

DECLARATION

OF

PANAMA HISTORIC

CONDOMINIUMS

TABLE OF CONTENTS

ARTICLE I	<i>Submission; Defined Terms</i>	1
Section 1.1	<i>Submission of Real Estate</i>	1
Section 1.2	<i>Defined Terms</i>	1
ARTICLE II	<i>Names</i>	3
Section 2.1	<i>Condominium</i>	3
Section 2.2	<i>Association</i>	3
ARTICLE III	<i>Description of Real Property</i>	3
Section 3.1	<i>Real Property</i>	3
ARTICLE IV	<i>The Association</i>	3
Section 4.1	<i>Authority</i>	3
Section 4.2	<i>Powers</i>	3
ARTICLE V	<i>Units</i>	3
Section 5.1	<i>Number</i>	3
Section 5.2	<i>Identification</i>	3
Section 5.3	<i>Unit Owner Interest</i>	4
Section 5.4	<i>Boundaries</i>	4
ARTICLE VI	<i>Common Elements</i>	4
Section 6.1	<i>Limited Common Elements</i>	4
Section 6.2	<i>Allocation of Specified Common Elements</i>	6
Section 6.3	<i>Transfer of Common Elements</i>	6
Section 6.4	<i>Reassignment of Limited Common Elements</i>	6
ARTICLE VII	<i>Maintenance, Repair and Replacement</i>	7
Section 7.1	<i>Common Elements</i>	7
Section 7.2	<i>Units</i>	7
Section 7.3	<i>Right of Access</i>	7
ARTICLE VIII	<i>Special Declarant Rights, Developing Rights, and the Declarant Control Period</i>	8
Section 8.1	<i>Special Declarant Rights</i>	8
Section 8.2	<i>Limitations on Special Declarant Rights</i>	8
Section 8.3	<i>Declarant Control of the Association</i>	9
Section 8.4	<i>Alterations by Declarant</i>	9
Section 8.5	<i>Changes in Commercial Units</i>	10

ARTICLE IX	<i>Allocated Interests</i>	11
Section 9.1	<i>Allocation of Interests</i>	11
ARTICLE X	<i>Site Plans or Floor Plans</i>	12
Section 10.1	<i>Plat or Plans</i>	12
ARTICLE XI	<i>Restrictions on Use, Occupancy, and Alienation</i>	12
Section 11.1	<i>Use Restrictions</i>	12
Section 11.2	<i>Occupancy Restrictions</i>	12
Section 11.3	<i>Leasing Restrictions</i>	15
ARTICLE XII	<i>Easements, Licenses and Encroachments</i>	15
Section 12.1	<i>Recording Data</i>	15
Section 12.2	<i>Non-Exclusive Easements</i>	16
Section 12.3	<i>Right of Ingress and Egress</i>	16
Section 12.4	<i>Encroachments</i>	16
ARTICLE XIII	<i>Amendment of Declaration</i>	16
Section 13.1	<i>Amendment by Unit Owners</i>	16
Section 13.2	<i>Amendment by Board of Directors or Declarant</i>	17
Section 13.3	<i>Amendment Restriction</i>	17
ARTICLE XIV	<i>Amendment of Bylaws</i>	17
Section 14.1	<i>Amendment of Bylaws</i>	17
ARTICLE XV	<i>Termination</i>	17
Section 15.1	<i>Termination</i>	17
ARTICLE XVI	<i>Mortgagee Protection</i>	18
Section 16.1	<i>Notice of Actions</i>	18
Section 16.2	<i>Consents</i>	18
Section 16.3	<i>Financial Statements</i>	20
Section 16.4	<i>Working Capital</i>	20
Section 16.5	<i>Reserve Fund</i>	20
Section 16.6	<i>Insurance Requirements</i>	21
ARTICLE XVII	<i>Assessment and Collection of Common Expenses</i>	21
Section 17.1	<i>Apportionment of Common Expenses</i>	21
Section 17.2	<i>Common Expenses Attributable to Fewer than all Units</i>	21
Section 17.3	<i>Responsibility for Assessments of Common Expenses</i>	22
Section 17.4	<i>Lien</i>	22
Section 17.5	<i>Priority</i>	22
Section 17.6	<i>Commencement of Common Expense Assessments</i>	22
Section 17.7	<i>No Waiver of Liability for Common Expenses</i>	23
Section 17.8	<i>Personal Liability of Unit Owners</i>	23
Section 17.9	<i>Remedies for Failure to Pay Assessments</i>	23

ARTICLE XVIII	<i>Interest Rate</i>	23
	Section 18.1 <i>Interest on Delinquent Assessments</i>	23
	Section 18.2 <i>Default Interest Rate</i>	23
ARTICLE XIX	<i>Right to Assign Future Income</i>	24
	Section 19.1 <i>Right to Assign Future Income</i>	24
ARTICLE XX	<i>Persons and Units Subject to Governing Documents</i>	24
	Section 20.1 <i>Compliance With Governing Documents; Uniform Applicability</i>	24
	Section 20.2 <i>Adoption of Rules</i>	24
ARTICLE XXI	<i>Damage to or Destruction of Property</i>	24
	Section 21.1 <i>Duty to Restore</i>	24
	Section 21.2 <i>Cost</i>	25
ARTICLE XXII	<i>Condemnation</i>	25
	Section 22.1 <i>Condemnation</i>	25
ARTICLE XXIII	<i>Rights of Action</i>	25
	Section 23.1 <i>Rights of Action</i>	25
	Section 23.2 <i>Arbitration</i>	25
ARTICLE XXIV	<i>Miscellaneous</i>	26
	Section 24.1 <i>Appointments of Attorney-in-Fact</i>	26
	Section 24.2 <i>Security</i>	27
	Section 24.3 <i>Captions</i>	27
	Section 24.4 <i>Gender</i>	27
	Section 24.5 <i>Waiver</i>	27
	Section 24.6 <i>Invalidity</i>	27
EXHIBITS		
	Exhibit A <i>Description of Land</i>	
	Exhibit B <i>Site Plan and Floor Plans</i>	
	Exhibit C <i>Easements and Licenses</i>	

DECLARATION
OF
PANAMA HISTORIC CONDOMINIUMS

ARTICLE 1

Submission: Defined Terms

Section 1.1 *Submission of Real Estate.* Panama Venture, Ltd., a Texas limited partnership, owner in fee of the real property described in Section 3.1, hereby submits such real property, together with all easements, rights and appurtenances thereto and the building and improvements erected or to be erected thereon, to the provisions of the Uniform Condominium Act (Texas Property Code, Chapter 82).

Section 1.2 *Defined Terms.* As used in this Declaration, the following terms have the meanings specified in this Section 1.2. Other capitalized terms not defined herein or in the Plats and Plans shall have the meaning specified or used in the Act.

“Act” means the Uniform Condominium Act (Texas Property Code, Chapter 82), as amended from time to time.

“Association” means the Panama Historic Homeowners Association, a Texas nonprofit corporation and condominium association.

“Declarant” means Panama Venture, Ltd., a Texas limited partnership, or its successors or assigns, provided such successors or assigns are designated in writing by Panama Venture, Ltd., as a successor or assign of the rights of Declarant set forth herein.

“Eligible Insurer” means an insurer or guarantor of a first mortgage secured by a Unit in the Condominium. An Eligible Insurer must notify the Association in writing of its name and address and inform the Association that it has insured or guaranteed a first security interest in a Unit. It must provide the Association with the Unit number and address of the Unit on which it is the insurer or guarantor of a security interest. Such notice shall be deemed to include a request that the Eligible Insurer be given the notices and other rights described in Article XVI.

"Eligible Mortgagee" means a holder of a first mortgage secured by a Unit in the Condominium. An Eligible Mortgagee must notify the Association in writing of its name and address and inform the Association that it holds a first security interest in a Unit. It must provide the Association with the Unit number and address of the Unit on which it holds a security interest. Such notice shall be deemed to include a request that the Eligible Mortgagee be given the notices and other rights described in Article XVI.

"Historic Building Preservation Requirements" means all covenants, restrictions and conditions relating to the preservation and conservation of historic property as may be dictated, regulated, governed, required and/or approved by the City of Galveston, its codes and guidelines, together with the State of Texas and the U.S. Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings, together with all other applicable regulatory authorities, laws, acts, and codes, as from time to time may be amended, including, without limitation, the covenants, restoration, and repurchase rights, set forth in the Real Property Records of Galveston County, Texas.

"Governing Documents" means the Declaration, Plats and Plans recorded and filed pursuant to the provisions of the Act, the Articles of Incorporation of the Association, the Bylaws of the Association, the Rules of the Association as they may be amended from time to time, and all documents relating to the Historic Preservation Requirements, including, without limitation, the instruments identified in the Easements and Licenses, on Exhibit "C" attached to this Declaration. Any exhibit, schedule or certification accompanying a Governing Document is a part of that Governing Document.

"Limited Common Element" means a portion of the Common Elements, designated in this Declaration, or on the Plats and Plans, by the Act, for the exclusive use of one or more but fewer than all of the Units.

"Property" means the real property described in Section 3.1, together with all easements, rights and appurtenances thereto and the buildings and improvements erected or to be erected thereon, submitted to the provisions of the Act.

ARTICLE II

Names

Section 2.1 *Condominium.* The name of the Condominium is Panama Historic Condominiums.

Section 2.2 *Association.* The name of the Association is Panama Historic Homeowners Association, a Texas nonprofit corporation.

ARTICLE III

Description of Real Property

Section 3.1 *Real Property.* The Condominium is located in Galveston County, Texas. The real property of the Condominium is described in the legal description on Exhibit "A" hereto.

ARTICLE IV

The Association

Section 4.1 *Authority.* The business and affairs of the Condominium shall be managed by the Association acting by and through its Board of Directors. The Association shall be governed by its Bylaws, this Declaration, the Association's, Articles of Incorporation, and the Condominium Act as amended from time to time.

Section 4.2 *Powers.* The Association shall have all of the powers provided in the Act.

ARTICLE V

Units

Section 5.1 *Number.* The number of Units in the Condominium is 20, which includes 17 residential Units and 3 Commercial Units for retail use.

Section 5.2 *Identification.* The identification number of each Unit is shown on the Plat and Plans or both.

Section 5.3 *Unit Owner Interest.* Each Unit Owner shall own title in fee simple to his or her Unit and shall have the exclusive right to the use and occupancy of his or her Unit, subject to the provisions of this Declaration. There shall be appurtenant to each Unit an individual share of the General Common Elements and the exclusive right to use such Limited Common Elements as are appurtenant to such Unit.

Section 5.4 *Boundaries.* The boundaries of each Unit are shown on the Plats and Plans and are more particularly described as the perimeter walls, floors, and ceilings of a Unit. All lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring, and any other materials constituting part of the finished surfaces are a part of the Unit, and all other portions of the perimeter walls, floors, ceilings or balcony are a part of the Common Elements. Subject to Section 6.1, the spaces, interior partitions, and other fixtures and improvements within the boundaries of a Unit are a part of the Unit.

ARTICLE VI

Common Elements

Section 6.1 *Limited Common Elements.* In general, the Limited Common Elements consist of those areas of the Building and facilities which are not part of a Unit and are to be used exclusively by one or more Owners, including all installations, equipment and facilities contained in such areas or elsewhere which service only one or more Units, including hallways, common entrances to and exits from one or more Units which are for the exclusive use of the Owner or Owners of such Unit or Units served thereby. The following portions of the building are designated as Limited Common Elements:

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

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

(c) Stairways, the use of which is limited to certain Units as shown on the Plans are Limited Common Elements allocated exclusively to those Units.

(d) A portion of the Parking spaces shall be designated as Limited Common Elements for the exclusive use of the Unit Owner of the Unit to which they are assigned of record. Additional parking spaces may be designated by Declarant by easement or use agreements for the use of retail establishments, their customers and invitees and/or Unit Owners, visitors, guests, invitees, and tenants.

(e) The area improved by the Declarant as storage facilities for Units shall be a Limited Common Element, the use of which is limited exclusively to the Owner of the Unit to which the storage space has been assigned.

(g) Any Common Expenses associated with the maintenance, repair, or replacement of components or elements attached to exterior surfaces, trim, siding, doors, windows, storage area, and elevators shall be assessed against the Unit or Units to which the Limited Common Element is assigned as a Common Expense assessment. If any such Limited Common Element is assigned to more than one Unit, the Common Expenses attributable to the Limited Common Element shall be assessed equally among the Units to which it is assigned.

(h) The Limited Common Elements appurtenant to the Commercial Units located on the ground floor consist of all pipes, wires, ducts, vents, cables, conduits, lines, installation, equipment, apparatus and facilities contained therein which service only such Commercial Units and the use of those parking spaces in the parking area that are allocated to such Commercial Units as shown on the Plans, if any, provided that the Commercial Units shall not be allotted any parking spaces unless agreed to by the Declarant during the period of Declarant control described herein and thereafter by the Association.

Section 6.2 *Allocation of Specified Common Elements.* The Board of Directors may designate parts of the Common Elements from time to time for use by less than all of the Unit Owners or by non-owners for specified periods of time or by only those persons paying fees or satisfying other reasonable conditions for use as may be established by the Board of Directors. Any such designation by the Board Directors shall not be a sale or disposition of such portions of the Common Elements.

Section 6.3 *Transfer of Common Elements.* Any conveyance, encumbrance, judicial sale, or other transfer (voluntary or involuntary) by an Owner of any interest in the General or Limited Common Elements will be void unless the Unit to which that interest is allocated is also transferred.

Section 6.4 *Reassignment of Limited Common Elements.* A Limited Common Element may be reassigned upon the written application to the Association by the Owner(s) whose use of the Limited Common Element is or may be directly affected by the reassignment and by the affirmative vote of Owners holding sixty-seven percent (67%) of the total Association vote at a meeting duly called for such purpose. Upon such application and approval of the Owners, the Association shall prepare and execute an amendment to this Declaration reassigning the Limited Common Element. This amendment shall be delivered to the Owners of the Units affected by the reassignment upon payment by them of all costs for the preparation, execution and recordation of the amendment. The amendment shall become effective upon the execution of the amendment by the Association and the Owner(s) directly affected by such reassignment and the recordation of such amendment in the Galveston County Deed Records. Notwithstanding the foregoing, the Owner of a designated parking space or storage area may transfer and assign his or her interest to another Owner upon written approval by the Board of Directors of the Association.

ARTICLE VII

Maintenance, Repair, and Replacement

Section 7.1 *Common Elements.* The Common Elements shall be maintained in good condition by the Association, subject to reasonable wear and tear and casualty. The Declarant, General Contractor, suppliers, or manufacturers may provide information to the Association regarding the use and maintenance of Common Elements. Subject to Section 17.2, the costs and expense for the upkeep and maintenance of the Common Elements shall be a Common Expense of the Unit Owners, and shall be included in the Common Expense Assessments for the usual and ordinary costs and expenses for the maintenance, repair, upkeep and operation of the Common Elements, and each Owner shall pay his or her pro-rata share thereof. The failure to use and maintain the Common Elements as intended and in accordance with any instructions or information from manufacturers, suppliers, the General Contractor or Declarant shall void any warranties and the Association shall indemnify the General Contractor and Declarant, together with their respective representatives, from any and all claims, demands, damages, losses and expenses, including, without limitation, reasonable attorney's fees, resulting directly or indirectly therefrom.

Section 7.2 *Units.* Each Unit Owner shall maintain, repair, and replace, at his or her own expense, all portions of his or her Unit, except those portions of the Unit required by the Declaration or the Act to be maintained, repaired, or replaced by the Association.

Section 7.3 *Right of Access.* Each Unit Owner shall afford to the Association and the other Unit Owners, and the agents and employees of each of the Association and the Unit Owners, through the Association, access through such Unit Owner's Unit reasonably necessary for the proper maintenance of the Condominium. The Association shall use reasonable efforts to obtain permission, written authorization and/or give notification to the Owner and/or occupants of a Unit prior to entering a Unit. In case of an emergency, no request or notice is required and the right of entry shall be immediate, and with as much force as is reasonably necessary to gain entrance, whether or not the Unit Owner is present at the time.

ARTICLE VIII

Special Declarant Rights, and the Declarant Control Period

Section 8.1 *Special Declarant Rights.* The Declarant reserves the following Special Declarant Rights:

(a) to complete or make improvements indicated on the Plats and Plans filed with this Declaration;

(b) to maintain sales, management, or leasing offices, and models in Units or on the Common Elements for as long as the Declarant owns a Unit, subject to the following limitations:

(i) no more than four Units owned by the Declarant may be used at any one time as sales, management or leasing offices, or models;

(ii) offices and models may be located on any floor of the Condominium and may consist of multiple Units with the same floor plan or any combination of floor plans; and

(iii) offices and models may be relocated at any time provided the Declarant takes reasonable steps to minimize any disruption to the Unit Owners caused by such relocation;

(c) to maintain signs on the Condominium to advertise the Condominium until the Declarant no longer owns and is marketing any Units for sale;

(d) to use, and to permit others to use, easements through the Common Elements as may be reasonably necessary for the purposes of completion of development, construction, repairs, and discharging the Declarant's obligations under the Act and this Declaration; and

(e) to appoint or remove any officer of the Association or any director during the period of Declarant control, subject to the provisions of Section 8. 3 of this Declaration.

Section 8.2 *Limitations on Special Declarant Rights.* Unless sooner terminated by a recorded instrument signed by the Declarant, any Special Declarant Right may be exercised by the Declarant for the period of time specified in the Act.

Section 8.3 *Declarant Control of the Association*

(a) Subject to Section 8.3 (b), there shall be a period of Declarant control of the Association during which the Declarant, or persons designated by the Declarant, may appoint and remove the officers and members of Board of Directors. The period of Declarant control terminates not later than the earlier of the 120th day after conveyance of 80 percent of the Units or three (3) years after the first Unit is conveyed.

(b) Not later than the termination of the period of Declarant control, the Unit Owners shall elect a Board of Directors of at least three (3) members, all of whom shall be Unit Owners and Residents residing in a Unit, with the exception of Commercial Units. The Board of Directors shall elect the officers before the 31st day after the date the period of Declarant control terminates. The persons elected shall take office on the date of election.

Section 8.4 *Alterations by Declarant.*

(a) The Declarant shall have the right, at its sole option and cost and expense, without the vote or consent of the Association, other Owners or the representative or representatives of holders of mortgages on Units, to (i) make alterations, additions, or improvements in, to and upon Units owned by the Declarant (hereinafter called "Declarant-Owned Unit") whether structural or nonstructural, interior or exterior, ordinary or extraordinary; (ii) change the layout or number of rooms in any Declarant-Owned Unit; (iii) change the size and/or number of Declarant-Owned Units by subdividing one or more Declarant-Owned Units into two or more separate Units, combining separate Declarant-Owned Units (including those resulting from such subdivision or otherwise) into one or more Units, altering the boundary walls between any Declarant-Owned Unit, or otherwise; (iv) reapportion among the Declarant-Owned Units affected by such change in size or number pursuant to the preceding clause (iii), their appurtenant interest in the Common Elements; (v) change any Declarant-Owned Residential Unit to a Commercial Unit or to Common Elements, or any Declarant-Owned Unit Commercial Unit to a Residential Unit or Common Elements; and (vi) make any other changes to Declarant-Owned Units, to the Plans, or to the Common Elements as are permitted hereunder or under the Act; provided, however, that the percentage interest in the Common Elements of any Units (other than Declarant-Owned Units) shall not be changed by reason thereof unless Owners of such Units shall consent thereto and, provided further, that the Declarant shall comply with all laws applicable thereto.

(b) At any time when the Declarant owns a Unit, the Declarant shall have the authority, at its sole option, cost and expense, to make changes in or additional improvements to the Common Elements without the prior consent of the Association, other Unit Owners or the representative or representatives of holders of mortgages on Units. No Owner shall ever be assessed for any changes or improvements done by the Declarant pursuant to this provision. The provisions of this section may not be added to, amended or deleted without the prior written consent of the Declarant as long as Declarant owns a Unit.

Section 8.5 *Changes in Commercial Units.* The Declarant, or any subsequent Owner of a Commercial Unit, shall have the right, without the vote or consent of the Association, other Unit Owners or the representative or representatives of holders of mortgages on Units to (i) make alterations, additions or improvements in, to and upon a Commercial Unit, whether structural or non-structural, interior or exterior, ordinary or extraordinary; (ii) change the layout or number of rooms in a Commercial Unit from time to time; (iii) change the size of a Commercial Unit by subdividing the same into any desired number of Units (or by combining any Units resulting from such subdivision); (iv) change a Commercial Unit to a Residential Unit; and (v) reapportion among the newly created Units resulting from such subdivision (combination) their appurtenant interest in the Common Elements; provided, however, that the percentage interest in the Common Elements of other Units shall not be changed by reason thereof, unless the Owners of such Units shall consent thereto, and, provided further, that the Owner of a Commercial Unit shall comply with all applicable laws.

In the event of the subdivision of a Commercial Unit into separate Units, a combining of two or more Commercial Units, or a change of a Commercial Unit to a Residential Unit, each Owner of a changed Unit shall have all of the rights, privileges and benefits, and be subject to all of the obligations of the Owners of the original Commercial Units as provided in this Declaration, the By-Laws and the Rules and Regulations initially adopted, as thereafter amended. The provisions of this Article VIII may not be added to, amended or deleted without the prior written consent of the Declarant as long as Declarant owns a Unit, and thereafter, the Owner or Owners of the Commercial Units.

ARTICLE IX
Allocated Interests

Section 9.1 *Allocation of Interests.* The undivided interest in the Common Elements, the Common Expense Liability and the number of votes in the affairs of the Association allocated to each Unit have been calculated by using the following formulas:

(a) *Undivided Interest in Common Elements.* The percentage of the undivided interest in the Common Elements allocated to each Unit is based on one share to each Unit compared with the total shares allocated to all the Units in the Condominium.

(b) *Liability for Common Elements.* The percentage of liability for Common Expenses allocated to each Unit is based on one share to each Unit compared with the total shares allocated to all the Units in the Condominium. Nothing contained in this Subsection shall prohibit certain Common Expenses from being apportioned to particular Units as permitted elsewhere in this Declaration and the Act.

(c) *Votes.* Each Unit shall have one vote. Any specified percentage, portion or fraction of Unit Owners, unless otherwise stated in the Articles of Incorporation or Bylaws of the Association, means the specified percentage, portion or fraction of all of the votes allocated in this Section 9.1. Any dispute or deadlock among the Unit Owners that cannot be resolved after a period of 90 days from when the deadlock first arose shall be decided by mandatory and binding arbitration and the following shall apply: (a) the arbitration shall be decided by one (1) arbitrator. The parties shall choose a mutually acceptable arbitrator, and in the event the parties cannot agree on the selection of the arbitrator, the parties shall choose two (2) arbitrators who shall agree upon the appointment of a third arbitrator who shall be the sole arbitrator; (b) the fees for the arbitration shall be shared equally by the parties and reimbursed to the prevailing party by the non-prevailing party, and such fees shall be consistent with the fees currently charged by arbitrators in Galveston County, Texas without regard to the amount in controversy; and (c) a final binding award by the arbitrator shall be made within thirty (30) days from the date of the first notice of the dispute or deadlock unless extended by mutual agreement or good reason by the arbitrator. All decisions by the arbitrator shall be final.

ARTICLE X

Site Plans or Floor Plans

Section 10.1 *Plat and Plans.* A project plat and Unit plans (floor, evaluation, and individual condominium Unit plans) are attached to this Declaration as Exhibit "B".

ARTICLE XI

Restrictions on Use, Occupancy, and Alienation

Section 11.1 *Use Restrictions.* Subject to the Special Declarant Rights reserved under Article VIII, the following use restrictions apply to all Units and to the Common Elements:

(a) Compliance at all times with the Historic Preservation Requirements as defined herein.

(b) With the exception of the three (3) Commercial Units which may be used for retail purposes, the use of each Unit is restricted to that of a single family residence and accessory uses as permitted herein. Except for those activities conducted as part of the marketing and development program of the Declarant, no industry, business, trade or commercial activities (other than home office and professional pursuits as provided in the Rules and Regulations and/or Bylaws of the Association), unscheduled public visits, nonresidential storage, mail or other use of a Unit shall be conducted, maintained or permitted in any part of a Unit, nor shall any Unit be used or rented for transient, hotel or motel purposes, except for leasing and renting as provided in this Declaration, the Rules and Regulations and/or Bylaws of the Association.

(c) No improper, offensive or unlawful use may be made of the Property; Unit Owners shall comply with and conform to all applicable laws and regulations of the United States and the State of Texas and all ordinances, rules and regulations of the City of Galveston, Texas. The violating Unit Owner shall hold harmless the Association and other Unit Owners from all fines, penalties, costs and prosecutions for any violation or noncompliance.

Section 11.2 *Occupancy Restrictions.* Subject to the Special Declarant Rights reserved under Article VIII, the following occupancy restrictions apply to all Units and to the Common Elements.

(a) No Unit Owner shall do any act or permit any act to be done in, on or to any Unit, balcony, patio, yard, parking space, or Common Element which will impair the structural integrity, weaken the support or otherwise adversely affect the building or any Common Element.

(b) No electrical device creating overloading of standard circuits may be used without permission from the Board of Directors. Misuse or abuse of appliances or fixtures within a Unit which affects other Units or the Common Elements is prohibited. Any damage resulting from such misuse shall be the responsibility of the Unit Owner who caused it. Total electrical usage in any Unit shall not exceed the capacity of the circuits as labeled on the circuit breaker boxes.

(c) All Unit Owners shall maintain their Units in a clean and well maintained condition. No storage of trash will be permitted in or outside any Unit in a manner which may permit the spread of fire, odors, or seepage or the encouragement of vermin.

(d) All fixtures and equipment will be used for the purpose for which they were designed. There shall be no floor load in excess of 50 pounds per square foot, unless special arrangements are made and an engineering determination of floor load capacity in the area of the heavy use is approved by the Association.

(e) A parking space(s) is restricted to occupancy by the Owner of the Unit to which the parking space(s) is a Limited Common Element only for parking of automobiles, motorcycles, and bicycles, and shall not be used for storage or the parking or storage of recreational vehicles, boats or trailers.

(f) Storage of articles of personal property is restricted to identified storage areas or the Unit Owner's Unit. Storage of personal property on balconies, patios or other areas visible from the building's exterior is prohibited. Placement of any articles of personal property, including, furniture and related amenities in such areas shall be restricted to that of the quality, design and appearance compatible with the design and standards of the Condominium project. Any quality issues, questions or variances shall be subject to the approval of the Board of Directors.

(g) No noxious, offensive, dangerous or unsafe activity shall be conducted in any Unit, nor shall anything be done, either willfully or negligently, which may be or become an annoyance or nuisance to the other Unit Owners or occupants. No Unit Owner or occupant shall make or permit any disturbing noises nor do or permit anything to be done by others that will interfere with the rights, comforts or convenience of other Unit Owners or occupants.

(h) No animals, birds, or reptiles of any kind shall be kept in a Unit, except for a maximum of two dogs of gentle disposition, or two cats, caged birds, aquarium fish, or other household pets ("Pets"), as approved and licensed in writing by the Association as compatible with the Condominium. All Pets shall at all times be on a leash or in a carrier when outside of a Unit and shall not be left unattended at any time while outside of a Unit and shall not be left unattended for more than two (2) hours on any balcony or exterior enclosure of a Unit. Owners shall comply at all times with the rules and regulations promulgated by the Association pertaining to ownership and maintenance of Pets. Pets may not be kept, board, or maintained for any commercial purpose. Any pet causing or creating a nuisance or unreasonable disturbance or noise shall be permanently removed from the Property upon three (3) days' written notice from the Board of Directors. Unit Owners shall hold the Association harmless from any claim resulting from any action of their Pets. Seeing eye dogs and hearing ear dogs will be permitted for those persons holding certificates of necessity.

(i) All clothes dryers will have lint filters which will remain installed and prevent lint from accumulating in the vent duct. All stove hoods will have grease screens which will remain installed and prevent grease from accumulating in the vent duct. All such filters and screens will at all times be used and kept clean in good order and repair by the Unit Owner.

(j) No signs, window displays or advertising visible from outside a Unit (except for a name plate or sign not exceeding nine square inches in area, on the main entrance door to each Unit and which is approved by the Board of Directors) shall be maintained or permitted in any part of a Unit.

(k) No Owner shall erect antennae, awnings or other exterior attachments, or place any reflective material in the windows of a Unit or on the Balcony thereof, including the placement or installation of any equipment or materials on the roof of the Building.

(l) All window coverings visible from any portion of the exterior of the Condominium, including, without limitation, drapes, shades, shutters, and/or backings, shall be of design and materials consistent with the quality, standards and design of the Condominium and shall be white or off white in color. Any quality issues, questions or variances shall be subject to the approval of the Board of Directors. All Units facing The Strand or 25th Street must use, and may not remove or alter, the white wooden coverings or blinds installed by Declarant. The maintenance, repair, and replacement of such coverings or blinds shall be at the expense of the Owner of the Unit or as otherwise provided in the Governing Documents.

Section 11.3 *Leasing Restrictions.* A Unit may not be conveyed pursuant to a timesharing plan except as a part of the sales program of the Declarant, or for initial occupancy as a part of a binding purchase agreement. Residential Units may be rented, provided, all leases and rental agreements are in writing, the occupancy is only by the lessee, the lessee's family and guests, and subject to the requirements of the Declaration, the Articles, Bylaws and Rules and Regulations of the Association with a copy provided to the Association. All leases of a Unit shall include a provision that the tenant will recognize and attorn to the Association as landlord, solely for the purpose of having the power to enforce a violation of the provisions of the Governing Documents against the tenant, provided the Association gives the Owner written notice to the last known address of Owner, of its intent to so enforce and a reasonable opportunity to cure the violation directly, prior to the commencement of an enforcement action. The Commercial Units may be rented without the prior approval of the Association or inclusion of the foregoing provisions, but shall be bound by the Governing Documents as applicable to Commercial Units. The provisions of this section may not be added to, amended or deleted without the prior written consent of the Declarant as long as Declarant owns a Unit, and thereafter, by the Owners of the Commercial Owners.

ARTICLE XII

Easements, Licenses and Encroachments

Section 12.1 *Recording Data.* All easements and licenses to which the Condominium is currently subject are set forth on Exhibit "C" attached hereto. In addition, the Condominium may be subject to other easements or licenses granted by the Declarant pursuant to Article VIII of this Declaration.

Section 12.2 *Non-Exclusive Easements.* A Unit Owner and tenants of Units in the Condominium, and the members of their families and servants residing in their Units, and their guests and invitees, shall have a valid non-exclusive easement for the use of the Common Elements, the Owner's, guests and invitees of the Commercial Units shall not be entitled to use of the swimming pool, subject to reasonable regulation in the Rules and Regulations of the Association; *provided, however* that the Association may temporarily suspend the Unit Owner's rights under the easement for the failure to pay assessments or to abide by the Association's rules and regulations for use of the Common Elements and facilities.

Section 12.3 *Right of Ingress and Egress.* A Unit Owner has an unrestricted right of ingress and egress to his or her Unit. Such right of ingress and egress is perpetual and passes with the transfer of ownership of the Unit.

Section 12.4 *Encroachments.* If (a) any portion of the Common Elements or Limited Common Elements encroaches upon any Unit; (b) any Unit encroaches upon any other Unit or upon any portion of the Common Elements or Limited Common Elements; or (c) any encroachment shall hereafter occur as a result of (i) renovation of the Buildings; (ii) settling or shifting of the Building; (iii) any alteration or repair to the Common Elements or Limited Common Elements made by or with the consent of the Association in accordance with this Declaration or the Bylaws; (iv) any repair or restoration of the Buildings (or any portion thereof) or any Unit or Limited Common Elements after damage by fire or other casualty or any taking by condemnation or eminent domain proceedings of all or a portion of any Unit or the Common Elements or Limited Common Elements then, in any such event, a valid easement shall exist for such encroachment and for the maintenance of the same so long as the Building shall stand.

ARTICLE XIII

Amendment of Declaration

Section 13.1 *Amendment by Unit Owners.* Except as otherwise provided by the Act or this Declaration, including, without limitation, the provisions of Article VII, VIII, XVII and Article XI, and as limited by Article XVI herein, this Declaration, including the Plats and Plans, may be amended only by vote or agreement of Unit Owners to which at least 67 percent of the votes in the Association are allocated, or any larger majority this Declaration specifies. The procedure for amendment must follow the procedures of Section 82.067 of the Act.

Section 13.2 *Amendment by Board of Directors or Declarant.* The Board of Directors or the Declarant, if the Declarant owns a Unit that has never been occupied, may without a vote of the Unit Owners or approval of the Association amend the Declaration in any manner necessary to meet the requirements of the Federal National Mortgage Association, The Federal Home Mortgage Corporation, the Federal Housing Administration, or the Veterans Administration.

Section 13.3 *Amendment Restrictions.* This Declaration may not be amended without the written consent of Declarant which in any way modifies, reduces, or eliminates any of the rights granted to Declarant herein, including without limitation, Special Declarant Rights set forth in Article VII, Article VIII, Article XI, Article XVII and Article XXIII. The provisions of this section shall survive and remain effective following termination of the period of Declarant control or ownership as set forth in Section 8.3herein.

ARTICLE XIV

Amendments of Bylaws

Section 14.1 *Amendment of Bylaws.* Except as otherwise provided by law or this Declaration, and as limited by Article XVI of this Declaration, the Bylaws may be amended only by vote or agreement of Members representing at least a majority of the vote to be cast at a meeting for which a quorum is obtained.

ARTICLE XV

Termination

Section 15.1 *Termination.* Any action to terminate the legal status of the Condominium after substantial destruction or condemnation occurs must be agreed to by Unit Owners who represent at least 80 percent of the votes in the Association and by at least 51 percent of Eligible Mortgagees. Notwithstanding any lower requirement permitted by this Declaration or the Act, any actions to terminate the legal status of the Condominium for reasons other than substantial destruction or condemnation of the property must be agreed to by Unit Owners who represent at least 80 percent of the votes in the Association and by at least 67 percent of Eligible Mortgagees. Subject to the foregoing, termination of the Condominiums may be accomplished only in accordance with Section 82.068 of the Act.

ARTICLE XVI
Mortgage Protection

Section 16.1 *Notice of Actions.*

(a) The Association shall give timely written notice to each holder, insurer, or guarantor of a mortgage on any Unit in the Condominium of which it has received notice pursuant to subsection (b) of:

- (i) any condemnation or casualty loss that affects a material portion of the Condominium property or applicable Unit;
- (ii) any delinquency in the payment of assessments or charges owed by the Unit Owner more than sixty (60) days past due as to the applicable Unit;
- (iii) any lapse, cancellation, or material modification of any insurance policy maintained by the Association; and
- (iv) any proposed action that requires the consent of a specified percentage of Eligible Mortgagees.

(b) A holder, insurer or guarantor of a mortgage on any Unit must notify the Association in writing of its name and address and inform the Association that it holds a security interest in a Unit. It must provide the Association with the Unit number and address of the Unit on which it holds a security interest.

Section 16.2 *Consents.*

Notwithstanding any requirements permitted by this Declaration or the Act, no amendment of any material provision of the Governing Documents by the Association or the Unit Owners described in this Section shall be effective without notice as required by Section 16.1 above, without the vote of at least 67 percent of the Unit Owners (or any greater Unit Owner vote required in this Declaration or the Act). A change to any of the following would be considered material:

- (i) voting rights;

- (ii) increases in assessments that raise the previously assessed amount by more than 25%; assessment liens, or priority of assessment liens;
- (iii) reductions in reserve for maintenance, repair, and replacement of Common Elements;
- (iv) responsibility for maintenance and repairs;
- (v) reallocation of interests in the General or Limited Common Elements, or rights to their use;
- (vi) redefinition of any Unit boundaries;
- (vii) convertibility of Units into Common Elements or vice versa or the combining of two or more adjacent Units;
- (viii) expansion or contraction of the Condominium, or the addition, annexation, or withdrawal of property to or from the Condominium;
- (ix) hazard or fidelity insurance requirements;
- (x) imposition of any major material change in the restrictions on the leasing of Units;
- (x) imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit;
- (xi) restoration or repair the Condominium (after damage or partial condemnation) in a manner other than that specified in the Governing Documents; or
- (xii) any provisions that expressly benefit the mortgage holders, or guarantors.

Section 16.3 *Financial Statements.* To the extent the Association does not have an audited financial statement, any Eligible Mortgagee or Eligible Insurer shall have the right to have an audited financial statement prepared at its own expense.

Section 16.4 *Working Capital.*

(a) The Declarant shall establish a working capital fund to meet unforeseen expenditures or to purchase any additional equipment or service. The initial working capital fund established by the Declarant for the benefit of and to be funded by the Association shall be in an amount that is at least equal to two (2) months of estimated Common Expenses for each Unit. Each Unit's share of the working capital fund shall be collected either at the time the sale of the Unit is closed or when the control of the Condominium is transferred to the Unit Owners, whichever is earlier. Any amounts paid into the working capital fund shall not be considered as advance payments of regular Common Expense assessments and shall be in addition to such assessments. The working capital fund shall be transferred to the Association for deposit to a segregated fund for use by the Association when control of the Association is transferred to the Unit Owners. Upon each subsequent transfer or sale of a Unit to a third (3rd) party, an additional working capital amount at least equal to two (2) months of estimated Common Expenses for such Unit shall be due and payable to the Association upon closing of such sale or transfer. All payments into the working capital fund shall be non-refundable.

(b) The Declarant shall not use this working capital fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while it is in control of the Association. Upon sale of an unsold Unit, the Declarant shall be entitled to reimburse itself for any funds it paid to the Association for an unsold Unit's share of the working capital fund by using funds collected at closing when the Unit is sold.

Section 16.5 *Reserve Fund.* The Association shall maintain an adequate reserve fund for the maintenance and repair of the Common Elements, which shall be funded from regular monthly assessments for the Common Expenses.

Section 16.6 *Insurance Requirements.* The Association shall purchase and maintain policies of insurance and fidelity bond coverage in accordance with the recommendations initially by Declarant, and thereafter, the Association.

ARTICLE XVII

Assessment and Collection of Common Expenses

Section 17.1 *Apportionment of Common Expenses.* Except as otherwise provided by the Act or this Declaration, all Common Expenses shall be assessed against all Units in accordance with their percentage interest in the Common Elements in Section 9.1 of this Declaration.

Section 17.2 *Common Expenses Attributable to Fewer than all Units.*

(a) Any Common Expenses associated with the maintenance, repair, or replacement of components or elements attached to, planted on, or a part of, patios, decks, exterior surfaces, trim, siding, doors, windows, and storage area shall be assessed against the Unit or Units to which the Limited Common Element is assigned as a Common Expense assessment. Any quality issues, questions or variances shall be subject to the approval of the Board of Directors. If any such Limited Common Element is assigned to more than one Unit, the Common Expenses attributable to the Limited Common Element shall be assessed equally among the Units to which it is assigned.

(b) Any common Expense for services provided by the Association to an individual Unit at the request of the Unit Owner shall be assessed against that Unit.

(c) Any insurance premium increase attributable to a particular Unit by virtue of activities in or construction of the Unit shall be assessed against that Unit.

(d) If a Common Expense is caused by the misconduct of a Unit Owner, the Association may assess that expense exclusively against the Unit Owner's Unit.

(f) Fees, charges, taxes, impositions, late charges, fines, collection costs and interest charged against a Unit Owner pursuant to the Governing Documents and the Act are enforceable as Common Expense assessments.

Section 17.3 *Responsibility for Assessment of Common Expenses.* The Board of Directors shall be responsible for levying and collecting general and special assessments for Common Expenses. For purpose of this Article XVII, "assessments" means regular and special assessments (including payments or obligations to reserve accounts), dues, fees, charges, interest, late fees, fines, collection costs, reasonable attorneys' fees, and any other amount due to the Association by the Unit Owner or levied against the Unit by Association, all of which are enforceable as assessments under Section 82.113 of the Act.

Section 17.4 *Lien.* The Association has a lien on a Unit for a Common Expense assessment levied against the Unit or fines imposed against its Unit Owner from the time the Common Expense assessment fine becomes due. Fees, charges, late charges, fines and interest charged pursuant to a Common Expense assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment becomes due.

A lien for Common Expense assessments will not be affected by the sale or transfer of the Unit, unless a foreclosure of a first mortgage is involved, in which case the foreclosure will extinguish the lien for any assessments that were payable before the foreclosure sale, but will not relieve any subsequent Unit Owner from paying further assessments.

Section 17.5 *Priority.* The Association's lien for assessments has priority over any other lien, except as otherwise provided in Section 82.113(b) of the Act.

Section 17.6 *Commencement of Common Expense Assessments.* Monthly Common Expense assessments shall begin on the date of closing of a conveyance to a Unit Owner other than the Declarant and shall be due on the first day of each subsequent calendar month thereafter, without notice. Declarant shall pay the pro rata share of assessments for all unsold Units beginning one hundred eighty (180) days after the first Unit (excluding shell units) is conveyed and continuing thereafter until Declarant has sold or conveyed all Units owned by Declarant. The initial monthly Common Expense assessment shall be not less than \$300.00 per Unit for Residential Condominium Units per month prorated for the first month from the date of closing, and with one (1) full monthly assessment prepaid at closing, together with an initial reserve assessment upon closing in an amount equal to two (2) monthly assessments as a reserve for

capital expenditures as set forth in Section 16.4(a). The initial monthly assessment for the Commercial Units shall be \$300.00 commencing on the effective date of this Declaration, with the exception that the initial monthly assessments for the Commercial Unit in the north corner of the Condominium shall be \$200.00 per month and thereafter shall never exceed two-thirds (2/3) of the amount of the monthly assessments for the Residential Units.

Section 17.7 *No Waiver of Liability for Common Expenses.* No Unit Owner may become exempt from liability for payment of Common Expense assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Unit against which the Common Expense assessments are made.

Section 17.8 *Personal Liability of Unit Owners.* The Unit Owner of a Unit, at the time a Common Expense assessment or portion of the assessment is due and payable, is personally liable for the Common Expense assessment or portion of the assessment is due and payable, is personally liable for the Common Expense assessment, which is secured by a continuing lien on the Unit Owner's Unit.

Personal liability for such Common Expenses assessments shall not pass to a successor in title to the Unit unless the successor agrees to assume the obligation.

Section 17.9 *Remedies for Failure to Pay Assessments.* The Association's remedies for a Unit Owner's failure to pay assessments levied by the Association include, but are not necessarily limited to, those remedies set forth in Section 82.102 and 82.113 of the Act.

ARTICLE XVIII

Interest Rate

Section 18.1 *Interest on Delinquent Assessments.* In the event of default in the payment of any monetary obligation to the Association, a Unit Owner shall be obligated to pay interest on the principal amount, from the due date, at a rate to be determined, from time to time, by the Board of Directors, not to exceed the maximum permitted by law.

Section 18.2 *Default Interest Rate.* If the Board of Directors shall refuse or fail, from time to time, to determine a rate of interest, the rate of interest shall the highest maximum rate permitted by law.

ARTICLE XIX

Right to Assign Future Income

Section 19.1 *Right to Assign Future Income.* The Association may assign its right to future income, including the right to receive Common Expense assessment, only by the affirmative vote of Unit Owners to which at least 51 percent of the votes in the Association are allocated, at a meeting called for that purpose and only after payment of all accrued and outstanding expenses and after making provision for the payment of all ordinary operating expenses of the Condominium for the period during which the right to future income, including the right to receive Common Expense assessments, has been assigned.

ARTICLE XX

Persons and Units Subject to Governing Documents

Section 20.1 *Compliance with Governing Documents; Uniform Applicability.* All Unit Owners, tenants, mortgagees and occupants of Units shall comply with the Governing Documents. The acceptance of a deed or the exercise of any incident of ownership or the entering into of a lease or the occupancy of a Unit constitutes agreement that the provisions of the Governing Documents are accepted and ratified by that Unit Owner, tenant, mortgagee or occupant. To the extent there are unsold Units owned by the Declarant, the Declarant shall enjoy the same duties as any other Unit Owner would as they relate to each individual unsold Unit. So long as the Declarant owns one or more Units, the Declarant shall be subject to the provisions of the Governing Documents.

Section 20.2 *Adoption of Rules.* The Board of Directors may adopt and amend rules and regulations regarding the use and occupancy of Units as it affects the Common Elements, the Limited Common Elements and the activities of occupants.

ARTICLE XXI

Damage to or Destruction of Property

Section 21.1 *Duty to Restore.* Subject to Section 82.111 of the Act, a portion of the Condominium for which insurance is required under Section 82.111 that is damaged or destroyed must be repaired or replaced promptly by the Association unless:

- (a) the Condominium is terminated;
- (b) repair or replacement would be illegal under any state or local health or safety statute or ordinance; or
- (c) at least 80 percent of the Unit Owners, including each Unit Owner of a Unit or assigned Limited Common Element that will not be rebuilt or repaired, and 51 percent of Eligible Mortgagees vote to not rebuild.

Section 21.2 *Cost.* The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense.

ARTICLE XXII

Condemnation

Section 22.1 *Condemnation.* If part or all of the Condominium is taken by any power having the authority of eminent domain, all compensation and damages for and on account of the taking shall be payable in accordance with Section 82.007 of the Act.

ARTICLE XXIII

Rights of Action

Section 23.1 *Rights of Action.* The Association and any aggrieved Unit Owner shall have a right of action against the Declarant, a Unit Owner or any other person who fails to comply with the provisions of the Governing Documents or the decisions made by the Association. A Unit Owner has a right of action against the Association for a violation of the Governing Documents or the decision of the Association.

Section 23.2 *Arbitration.* Any controversies, claims or disputes involving Declarant, its representatives, the Association, the General Contractor for Declarant, or any Unit Owner which cannot be resolved by good faith negotiations shall be resolved by mandatory and binding arbitration and the following shall apply: (a) the arbitration shall be decided by one (1) arbitrator. The parties shall choose a mutually acceptable arbitrator, and in the event the parties cannot agree on the selection of the arbitrator, each party shall choose an arbitrator and those two (2) arbitrators shall agree upon the appointment of a third arbitrator who shall be the sole arbitrator; (b) the fees for the arbitration shall be shared equally by the parties and reimbursed to the prevailing party by the non-prevailing party, and such fees shall be consistent with the fees

currently charged by arbitrators in Galveston County, Texas without regard to the amount in controversy; and (c) a final binding award by the arbitrator shall be made within thirty (30) days from the date of the first notice of the dispute unless extended by mutual agreement or good reason by the arbitrator. All decisions by the Arbitrator shall be final, and any judgment upon the award rendered by the Arbitrator may be confirmed, entered and enforced in any court having proper jurisdiction.

ARTICLE XXIV

Miscellaneous

Section 24.1 *Appointment of Attorney-in-Fact.* Each Unit Owner, by acceptance of a deed or other instrument of conveyance from Declarant or from any Unit Owner or grantor resulting in ownership of a Unit, shall be deemed to appoint the Association as his or her true and lawful attorney-in-fact (which shall be deemed to be irrevocable power of attorney coupled with an interest and not voidable due to the incapacity or disability of an Unit Owner) to act in connection with all matters concerning the maintenance of insurance policies and the destruction, repair or obsolescence of the Condominium, in whole or in part. Without limiting the generality of the foregoing, the Association, by and through its President or Vice President, shall have full power and authority to purchase and maintain such insurance, to collect and remit the premiums therefore, to collect proceeds, to institute and prosecute litigation or arbitration, to pay all costs associated with its activities as Common Expenses (to the extent the proceeds received from such insurance are not adequate to pay such costs), to administer the distribution of such proceeds in connection with any reconstruction or repair, to distribute any remaining proceeds to Unit Owners and their mortgagees (subject to the provisions of the Governing Documents and the Act) as their interests may appear, to execute releases of liability, and to execute all documents and to do all things on behalf of the Unit Owners and the Condominium as shall be necessary or convenient to the accomplishment of the foregoing; and any insurer may deal exclusively with the Association in regard to such matters (other than exercising any voting rights in determining whether to repair or reconstruct). The Association shall not be responsible for procurement or maintenance of any insurance covering the contents or the interior of any Unit (except to the extent available by endorsement as herein provided) or covering the liability of any Unit Owner for occurrence not caused or connected with the Association's operation, maintenance or use of the Condominium.

Section 24.2 *Security.* The Association and/or Declarant shall not in any way be considered an insurer or guarantor of security within the property. Neither shall the Association be held liable for any loss or damages by reason of failure to provide adequate security of ineffectiveness of security measures undertaken. The Association does not represent or warrant that any fire protection, burglar alarm systems, access control systems, patrol services, surveillance equipment, monitoring devices, or other security systems (if any are present) will prevent loss by fire, smoke, burglary, theft, hold-up or otherwise, nor that fire protection, burglar alarm systems, access control systems, patrol services, surveillance equipment, monitoring devices or other security systems will in all cases provide the detection or protection for which the system is designed or intended. The Association is not an insurer and each owner and occupant of any Unit and each tenant, guest and invitee of any owner assumes all risks for loss or damage to persons, to Units and to the contents of Units and acknowledges that the Association has made no representations or warranties nor has the Association, any owner, occupant, tenant, guest or invitee relied upon any representations or warranties, expressed or implied, including any warranty or merchantability or fitness for any particular purpose, relative to any fire protection, burglar alarm systems, access control systems, patrol services, surveillance equipment, monitoring devices or other security systems recommended or installed or any security measures undertaken within the property.

Section 24.3 *Captions.* The captions contained in the Governing Documents are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of the Governing Documents or the intent of any provision thereof.

Section 24.4 *Gender.* The use of the masculine gender refers to the feminine gender, and vice versa, and the use of the singular includes the plural, and vice versa, whenever the context of the Governing Documents so requires.

Section 24.5 *Waiver.* No provision contained in the Governing Documents is abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 24.6 *Invalidity.* The invalidity of any of the Governing Documents does not impair or affect in any manner the validity, enforceability or effect of the remainder, and if a provision is invalid, all of the other provisions of the Governing Documents shall continue in full force and effect.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed by a general partner and duly authorized agent this _____ day of _____, 2005.

PANAMA VENTURE, LTD., a Texas limited partnership

By: Sidlak Corporation, its general partner

By: _____

ANDREW KALDIS, President

THE STATE OF TEXAS §

COUNTY OF GAVLESTON §

Before me, the undersigned authority, on this _____ day of _____, 2005, personally appeared ANDREW KALDIS, as President of SIDLAK CORPORATION, the general partner of PANAMA VENTURE, LTD., a Texas limited partnership, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same on behalf of such corporation and partnership.

Notary Public in and for the State of Texas

EXHIBIT "A"

(Declaration)

DESCRIPTION OF LAND

EXHIBIT "B"

(Declaration)

SITE PLAN AND FLOOR PLANS

EXHIBIT "C"

(Declaration)

EASEMENTS AND LICENSES

EASEMENTS AND LICENSES

(Exhibit "C" to Declaration)

1. Any and all easements, licenses and covenants of record in the Official Public Records of Real Property of Galveston County, Texas, including the following:
 - A. Restrictive Covenants as set out in Volume 3151, Page 872, in the Office of the County Clerk of Galveston County, Texas. (including option to repurchase) and amended under Film Code No. 001-81-1817 and under Film Code No. 001-58-0171;
 - B. Continuing option to repurchase said property on each and every sale thereof, as described in instrument of record on Film Code No. 001-58-0171, in the office of the County Clerk of Galveston County, Texas;
 - C. Restrictive Covenant Agreement as set out under Film Code Nos. 012-25-0372 and 017-11-0652 in the Official Public Records of Real Property of Galveston County, Texas;
 - D. Easement rights as retained in instrument filed for record in the office of the County Clerk of Galveston County, Texas, on June 28, 2002, under Clerk's File No. 2002037422;
 - E. Rights of tenants and assigns, as tenants only, under currently effective lease agreements;
 - F. Option to repurchase as set forth in instrument recorded in Volume 3151, Page 872, of the office of the County Clerk of Galveston County, Texas (as to subsequent conveyances); and
 - G. Option to repurchase as set forth in instrument recorded under Clerk's File No. 2002037422 of the Real Property Records of Galveston County, Texas.
2. In addition to the foregoing, the Declarant reserves the right to grant easements for the purpose of parking in and access to the parking areas on the Condominium Property, construct underground utility lines, pipes, wires, ducts, conduits, and other facilities across the Condominium property for the purpose of furnishing utility and other services to the Condominium, and to grant easements to public utility companies for the purpose of furnishing utility and other services to the Condominium.



SECRETARY'S CERTIFICATE OF PANAMA HISTORIC HOMEOWNERS ASSOCIATION

THE STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, being the duly elected, qualified, and acting Secretary of Panama Historic Homeowners Association, a Texas non-profit corporation, the corporation set forth and described in that certain "Declaration of Panama Historic Condominiums" recorded under County Clerk's File Number 2005045439 and 2005062211, both in the Official Public Records of Real Property of Galveston County, Texas, together with all amendments thereto as (said recorded documents and all exhibits and amendments thereto being referred to as "Declaration"), the undersigned Secretary further being the keeper of the minutes and records of said corporation, does hereby certify that the following are true, correct and genuine copies of the following described original documents attached hereto as indicated herein below:

1. *Articles of Incorporation* filed with the Texas Secretary of State on June 20, 2005, attached hereto as Exhibit "A";
2. *Bylaws of Panama Historic Homeowners Association*, attached hereto as Exhibit "B"; and
3. *Rules of Panama Historic Homeowners Association*, attached hereto as Exhibit "C".

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and at Houston, Texas, this 2 day of October, 2009.


MARY JO NASCHKE, Secretary of
Panama Historic Homeowners Association, a
Texas non-profit corporation

THE STATE OF TEXAS

§
§
§

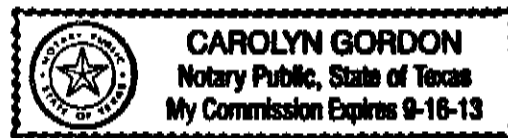
COUNTY OF _____

This instrument was acknowledged before me on the 2nd day of October, 2009, by Mary Jo Naschke, Secretary of Panama Historic Homeowners Association, on behalf of said corporation.


Notary Public in and for the State of Texas

RECORD AND RETURN TO:
Frank, Elmore, Lievens,
Chesney & Turet, L.L.P.
Attn: Richard C. Lievens
808 Travis, Suite 2600
Houston, Texas 77002

PAID



JUN 20 2005

-ARTICLES OF INCORPORATION

Corporations Section

OF

PANAMA HISTORIC HOMEOWNERS ASSOCIATION

The undersigned, a natural person over the age of eighteen years, acting as incorporator of Panama Historic Homeowners Association (the "Association") under the Texas Non-Profit Corporation Act (the "Act"), does hereby adopt the following Articles of Incorporation (these "Articles") for the Association:

ARTICLE I

Condominium Association

The Association 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 Panama Historic Condominiums, recorded or to be recorded in the Condominium or Property Records of Galveston County, Texas, as amended from time to time (the "Declaration"), with respect to certain real property located in the City of Galveston, Galveston County, Texas, and described in the Declaration.

ARTICLE II

Name

The name of the Association is Panama Historic Homeowners Association.

ARTICLE III

Non-Profit Corporation

The Association is a Non-Profit corporation.

ARTICLE IV

Duration

The duration of the Association shall be perpetual.

ARTICLE V

Purposes

The purposes for which the Association is formed are to exercise the rights and powers and to perform the duties and obligations of the Association in accordance with the Declaration, the bylaws of the Association (the "Bylaws"), and the laws of the State of Texas, including the Condominium Act, as each may be amended from time to time.

ARTICLE VI

Powers

In furtherance of its purposes, the Association shall have the following powers which, unless otherwise provided in these Articles, the Declaration, the Bylaws, 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 Association as set out in these Articles, the Declaration, the Bylaws, or the laws of the State of Texas.

ARTICLE VII

Membership

The Association shall be a non-stock membership corporation. The members of the Association shall consist solely of the owners of units of the condominium created by the Declaration. The Declaration and Bylaws shall determine the number and qualifications of members of the Association; 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 VIII

Management by Board of Directors

The management and affairs of the Association shall be vested in the board of directors, except for those matters expressly reserved to the members in the Declaration and Bylaws. The Bylaws 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 IX

Limitations on Liability

An officer or director of the Association shall not be liable to the Association or any unit owner for monetary damages for an act or omission in the officer's or director's capacity as an officer or director, except that this Article IX does not eliminate or limit the liability of an officer or director to the extent the officer or director is found liable for: (1) a breach of the officer's or director's duty of loyalty to the Association; (2) an act or omission not in good faith that constitutes a breach of duty of the officer or director to the Association or an act or omission that involves intentional misconduct or a knowing violation of the law; (3) a transaction from which the officer or director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the officer's or director's office; or (4) an act or omission for which the liability of the officer or director is expressly prohibited by statute.

If the Texas Miscellaneous Corporation Laws Act, the Condominium Act, or the Act is amended after the date of adoption of this Article IX to authorize action further eliminating or limiting the personal liability of officers or directors, then the liability of an officer or director of the Association 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 Association existing at the time of such repeal or modification.

ARTICLE X

Amendment of Articles

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

- A. an amendment shall not conflict with the Declaration or the Condominium Act.
- B. an amendment shall not impair or dilute a right granted to a person by the Declaration, without that person's written consent.

ARTICLE XI

Amendment of Bylaws

The Bylaws of the Association shall be amended or repealed according to the amendment provision of the Bylaws, which may reserve those powers to the members, exclusively.

ARTICLE XII

Dissolution

The Association may be dissolved only as provided in the Declaration, the Bylaws, and the laws of the State of Texas. On dissolution, the assets of the Association shall be distributed 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 XIII

Action By Non-Unanimous Consent Without Meeting

Unless otherwise restricted by law, these Articles, or the Bylaws, any action required or permitted to be taken at any meeting of the members, directors, or members of a committee of 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 members of a committee of the board of directors as would be necessary to take that action at a meeting at which all of the members, directors, or members of a committee of the board of directors were present and voted. Such written consent shall bear the date of the signature of each member, director, or committee member who signs the consent, and such written consent shall not be effective unless, within sixty (60) days after the date of the earliest dated consent, a consent or consents signed by the required number of members, directors, or committee members is delivered to the Association. Delivery shall be by hand or certified or registered mail, return receipt requested. Prompt notice of the taking of any action by members, directors, or committee members without a meeting by less than unanimous written consent shall be given to all members, directors, or committee members who did not consent in writing to the action.

ARTICLE XIV

Initial Board of Directors

The number of directors constituting the board of directors of the Association and their qualifications shall be fixed or determined by, or in the manner provided in, the Bylaws of the Association. In the absence of a bylaw providing for the number of directors, or should the Association fail to determine the number of directors in the manner provided in the Bylaws, the number of directors constituting the board of directors shall be three (3). The number of directors constituting the initial board of directors is two (2), and the names and addresses of the persons who are to serve as the initial directors of the Association are:

<u>Name</u>	<u>Address</u>
Andrew Kaldis	2311 Dunlavy, Suite 200 Houston, Texas 77006
Wendy Schneider	3619 Rolling Forest Drive Spring, Texas 77388
Jim Nonis	202 25 th Street #101 Galveston, Texas 77550

ARTICLE XV

Initial Registered Office Registered Agent

The address of its initial registered office of the Association is 2311 Dunlavy, Suite 200, Houston, Texas 77006, and the name of the initial registered agent at such address is Andrew Kaldia.


ARTICLE XVI

Incorporation

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

Andrew Kaldia
2311 Dunlavy, Suite 200
Houston, Texas 77006

I execute these Articles of Incorporation on this 20th day of June, 2005.


Andrew Kaldia

THE STATE OF TEXAS §
COUNTY OF GALVESTON §

This instrument was acknowledged before me on the 20 day of June, 2005, by Andrew Kaldia.


Notary Public, State of Texas



BYLAWS
OF
PANAMA HISTORIC HOMEOWNERS ASSOCIATION

(a Texas nonprofit corporation)

Exhibit

B

TABLE OF CONTENTS

ARTICLE I	<i>Purposes, Defined Terms</i>	1
Section 1.1	<i>Purposes of Association</i>	1
Section 1.2	<i>Purposes of Bylaws</i>	1
Section 1.3	<i>Definitions</i>	1
 ARTICLE II	 <i>Members</i>	 2
Section 2.1	<i>Membership</i>	2
Section 2.2	<i>Annual Meeting</i>	2
Section 2.3	<i>Special Meetings</i>	2
Section 2.4	<i>Place of Meetings</i>	2
Section 2.5	<i>Notice of Meetings; Waiver</i>	2
Section 2.6	<i>Ineligibility</i>	3
Section 2.7	<i>Record Dates</i>	3
Section 2.8	<i>Voting Members List</i>	3
Section 2.9	<i>Quorum</i>	4
Section 2.10	<i>Votes</i>	4
Section 2.11	<i>Proxies</i>	5
Section 2.12	<i>Conduct of Business</i>	6
Section 2.13	<i>Order of Business</i>	6
Section 2.14	<i>Adjournment of Meeting</i>	6
 ARTICLE III	 <i>Board of Directors</i>	 7
Section 3.1	<i>Powers and Duties</i>	7
Section 3.2	<i>Number and Term of Office</i>	7
Section 3.3	<i>Qualification</i>	7
Section 3.4	<i>Election</i>	8
Section 3.5	<i>Vacancies</i>	8
Section 3.6	<i>Removal of Directors</i>	8
Section 3.7	<i>Organizational Meeting of the Board of Directors</i>	8
Section 3.8	<i>Regular Meetings of the Board of Directors</i>	8
Section 3.9	<i>Special Meetings of the Board of Directors</i>	9
Section 3.10	<i>Conduct of Meetings</i>	9
Section 3.11	<i>Quorum</i>	9
Section 3.12	<i>Presumption of Assent</i>	9

Section 3.13	<i>Open Meetings</i>	10
Section 3.14	<i>Appointment of Committees</i>	10
Section 3.15	<i>Ex-Officio Directors</i>	10
ARTICLE IV	<i>Officers</i>	10
Section 4.1	<i>Designation</i>	10
Section 4.2	<i>Election of Officers</i>	11
Section 4.3	<i>Removal and Registration of Officers</i>	11
Section 4.4	<i>President</i>	11
Section 4.5	<i>Secretary</i>	11
Section 4.6	<i>Treasurer</i>	12
Section 4.7	<i>Authorized Agents</i>	12
ARTICLE V	<i>Rules</i>	12
Section 5.1	<i>Rules</i>	12
Section 5.2	<i>Adoption and Amendment</i>	13
Section 5.3	<i>Notice and Comment</i>	13
Section 5.4	<i>Distribution</i>	13
ARTICLE VI	<i>Enforcement</i>	13
Section 6.1	<i>Enforcement</i>	13
ARTICLE VII	<i>Obligations of Owners</i>	14
Section 7.1	<i>Proof of Ownership</i>	14
Section 7.2	<i>Owners' Addresses</i>	15
Section 7.3	<i>Registration of Mortgagees</i>	15
Section 7.4	<i>Assessments</i>	15
Section 7.5	<i>Compliance With Governing Documents</i>	15
ARTICLE VIII	<i>Association Records</i>	16
Section 8.1	<i>Records</i>	16
Section 8.2	<i>Inspection of Books and Records</i>	17
Section 8.3	<i>Resale Certificates</i>	17

ARTICLE IX	<i>Indemnification and Insurance</i>	17
Section 9.1	<i>Indemnification</i>	17
Section 9.2	<i>Advanced Payments</i>	18
Section 9.3	<i>Appearances as a Witness</i>	18
Section 9.4	<i>Indemnification of Employees and Agents</i>	19
Section 9.5	<i>Non-Exclusive</i>	19
Section 9.6	<i>Insurance</i>	19
 ARTICLE X	 <i>Declarant Provisions</i>	 19
Section 10.1	<i>Conflict</i>	19
Section 10.2	<i>Board of Directors</i>	20
Section 10.3	<i>Organizational Meeting</i>	20
 ARTICLE XI	 <i>Amendment of Bylaws</i>	 20
Section 11.1	<i>Proposals</i>	20
Section 11.2	<i>Consents</i>	20
Section 11.3	<i>Effective</i>	20
Section 11.4	<i>Declarant Protection</i>	21
 ARTICLE XII	 <i>General Provisions</i>	 21
Section 12.1	<i>Contracts</i>	21
Section 12.2	<i>Checks, Drafts, etc.</i>	21
Section 12.3	<i>Depositories</i>	21
Section 12.4	<i>Corporate Seal</i>	22
Section 12.5	<i>Compensation</i>	22
Section 12.6	<i>Action by Non-Unanimous Written Consent</i>	22
Section 12.7	<i>Meetings by Conference Telephone</i>	23
Section 12.8	<i>Conflicting Provisions</i>	23
Section 12.9	<i>Severability</i>	23
Section 12.10	<i>Fiscal Year</i>	24
Section 12.11	<i>Waiver</i>	24

**BYLAWS
OF
PANAMA HISTORIC HOMEOWNERS ASSOCIATION
(a Texas nonprofit corporation)**

ARTICLE I

Purposes; Defined Terms

Section 1.1 *Purposes of Association.* The Panama Historic Homeowners Association, a Texas nonprofit corporation and condominium association (the "**Association**"), is organized exclusively to exercise the rights and powers and to perform the duties and obligations of the Association in accordance with the Declaration of Panama Historic Condominiums, to be recorded in the Real Property Records of Galveston County, Texas (the "**Declaration**"), the Articles of Incorporation of the Association (the "**Articles**"), these bylaws (these "**Bylaws**"), and the laws of the State of Texas, as each may be amended from time to time.

Section 1.2 *Purpose of Bylaws.* These Bylaws provide for the governance of the Condominium known as PANAMA HISTORIC CONDOMINIUMS (the "**Condominium**") located in the City of Galveston, Galveston County, Texas, subject to and more fully described in the Declaration.

Section 1.3 *Definitions.* Capitalized terms not defined herein or in the Declaration shall have the meaning specified or used in the Uniform Condominium Act (Texas Property Code, Chapter 82) (the "**Act**").

ARTICLE II

Members

Section 2.1 *Membership.* The members of the Association (the "**Members**") shall consist solely of the owners of Units of the Condominium created by the Declaration.

Section 2.2 *Annual Meeting.* An annual meeting of the Members of the Association shall be held during the month of April of each year, or at such other time and place as the Board of Directors of the Association shall determine. At annual meetings, the Members shall elect directors of the Association ("**Directors**") in accordance with these Bylaws and may also transact such other business of the Association as may properly come before them.

Section 2.3 *Special Meetings.* Except as otherwise provided by law or the Declaration, a special meeting of the Association may be called by the President, a majority of the members of the Board of Directors, or by Unit Owners having at least 30 percent of the votes entitled to be cast at such meeting. Such meeting shall be held within 30 days after being called. No more than two special meetings may be held during any 30-day period. Business transacted at any special meeting of Members shall be limited to the purposes stated in the notice of the meeting given in accordance with the terms of Section 2.5.

Section 2.4 *Place of Meetings.* Meetings of the Association shall be held at the Condominium or at a suitable place convenient to the Members, as determined by the Board of Directors.

Section 2.5 *Notice of Meetings; Waiver.* Notice of each meeting of Members, stating the place, day, and hour of any meeting and, in case of a special meeting of Members, the purpose or purposes for which the meeting is called, shall be given at least 10 days but not more

than 60 days prior to such meeting. Notices shall also set forth any other items of information deemed appropriate by the Board of Directors. If a Unit is owned by more than one person, notice to one co-owner shall be deemed notice to all co-owners. Notice may be given either personally, by electronic telecommunication, by facsimile transmission, or by mail, by or at the direction of the persons calling the meeting, to each Member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the Member at the address shown on the Association's records. If transmitted by telecommunication or facsimile, notice shall be deemed delivered on successful transmission. Whenever any notice is required to be given to a Member, a written waiver of the notice, signed by the person or persons entitled to such notice, whether before or after the time stated in the notice, shall be equivalent to the giving of such notice. Attendance by a Member, whether in person or by proxy, at any meeting of the Association shall constitute a waiver of notice by such Member of the time, place, and purpose of such meeting. If all Members are present at any meeting of the Association, no notice shall be required and any business may be transacted at such meeting.

Section 2.6 *Ineligibility.* The Board of Directors may determine that no Member may (i) vote at meetings of the Association or (ii) be elected to serve as a Director if the Member's financial account with the Association is in arrears on the record dates provided below, provided each ineligible Member shall be given notice of the arrearage and an opportunity to become eligible. The Board of Directors may specify the manner, place, and time for payment for purposes of restoring eligibility.

Section 2.7 *Record Dates.*

(a) *Determining Voting Eligibility.* The Board of Directors shall fix a date as the record date for determining the Members entitled to vote at a meeting of the Association. The record date may not be more than 60 days before the date of a meeting of the Association at which Members will vote.

(b) *Determining Rights Eligibility.* The Board of Directors shall fix a date as the record date for determining the Members entitled to exercise any rights other than those described in the preceding paragraph. The record date may not be more than 60 days before the date of the action for which eligibility is required, such as nomination to the Board of Directors.

(c) *Adjournments.* A determination of Members entitled to notice of or to vote at a meeting of the Association is effective for any adjournment of the meeting unless the Board of Directors fixes a new date for determining the right to notice or the right to vote. The Board of Directors must fix a new date for determining the right to notice or the right to vote if the meeting is adjourned to a date more than 90 days after the record date for determining Members entitled to notice of the original meeting.

Section 2.8 *Voting Members List.* The Board of Directors shall prepare and make available a list of the Association's voting Members in accordance with Art. 1396-2.1 IB of the Texas Non-Profit Corporation Act.

Section 2.9 *Quorum.* At any meeting of the Association the presence in person or by proxy of Members entitled to cast at least 30 percent of the votes that may be cast shall constitute a quorum. Members present at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal, during the course of the meeting, of Members constituting a quorum.

Section 2.10 *Votes.* The vote of a majority of the votes entitled to be cast by Members, whether present or represented by proxy at any meeting at which a quorum is present, shall be binding upon all Members for all purposes, unless the vote of a greater number is required by the Declaration, these Bylaws or by law. The right of a Member to vote at any meeting of the Association is subject to the following limitations:

(a) *Co-Owned Units.* If only one of the multiple owners of a Unit is present at a meeting of the Association, that person may cast the vote or votes allocated to that Unit. If more than one of the multiple owners is present, the vote or votes allocated to that Unit may be cast only in accordance with the owners' unanimous agreement. Multiple owners are in unanimous agreement if one of the multiple owners casts the votes allocated to a Unit and none of the other owners of the Unit makes prompt protest to the person presiding over the meeting.

(b) *Corporation-Owned Units.* If a Unit is owned by a corporation, the vote appurtenant to that Unit may be cast by any officer of the corporation in the absence of express notice of the designation of a specific person by the board of directors or bylaws of the owning corporation. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The person presiding over a meeting or vote may require reasonable evidence that a person voting on behalf of a corporation or partnership is qualified to vote.

(c) *Association-Owned Units.* Votes allocated to a Unit owned by the Association may not be cast.

Section 2.11 *Proxies.* Votes allocated to a Unit may be cast in person or by written proxy. To be valid, each proxy shall (i) be signed and dated by a Member or his or her attorney-in-fact; (ii) identify the Unit to which the vote is appurtenant; (iii) name the person in favor of whom the proxy is granted, such person having agreed to exercise the proxy; (iv) identify the purpose or meeting for which the proxy is given; (v) not purport to be revocable without notice; and (vi) be delivered to the Secretary or to the person presiding over the Association meeting for which the proxy is designated. Unless the proxy specifies a shorter or longer time, it shall terminate one year after its date. To revoke a proxy, the granting Member must give actual notice of revocation to the person presiding over the Association meeting for which the proxy is designated. Unless revoked, any proxy designated for a meeting which is adjourned, recessed, or rescheduled shall be valid when such meeting reconvenes.

Section 2.12 *Conduct of Meetings.* The President, or any person designated by the Board of Directors, shall preside over meetings of the Association. The Secretary shall keep, or cause to be kept, the minutes of the meeting which shall record all resolutions adopted and all transactions occurring at the meeting, as well as a record of any votes taken at the meeting. The person presiding over the meeting may appoint a parliamentarian. The then-current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Governing Documents. Votes shall be tallied by tellers appointed by the person presiding over the meeting.

Section 2.13 *Order of Business.* Unless the notice of meeting states otherwise, the order of business at meetings of the Association shall be as follows:

- (1) Determine votes present by roll call or check-in procedure
- (2) Announcement of quorum
- (3) Proof of notice of meeting
- (4) Reading and approval of minutes of preceding meeting
- (5) Reports
- (6) Election of Directors (when required)
- (7) Unfinished business
- (8) New business

Section 2.14 *Adjournment of Meeting.* At any meeting of the Association, the vote of a majority of the Members present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

ARTICLE III

Board of Directors

Section 3.1 *Powers and Duties.* The Board of Directors shall have all the powers and duties necessary for the administration of the Association and for the operation and maintenance of the Condominium. The Board of Directors may do all such acts and things except those which, by law or the Governing Documents, are reserved to the Members and may not be delegated to the Board of Directors.

Section 3.2 *Number and Term of Office.* The Board of Directors shall consist of three (3) members. Each director shall be elected for a term of three (3) years. At the initial meeting of Owners, one (1) Director shall be elected for a term of three (3) years and the two (2) remaining Directors shall be elected to serve terms of two (2) years and one (1) year, respectively. Thereafter, at the annual meeting of Owners, the Owners shall elect a Director to serve a term of three (3) years to fill the position of the Director whose term has expired at the time of the annual meeting. A Director takes office upon the adjournment of the meeting or balloting at which he or she is duly elected or appointed and, absent death, ineligibility, resignation, or removal, will hold office until his or her successor is duly elected or appointed. The number of Directors may be changed by amendment of these Bylaws, but shall not be less than three (3).

Section 3.3 *Qualification.* No person shall be eligible for election or appointment to the Board of Directors unless such person is a Member and Owner of a Unit, and with the exception of the Commercial Units, such person shall also be a Resident of a Unit. Co-owners of a single Unit may not serve on the Board of Directors at the same time. Co-owners of more than one Unit may serve on the Board of Directors at the same time, provided the number of co-owners serving at one time does not exceed the number of Units they co-own. No Member may be elected or appointed as a Director if any assessment against the Member or such Member's Unit is delinquent at the time of election or appointment. No Member may continue to serve as a Director if any assessment against the Member or such Member's Unit is delinquent more than 60 days.

Section 3.4 *Election.* Directors shall be elected annually by the Members. The election of Directors shall be conducted at the annual meeting of the Association, at any special meeting called for that purpose, or by mail, facsimile transmission, or a combination of mail and facsimile transmission.

Section 3.5 *Vacancies.* Vacancies on the Board of Directors caused by any reason, except the removal of a Director by a vote of the Association, shall be filled by a vote of more than one-half of the remaining Directors, even though less than a quorum, at any meeting of the Board of Directors. Each Director so elected shall serve out the remaining term of his or her predecessor.

Section 3.6 *Removal of Directors.* At any annual meeting or special meeting of the Association, any one or more of the Directors may be removed with or without cause by Members, whether present in person or by proxy at such meeting, representing at least two-thirds of the votes entitled to be cast, and a successor shall immediately be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

Section 3.7 *Organizational Meeting of the Board of Directors.* Within 10 days after the annual meeting, the Directors shall convene an organizational meeting for the purpose of electing officers. The time and place of such meeting shall be fixed by the Board of Directors and announced to the Directors.

Section 3.8 *Regular Meetings of the Board of Directors.* Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by the Board of Directors, but at least one such meeting shall be held each calendar quarter. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by telephone or written communication, at least three days prior to the date of such meeting.

Section 3.9 *Special Meetings of the Board of Directors.* Special meetings of the Board of Directors may be called by the President or, if he or she is absent or refuses to act, the Secretary, or by any two Directors. At least three days' notice shall be given to each Director, personally or by telephone or written communication, which notice shall state the place, time, and purpose of such meeting.

Section 3.10 *Conduct of Meetings.* The Board of Directors, at each organizational meeting, shall appoint one of their number as President of the Board of Directors. The President of the Board of Directors shall preside over all meetings of the Board of Directors and the Secretary shall keep, or cause to be kept, a record of all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. When not in conflict with law or the Governing Documents, the then-current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors.

Section 3.11 *Quorum.* At all meetings of the Board of Directors, a majority of Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If less than a quorum is present at any meeting of the Board of Directors, the majority of those present may adjourn the meeting from time to time. At any such reconvened meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 3.12 *Presumption of Assent.* Any Director of the Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting and unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 3.13 *Open Meetings.* Regular and special meetings of the Board of Directors shall be open to Members of the Association, but Members who are not Directors may not participate in any deliberations or discussions unless the Board of Directors expressly so authorizes such participation at the meeting. The Board of Directors may adjourn any meeting and reconvene in closed executive session to discuss and vote upon actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, matters involving the invasion of privacy of individual Unit Owners, or matters that are to remain confidential by request of the affected parties and agreement of the Board of Directors. The nature of any and all business to be considered in closed executive session shall first be announced in open session.

Section 3.14 *Appointment of Committees.* The Board of Directors, by resolution, may from time to time designate standing or ad hoc committees to advise or assist the Board of Directors with its responsibilities. The resolution shall establish the purposes and powers of each committee created, provide for the appointment of its members, as well as a chairman, and provide for reports, termination, and other administrative matters deemed appropriate by the Board of Directors.

Section 3.15 *Ex-Officio Directors.* The Board of Directors may designate any one or more persons as ex-officio members of the Board of Directors. A person designated as an ex-officio member of the Board of Directors shall be entitled to notice of and to attend meetings of the Board of Directors. The ex-officio member shall not be entitled to vote unless otherwise provided in the Declaration or these Bylaws.

ARTICLE IV

Officers

Section 4.1 *Designation.* The principal offices of the Association shall be the President, the Secretary, and the Treasurer. The Board of Directors may appoint one or more Vice Presidents and such other officers and assistant officers as it deems necessary. Any two offices may be held by the same person, except the offices of President and Secretary. If an

officer is absent or unable to act, the Board of Directors may appoint a Director to perform the duties of that officer and to act in place of that officer, on an interim basis. All officers must be Members and actual occupants or residents of a Unit as their principal homestead throughout their term as an officer.

Section 4.2 *Election of Officers.* The officers shall be elected no less than annually by the Directors at the organizational meeting of the Board of Directors and shall hold office at the pleasure of the Board of Directors. Except for resignation or removal, officers shall hold office until their respective successors have been designated by the Board of Directors.

Section 4.3 *Removal and Resignation of Officers.* A majority of Directors may remove any officer, with or without cause, at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for that purpose. A successor may be elected at any regular or special meeting of the Board of Directors called for that purpose. An officer may resign at anytime by giving written notice to the Board of Directors. Unless the notice of resignation states otherwise, it is effective when received by the Board of Directors and does not require acceptance by the Board of Directors. The resignation or removal of an officer who is also a Director does not constitute resignation or removal from the Board of Directors.

Section 4.4 *President.* As the chief executive officer of the Association, the President shall: (i) preside at all meetings of the Association; (ii) have all the general powers and duties which are usually vested in the office of President of a corporation organized under the laws of the State of Texas; (iii) have general supervision, direction, and control of the business of the Association, subject to the control of the Board of Directors; and (iv) see that all orders and resolutions of the Board of Directors are carried into effect.

Section 4.5 *Secretary.* The Secretary shall: (i) keep or cause to be kept the minutes of all meetings of the Board of Directors and of the Association; (ii) have charge of such books, papers, and records as the Board of Directors may direct; (iii) maintain or cause to be maintained a record of the names and addresses of the Members for the mailing of notices; and (iv) in general, perform all duties incident to the office of Secretary.

Section 4.6 *Treasurer.* The Treasurer shall: (i) be responsible for Association funds; (ii) keep or cause to be kept full and accurate financial records and books of account showing all receipts and disbursements; (iii) prepare or cause to be kept all required financial data and tax returns; (iv) deposit or cause to be deposited all monies or other valuable effects in the name of the Association in such depositories as may from time to time be designated by the Board of Directors; (v) prepare the annual and supplemental budgets of the Association; (vi) review the accounts of the managing agent on a monthly basis in the event such managing agent is responsible for collecting and disbursing Association funds; and (vii) perform all the duties incident to the office of Treasurer.

Section 4.7 *Authorized Agents.* Except when the Governing Documents require execution of certain instruments by certain individuals, the Board of Directors may authorize any person to execute instruments on behalf of the Association. In the absence of Board of Directors designation, the President and the Secretary shall be the only persons authorized to execute instruments on behalf of the Association.

ARTICLE V

Rules

Section 5.1 *Rules.* The Board of Directors shall have the right to establish and amend, from time to time, reasonable rules and regulations for: (i) the administration of the Association and the Governing Documents; (ii) the maintenance, management, operation, use, conservation, and beautification of the Condominium; and (iii) the health, comfort, and general welfare of the Residents; *provided, however,* that such rules may not be in conflict with law or the Governing Documents. The Board of Directors shall, at all times, maintain the then-current and complete rules in a written form which can be copied and distributed to the Members. Rules need not be recorded in the county's real property records.

Section 5.2 *Adoption and Amendment.* Any rule may be adopted, amended, or terminated by the Board of Directors, provided that the rule and the requisite Board of Directors approval are properly recorded as a resolution in the minutes of the meeting of the Board of Directors.

Section 5.3 *Notice and Comment.* The Board of Directors shall give written notice to an owner of each Unit of any amendment, termination, or adoption of a rule, or shall publish same in a newsletter or similar publication which is circulated to the Members, at least 10 days before the rule's effective date. The Board of Directors may, but shall not be required, to give similar notice to Residents who are not Members. Any Member or Resident so notified shall have the right to comment orally or in writing to the Board of Directors on the proposed action.

Section 5.4 *Distribution.* Upon request from any Member or Resident, the Board of Directors shall provide a current and complete copy of rules. Additionally, the Board of Directors shall, from time to time, distribute copies of the current and complete rules to an owner of each Unit and, if the Board of Directors so chooses, to non-Member Residents.

ARTICLE VI

Enforcement

Section 6.1 *Enforcement.* The violation of any provision of the Governing Documents shall give the Board of Directors the right, after notice and hearing, except in case of an emergency, in addition to any other rights set forth in the Governing Documents:

(a) to enter the Unit or Limited Common Element in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting owner, any structure, thing, or condition (except for additions or alterations of a permanent nature that may exist in that Unit) that is existing and creating a danger to the Common Elements contrary to the intent and meaning of the provisions of the Governing Documents. The Board of Directors shall not be deemed liable for any manner of trespass by this action; or

(b) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

(c) Any controversies, claims or disputes involving the Developer of Panama Historic Condominiums and its representatives, the Association, the Consultant to Developer and its representatives, the General Contractor for the Developer, or any Member and their tenants which cannot be resolved by good faith negotiations shall be resolved by mandatory and binding arbitration and the following shall apply: (a) the arbitration shall be decided by one (1) arbitrator. The parties shall choose a mutually acceptable arbitrator, and in the event the parties cannot agree on the selection of the arbitrator, each party shall choose an arbitrator and those two (2) arbitrators shall agree upon the appointment of a third arbitrator who shall be the sole arbitrator; (b) the fees for the arbitration shall be shared equally by the parties and reimbursed to the prevailing party by the non-prevailing party, and such fees shall be consistent with the fees currently charged by arbitrators in Galveston County, Texas without regard to the amount in controversy; and (c) a final binding award by the arbitrator shall be made within thirty (30) days from the date of the first notice of the dispute unless extended by mutual agreement or good reason by the arbitrator. All decisions by the Arbitrator shall be final, and any judgment upon the award rendered by the Arbitrator may be confirmed, entered and enforced in any court having proper jurisdiction.

ARTICLE VII

Obligations of the Owners

Section 7.1 *Proof of Ownership.* Except for those owners who initially purchase a Unit from Declarant, any person, on becoming an owner of a Unit, shall furnish to the Board of Directors evidence of ownership in the Unit, which copy shall remain in the files of the Association. A Member shall not be deemed to be in good standing nor be entitled to vote at any annual or special meeting of the Association unless this requirement is first met. This requirement may be satisfied by receipt of a Board of Directors-approved form that is completed and acknowledged by a title company or attorney at time of conveyance of the Unit or any interest therein. The Association shall be entitled to charge a reasonable fee for the registration of the transfer of Ownership.

Section 7.2 *Owners' Addresses.* Not later than the 30th day after the date of acquiring an interest in a Unit, the Unit Owner shall provide the Association with: (i) the Unit Owner's mailing address, telephone number, and driver's license number, if any; (ii) the name and address of the holder of any lien against the Unit, and any loan number; (iii) the name and telephone number of any person occupying the Unit other than the Unit Owner; and (iv) the name, address, and telephone number of any person managing the Unit as agent of the Unit Owner. A Unit Owner shall notify the Association not later than the 30th day after the date the owner has notice of a change in any of the foregoing information, and shall provide the information on request by the Association from time to time. If an owner fails to maintain a current mailing address with the Association, the address of that owner's Unit shall be deemed to be his or her mailing address.

Section 7.3 *Registration of Mortgagees.* A Unit Owner who mortgages his or her Unit shall furnish the Board of Directors with the name and mailing address of his or her mortgagee.

Section 7.4 *Assessments.* All owners shall be obligated to pay assessments imposed by the Association to meet the Common Expenses. A Member shall be deemed to be in good standing and entitled to vote at any meeting of the Association if he or she is current in the assessments made or levied against him or her and his or her Unit.

Section 7.5 *Compliance With Governing Documents.* Each owner shall comply with the provisions and terms of the Governing Documents, and any amendments thereto. Further, each owner shall always endeavor to observe and promote the cooperative purposes for which the Condominium was established.

ARTICLE VIII
Association Records

Section 8.1 *Records.* The Association shall use its best efforts to keep the following records:

- (a) Minutes or a similar record of the proceedings of meetings of the Association.
- (b) Minutes or a similar record of the proceedings of meetings of the Board of Directors.
- (c) The name and mailing address of each Member, the currency and accuracy of the information being the responsibility of the Members.
- (d) The name and mailing address of each mortgagee, the currency and accuracy of the information being the responsibility of each Member and such Member's mortgagee.
- (e) Financial records and books of account for the Association that comply with generally accepted accounting principles and that are sufficiently detailed to enable the Association to prepare a resale certificate as provided for in the Act.
- (f) The plans and specifications used to construct the Condominium.
- (g) The plans and specifications acquired by the Association over time for improvements to the Condominium.
- (h) The Condominium Information Statement and any amendments thereto.

- (l) Voting records, proxies, and correspondence relating to amendments to the Declaration.
- (j) Copies of income tax returns prepared for the Internal Revenue Service.
- (k) Copies of the Governing Documents and all amendments to any of these. Also, for at least four years, a record of all votes or written consents by which amendments to the Governing Documents were approved.

Section 8.2 *Inspection of Books and Records.* A Unit Owner, on written demand stating the purpose of the demand, has the right to examine and copy, in person or by agent, accountant, or attorney, at any reasonable time, for any proper purpose, the books and records of the Association relevant to that purpose, at the expense of the Unit Owner.

Section 8.3 *Resale Certificates.* Any officer of the Association may prepare, or cause to be prepared, certify, and execute resale certificates in accordance with Section 82.157 of the Act. The Association may charge a reasonable fee for preparing a resale certificate. The Association may refuse to furnish a resale certificate until the fee is paid. Any unpaid fees may be assessed against the Unit for which the resale certificate is furnished.

ARTICLE IX

Indemnification and Insurance

Section 9.1 *Indemnification.* Each person who is or was a Director, officer, or committee member of the Association, or any person who, while a Director, officer, or committee member of the Association, is or was serving at the request of the Association as a Director, officer, committee member, partner, venturer, proprietor, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, and the heirs, executors, or administrators or estate of such person, shall be indemnified by the Association to the fullest

extent permitted or authorized by the Act or any successor provision, as amended from time to time, against any liability, cost, or expense incurred by such person in his or her capacity as a Director, officer, or committee member, or arising out of his or her status as a Director, officer, or committee member. The rights granted pursuant to this Article IX shall be deemed contract rights, and no repeal or amendment of this Article IX shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment or repeal.

Section 9.2 *Advance Payments.* The Association may, but shall not be obligated to, pay expenses incurred in defending a civil or criminal act, suit or proceeding arising out of a Director's, officer's, or committee member's capacity or status as Director, officer, or committee member in advance of the final disposition of such action, suit, or proceeding, without any determination as to the person's ultimate entitlement to indemnification; *provided, however,* that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding shall be made only upon delivery to the Association of both a written affirmation by such person of his or her good-faith belief that he or she has met the standard of conduct necessary for indemnification under this Article IX and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it is ultimately determined that such person is not entitled to be indemnified under this Article IX or otherwise.

Section 9.3 *Appearance as a Witness.* Notwithstanding any other provision of this Article IX, the Association may, but shall not be obligated to, pay or reimburse expenses incurred by a Director, officer or committee member in connection with his or her appearance as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent in the proceeding.

Section 9.4 *Indemnification of Employees and Agents.* The Association, by adoption of a resolution of the Board of Directors, may, but shall not be obligated to, indemnify and advance expenses to an employee or agent of the Association to the same extent and subject to the same conditions under which the Association may indemnify and advance expenses to Directors, officers and committee members under this Article IX.

Section 9.5 *Non-Exclusive.* The indemnification provided by this Article IX shall not be exclusive of any other rights to which those seeking indemnification may be entitled as a matter of law or under any agreement or otherwise.

Section 9.6 *Insurance.* The Association may, but shall not be obligated to, maintain insurance at its expense, to protect itself and any person who is or was a Director, officer, committee member, employee, or agent of the Association or is or was serving at the request of the Association as a Director, officer, committee member, partner, venturer, proprietor, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise against any liability asserted against him or her and any liability, cost, or expense incurred by him or her in such capacity or arising out of his or her status as such a person, whether or not the Association would have the power to indemnify such person against that liability under this Article IX or the Act.

ARTICLE X

Declarant Provisions

Section 10.1 *Conflict.* The provisions of this Article X shall control over any provision to the contrary elsewhere in these Bylaws.

Section 10.2 *Board of Directors.* During the period of Declarant control, Section 8.3 of the Declaration shall govern the number, qualification, and appointment of Directors. The initial Directors shall be appointed by Declarant and need not be Unit Owners or Residents. Directors appointed by Declarant may not be removed by the Unit Owners and may be removed by Declarant only. Declarant has the right to fill vacancies in any directorship vacated by a Declarant appointee.

Section 10.3 *Organizational Meeting.* Within 60 days of the end of the period of Declarant control, or sooner at Declarant's option, Declarant shall call an organizational meeting of the Members for the purpose of electing Directors, by ballot of Members. Notice of the organizational meeting shall be given as if it were notice of an annual meeting.

ARTICLE XI

Amendment of Bylaws

Section 11.1 *Proposals.* The Association shall provide an owner of each Unit with a detailed description, if not exact wording, of any proposed amendment. Such description shall be included in the notice of any annual or special meeting of the Association if such proposed amendment is to be considered at said meeting.

Section 11.2 *Consents.* Except as otherwise provided by law or the Declaration, an amendment shall be adopted by the vote, in person or by proxy, or written consents of Members representing at least a majority of the votes entitled to be cast at a meeting for which a quorum is obtained.

Section 11.3 *Elective.* To be effective, each amendment must be in writing, reference the names of the Condominium and the Association, be signed by at least two officers acknowledging the requisite approval of Members, and be delivered to an owner of each Unit at least 10 days before the amendment's effective date. Further, if these Bylaws are publicly recorded, the amendment must recite the recording data for the Bylaws, be in a form suitable for recording as a real property record, and be delivered to the county clerk for recordation.

Section 11.4 *Declarant Protection.* As long as the Declarant owns a Unit in the Condominium, no amendment of these Bylaws may affect the Declarant's rights herein without the Declarant's written and acknowledged consent. Specifically, this Section 11.4 may not be amended without prior written approval of the Declarant. The Declarant's written consent shall be part of the amendment instrument.

ARTICLE XII

General Provisions

Section 12.1 *Contracts.* The President shall have the power and authority to execute, on behalf of the Association, contracts or instruments in the usual and regular course of business, and in addition the Board of Directors may authorize any officer or officers, agent or agents, of the Association to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or these Bylaws, no officer, agent, or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit or to render it pecuniarily liable for any purpose or in any amount.

Section 12.2 *Checks, Drafts, etc.* All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association shall be signed by such officers, agents or employees of the Association as shall from time to time be authorized pursuant to these Bylaws or by resolution of the Board of Directors.

Section 12.3 *Depositories.* All funds of the Association shall be deposited from time to time to the credit of the Association in such banks or other depositories as the Board of Directors may from time to time designate, and upon such terms and conditions as shall be fixed by the Board of Directors. The Board of Directors may from time to time authorize the opening and maintaining within any such depository as it may designate, of general and special accounts, and may make such special rules and regulations with respect thereto as it may deem expedient.

Section 12.4 *Corporate Seal.* The corporate seal, if any, shall be in such form as the Board of Directors shall approve, and such seal, or a facsimile thereof, may be impressed on, affixed to, or in any manner reproduced upon, instruments of any nature required to be executed by officers of the Association.

Section 12.5 *Compensation.* A Director, officer, Member, or Resident shall not be entitled to receive any pecuniary profit from the operation of the Association, and no funds or assets of the Association may be paid as a salary or as compensation to, or be distributed to, or inure to the benefit of, a Director, officer, Member, or Resident; *provided, however,* that:

(a) reasonable compensation may be paid to a Director, officer, Member, or Resident for services rendered to the Association;

(b) a Director, officer, Member, or Resident may, from time to time, be reimbursed for his or her actual and reasonable expenses incurred on behalf of the Association in connection with the administration of the affairs of the Association, provided such expense has been approved by the Board of Directors; and

(c) this provision does not apply to distributions to Unit Owners permitted or required by the Declaration or the Act.

Section 12.6 *Action by Non-Unanimous Written Consent.* Unless otherwise restricted by law, the Articles or these Bylaws, any action required or permitted to be taken at any meeting of the Members, members of the Board of Directors, or members of any committee of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action to be so taken, is signed by a sufficient number of Members, members of the Board of Directors, or committee members as would be necessary to take that action at a meeting at which all of the Members, members of the Board of Directors, or committee members were present and voted.

Such written consent shall bear the date of the signature of each Member, member of the Board of Directors, or committee member who signs the consent, and such written consent shall not be effective unless, within sixty (60) days after the date of the earliest dated consent, a consent or consents signed by the required number of Members, members of the Board of Directors, or committee is delivered to the Association. Delivery shall be by hand or certified or registered mail, return receipt requested. Prompt notice of the taking of any action by Members, members of the Board of Directors, or committee members without a meeting by less than unanimous written consent shall be given to all Members, members of the Board of Directors or committee members who did not consent in writing to the action. This Section may not be used to avoid the requirement of an annual meeting.

Section 12.7 *Meetings by Conference Telephone.* The Members, members of the Board of Directors, or members of any committee of the Board of Directors may participate in and hold a meeting of the Members, members of the Board of Directors, or committee members by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute presence in person at such 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.

Section 12.8 *Conflicting Provisions.* If any provision of these Bylaws conflicts with any provision of the laws of the State of Texas, such conflicting Bylaws provision shall be null and void, but all other provisions of these Bylaws shall remain in full force and effect. In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

Section 12.9 *Severability.* Invalidation of any provision of these Bylaws, by judgment or court order, shall in no wise affect any other provision which shall remain in full force and effect.

The effect of a general statement shall not be limited by the enumerations of specific matters similar to the general.

Section 12.10 *Fiscal Year.* The fiscal year of the Association shall be set by resolution of the Board of Directors, and is subject to change from time to time as the Board of Directors shall determine. In the absence of a resolution by the Board of Directors, the fiscal year shall be the calendar year.

Section 12.11 *Waiver.* No restriction, condition, obligation, or covenant contained in these Bylaws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

RULES
OF
PANAMA HISTORIC
HOMEOWNERS ASSOCIATION

Exhibit

• C •

TABLE OF CONTENTS

A.	<i>Compliance</i>	1
A-1	<i>Historic Building Preservation Compliance</i>	1
A-2	<i>General Compliance</i>	2
A-3	<i>Additional Rules</i>	2
A-4	<i>Waiver</i>	2
B.	<i>Obligations of Owners and Residents</i>	3
B-1	<i>Safety</i>	3
B-2	<i>Damage</i>	3
B-3	<i>Association Does Not Insure</i>	3
B-4	<i>Risk Management</i>	3
B-5	<i>Reimbursement for Enforcement</i>	3
B-6	<i>Reimbursement for Damage</i>	4
C.	<i>Occupancy Standards</i>	4
C-1	<i>Number</i>	4
C-2	<i>Danger</i>	4
C-3	<i>Occupancy Defined</i>	4
C-4	<i>Written Leases</i>	4
D.	<i>General Use and Maintenance of Unit</i>	4
D-1	<i>Residential Use</i>	4
D-2	<i>Commercial Use</i>	5
D-3	<i>Annoyance</i>	6
D-4	<i>Maintenance</i>	6
D-5	<i>Patio/Balcony</i>	6
D-6	<i>Glass</i>	6
D-7	<i>Air Conditioning Equipment</i>	6
D-8	<i>Combustibles/Hazardous Materials</i>	7
D-9	<i>Barbecue Grills</i>	7
D-10	<i>Report Malfunctions</i>	7
D-11	<i>Utilities</i>	7
D-12	<i>Frozen Water Pipes</i>	7
D-13	<i>Structural Alterations</i>	8

E.	<i>General Use & Maintenance of Common Elements</i>	8
E-1	<i>Intended Use</i>	8
E-2	<i>Grounds</i>	8
E-3	<i>Abandoned Items</i>	8
E-4	<i>Stored Items</i>	8
F.	<i>Community Etiquette</i>	9
F-1	<i>Courtesy</i>	9
F-2	<i>Annoyance</i>	9
F-3	<i>Noise and Odors</i>	9
F-4	<i>Reception Interference</i>	9
F-5	<i>No Personal Service</i>	9
F-6	<i>Compliance with Law</i>	9
G.	<i>Architectural Control</i>	10
G-1	<i>Common Elements</i>	10
G-2	<i>Prohibited Acts</i>	10
G-3	<i>Window Treatments</i>	11
G-4	<i>Board of Directors Approval</i>	11
H.	<i>Vehicle Restrictions</i>	11
H-1	<i>Permitted Vehicles</i>	11
H-2	<i>Repairs</i>	12
H-3	<i>Space Use</i>	12
H-4	<i>No Obstruction</i>	12
H-5	<i>Nuisances</i>	12
H-6	<i>Violations</i>	12
I.	<i>Trash Disposal</i>	12
I-1	<i>General Duty</i>	12
I-2	<i>Hazards</i>	13
I-3	<i>Excess Trash</i>	13

J.	<i>Pets</i>	13
J-1	<i>Subject to Rule</i>	13
J-2	<i>Permitted Pets</i>	13
J-3	<i>Prohibited Animals</i>	13
J-4	<i>Indoors/Outdoors</i>	14
J-5	<i>Disturbance</i>	14
J-6	<i>Damage</i>	14
J-7	<i>Pooper Scooper</i>	14
J-8	<i>Removal</i>	14
K.	<i>Miscellaneous</i>	15
K-1	<i>Security</i>	15
K-2	<i>Right to Hearing</i>	15
K-3	<i>Mailing Address</i>	16
K-4	<i>Revision</i>	16
K-5	<i>Other Rights</i>	16
K-6	<i>Effective Date</i>	16

RULES
OF
PANAMA HISTORIC HOMEOWNERS ASSOCIATION

These Rules have been adopted by the Board of Directors of Panama Historic Homeowners Association, a Texas nonprofit corporation and condominium association (the "**Association**"), in accordance with the provisions of Article II and IV of the Declaration of Panama Historic Condominiums (the "**Declaration**"), to be recorded in the Real Property Records of Harris County, Texas.

These Rules apply to all Units and Common Elements of Panama Historic Condominiums ("**Panama**" or the "**Condominium**"). By owning or occupying a Unit in The Panama Historic Condominiums, each Owner and Resident agrees to abide by these Rules, as well as the obligations of Owners and Residents provided in the Declaration and Bylaws.

For the convenience of Owners and Residents of Panama, these Rules 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. In the event of a conflict between Governing Documents (as defined herein), the hierarchy of authority shall be as follows: Declaration (highest), Articles of Incorporation, Bylaws, and these Rules (lowest). All Governing Documents are subject to the Uniform Condominium Act (Texas Property Code, Chapter 82).

A. COMPLIANCE

- A-1. *Historic Building Preservation Compliance.* The Panama shall at all times remain subject to and comply with the covenants, restrictions and conditions relating to the preservation and conservation of historic property as may be dictated, regulated, governed, required and/or approved by the City of Galveston, it's codes and

guidelines, together with the State of Texas and the U.S. Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings, together with all other applicable regulatory authorities, laws, acts, and codes, as from time to time may be amended, including, without limitation, the covenants, restoration, and repurchase rights, set forth in the Real Property Records of Galveston County, Texas.

- A-2. *General Compliance.* Each Owner shall comply with the provisions of these Rules, the Declaration, the Bylaws, and community policies promulgated by the Board of Directors 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 of his or her Unit, and his or her or their respective families, invitees, tenants, agents, employees, or contractors. Use of "**Owner**" or "**Resident**" in these Rules shall be deemed to include and apply to the owner of a Unit in Panama and to all persons for whom the owner is responsible. An Owner should contact the Board of Directors if he or she has a question about these Rules.
- A-3. *Additional Rules.* Each Resident shall comply with all rules and signs posted from time to time on the Condominium by the Association, including those regulating the use of recreational facilities. Such posted rules are incorporated in these Rules by reference. Each Resident shall comply with notices communicated by the Association, 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-4. *Waiver.* Certain circumstances may warrant waiver or variance of these Rules. An Owner must make written application to the Board of Directors for such waiver or variance. If the Board of Directors deems the waiver or variance warranted, the Board of Directors may condition its approval, which must be in writing to be effective.

B. OBLIGATIONS OF OWNERS AND RESIDENTS

- B-1. *Safety.* Each Resident 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 on the Condominium to whom the Resident 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 Residents or their guests, or to the Common Elements and improvements, if such loss or damage is caused by the Owner or by any person for whom the Owner is responsible.
- B-3. *Association Does Not Insure.* Each Resident is solely responsible for insuring his or her personal property in the Unit and on the Condominium, including his or her furnishings, automobile, and items kept in storage areas. Personal property placed in or on the Condominium shall be solely at the risk of Resident or the Owner of such personal property. **The Association requires Owners and Residents to purchase insurance on their personal belongings and liability insurance for occurrences within their Units.**
- B-4. *Risk Management.* No Resident 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 on any Unit, or any part of the Common Elements ("Common Elements"), general or limited or which may be in violation of any law.
- B-5. *Reimbursement for Enforcement.* An Owner shall promptly reimburse the Association for any expenses incurred by the Association in enforcing the Governing Documents against the Owner, his or her Unit, or persons for whom the Owner is responsible.

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

C. OCCUPANCY STANDARDS

- C-1. *Numbers.* A residential Unit may be occupied by no more than two persons per bedroom, unless higher occupancy is mandated by public agencies that enforce compliance with the familial status protection of the Fair Housing Act. Commercial Unit may be occupied by no more than one (1) business operation.
- C-2. *Danger.* The Association 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. *Written Leases.* Each lease must be in writing, and an Owner shall provide the Board of Directors with a copy of each lease of that Owner's Unit.

D. GENERAL USE AND MAINTENANCE OF UNIT

- D-1. *Residential Use.* With the exception of the three (3) Commercial Units, which are to be used for retail purposes, each Unit must be used for Residential purposes, and may not be used for commercial or business purposes except for home office use in which the Owner is a sole proprietor or the principal and home professional pursuits subject to the restrictions set forth herein and in all Governing Documents. This restriction shall not prohibit a Resident from using his or her Unit for personal and home office business or professional pursuits, provided that: (i) such use is complimentary to the

Unit's Residential use; (ii) such use conforms to all applicable laws and ordinances; (iii) except as otherwise provided herein, such use entails only nominal visits to the Unit by the public, employees, suppliers, or clients, or any business that is otherwise disruptive or violates the use, enjoyment, and rights of other Owners; (iv) does not alter the physical appearance of the Unit or Common Elements, does not cause any nuisance (visual, audio, or otherwise); (v) is not sexually oriented or involve the use of hazardous materials; (vi) does not utilize any business signage or advertisement visible from the Unit or from the Condominium property; (vii) does not cause any traffic or parking inconveniences; and (viii) does not involve retail sales to the public. The Owners, by a majority vote, may add, modify, or amend such rules and restrictions as necessary to limit or control such business practices and, in the event of dispute regarding business use of any Unit, the allowance for such business shall be subordinate to the primary residential use.

- D-2 *Commercial Use.* The Commercial Units may be used for the operation of retail businesses by the Unit Owners or under leases to conduct any legal and legitimate business purpose which (i) does not alter the physical appearance of the Condominium property; (ii) does not cause any nuisance (visual, audio or otherwise); (iii) is not sexually oriented or involve the use of hazardous materials, and with the exception of the Commercial Unit on the north corner of the Condominium property, does not include a restaurant, bar, tavern, or the sale of any liquor. The Declarant shall have the right and authority as set forth in Section 8.4 of the Declaration to make alternations to any Commercial Unit owned by Declarant, including conversion of a Commercial Unit to a Residential Unit. All Commercial Unit Owners shall have the right, upon notification and approval of any plans by the Board of Directors to convert or change a Commercial Unit to a Residential Unit and thereafter, to change such converted Unit back to a Residential Unit with all such plans and permits to be approved by the Board of Directors and in accordance with all City codes, rules and regulations, provided, however, the percentage interest in the Common Elements and number of votes provided for such Units shall not change.

- D-3. *Annoyance.* No Unit may be used in any way that: (i) may reasonably be considered annoying to occupants of neighboring Units; (ii) may be calculated to reduce the desirability of the Condominium as a Residential community; (iii) may endanger the health or safety of other Residents; or (iv) may violate any law or any provision of the Governing Documents.
- D-4. *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-5. *Patio/Balcony.* Each Resident 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 Residents and shall not install any umbrellas or awnings. A patio/balcony may not be enclosed or used for storage purposes. The Association, through the Board of Directors, shall have right, in its sole discretion, to limit and restrict the permanent or temporary placement of any specified type or category of items of personal property on balconies, terraces, or any other exposed or exterior portions of the Panama by Owners as may be determined to be necessary or desirable for the health, safety, welfare, aesthetic integrity and/or uniformity of the Panama. If the Board of Directors determines that a patio/balcony is unsightly, or otherwise is in violation of these Rules, the Owner shall be given notice by the Board of Directors to correct the problem within 5 days, after which the Board of Directors may take corrective action at the Owner's expense.
- D-6. *Glass.* Each Owner, at his or her sole cost and expense, shall promptly repair and replace any broken or cracked glass in his or her Unit's windows and doors.
- D-7. *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 or her Unit and shall not alter or store items of personal property in the heating and cooling equipment/system closet.

- D-8. *Combustibles/Hazardous Materials.* A Resident shall not store or maintain, anywhere on the Condominium (including within a Unit) explosives or materials capable of spontaneous combustion or any type of hazard materials as defined by Federal, State and/or local laws, codes, rules or regulations.
- D-9. *Barbecue Grills.* The use of all outdoor cooking grills is prohibited unless otherwise authorized by the Board of Directors. If the use of outside grills is permitted, (i) open fires must be supervised at all times; (ii) gas tanks must be properly used and maintained; (iii) no flames may be higher than the cooking surface; and (iv) a grill may not be used near combustible materials.
- D-10. *Report Malfunctions.* A Resident shall immediately report to the Board of Directors 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 Association has a maintenance responsibility. The failure to report promptly a problem may be deemed negligence by the Resident, who may be liable for any additional damage caused by the delay.
- D-11. *Utilities.* Each Resident shall endeavor to conserve the use of utilities furnished through the Association, including water consumption within his or her Unit.
- D-12. *Frozen Water Pipes.* Because the Condominium is constructed with water lines in the exterior alley, it is the duty of every Owner and Resident to protect such water lines from freezing during winter months. Between November 1 and March 25 of any year, no Unit may be left unheated. During periods of anticipated below-freezing temperatures, water lines in exterior walls should be allowed to drip continuously, and cabinets enclosing plumbing lines should be left ajar. Dishwashers on exterior walls should not be used during and immediately after periods of extreme cold. Failure by an Owner or Resident to monitor the local weather and take appropriate precautions shall be deemed negligence.

D-13 *Structural Alterations.* A Resident shall not alter, construct, install, change or otherwise perform any act in violation of any city ordinance or code of the City of Galveston or which may in any way affect or compromise the structural integrity of the Unit or Condominium building, including, without limitation, drilling holes or removing any portion of demising walls (common wall between Units) for the purpose of installing personal property or fixtures or drilling into or removing any portion of the concrete ceiling or floors.

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 Directors designates otherwise, Residents may not use or abuse the landscaped areas, lawns, beds, and plant materials on the Common Elements. The following are expressly prohibited: digging, planting, pruning, and climbing.

E-3. *Abandoned Items.* No item or object of any type shall be stored, placed, or maintained anywhere on the general Common Elements, including window sills, passageways and courtyards, except by the Board of Directors or with the prior written consent of the Board of Directors. Items of personal property found on general Common Elements are deemed abandoned and may be disposed of by the Board of Directors.

E-4. *Stored Items.* If the Association provides storage areas for use by Residents, Resident agrees that the Association is not responsible for items stored there by Resident, who shall be solely liable at all times for his or her personal property.

F. COMMUNITY ETIQUETTE

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

G. ARCHITECTURAL CONTROL

G-1. Common Elements. Without the Board of Directors's prior written approval, a person may not 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 on the Common Elements or in a Unit if visible from outside his or her Unit, with the exception of the Commercial Units.
- b. Place or hang an object in, on, from, or above any window, interior window sill, balcony, or patio that, in the Board of Directors' opinion, 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 on the general 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. Any window treatment, including drapes, blinds, shades, or shutters, must be clear or white when viewed from outside the Unit;
- b. Aluminum foil and reflective window treatments are expressly prohibited;
- c. Window treatments must be maintained in good condition, and must be removed or replaced if they become stained, torn, damaged, or otherwise unsightly in the opinion of the Board of Directors; and
- d. All Units facing The Strand or 25th Street must use, and may not remove or alter, the initially installed standard white wooden window coverings or blinds.

G-4. Board of Directors Approval. To obtain the Board of Directors' written consent for a modification, change or alternation of his or her Unit, an Owner must submit to the Board of Directors 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 Directors. The Board of Directors' failure to respond to the Owner's written request within 45 days after it receives the Owner's request shall be construed as no objection to the proposed changes, provided that such modification, change or alteration would not otherwise be in violation of the Declaration, Articles of Incorporation, these Rules, or any law, ordinance or regulation.

H. VEHICLE RESTRICTIONS

H-1. Permitted Vehicles. To be permitted on the Condominium, 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 on the Condominium without the Board of Directors' consent: trailers, boats, recreational vehicles, buses, large commercial trucks and/or, industrial vehicles.

- H-2. Repairs.* Washing, repairs, restoration, or maintenance of vehicles is prohibited, 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.* Because of limited off street parking, all parking spaces on the Condominium property designated for Condominium parking 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 Condominium. No vehicle may obstruct the flow of traffic, constitute a nuisance, or otherwise create a safety hazard on the Condominium. 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 on the Condominium is discouraged. No vehicle may be kept on the Condominium property if the Board of Directors deems it to be unsightly, inoperable, inappropriate, or otherwise violative of these Rules.
- H-6. Violations.* Any vehicle in violation of these Rules may be stickered, wheel-locked, and towed or otherwise removed from the Condominium by the Board of Directors, at the expense of the vehicle's Owner. The Association expressly disclaims any liability for damage to vehicles on which the Association exercises these remedies for Rules violations.

I. TRASH DISPOSAL

- I-1. General Duty.* Residents shall not litter Common Elements, shall endeavor to keep the Condominium clean, and shall dispose of all refuse in receptacles provided specifically by the Association for that purpose.

- I-2. *Hazards.* Residents may not 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, Residents shall ensure that the debris is thoroughly cold.
- I-3. *Excess Trash.* Residents shall place trash entirely within a dumpster or trash chute, and may not place trash outside, next to, or on top of a dumpster or a trash chute. If a dumpster is full, Residents should locate another dumpster or hold his or her trash. Boxes and large objects should be crushed or broken down before placed in a dumpster or a trash chute. Boxes and large objects which do not fit in a trash chute or which may potentially stop-up or damage the chute shall be placed outside of the chute in a designated area for trash pickup. Dumpster and trash chute doors are to be closed at all times when not in use.

J. PETS

- J-1. *Subject to Rules.* Residents may not keep or permit on the Condominium a pet or animal of any kind, at any time, except as permitted by these Rules and the Governing Documents.
- J-2. *Permitted Pets.* Subject to these Rules, a Resident may keep in his or her Unit not more than two housepets (two cats, or two dogs, or one cat and one dog). Permitted housepets include domesticated dogs, gentle in disposition, cats, caged birds, and aquarium fish. Permitted housepets also include specially trained animals that are certified to serve as physical aids to handicapped Residents, regardless of the animal's size or type.
- J-3. *Prohibited Animals.* No Resident may keep a dangerous or exotic animal, reptiles of any kind, pit bull terrier, trained attack dog, or any other animal deemed by the Board of Directors to be a potential hazard or threat to the well-being of people or other animals. No animal or housepet may be kept, bred, or maintained for a commercial

purpose.

- J-4. *Indoors/Outdoors.* A permitted pet must be maintained inside the Unit, and may not be kept on patios or balconies. No pet is allowed on general Common Elements unless carried or leashed. No pet may be leashed to any stationary object on the Common Elements.
- J-5. *Disturbance.* Pets shall be kept in a manner that does not disturb another Resident's rest or peaceful enjoyment of his or her Unit or the Common Elements. No pet shall be permitted to bark, howl, whine, screech, or make or cause other loud or unreasonable noises for extended or repeated periods of time.
- J-6. *Damage.* Residents are responsible for any property damage, injury, or disturbance his or her pet may cause or inflict. Residents shall compensate any person injured by his or her pet. Any Resident who keeps a pet on the Condominium shall be deemed to have indemnified and agreed to hold harmless the Board of Directors, the Association, and other Owners and Residents, from 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 on the Condominium.
- J-7. *Pooper Scooper.* No Resident may permit his or her pet to relieve itself on the Condominium, except in areas designated by the Board of Directors for this purpose. Residents are responsible for the removal of his or her pet's wastes from the Common Elements. The Board of Directors may levy a fine against a Unit and its Owner each time feces are discovered on the Common Elements or any unauthorized area of the Condominium and attributed to an animal in the custody of that Unit's Resident.
- J-8. *Removal.* If a Resident 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, the Resident or person having control of the animal shall be

given a written notice by the Board of Directors to correct the problem. If the problem is not corrected within the time specified in the notice (not less than 10 days), the Resident, upon written notice from the Board of Directors, may be required to remove the animal. Each Resident 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 Directors.

K. MISCELLANEOUS

- K-1. Security.* The Association 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 Association, its directors, 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, Resident, guest, and invitee on 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 on the Condominium. The Association 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 a Resident of the Owner's Unit. The Board of Directors will schedule a hearing within 30 days of receiving the Owner's written request. At the hearing, the Board of Directors will consider the facts and circumstances surrounding the alleged violation. The Owner may attend the hearing in person, or may be represented by another person or written

communication.

- K-3. Mailing Address.* An Owner who receives mail at any address other than the address of his or her Unit shall be responsible for maintaining with the Association 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 by the Governing Documents shall be sent to an Owner's most recent address as shown on the records of the Association. If an Owner fails to provide a forwarding address, the address of that Owner's Unit shall be deemed effective for purposes of delivery.
- K-4. Revision.* These Rules are subject to being revised, replaced, or supplemented. Owners and Residents 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 10 days after the Association mails 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 Association or Owners under the Declaration, Bylaws, Articles of Incorporation, and the laws of the State of Texas.
- K-6. Effective Date.* These Rules are the initial Rules of Panama Historic Homeowners Association and shall become effective _____, 2005.



CERTIFICATE OF AMENDMENT
TO THE BYLAWS OF
PANAMA HISTORIC HOMEOWNERS ASSOCIATION

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

The undersigned, being two of the duly elected, qualified, and acting Officers of Panama Historic Homeowners Association, a Texas non-profit corporation, the corporation set forth and described in that certain "Declaration of Panama Historic Condominiums" recorded under County Clerk's File Number 2005045439 and 2005062211, both in the Official Public Records of Galveston County, Texas, and any amendments thereto; the undersigned Officers do hereby certify that the attached is a true and correct copy of the Amendment to the Bylaws of Panama Historic Homeowners Association as approved by the written consent of the Members in accordance with Article XI of the Bylaw; the attached Amendment having been approved by the written consent of Members representing in excess of a majority of the votes entitled to be cast in lieu of a meeting pursuant to Article XII, Section 12.6 of the Bylaws. The undersigned Officers further certify that the proposed amendment was delivered and/or made available to all members at least ten (10) days before the effective date of the Amendment, which was/is August 29, ., 2009.

TO CERTIFY WHICH witness my hand this 1st day of October

2009.

C. Ford Johnson
(signature)
C. FORD JOHNSON
(name printed)
PRESIDENT (Title), Panama Historic
Homeowners Association, a Texas non-profit
Corporation

and

Mary S Naschke
(signature)

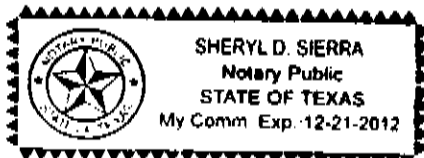
MARY S NASCHKE
(name printed)

Secretary (Title), Panama Historic
Homeowners Association, a Texas non-profit
Corporation

STATE OF TEXAS

COUNTY OF Galveston

This instrument was acknowledged before me on the 1 day of October, 2009,
2009 by MARY S NASCHKE, Secretary of Panama Historic
Homeowners Association, a Texas non-profit corporation, on behalf of said corporation.

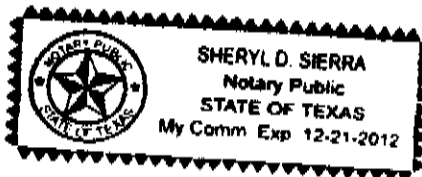


Sheryl D Sierra
Notary Public/State of Texas

STATE OF TEXAS

COUNTY OF Galveston

This instrument was acknowledged before me on the 1 day of October,
2001 by Clifford Johnson, President of Panama Historic
Homeowners Association, a Texas non-profit corporation, on behalf of said corporation.



Sheryl D Sierra
Notary Public/State of Texas

AMENDMENT TO BYLAWS

RESOLVED, that Article III (Board of Directors), Section 3.3 of the Bylaws shall be amended by deleting the existing Section 3.3 in its entirety, and replacing same with the following:

"Section 3.3 *Qualification*. No person shall be eligible for election or appointment to the Board of Directors unless such person is a Member and Owner of a Unit. Co-Owners of a single Unit may not serve on the Board of Directors at the same time. Co-Owners of more than one Unit may serve on the Board of Directors at the same time, provided the number of co-owners serving at one time does not exceed the number of Units they co-own. No Member may be elected or appointed as a Director if any assessment against the Member or such Member's Unit is delinquent at the time of election or appointment. No Member may continue to serve as a Director if any assessment against the Member or such Member's Unit is delinquent more than 60 days."

FURTHER RESOLVED, that Article IV (Officers), Section 4.1 of the Bylaws shall be amended by deleting the existing Section 4.1 in its entirety, and replacing same with the following:

"Section 4.1 *Designation*. The Principal offices of the Association shall be the President, the Secretary, and the Treasurer. The Board of Directors may appoint one or more Vice Presidents and such other officers and assistant officers as it deems necessary. Any two offices may be held by the same person, except the offices of President and Secretary. If an officer is absent or unable to act, the Board of Directors may appoint a Director to perform the duties of that officer and to act in place of that officer, on an interim basis. All officers must be members."

FILED AND RECORDED



OFFICIAL PUBLIC RECORDS

Mary Ann Daigle

2009056393

CG:4793

October 09, 2009 09:52:45 AM

FEE: \$24.00

Mary Ann Daigle, County Clerk

Galveston County, TEXAS