contract or transaction between the Corporation and one or more of its directors, officers, or members, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors, officers, or members are directors, officers, or members, or have a financial interest, shall be void or voidable only to the extent described in Article 1396-2.30 of the Act, as amended.

ARTICLE XIII

Amendment of Articles

These Articles may be amended in accordance with the requirements of the Act and the Condominium Act, provided, however, that:

- 1. An amendment shall not conflict with the Declaration or the Condominium Act; and
- 2. An amendment shall not impair or dilute a right granted to a person by the Declaration, without that person's written consent.

ARTICLE XIV

Amendment of By-Laws

The By-Laws of the Corporation may be amended or repealed by the members only, according to the amendment provision of the By-Laws.

ARTICLE XV

Dissolution

The Corporation may be dissolved only as provided in the Declaration, the By-Laws, and the laws of the State of Texas. On dissolution, the assets of the Corporation shall be distributed to the members in accordance with the Declaration provision for distribution upon termination; if the Declaration has no such provision, then in accordance with the termination provision of the Condominium Act.

ARTICLE XVI

Action by Non-Unanimous Consent Without Meeting

Unless otherwise restricted by law, these Articles, or the By-Laws, any action required or permitted to be taken at any meeting of the members, directors, or members of a committee authorized by the board of directors may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by a sufficient number of members, directors, or committee members as would be necessary to take that action at a meeting at which all of the members, directors, or committee members were present and voted. Any action taken by written consent signed by less than all of the members, directors, or committee members entitled to vote with respect to such action shall comply with the requirements, if any, for such action contained in Article 1396-9.10 of the Act, as amended.

ARTICLE XVII

Initial Board of Directors

The number of directors constituting the board of directors of the Corporation and their qualifications shall be fixed or determined by, or in the manner provided in, the By-Laws of the Corporation. In the absence of a by-law providing for the number of directors, or should the Corporation fail to determine the number of directors in the manner provided in the By-Laws, the number of directors constituting the board of directors shall be three (3). The number of directors constituting the initial board of directors is three (3), and the names and addresses of the persons who are to serve as the initial directors of the Corporation are:

Name

Address

James Knightstep

513 Mija Lane

Seabrook, TX 77586

Duncan Shaniz

530 Crestwood

Seabrook, TX 77586

Gordon Jumonville

24910 Canston Court Spring, TX 77389

ARTICLE XVIII

Initial Registered Office and Registered Agent

The address of its initial registered office of the Corporation is 530 Crestwood, Seabrook, Texas 77586, and the name of the initial registered agent at such address is Duncan Shantz.

ARTICLE XIX

Incorporation

The name and street address of the incorporator are as follows:

John D. Hughes 1415 Louisiana, Suite 3700 Houston, Texas 77002

Executed on the 28th day of March 2001.

John D Haghes

THE STATE OF TEXAS

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COUNTY OF HARRIS

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This instrument was acknowledged before me on the 28th day of March 2001, by John D. Hughes.



Notary Public in and for the State of Texas

CONDOMINIUM BY-LAWS OF THE CAPITOL LOFTS COUNCIL OF CO-OWNERS

WHEREAS, a Declaration has been filed in the Condominium Records of Harris County, Texas, establishing a condominium regime over certain property more particularly described therein and to be commonly known as the "Condominium Project"; and

WHEREAS, pursuant to said Declaration, all the Co-Owners of Units in the aforesaid Condominium Project constitute the Council of Co-Owners, which shall govern the operation of said project subject to the Act, the Declaration and these By-Laws; and

WHEREAS, said Council of Co-Owners has been organized as a Texas non-profit corporation in connection with said Declaration; and

WHEREAS, the Developer of said Condominium Project desires to adopt By-Laws to govern the operation of The Capitol Lofts Council of Co-Owners and its Board of Administrators, pursuant to said Declaration, which By-Laws, as amended from time to time, as hereinafter provided, shall constitute the Condominium By-Laws of the Condominium Project pursuant to the Act and the Corporate By-Laws of The Capitol Lofts Council of Co-Owners, a Texas non-profit corporation:

NOW, THEREFORE, the Developer does hereby adopt the following Condominium By-Laws of the Condominium Project and corporate By-Laws of The Capitol Lofts Council of Co-Owners (hereinafter called the "Council of Co-Owners" or the "Council"):

1. <u>Definitions</u>. All words, terms and phrases used herein shall have the meaning set out in the Declaration.

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2. <u>Controlling Documents</u>. In the event of any conflict between the terms and provisions of these By-Laws and the Declaration or the Act, or both, the Declaration shall control over these By-Laws and the Act shall control over both the Declaration or these By-Laws.

3. <u>Voting by Co-Owners</u>.

- a. Each Co-Owner shall be entitled to one vote for each Unit owned by such Co-Owner. Such vote shall be weighted according to the percentage of interest of such Unit in the Common Elements relative to the total interest in all Common Elements then held by one or more Co-Owners. A vote which requires a majority of the weighted votes hereunder shall require the approval of Co-Owners whose percentage interest in the Common Elements exceeds fifty Percent of all interest in the Common Elements then held by one or more Co-Owners, regardless of whether the approving Co-Owners constitute a majority of the total number of Co-Owners. Unless otherwise specified herein, all votes by the Council shall be weighted. A vote taken without regard to such weighing of votes is referred to herein as a "simple" vote.
- b. No Co-Owner, other than the Developer, shall be entitled to vote at any meeting of the Council until such Co-Owner has presented evidence of ownership of a Unit in the Condominium Project to the Secretary of the Board. The vote of each Co-Owner may only be cast by such Co-Owner or by a proxy given by such Co-Owner to a duly authorized representative. If title to a Unit shall be in the name of two or more persons as Co-Owners, any one of such Co-Owners may vote as the Co-Owner of the Unit at any meeting of the Council and such vote shall be binding on such other Co-Owners who are not present at such meeting until written notice to the contrary has been received by the Secretary of the Board, in which case the unanimous action of all such Co-Owners (in person or by proxy) shall be required to cast their vote. If two or more of such Co-Owners are present at any meeting of the Council, then unanimous action shall be required to cast their vote; provided, that they shall be deemed to be in unanimous agreement if one of them votes and none of such other Co-Owners makes prompt protest to the person presiding over the meeting.

Meetings.

a. <u>Elections During Period of Developer Control</u>. Until one hundred and twenty (120) days after the sale of seventy-five percent (75%) of the Units that may be created to persons other than the Developer, or at any time prior thereto at the sole discretion of the Developer, whichever shall occur first, the Developer shall appoint and remove all officers, all members of the Board, and the Manager. If the Developer voluntarily surrenders such appointment and

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removal power before termination of the 120-day period described above, the Developer may require, for the duration of such one hundred twenty (120) day period, that specified actions of the Council or the Board be approved by the Developer before they become effective. Notwithstanding the foregoing, within one hundred and twenty (120) days after the sale of fifty percent (50%) of the Units that may be created to persons other than the Developer, one-third of the members of the Board shall be elected by Unit Co-Owners other than the Developer, at a regular or special meeting of the Council. In no event shall the period of Developer control described in this paragraph extend beyond three (3) years after the first conveyance of a Unit to a person other than the Developer, at which time such period of control shall automatically expire.

- b. Annual Meetings. After the expiration of the Developer's appointment and removal power, pursuant to paragraph 4.a. above, the first annual meeting of the Council of Co-Owners shall be held, at which time the then officers and Administrators shall resign and a new Board of Administrators shall be elected. The new Board shall elect new officers of the Council within thirty (30) days after the expiration of the period of Developer control. Thereafter, each subsequent regular annual meeting of the Council shall be held at such time as may be set by the Board not less frequently than once every calendar year. At each annual meeting, the Administrators shall be elected by ballot of the Co-Owners in accordance with the provisions hereinafter set out and such other business as the Co-Owners deem proper shall be transacted at such time. All meetings of the Council shall be scheduled for a time and place reasonably convenient to the Co-Owners and the Project.
- c. Notice. Notice of the time and place of all annual meetings, and the time, place and subject matter of all special meetings, shall be given to each Co-Owner by either personally delivering, faxing or mailing such notice to such Co-Owner. Notice of annual meetings shall be personally delivered, faxed or deposited in the mail, postage prepaid, at least ten (10) but no more than sixty (60) days prior to an annual meeting. If any Co-Owner shall fail to give an address to the Board for mailing such notices, all such notices shall be sent to the Unit of such Co-Owner and such Co-Owner shall be deemed to have been given notice of any such meeting upon the mailing of such notice irrespective of actual receipt of same. Attendance by a Co-Owner at any meeting, whether in person or by proxy, shall constitute waiver of notice of such meeting. Upon written request to the Secretary, a mortgagee shall be sent a copy of all notices and may designate a representative to attend any meetings.
- d. <u>Special Meetings</u>. Special meetings of the Council of Co-Owners may be called at any time for the purpose of considering any matter which, by the terms of the Declaration, require the approval of all or some of the Co-Owners, or for any other reasonable purpose. Said meetings shall be called by written notice, signed by the President, a majority of the Board or by the Co-Owners having at least twenty percent (20%) of the total weighted votes and either personally

delivered, faxed or deposited in the mail, postage prepaid, not less than fifteen (15) nor more than forty (40) days prior to the date fixed for said meeting. Said notices shall specify the date, time and place of the meeting and the matters to be considered thereat.

- e. Quorum. The presence in person or by proxy of the Co-Owners of more than fifty percent (50%) of the weighted votes of all Units shall constitute a quorum for holding any meeting of the Council. If, however, such quorum shall not be present or represented at any meeting of the Council, the Co-Owners present in person or represented by proxy shall have the power to adjourn and reconvene the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such reconvened meeting, at which a quorum shall be present or represented by proxy, any business may be transacted as was set out in the notification of the original meeting.
- f. Proxies. At any meeting of the Council, votes may be cast in person or by proxy. Proxies must be in writing, dated and duly executed by a Co-Owner, and filed with the Secretary of the Board at or before the appointed time of each meeting of the Council. If a Unit is owned by more than one Co-Owner, each Co-Owner may vote or register protest to the casting of votes by the other Co-Owners of such Unit through a proxy duly executed by such Co-Owner. A Co-Owner may not revoke a proxy except by giving actual notice of revocation to the person presiding over a meeting of the Council. A proxy is void if it is not dated or if it purports to be revocable without notice. A proxy terminates one year after its date unless it specifies a shorter or longer time.

g. Majority Vote.

- (1) When a quorum is present at any meeting of the Council, the vote of a majority (more than fifty percent (50%) of the weighted Unit votes by Co-Owners present in person or by proxy at such meeting) shall decide any question brought before such meeting unless the question is one upon which by express provisions of the Act, the Declaration or the By-Laws, a different vote is required, in which case such express provision shall govern and control a vote on such question.
- (2) Notwithstanding anything to the contrary contained herein, subsequent to the surrender of control by Developer as set forth in paragraph 4(a) above, no vote which creates, alters or eliminates any right, duty or obligation of the Co-Owners of the Commercial Units shall be effective without the written consent of at least one of the affected Commercial Unit Co-Owners.

h. <u>Cumulative Voting Prohibited</u>. At all meetings of the Council, cumulative voting shall not be permitted.

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ELECTION OF DIRECTORS

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5. Board of Administrators.

- a. <u>Number and Qualifications</u>. The affairs of this Council shall be managed by a Board of five (5) Administrators, two (2) of whom shall thereafter be appointed by the Board as president and vice-president of the Council. Each member of the Board must be a Co-Owner, with the exception of the members of the first Board who shall be appointed by the Developer (and any replacement Administrators selected by the Developer or the members of the first Board prior to the first annual meeting of the Council).
- b. <u>Election</u>. At the first annual meeting of the Council, the Co-Owners shall elect, by simple majority vote, two (2) Administrators for a term of one (1) year and three (3) Administrators for a term of two (2) years; and at each annual meeting thereafter, the Council shall elect, by simple majority vote, Administrators for a term of two (2) years, as vacancies occur by expiration of an Administrator's term of office.
- c. Removal and Vacancies. Any Administrator may be removed from the Board, with or without cause, by a simple vote of two-thirds (2/3) of the Council by Co-Owners voting in person or by proxy at a special meeting called for such purpose or at an annual meeting. In such an event, a successor for such Administrator as has been removed shall be selected by a simple majority vote of the Council, and shall serve for the remainder of the term of the removed Administrator. Except as to vacancies provided by removal of Administrators by vote of the Council, vacancies in the Board occurring between annual meetings of the Council shall be filled by the remaining Administrators, and the successor shall serve for the remainder of the term of the replaced Administrator. Notwithstanding anything contained herein to the contrary, no Administrator appointed by the Developer may be removed by a vote of the Co-Owners prior to the first annual meeting called by the Developer pursuant to paragraph 4.b. above; and, provided further, the Developer may, at any time and from time to time, remove and replace any Administrator appointed by the Developer.
- d. <u>Compensation and Expenses</u>. No member of the Board shall receive any compensation from the Council for acting as such but shall be reimbursed for reasonable expenses incurred while serving in such capacity.
- e. <u>Organization Meeting</u>. The organization meeting of a newly elected Board shall be held within thirty (30) days of their election at such place and time as shall be fixed by the Administrators so elected at the meeting at which they were elected, and no further notice of the organization meeting shall be necessary. At each such organization meeting, the Board shall elect officers and address such other business as may come before the meeting.

AMEND. RULES

- f. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Administrators. Notice of regular meetings shall be given to each Administrator, personally or by telephone, facsimile or telegraph, at least three (3) days prior to the date named for such meeting or by mail by depositing in the mail, postage prepaid, at least five (5) calendar days prior to such date.
- g. Special Meetings. Special meetings of the Administrators may be called by the President and must be called by the Secretary at the written request of two (2) of the Administrators. Not less than three (3) days' notice of the meeting shall be given personally by telephone, facsimile or telegraph, which notice shall state the time, place and purpose of the meeting. Such notice may also be given by mail, by depositing in the mail, postage prepaid, at least five (5) calendar days prior to the date of the meeting.
- h. <u>Waiver of Notice</u>. The attendance of any Administrator shall constitute waiver of notice of such meeting, unless such attendance is for the purpose of objecting that the meeting is not properly called.
- i. Quorum. A quorum at Board meetings shall consist of a majority (more than fifty percent (50%)) of the entire Board. The acts approved by a majority of those present and voting at a meeting at which a quorum is present shall constitute the acts of the Board, except where approval by a greater number is required by the Declaration or by the By-Laws.
- j. <u>Nomination</u>. Nomination for election to the Board shall be made by a nominating committee, which shall consist of a chairman who shall be a member of the Board, and two or more Co-Owners, all of whom shall have been appointed by the Board prior to each annual meeting of the Council, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. At the next annual meeting following its selection, the nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine but not less than the number of vacancies that are to be filled. Nominations may also be made from the floor at the annual meeting.
- k. <u>Election</u>. Election to the Board shall be by secret written ballot, at which election the Co-Owners may cast, in person or by proxy, in respect to each vacancy, such votes as they are entitled to exercise under the provisions of the Declaration. Persons receiving the largest number of votes, without regard to weighting, shall be elected. Cumulative voting shall not be permitted.
- 1. Open Meetings. Meetings of the Board must be open to Unit Co-Owners, subject to the right of the Board to adjourn a meeting of the Board and reconvene in closed executive session to consider actions involving personnel, pending litigation, contract negotiations, enforcement actions, matters involving

the invasion of privacy of individual Unit Co-Owners or matters that are to remain confidential by request of the affected parties and agreement of the Board. The general nature of any business to be considered in closed executive session must first be announced at the open meeting of the Board.

- m. <u>Notice of Board Meetings to Unit Owners</u>. On the written request of a Unit Co-Owner to an officer or Administrator of the Council, such officer or Administrator shall inform the Co-Owner of the time and place of the next regular or special meeting of the Board or inform such Co-Owner of where such time and place may be obtained.
- n. <u>Powers and Duties</u>. All the powers and duties of the Council existing under the Act, the Declaration and the By-Laws, shall be exercised exclusively by the Board, its agents, contractors or employees, subject only to approval by Co-Owners when such is specifically required. Such powers and duties shall include, but shall not be limited to, the following; subject, however, to the provisions of the Act, the Declaration and the By-Laws:
 - (1) To make and collect assessments against the Co-Owners for the purposes outlined in the Declaration for the Condominium Project and all its property and facilities;
 - (2) To use the proceeds of assessments in the exercise of its powers and duties;
 - (3) To maintain, repair, replace and operate the Property;
 - (4) To purchase insurance upon the Property and for the protection of the Co-Owners as required by, and pursuant to, the Declaration;
 - (5) To reconstruct improvements after casualty and further improve the Property;
 - (6) To amend the original regulations attached hereto as <u>Exhibit "A"</u> and to make such other regulations as it deems necessary respecting the use of the Property;
 - (7) To approve or disapprove of the transfer, mortgage and ownership of Units in the manner provided by the Declaration, if any;
 - (8) To arrange for and purchase water, sewer, garbage, electrical, gas and other necessary utility services for the Common Elements and (to the extent not separately metered and charged) for the Units;

- (9) To carry out, effect and enforce the provisions of the Act, the Declaration, the By-Laws and the regulations for the use of the Property; and, in particular, to establish a Rules Committee and procedures for the operation of such Committee to hear and determine the facts with respect to allegations of a failure of a Co-Owner or Co-Owners of a Unit or Units to comply with the provisions of the law and governing documents of the Condominium Project, all in accordance with the notice requirements set out in the Act and the Declaration, which Committee shall recommend to the Board such action as may be appropriate by way of limitation or use of Common Elements, cessation of furnishing of any common services or other remedy or action authorized by law or such governing documents;
- (10) To contract for management of the Property and to delegate to the Manager all power and duties of the Board, except those that require the consent of the Co-Owners such as are specifically required by the Act, the Declaration and the By-Laws; provided, however, the Board may delegate to a contract manager the power to approve a proposed lessee of a Unit from a Co-Owner pursuant to the provisions of the Declaration; provided, further, any management contract shall be cancelable upon such terms as are approved by the Board;
- (11) To employ personnel to perform the services required for proper operation of the condominium;
- (12) To cause to be kept a complete record of all its acts and affairs and to present a statement thereof to the Co-Owners at the annual meeting of the Council or at any special meeting when such statement is required in a writing signed by twenty-five percent (25%) or more of the weighted votes of the Co-Owners calling such special meeting.

6. Actions by Written Consent; Telephone Meetings.

- a. Written Consent. Any action required or permitted to be taken at any meeting of the Co-Owners, the Board of Administrators or any committee authorized by the Board of Administrators may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by a sufficient number of Co-Owners, Administrators or committee members as would be necessary to take such action at a meeting at which all of the Co-Owners, Administrators or committee members were present and voted. Any such action taken by less than unanimous written consent (hereinafter a "Non-Unanimous Consent") must comply with the following requirements:
 - (1) Each Non-Unanimous Consent must: (i) bear the date of signature of each Co-Owner, Administrator or committee member who signs the consent, and (ii) be delivered to the Council, by hand or by

certified or registered mail, return receipt requested, to the Council's principal place of business (addressed to the president or principal executive officer), or to its registered office, registered agent, transfer agent, registrar, exchange agent or an officer or agent of the Council having custody of the corporate books in which meetings of the Co-Owners, Administrators and committee members are recorded.

- (2) A telegram, telex, cablegram or similar transmission by a Co-Owner, Administrator or committee member, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by such person, shall be regarded as signed by such person for purposes of this Paragraph 6.a.
- (3) No Non-Unanimous Consent shall be effective unless the requisite minimum number of consents is delivered to the Council, as required by this Paragraph 6.a, within sixty (60) days after the date of the earliest dated consent so delivered.
- (4) Prompt notice of action by the Co-Owners, Board of Administrators or committee members by Non-Unanimous Consent shall be given to all Co-Owners, Administrators or committee members, as applicable, who did not consent to such action.
- (5) If any action of the Co-Owners or Board of Administrators is taken by Non-Unanimous Consent, any articles or documents filed with the Secretary of State as a result of such action shall state, in lieu of any statement required by the Texas Non-Profit Corporation Act concerning any vote of the members or directors, that written consent has been given in accordance with the provisions of Article 1396-9.10 of such Act and that any written notice required by such Article 1396-9.10 has been given.
- b. <u>Telephone Meetings</u>. The Co-Owners, Board of Administrators or any committee authorized by the Board of Administrators may hold a meeting by telephone conference call or similar communications equipment whereby all persons participating in the meeting can hear each other. Any notice of a meeting by telephone conference or similar equipment must state the fact that the meeting will be held by such means, as well as all other matters required to be included in the notice. Participation of a person in a conference call meeting constitutes presence of that person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

7. Officers.

a. The executive officers of the Council shall be a President, who shall be an Administrator, a Vice-President who shall be an Administrator, and a

Treasurer and Secretary, all of whom shall be elected annually by the Board and who may be pre-emptorily removed by vote of the Board at any meeting, with or without cause. Notwithstanding the foregoing, the Developer shall have the sole power to appoint officers during the period prior to the first annual meeting of the Council, as described in Paragraph 4.a. above, and within thirty (30) days after the expiration of the Developer's appointment power, the newly elected Board shall appoint the officers of the Council. Any person may hold two or more offices except the President shall not also be the Secretary. The Board shall from time to time elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Council.

- b. The President shall be the chief executive officer of the Council and shall have all the powers and duties that are usually vested in the office of President of an organized association, including, but not limited to, the power to appoint committees from among the Co-Owners from time to time to assist in the conduct of the affairs of the Council, as the President determines in his or her discretion.
- c. <u>The Vice-President</u> shall, in the absence or disability of the President, exercise the powers and perform the duties of the President and shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Board.
- d. The Secretary shall keep the minutes of all proceedings of the Board and Council, and shall attend to the giving and serving of all notices to the Co-Owners and Administrators and other notices required by law, shall keep the records of the Council, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an organized association and as may be required by the Board or the President.
- e. <u>The Treasurer</u> shall have custody of all property of the Council, including funds, securities and evidences of indebtedness and shall keep the books of the Council in accordance with good accounting practices, and shall perform all other duties incident to the office of Treasurer.
- f. The compensation of all officers and employees of the Council shall be fixed by the Board. This provision shall not preclude the Board from employing an Administrator as an employee of the Council nor preclude the contracting with an Administrator for the management of the condominium.

Any <u>amendments to the Declaration</u>, as are approved pursuant to the procedures set forth in the Declaration, shall be prepared, executed, certified and recorded by the President and Secretary of the Council.

- 8. <u>Delegation of Board Duties</u>. Notwithstanding anything contained herein to the contrary, the Board may, by written instrument executed by a majority of the Board, delegate any of its duties, powers or functions to a Manager, provided that any such delegation shall be revocable upon notice by the Board. The members of the Board shall not be liable for any omission or improper exercise by the Manager of any such duty, power or function so delegated.
- 9. Records. The Board or the Manager shall keep or cause to be kept a set of the following records at the registered office or principal office of the Council in Texas:
 - (a) Detailed financial records of all financial transactions of the Council, including all income and expenditures, that comply with generally accepted accounting principles (GAAP), and that are sufficiently detailed to enable the Council to prepare a resale certificate as required by the Act;
 - (b) The plans and specifications used to construct the condominium, except for buildings originally constructed before January 1, 1994;
 - (c) The condominium information statement prepared under the Act, and any amendments, and current copies of the Declaration, the Articles of Incorporation of the Council, these Bylaws and any rules and regulations adopted by the Council;
 - (d) The name and mailing address of each Co-Owner, including a list of all Co-Owners entitled to vote at meetings of the Council;
 - (e) Voting records, proxies and correspondence relating to amendments to the Declaration; and
 - (f) Minutes of meetings of the Council, the Board and any committees authorized by the Board.

All such records shall be reasonably available at the office of the Council, during normal business hours, for examination by a Co-Owner and a Co-Owner's agents, at such Co-Owner's expense, and by the holders, insurers and guarantors of any first Mortgages secured by Units. The Council shall, as a common expense, annually obtain an

independent audit of its financial records, which shall be performed by a certified public accountant if required by a vote of the Board or by majority simple or weighted vote of the Co-Owners at a meeting of the Council. A Mortgagee may also require that such audit be performed by a certified public accountant, and shall pay for any additional expense required. Copies of the audit shall be made available to the Co-Owners and to the holders, insurers and guarantors of first Mortgages, at the offices of the Council, during normal business hours. All financial records and annual audits shall be kept for at least three (3) years after the closing of the fiscal year to which they apply.

- 10. Co-Owner Information. Within thirty (30) days after acquiring an interest in an Unit, each Co-Owner shall provide the Manager with: (a) the Co-Owner's mailing address, telephone number and driver's license number, if any; (b) the name and address of the holder of any lien against the Unit, and any loan number; (c) the name and telephone number of any person occupying the Unit other than the Co-Owner; and (4) the name, address and telephone number of any person managing the Unit as agent of the Co-Owner. A Co-Owner shall notify the Manager within thirty (30) days after such Co-Owner has notice of a change in any such information, and shall provide the information on request by the Manager, the Board or the Council.
- 11. Amendment. These By-Laws may be amended from time to time as set forth in paragraph 4.g.(2) above; provided, however, no amendment to Section 4.a. may be made without the consent of the Developer and a weighted vote of eighty percent (80%) or more of such votes; and provided further, that Material Amendments to these By-Laws shall require the consent of at least sixty-seven percent (67%) of the weighted votes of all Units and at least fifty-one percent (51%) of the Eligible Mortgagees. Notice

of the specific text of a proposed By-Law amendment shall be included in the notice of any meeting at which the amendment is to be considered. Notice of such meeting shall be provided to each Co-Owner and, in the case of Material Amendments, to each Eligible Mortgagee, no sooner than twenty (20) days, and no later than ten (10) days, before the date of the meeting and shall be either personally delivered, with a receipt signed by the Co-Owner, or deposited in the United States mail, postage prepaid. The date of delivery is the date of personal delivery or the postmark date, whichever is applicable.

- 12. <u>Severability</u>. The invalidity of any provision or provisions of these By-Laws shall not be deemed to impair or affect in any manner the validity, enforceability or effect of the remainder of these By-Laws, and in such event, all the other provisions of these By-Laws shall continue in full force and effect as if such invalid provisions had never been included herein.
- 13. <u>Fiscal Year</u>. The Board of Administrators shall have the authority to set the fiscal year of the Council. In the absence of Board action, the fiscal year shall be the calendar year.
- 14. <u>Waiver</u>. No provision in these By-Laws or the attached Rules is abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

RULES

OF

THE CAPITOL LOFTS COUNCIL OF CO-OWNERS

FOR RESIDENTIAL UNITS

RULES

OF

THE CAPITOL LOFTS COUNCIL OF CO-OWNERS

FOR RESIDENTIAL UNITS

These Rules have been adopted by the Board of Administrators of The Capitol Lofts Council of Co-Owners, a Texas nonprofit corporation and condominium association (the "Council"), in accordance with the provisions of Article VII.F. of the Declaration of The Capitol Lofts, A Condominium (the "Declaration"), recorded in the Real Property Records of Harris County, Texas.

These Rules apply to the Residential Units and Common Elements of The Capitol Lofts, a Condominium ("The Capitol Lofts" or the "Condominium"). By owning or occupying a Residential Unit in The Capitol Lofts, each Owner and Occupant agrees to abide by these Rules, as well as the obligations of Owners and Occupants provided in the Declaration and By-Laws.

For the convenience of Owners and Occupants of The Capitol Lofts, these Rules may restate some of the rules and covenants contained in the Declaration. Most of these Rules, however, are in addition to the restrictions found in the Declaration. Words and phrases defined in the Declaration shall have the same meaning when used in these Rules. "Common Elements," as used herein, shall include Limited Common Elements. In the event of a conflict between Governing Documents (as defined herein), the hierarchy of authority shall be as follows: Declaration (highest), By-Laws, these Rules (lowest).

A. COMPLIANCE

- A-1. Compliance. Each Owner and Occupant of a Residential Unit shall comply with the provisions of these Rules, the Declaration, the By-Laws, and community policies promulgated by the Board of Administrators to supplement these Rules, as any of these may be revised from time to time (collectively the "Governing Documents"). Each Owner, additionally, shall be responsible for compliance with the Governing Documents by the occupants or tenants of his or her Residential Unit and his or her or their respective families, invitees, tenants, subtenants, agents, employees, or contractors (collectively "Occupants"). Use of "Owner" in these Rules shall be deemed to include and apply to all Co-Owners of a Residential Unit in The Capitol Lofts, who shall be jointly and severally responsible for compliance with the Governing Documents with respect to such Unit and all Occupants of such Unit. An Owner or Occupant should contact the Board of Administrators if he or she has a question about these Rules.
- A-2. Additional Rules. Each Owner and Occupant shall comply with all rules and signs posted from time to time within the Condominium by the Council, including those regulating the use of recreational facilities. Such posted rules are incorporated in these Rules by

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reference. Each Owner and Occupant shall comply with notices communicated by the Council, from time to time, in the nature of seasonal or temporary rules, or notice of a change affecting use of the Condominium. Such temporary rules are incorporated in these Rules by reference.

- A-3. Waiver. Certain circumstances may warrant waiver or variance of these Rules. An Owner must make written application to the Board of Administrators for such waiver or variance. An Occupant may also make such application with the written consent of the Owner of such Unit. If the Board of Administrators deems the waiver or variance warranted, the Board of Administrators may condition its approval, which must be in writing to be effective.
- A-4. Emergency. Notwithstanding anything in these Rules to the contrary, the Board of Administrators and the officers of the Council shall be entitled, in the event of an emergency, to take any such actions as are reasonably necessary to preserve the life, health and safety of Owners, Occupants and other persons on or near the Condominium and to prevent damage or destruction of the Condominium and property located thereon.

B. OBLIGATIONS OF OWNERS AND OWNER OR OCCUPANTS

- B-1. Safety. Each Owner and Occupant is solely responsible for his or her own safety and for the safety, well-being and supervision of his or her guests and any person within the Condominium to whom the Owner or Occupant has a duty of care, control, or custody.
- B-2. Damage. Each Owner is responsible for any loss or damage to his or her Unit, other Units, the personal property of other Owner and Occupants or their guests, or to the Common Elements and improvements, if such loss or damage is caused by the Owner or by any Occupant or other person for whom the Owner is responsible.
- B-3. Council Does Not Insure. Each Owner and Occupant is solely responsible for insuring his or her personal property in the Unit and within the Condominium, including his or her furnishings, automobile, and items kept in parking and storage areas. Personal property placed in a Unit or within the Condominium shall be solely at the risk of the Owner or Occupant who owns such personal property. The Council urges Owners and Occupants to purchase insurance on their personal belongings.
- B-4. Risk Management. No Owner or Occupant shall permit anything to be done or kept in his or her Unit or the Common Elements, which will result in the cancellation of insurance of any Unit, or any part of the Common Elements, or which may be in violation of any law.
- B-5. Reimbursement for Enforcement. An Owner shall promptly reimburse the Council for any expenses incurred by the Council in enforcing the Governing Documents against the Owner, his or her Unit, or Occupants or other persons for whom the Owner is responsible.

B-6. Reimbursement for Damage. An Owner shall promptly reimburse the Council for the cost of damage to the Condominium caused by the negligent or willful conduct of the Owner or the Occupants or other persons for whom the Owner is responsible.

C. OCCUPANCY STANDARDS

- C-1. Numbers. A Residential Unit may be occupied by no more than one family, unless higher occupancy is mandated by public agencies that enforce compliance with the familial status protection of the Fair Housing Act.
- C-2. Danger. The Council may prohibit occupancy by a person who constitutes a direct threat to the health or safety of other persons, or whose occupancy would result in substantial physical damage to the property of others, pursuant to the Fair Housing Act.
- C-3. Occupancy Defined. Occupancy of a Unit, for purposes of these Rules, shall mean occupancy of at least 30 continuous days or 60 noncontinuous days in any 12-month period.
- C-4. Term of Lease. A Residential Unit may be not be leased for hotel or transient purposes. Less than all of a Residential Unit may not be leased.
- C-5. Written Leases. Each lease of a Residential Unit must be in writing, and an Owner shall provide the Board of Administrators with a copy of each lease of that Owner's Unit.

D. GENERAL USE AND MAINTENANCE OF RESIDENTIAL UNITS

- D-1. Residential Use. Each Residential Unit must be used solely for residential use, and may not be used for commercial or business purposes except for home professional or business pursuits which are not disruptive or violate the use, enjoyment and rights of other Owners and Occupants and which conform to all applicable laws and ordinances.
- D-2. Annoyance. No Unit may be used in any way that may reasonably be considered annoying to Occupants of neighboring Units, or that may endanger the health or safety of other Owners and Occupants or violate any law or any provision of the Governing Documents.
- D-3. Maintenance. Each Owner, at his or her sole cost and expense, shall maintain his or her Unit and keep it in good repair, including the inner, finished surfaces of the Unit's perimeter walls, floors, and ceilings.
- D-4. Patio/Balcony. Each Owner and Occupant shall keep his or her Unit and patio or balcony, if any, in a good state of cleanliness, taking care that the cleaning of his or her patio or balcony does not annoy or inconvenience other Owners and Occupants. A patio/balcony may not be enclosed or used for storage purposes. Maintenance and repair of each individual patio area on the roof of the adjacent building shall be the responsibility of the Owner and Occupant of the Unit appurtenant to such patio.

Maintenance and repair of the landscaped common area on the roof of the adjacent building shall be the joint responsibility of the Owners and Occupants of those Units with access to such area (Units B, C1 and C2 on the third floor), and any common expenses related to such area shall be assessed only against such Units, in proportion to their respective shares of common expense liability.

- D-5. Exterior Windows. Maintenance and repair of windows along the exterior of the building shall be made only by the Council, unless the Board of Administrators grants permission otherwise. The cost of such maintenance or repair of exterior windows may be assessed against a Unit if due to damage caused by the Owners or Occupants of such Unit or other persons for whom the Owner is responsible.
- D-6. Air Conditioning Equipment. Each Owner, at his or her sole cost and expense, shall maintain, repair, and replace the heating and cooling equipment/system serving his Unit, including periodic maintenance and replacement of filters in the air handler mechanical unit located in such Unit.
- D-7. Combustibles. No Owner or Occupant may store or maintain, anywhere within the Condominium (including within a Unit) explosives or materials capable of spontaneous combustion.
- D-8. Report Malfunctions. An Owner or Occupant shall immediately report to the Board of Administrators his or her discovery of any leak, break, or malfunction in any portion of his or her Unit or the adjacent Common Elements for which the Council has a maintenance responsibility. The failure to report promptly a problem may be deemed negligence by the Owner or Occupant, who may be liable for any additional damage caused by the delay.
- D-9. Utilities. Each Owner and Occupant shall endeavor to conserve the use of utilities furnished through the Council, including water consumption within his or her Unit.
- D-10. Frozen Water Pipes. During periods of anticipated below freezing temperatures, water lines within or serving a Unit should be allowed to drip continuously, and cabinets enclosing plumbing lines should be left ajar. Failure by an Owner or Occupant to monitor the local weather and take appropriate precautions shall be deemed negligence.

E. GENERAL USE & MAINTENANCE OF COMMON ELEMENTS

- E-1. Intended Uses. Every area and facility in the Condominium may be used only for its intended and obvious use. For example, walkways, stairways, sidewalks, elevators, and driveways are to be used exclusively for purposes of access, not for social congregation or recreation.
- E-2. Grounds. Unless the Board of Administrators designates otherwise, Owners and Occupants may not use or abuse any landscaped areas, lawns, beds, and plant materials within the Common Elements.

- E-3. Abandoned items. No item or object of any type shall be stored, placed, or maintained anywhere on the Common Elements, including window sills, passageways and courtyards, except by the Board of Administrators or with the prior written consent of the Board of Administrators. Items of personal property found within the Common Elements are deemed abandoned and may be disposed of by the Board of Administrators.
- E-4. Stored Items. If the Council provides storage areas for use by Owners and/or Occupants, each Owner and Occupant agrees that the Council is not responsible for items stored there by an Owner or Occupant, who shall be solely liable at all times for his or her personal property.

F. COMMUNITY ETIQUETTE

- F-1. Courtesy. Each Owner and Occupant shall endeavor to use his or her Unit and the Common Elements in a manner calculated to respect the rights and privileges of other Owners and Occupants.
- F-2. Annoyance. Each Owner and Occupant shall avoid doing or permitting anything to be done that will annoy, harass, embarrass, or inconvenience other Owners and Occupants or their guests, or the Council's employees and agents.
- F-3. Noise and Odors. Each Owner and Occupant shall exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb Owners and Occupants of other Units.
- F-4. Reception Interference. Each Owner and Occupant shall avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, or electronic reception within the Condominium.
- F-5. No Personal Service. The Council's employees and agents are not permitted or authorized to render personal services to Owners and Occupants. Each Owner and Occupant agrees that the Council is not responsible for any item or article left with or delivered to the Council's employees or agents on behalf of such Owner or Occupant.
- F-6. Compliance with Law. Owners and Occupants may not use the Condominium for unlawful activities. Each Owner and Occupant shall comply with applicable laws and regulations of the United States and of the State of Texas, and with ordinances, rules, and regulations of Houston, Texas. An Owner or Occupant who violates this provision shall hold the Council and other Owners and Occupants harmless from all fines, penalties, costs, and prosecutions for such person's violation or noncompliance.

G. ARCHITECTURAL CONTROL

G-1. Common Elements. Without the prior written approval of the Board of Administrators, no Owner or Occupant may change, remodel, decorate, destroy, or improve the Common

Elements, nor do anything to change the appearance of the Common Elements, including, without limitation, the entry door, balcony or patio, and landing or walkway appurtenant to the Unit.

G-2. Prohibited Acts. No person may:

- a. Post signs, notices, or advertisements within the Common Elements or in a Unit if visible from outside his or her Unit.
- b. Place or hang an object in, on, from, or above any window, interior window sill, balcony, or patio that unreasonably detracts from the appearance of the Condominium.
- c. Hang, shake, or otherwise display linens, clothing, towels, rugs, shoes, mops, bedding or other similar items from windows, doors, balconies, patios or passageways.
- d. Erect or install exterior horns, lights speakers, aerials, antennas or other transmitting or receiving equipment, or cause anything to protrude through an exterior wall or roof.
- e. Place decorations on exterior walls or doors, or within the Common Elements.
- G-3. Window Treatments. An Owner may install window treatments inside his or her Unit, at his or her sole expense, provided:
 - a. Aluminum foil and reflective window treatments are expressly prohibited; and
 - b. Window treatments must be maintained in good condition.
- G-4. Board Approval. To obtain the Board of Administrators' written consent for a modification to a Unit, an Owner must submit to the Board of Administrators complete plans and specifications showing the nature, kind, shape, size, materials, colors and location for all proposed work, and any other information reasonably requested by the Board of Administrators. The Board of Administrators' failure to respond to the Owner's written request within 30 days after it receives the Owner's request shall be construed as no objection to the proposed changes.

H. PARKING AREA RESTRICTIONS

H-1. Permitted Vehicles. To be permitted in the Parking Area, a vehicle must be operable. For purposes of these Rules, vehicles include automobiles, motorcycles, motorized bikes, passenger trucks, small vans, and similar passenger vehicles. The following are not permitted in the Parking Area without the Board of Administrators' consent: trailers, boats, recreational vehicles, buses, large commercial trucks or industrial vehicles.

PARKING

- H-2. Repairs. Washing, repairs, restoration, or maintenance of vehicles is prohibited in the Parking Area, except for emergency repairs, and then only to the extent necessary to enable movement of the vehicle to a repair facility.
- H-3. Space Use. All parking spaces in the Parking Area shall be used for parking purposes only, and may not be used for storage. No parking space may be enclosed or used for any purpose that prevents the parking of vehicles.
- H-4. No Obstruction. No vehicle may be parked in a manner that interferes with ready access to any entrance to or exit from the Parking Area. No vehicle may obstruct the flow of traffic, constitute a nuisance, or otherwise create a safety hazard in the Parking Area. No vehicle may be parked, even temporarily, in spaces reserved for others, in fire lanes, or in any area designated as "No Parking."
- H-5. Nuisances. Each vehicle shall be muffled and shall be maintained and operated to minimize noise, odor, and oil emissions. The use of car horns in the Parking Area is discouraged.
- H-6. Violations. Any vehicle in violation of these Rules may be towed or otherwise removed from the Parking Area by the Board of Administrators, at the expense of the vehicle's owner. The Council expressly disclaims any liability for damage to vehicles on which the Council exercises these remedies for Rules violations.

I. TRASH DISPOSAL

- I-1. General Duty. Each Owner and Occupant shall not litter Common Elements, shall endeavor to keep the Condominium clean. All refuse shall be placed in receptacles provided specifically by the Council for that purpose. Trash pickup shall be in accordance with the trash pickup schedule for each floor.
- 1-2. Hazards. No Owner or Occupant may store trash inside or outside his or her Unit in a manner that encourages vermin, causes odors, or may permit the spread of fire. Before discarding coals, ashes, logs, or other materials used in barbecue grills or fireplaces, each Owner and Occupant shall ensure that the debris is thoroughly cold.

J. PETS

- J-1. Permitted Pets. Subject to these Rules, an Owner or Occupant may keep in his or her Unit not more than two house pets per Unit. Permitted house pets include domesticated dogs, gentle in disposition, cats, caged birds and aquarium fish. Permitted house pets also include specially trained animals that serve as physical aids to handicapped persons, regardless of the animal's size or type.
- J-2. Prohibited Animals. No Owner or Occupant may keep a dangerous or exotic animal, trained attack dog or any other animal deemed by the Board of Administrators to be a potential threat to the well-being of people or other animals.

- J-3. Common Elements. No pet is allowed on Common Elements unless carried or leashed. No pet may be leashed to any stationary object within the Common Elements.
- J-4. Disturbance. Pets shall be kept in a manner that does not disturb the peaceful enjoyment of Owners and Occupants of their Units and the Common Elements. No pet shall be permitted to bark, howl, whine, screech, or make other loud noises for extended or repeated periods of time.
- J-5. Damage. Each Owner and Occupant is responsible for any property damage, injury, or disturbance his or her pet may cause or inflict, and shall compensate any person injured by his or her pet. Any Owner or Occupant who keeps a pet within the Condominium shall be deemed to have indemnified and agreed to hold harmless the Board of Administrators, the Council, and other Owners and Occupants, from and against any loss, claim, or liability of any kind or character whatever resulting from any action of his or her pet or arising by reason of keeping or maintaining such pet within the Condominium.
- J-6. Waste. No Owner or Occupant may permit his or her pet to relieve itself within the Condominium.
- J-7. Removal. If an Owner or Occupant or his or her pet violates these Rules or the community policies pertaining to pets, or if a pet causes or creates a nuisance, odor, unreasonable disturbance, or noise, such Owner or Occupant or any person having control of the animal shall be given a written notice by the Board of Administrators to correct the problem. If the problem is not corrected within the time specified in the notice (not less than 10 days), the Owner or Occupant, upon written notice from the Board of Administrators, may be required to remove the animal. Each Owner and Occupant agrees to permanently remove his or her violating animal from the Condominium within 10 days after receipt of a removal notice from the Board of Administrators.

K. MISCELLANEOUS

K-1. Security. The Council may, but shall not be obligated to, maintain or support certain activities within the Condominium designed to make the Condominium less attractive to intruders than it otherwise might be. The Council, its Administrators, officers, committees, members, agents and employees, shall not in any way be considered an insurer or guarantor of security within the Condominium, and shall not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. Each Owner, Occupant, guest, and invitee within the Condominium assumes all risk for loss or damage to his or her person, to his or her Unit, to the contents of his or her Unit, and to any other of his or her property within the Condominium. The Council expressly disclaims and disavows any and all representations or warranties, expressed or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any security systems, equipment or measures recommended, installed or undertaken within the Condominium.

- K-2. Right to Hearing. An Owner may request in writing a hearing by the Board of Directors regarding an alleged breach of these Rules by the Owner or an Occupant of the Owner's Unit. An Occupant may also request a hearing with the written consent of the Owner of the Occupant's Unit. The Board of Administrators will schedule a hearing within 30 days of receiving the Owner's or Occupant's written request. At the hearing, the Board of Administrators will consider the facts and circumstances surrounding the alleged violation. The Owner and, if applicable, the Occupant may attend the hearing in person, or may be represented by another person or by written communication. Any fines and assessments are specifically subject to the notice and hearing procedures in Article IX of the Declaration.
- K-3. Mailing Address. An Owner or Occupant who receives mail at any address other than the address of his or her Unit shall be responsible for maintaining with the Council his or her current mailing address. Notifications of change of name or change of address should be clearly marked as such. All notices required to be sent to Owners or Occupants by the Governing Documents shall be sent to the most recent address as shown on the records of the Council. If an Owner or Occupant fails to provide a forwarding address, the address of that Owner's or Occupant's Unit shall be deemed effective for purposes of delivery. Delivery may be either in person; by courier or messenger to any person at the address; by facsimile; or by United States mail. All deliveries shall be effective on receipt by the addressee or any person at the addressee's address, except that delivery by mail shall be effective three days after deposit in the mail, postage prepaid.
- K-4. Revision. These Rules are subject to being revised, replaced, or supplemented. Owners and Occupants are urged to contact the management office to verify the rules currently in effect on any matter of interest. These Rules shall remain effective until the Council delivers notice of an amendment or revocation of these Rules to an Owner of each Unit.
- K-5. Other Rights. These Rules are in addition to and shall in no way whatsoever detract from the rights of the Council under the Declaration, By-Laws, Articles of Incorporation, and the laws of the State of Texas.
- K-6. Effective Date. These Rules are the initial Rules of The Capitol Lofts Council of Co-Owners and shall become effective March 29, 2001.

RULE AMEND

RULES

OF

THE CAPITOL LOFTS COUNCIL OF CO-OWNERS

FOR COMMERCIAL UNITS

RULES

OF

THE CAPITOL LOFTS COUNCIL OF CO-OWNERS

FOR COMMERCIAL UNITS

These Rules have been adopted by the Board of Administrators of The Capitol Lofts Council of Co-Owners, a Texas nonprofit corporation and condominium association (the "Council"), in accordance with the provisions of Article VII.F. of the Declaration of The Capitol Lofts, a Condominium (the "Declaration"), recorded in the Real Property Records of Harris County, Texas.

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For the convenience of Owners and Occupants of The Capitol Lofts, these Rules may restate some of the rules and covenants contained in the Declaration. Most of these Rules, however, are in addition to the restrictions found in the Declaration. Words and phrases defined in the Declaration shall have the same meaning when used in these Rules. "Common Elements," as used herein, shall include Limited Common Elements. In the event of a conflict between Governing Documents (as defined herein), the hierarchy of authority shall be as follows: Declaration (highest), By-Laws, these Rules (lowest).

A. COMPLIANCE

- A-1. Compliance. Each Owner and Occupant of a Commercial Unit shall comply with the provisions of these Rules, the Declaration, the By-Laws, and community policies promulgated by the Board of Administrators to supplement these Rules, as any of these may be revised from time to time (collectively the "Governing Documents"). Each Owner, additionally, shall be responsible for compliance with the Governing Documents by (i) the occupants, tenants, and subtenants of their Commercial Unit and their respective families and invitees, and (ii) by agents, employees, or contractors (collectively "Occupants"). Use of "Owner" in these Rules shall be deemed to include and apply to all Co-Owners of a Commercial Unit in The Capitol Lofts, who shall be jointly and severally responsible for compliance with the Governing Documents with respect to such Unit and all Occupants of such Unit. An Owner or Occupant should contact the Board of Administrators if he or she has a question about these Rules.
- A-2. Additional Rules. Each Owner and Occupant shall comply with all rules and signs posted from time to time within the Condominium by the Council, including those regulating the use of recreational facilities. Such posted rules are incorporated in these Rules by

reference. Each Owner and Occupant shall comply with notices communicated by the Council, from time to time, in the nature of seasonal or temporary rules, or notice of a change affecting use of the Condominium. Such temporary rules are incorporated in these Rules by reference.

- A-3. Waiver. Certain circumstances may warrant waiver or variance of these Rules. An Owner must make written application to the Board of Administrators for such waiver or variance. An Occupant may also make such application with the written consent of the Owner of such Unit. If the Board of Administrators deems the waiver or variance warranted, the Board of Administrators may condition its approval, which must be in writing to be effective.
- A-4. Emergency. Notwithstanding anything in these Rules to the contrary, the Board of Administrators and the officers of the Council shall be entitled, in the event of an emergency, to take any such actions as are reasonably necessary to preserve the life, health and safety of Owners, Occupants and other persons on or near the Condominium and to prevent damage or destruction of the Condominium and property located thereon.

B. OBLIGATIONS OF OWNERS AND OWNER OR OCCUPANTS

- B-1. Safety. Each Owner and Occupant is solely responsible for their own safety and for the safety, well-being and supervision of their guests and any person within the Condominium to whom the Owner or Occupant has a duty of care, control, or custody.
- B-2. Damage. Each Owner is responsible for any loss or damage to their Unit, other Units, the personal property of other Owner and Occupants or their guests, or to the Common Elements and improvements, if such loss or damage is caused by the Owner or by any Occupant or other person for whom the Owner is responsible.
- B-3. Council Does Not Insure. Each Owner and Occupant is solely responsible for insuring their Unit and their personal property in the Unit and within the Condominium, including their furnishings, automobile, and items kept in parking and storage areas. Each Unit and all personal property placed in a Unit or within the Condominium shall be solely at the risk of the Owner or Occupant who owns such Unit and personal property. The Council urges Owners and Occupants to purchase insurance on their own Unit and personalproperty.
- B-4. Risk Management. No Owner or Occupant shall permit anything to be done or kept in their Unit or the Common Elements, which will result in the cancellation of insurance of any Unit, or any part of the Common Elements, or which may be in violation of any law.
- B-5. Reimbursement for Enforcement. An Owner shall promptly reimburse the Council for any expenses incurred by the Council in enforcing the Governing Documents against the Owner, their Unit, or Occupants or other persons for whom the Owner is responsible.

B-6. Reimbursement for Damage. An Owner shall promptly reimburse the Council for the cost of damage to the Condominium caused by the negligent or willful conduct of the Owner or the Occupants or other persons for whom the Owner is responsible.

C. OCCUPANCY STANDARDS

- C-1. Numbers. A Commercial Unit may be occupied by no more persons than are permitted by the City of Houston fire and safety codes.
- C-2. Danger. The Council may prohibit occupancy by a person who constitutes a direct threat to the health or safety of other persons, or whose occupancy would result in substantial physical damage to the property of others.
- C-3. Occupancy Defined. Occupancy of a Unit, for purposes of these Rules, shall mean occupancy of at least 30 continuous days or 60 noncontinuous days in any 12-month period.
- C-4. Term of Lease. A Commercial Unit may be not be leased for hotel or transient purposes.
- C-5. Written Leases. Each lease of a Commercial Unit must be in writing, and an Owner shall provide the Board of Administrators with a copy of each lease of that Owner's Unit.

D. GENERAL USE AND MAINTENANCE OF COMMERCIAL UNITS

- D-1. Commercial Use. Each Commercial Unit must be used solely for commercial purposes, and may not be used for residential purposes unless converted in accordance with paragraph X.E. of the Declaration. Such use shall conform to all applicable laws and ordinances.
- D-2. Annoyance. No Unit may be used in any way that may reasonably be considered annoying to Occupants of neighboring Units, or that may endanger the health or safety of other Owners and Occupants or violate any law or any provision of the Governing Documents. Notwithstanding the foregoing, operation of Commercial Units as permitted by applicable laws, ordinances, or similar regulations governing facilities of their type shall not be deemed a violation of this provision D-2.
- D-3. Maintenance. Each Owner, at their sole cost and expense, shall maintain their Unit and keep it in good repair.
- D-4. Patio/Balcony. Each Owner and Occupant shall keep their Unit and patio or balcony, if any, in a good state of cleanliness, taking care that the cleaning of their patio or balcony does not annoy or inconvenience other Owners and Occupants. A patio/balcony may not be enclosed or used for storage purposes. The restaurant may locate chairs and tables on the front patio and second floor balcony and operate their business on such patio and balcony provided those areas are maintained in a professional and responsible manner.

- D-5. Exterior Windows. Maintenance and repair of windows along the exterior of the building shall be made only by the Council, unless the Board of Administrators grants permission otherwise. The cost of such maintenance or repair of exterior windows may be assessed against a Unit if due to damage caused by the Owners or Occupants of such Unit or other persons for whom the Owner is responsible.
- D-6. Air Conditioning Equipment. Each Owner, at their sole cost and expense, shall maintain, repair, and replace the heating and cooling equipment/system serving their Unit, including periodic maintenance and replacement of filters in the air handler mechanical unit located in such Unit.
- D-7. Combustibles. No Owner or Occupant may store or maintain, anywhere within the Condominium (including within a Unit) explosives or materials capable of spontaneous combustion. Notwithstanding the foregoing, the Owner or Occupant of a Commercial Unit shall be permitted to store or maintain such combustible materials as are reasonably necessary to the operation of the business, provided that any and all such materials are stored and maintained in compliance with all applicable laws, ordinances or other regulations.
- D-8. Report Malfunctions. An Owner or Occupant shall immediately report to the Board of Administrators their discovery of any leak, break, or malfunction in any portion of their Unit or the adjacent Common Elements for which the Council has a maintenance responsibility. The failure to report promptly a problem may be deemed negligence by the Owner or Occupant, who may be liable for any additional damage caused by the delay.
- D-9. Utilities. Each Owner and Occupant shall endeavor to conserve the use of utilities furnished through the Council, including water consumption within their Unit, if applicable.
- D-10. Frozen Water Pipes. During periods of anticipated below freezing temperatures, water lines within or serving a Unit should be allowed to drip continuously, and cabinets enclosing plumbing lines should be left ajar. Failure by an Owner or Occupant to monitor the local weather and take appropriate precautions shall be deemed negligence.

E. GENERAL USE & MAINTENANCE OF COMMON ELEMENTS

- E-1. Intended Uses. Every area and facility in the Condominium may be used only for its intended and obvious use. For example, walkways, stairways, sidewalks, elevators, and driveways are to be used exclusively for purposes of access, not for social congregation or recreation.
- E-2. <u>Restrictions on Use of Certain Common Elements by Commercial Unit Co-Owners</u>. Unless by express written permission of the Council, the owners, tenants, guests, licensees, invitees, agents, representatives, and guests of the Co-Owners of the

Commercial Units shall not have the right to use the following Common Elements, which shall be for the exclusive use of the Residential Unit Co-Owners:

- 1. Any and all Common Elements on the third floor through the tenth floor, including any Common Elements on the roof of the Building or the roof of building located at 719 Main, adjacent to the Building.
- 2. All passenger elevators and their respective lobbies, shafts and pits, except in the event that use of the elevator is necessary (i) to provide access to the second level of the first floor Restaurant to disabled guests or (ii) to provide access to the portion of the second floor Commercial Unit that is not the Restaurant up to a maximum of twenty persons per day;
- 3. The weight room, Maintenance Room, and storage areas on the second floor.
- E-3. Grounds. Unless the Board of Administrators designates otherwise, Owners and Occupants may not use or abuse any landscaped areas, lawns, beds, and plant materials within the Common Elements.
- E-4. Abandoned items. No item or object of any type shall be stored, placed, or maintained anywhere on the Common Elements, including windowsills, passageways and courtyards, except by the Board of Administrators or with the prior written consent of the Board of Administrators. Items of personal property found within the Common Elements are deemed abandoned and may be disposed of by the Board of Administrators.
- E-5. Stored Items. If the Council provides storage areas for use by Owners and/or Occupants, each Owner and Occupant agrees that the Council is not responsible for items stored there by an Owner or Occupant, who shall be solely liable at all times for their personal property.

F. COMMUNITY ETIQUETTE

- F-1. Courtesy. Each Owner and Occupant shall endeavor to use their Unit and the Common Elements in a manner calculated to respect the rights and privileges of other Owners and Occupants.
- F-2. Annoyance. Each Owner and Occupant shall avoid doing or permitting anything to be done that will annoy, harass, embarrass, or inconvenience other Owners and Occupants or their guests, or the Council's employees and agents. Notwithstanding the foregoing, operation of Commercial Units as permitted by applicable laws, ordinances, or similar regulations governing facilities of their type shall not be deemed a violation of this provision F-2.

- F-3. Noise and Odors. Each Owner and Occupant shall exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb Owners and Occupants of other Units.
- F-4. Reception Interference. Each Owner and Occupant shall avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, or electronic reception within the Condominium.
- F-5. No Personal Service. The Council's employees and agents are not permitted or authorized to render personal services to Owners and Occupants. Each Owner and Occupant agrees that the Council is not responsible for any item or article left with or delivered to the Council's employees or agents on behalf of such Owner or Occupant.
- F-6. Compliance with Law. Owners and Occupants may not use the Condominium for unlawful activities. Each Owner and Occupant shall comply with applicable laws and regulations of the United States and of the State of Texas, and with ordinances, rules, and regulations of Houston, Texas. An Owner or Occupant who violates this provision shall hold the Council and other Owners and Occupants harmless from all fines, penalties, costs, and prosecutions for such person's violation or noncompliance.

G. ARCHITECTURAL CONTROL

- G-1. Common Elements. Without the prior written approval of the Board of Administrators, no Owner or Occupant may change, remodel, decorate, destroy, or improve the Common Elements, nor do anything to change the appearance of the Common Elements, including, without limitation, the entry door, balcony or patio, and landing or walkway appurtenant to the Unit.
- G-2. Prohibited Acts. No person may:
 - a. Post signs, notices, or advertisements within the Common Elements or in a Unit if visible from outside their Unit; except that the restaurant may post signs and advertisements of a reasonable size and nature, provided such signs comply with local ordinances.
 - b. Place or hang an object in, on, from, or above any window, interiorwindowsill, balcony, or patio that unreasonably detracts from the appearance of the Condominium.
 - c. Hang, shake, or otherwise display linens, clothing, towels, rugs, shoes, mops, bedding or other similar items from windows, doors, balconies, patios or passageways.
 - d. Erect or install exterior horns, lights, speakers, aerials, antennas or other transmitting or receiving equipment, or cause anything to protrude through an exterior wall or roof.

e. Place decorations on exterior walls or doors, or within the Common Elements.

H. PARKING AREA RESTRICTIONS

- H-1. Permitted Vehicles. To be permitted in the Parking Area, a vehicle must be operable. For purposes of these Rules, vehicles include automobiles, motorcycles, motorized bikes, passenger trucks, small vans, and similar passenger vehicles. The following are not permitted in the Parking Area without the Board of Administrators' consent: trailers, boats, recreational vehicles, buses, large commercial trucks or industrial vehicles.
- H-2. Repairs. Washing, repairs, restoration, or maintenance of vehicles is prohibited in the Parking Area, except for emergency repairs, and then only to the extent necessary to enable movement of the vehicle to a repair facility.
- H-3. Space Use. All parking spaces in the Parking Area shall be used for parking purposes only, and may not be used for storage. No parking space may be enclosed or used for any purpose that prevents the parking of vehicles.
- H-4. No Obstruction. No vehicle may be parked in a manner that interferes with ready access to any entrance to or exit from the Parking Area. No vehicle may obstruct the flow of traffic, constitute a nuisance, or otherwise create a safety hazard in the Parking Area. No vehicle may be parked, even temporarily, in spaces reserved for others, in fire lanes, or in any area designated as "No Parking."
- H-5. Nuisances. Each vehicle shall be muffled and shall be maintained and operated to minimize noise, odor, and oil emissions. The use of car horns in the Parking Area is discouraged.
- H-6. Violations. Any vehicle in violation of these Rules may be towed or otherwise removed from the Parking Area by the Board of Administrators, at the expense of the vehicle's owner. The Council expressly disclaims any liability for damage to vehicles on which the Council exercises these remedies for Rules violations.

I. TRASH DISPOSAL

I-1. General Duty. Each Owner and Occupant shall not litter Common Elements and shall endeavor to keep the Condominium clean. All office refuse shall be placed in dumpsters to be provided at the expense of the Owner of each Commercial Unit, or otherwise collected and disposed of in a manner mutually agreed upon by the Owner and the Council. Notwithstanding the foregoing, the restaurant shall be responsible for the collection and removal of its own trash. Such trash shall not be allowed to accumulate in the back alley for more time than is reasonably necessary for pick up and disposal.

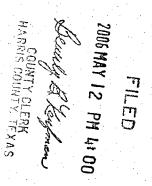
1-2. Hazards. No Owner or Occupant may store trash inside or outside their Unit in a manner that encourages vermin, causes odors, or may permit the spread of fire. Before discarding coals, ashes, logs, or other materials used in barbecue grills or fireplaces, each Owner and Occupant shall ensure that the debris is thoroughly cold.

J. MISCELLANEOUS

- J-1. Security. The Council may, but shall not be obligated to, maintain or support certain activities within the Condominium designed to make the Condominium less attractive to intruders than it otherwise might be. The Council, its Administrators, officers, committees, members, agents and employees, shall not in any way be considered an insurer or guarantor of security within the Condominium, and shall not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. Each Owner, Occupant, guest, and invitee within the Condominium assumes all risk for loss or damage to their person, to their Unit, to the contents of their Unit, and to any other of their property within the Condominium. The Council expressly disclaims and disavows any and all representations or warranties, expressed or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any security systems, equipment or measures recommended, installed or undertaken within the Condominium.
- J-2. Right to Hearing. An Owner may request in writing a hearing by the Board of Directors regarding an alleged breach of these Rules by the Owner or an Occupant of the Owner's Unit. An Occupant may also request a hearing with the written consent of the Owner of the Occupant's Unit. The Board of Administrators will schedule a hearing within 30 days of receiving the Owner or Occupant's written request. At the hearing, the Board of Administrators will consider the facts and circumstances surrounding the alleged violation. The Owner and, if applicable, the Occupant may attend the hearing in person, or may be represented by another person or by written communication. Any fines and assessments are specifically subject to the notice and hearing procedures in Article IX of the Declaration.
- J-3. Mailing Address. An Owner or Occupant who receives mail at any address other than the address of their Unit shall be responsible for maintaining with the Council their current mailing address. Notifications of change of name or change of address should be clearly marked as such. All notices required to be sent to Owners or Occupants by the Governing Documents shall be sent to the most recent address as shown on the records of the Council. If an Owner or Occupant fails to provide a forwarding address, the address of that Owner's or Occupant's Unit shall be deemed effective for purposes of delivery. Delivery may be either in person; by courier or messenger to any person at the address; by facsimile; or by United States mail. All deliveries shall be effective on receipt by the addressee or any person at the addressee's address, except that delivery by mail shall be effective three days after deposit in the mail, postage prepaid.
- J-4. Revision. These Rules are subject to being revised, replaced, or supplemented. Owners and Occupants are urged to contact the management office to verify the rules currently in

effect on any matter of interest. These Rules shall remain effective until the Council delivers notice of an amendment or revocation of these Rules to an Owner of each Unit.

- J-5. Other Rights. These Rules are in addition to and shall in no way whatsoever detract from the rights of the Council under the Declaration, By-Laws, Articles of Incorporation, and the laws of the State of Texas.
- J-6. Effective Date. These Rules are the initial Rules of The Capitol Lofts Council of Co-Owners and shall become effective March 29, 2001.



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

ANY PROVISION HEREM WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY RECAUSE OF COLOR OR RACE IS INVALID AND UNDIFFORCEASE UNDER FEDERAL LAW.

THE STATE OF TEXAS.

COUNTY OF HARRIS
I hereby certify that this instrument was FILED in File Number Sequence on the date and at the time stamped hereon by me; and was duly RECORDED. In the Official Public Records of Real Property of Harris County, Texas on

MAY 1 2 2006



COUNTY CLERK
HARRIS COUNTY, TEXAS