

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

OF
CORNERSTONE II TOWNHOMES

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THIS DECLARATION, made on the date hereinafter set forth by J.E.T. CORPORATION, hereinafter referred to as "Declarant", joined herein to the extent hereinafter stated by FANNIN BANK, hereinafter referred to as "Lender".

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain property in Houston, Harris County, State of Texas, which is more particularly described as:

All that certain 1.7770 acres of land being Reserve "B" out of Brays Village East, Section One, according to the plat thereof recorded in Volume 264, Page 88, Harris County Map Records, Harris County, Texas and being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8" iron rod found for the northwest corner of the above mentioned Reserve "B";

THENCE N 82° 59' 33" E - 199.63' to a 5/8" iron rod for angle corner;

THENCE S 49° 46' 43" E 13.58' to a 5/8" iron rod for angle corner;

THENCE S 49° 46' 43" E 13.58' to a 5/8" iron rod for angle corner, located in the westerly right-of-way line of Kenwall Drive (60' wide);

THENCE S 02° 32' 59" E - 368.74', along said westerly right-of-way line, to a 5/8" iron rod for corner;

THENCE S 87° 27' 14" W - 209.00' to a 5/8" iron rod for corner, located in the westerly line of the abovementioned Brays Village East, Section One;

THENCE N 02° 32' 59" W - 362.43', along said westerly line, to the POINT OF BEGINNING and containing 1.7770 acres (77,406 square feet) of land, more or less.

NOW, THEREFORE, Declarant hereby states that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions,

covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property, and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to CORNERSTONE II TOWNHOMES HOMEOWNERS ASSOCIATION, INC., its successors and assigns.

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

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

Section 4. "Common Area" shall mean all real property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot shall consist of all of the land contained within the Properties described on Exhibit "A" attached hereto and included herein for all purposes.

Section 5. "Lot" shall mean and refer to each of the individual tracts of land or combination or resubdivision of same, into which the Properties, excepting the Common Area, shall be divided for the location of townhouses

thereon for individual use and ownership. Each Lot conveyed shall be designated by separate metes and bounds description and shall constitute a freehold estate subject to the terms, conditions and provisions hereof.

Section 6. "Declarant" shall mean and refer to J.E.T. CORPORATION, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

ARTICLE II

PROPERTY RIGHTS

Section 1. Owner's Easements of Enjoyment. Every Owner shall have right and easement of enjoyment in and to the Common Area which shall be apurtenant to and shall pass with the title to every Lot subject to the following provisions:

(a) the right of the Association to make, publish and enforce reasonable Rules and Regulations for the use of the Common Area;

(b) the right of the Association to suspend the voting rights and right to use of any facilities owned or operated by the Association by the Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published Rules and Regulations;

(c) the right of the Association to grant or dedicate any part of the Common Area to any public agency, authority, or utility for any service to the Properties or any part thereof;

(d) the right of the Association to limit the number of guests of Owners using any portion of the Common Area and any facilities located thereon;

(e) the right of the Association, in accordance with its Articles of Incorporation or By-laws, to borrow money for the purpose of improving the Common Area and facilities thereon and in aid thereof to mortgage said property. The rights of any such mortgagee in said properties shall be subordinate to the rights of the Owners hereunder; and

(f) the right of the Association to contract for exclusive services such as Common Area maintenance and trash collection to each Lot.

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

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

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

Section 2. The Association shall have two classes of voting membership:

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

Class B. The Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and

be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or
- (b) on December 1, 1982.

ARTICLE IV

COVENANT FOR ASSESSMENTS

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

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties, for the improvement and maintenance of the Common Area, and for payment of common utility expenses.

Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment

shall be Three Hundred Sixty and No/100 Dollars (\$360.00) per Lot.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year not more than 8% above the maximum assessment for the previous year without a vote of the membership.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above 8% by a vote of three-fourths (3/4) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of three-fourths (3/4) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. Notice and Quorum for Any Action Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all members not less than 30 days nor more than 60 days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of the votes of each

class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 6. Uniform Rate of Assessment. Except as is specifically provided to the contrary in this Section 6, both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis. Notwithstanding the preceding sentence until Declarant's Class B membership ceases and is converted to a Class A membership, the annual assessment for all Lots owned by Declarant shall be fixed at a rate equal to one-quarter (25%) of the rate for Lots not owned by Declarant. From and after the date that any Lot theretofore owned by Declarant is sold or otherwise ceases to be owned by Declarant the rate for the annual assessment for such Lot shall become equal to the rate for Lots not owned by Declarant; but such increased annual rate shall be applicable prorata only to any portion of the assessment year remaining after the date that Declarant ceases to own such Lot.

Section 7. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area to the Association. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors of the Association shall fix the amount of the annual assessments against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be

sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reaonsable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 8. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date the rate of ten percent (10%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, and/or foreclose the lien of the assessment against the property. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 9. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payment which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 10. Insurance.

(a) The Board of Directors of the Association shall obtain and continue in effect blanket property insurance to insure any buildings and structures in the

Common Areas and the Association against risks of loss or damage by fire and other hazards as are covered under standard extended coverage provisions, and said insurance may include coverage against sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, and water damage, and other risks customarily covered in similar projects. Such insurance shall be in an amount not less than the full replacement value (i.e. 100% of current "replacement cost" excluding land, foundation, excavation and other items normally excluded from coverage) of the personal property and any improvements situated in the Common Areas and shall contain an inflation guard endorsement, or its equivalent.

(b) The Board of Directors of the Association shall obtain comprehensive public liability insurance in an amount not less than \$1,000,000.00 covering all claims for personal injury and/or property damage arising out of a single occurrence, insuring the Association, its Board of Directors, agents and employees, and each Owner, from and against liability in connection with the Common Areas. Such coverage shall include protection against water damage liability, liability for non owned and hired automobiles, liabilities for property of others, and such other risks as are customarily covered in similar projects.

(c) The Board of Directors of the Association shall maintain adequate fidelity coverage against dishonest acts by its officers, directors, trustees and employees and all others who are responsible for handling the funds of the Association.

(d) Each Owner shall obtain his own personal insurance for his townhouse against loss or damage by

fire and other hazards in an amount sufficient to cover the full replacement cost of any repair or reconstruction work in the event of damage or destruction from any hazard.

(e) Each Owner shall be responsible at his own expense and cost for obtaining his own personal insurance of the contents of his own residence, garage, carport or parking space, including decorations, furnishings and personal property therein, and his personal property stored elsewhere on the Properties; and for his personal liability not covered by liability insurance for all Owners obtained as a part of the common expense.

(f) Each Owner shall promptly furnish the Association with copies of all policies for insurance specified in paragraph (d) of this Section 10 together with proof of payment of all premiums for such insurance.

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 ish the Association with proof that such insurance is
 being maintained ~~_____~~
 option, purchase such insurance ~~_____~~
 Owner. Premiums for insurance obtained by the Board of
 Directors on individual townhouses shall not be part of
 the common expense but shall be an expense of the
 specific townhouse or townhouses covered and a debt
 owed by the Owner and shall be collectible by any
 lawful procedure permitted by the laws of the State of
 Texas. In addition, if said debt is not paid within
 thirty (30) days after notice of such debt, such amount
 shall automatically become a lien upon such Owner's Lot
 and townhouse and shall continue to be lien until fully
 paid. This lien shall be subordinate to the lien of
 any purchase money and/or improvement mortgages and
 shall be enforceable in the same manner as any lien

created by failure to pay the maintenance assessments. In the event of damage or destruction by fire or other casualty to any property covered by insurance written in the name of the Association, the Board of Directors, shall, with concurrence of the mortgagee, if any, upon receipt of the insurance proceeds, contract to rebuild or repair such damaged or destroyed portions of the property to as good condition as formerly. All such insurance proceeds shall be deposited in a bank or other financial institution, the accounts of which bank or institution are insured by a Federal governmental agency, with the proviso agreed to by said bank or institution that such funds may be withdrawn only by signature of at least two (2) of the members of the Board of Directors, or by an agent duly authorized by the Board of Directors. The Board of Directors, shall advertise for sealed bids with any licensed contractors, and then may negotiate with any contractor, who shall be required to provide a full performance and payment bond for the repair, reconstruction or rebuilding of such destroyed building or buildings. In the event the insurance proceeds are insufficient to pay all the costs of repairing and/or rebuilding to the same condition as formerly, the Board of Directors shall levy a special assessment against all owners of the damaged townhouses in such proportions as the Board of Directors deems fair and equitable in the light of the damage sustained by such townhouses to make up any deficiency, except that the special assessment shall be levied against all townhouse owners, as established by Article IV, Section 1 above, to make up any deficiency for repair or rebuilding of the Common Area not a physical part of a townhouse unit. In the event that such

insurance proceeds exceed the cost of repair and reconstruction, such excess shall be paid over to the respective mortgagees and owners of the damaged townhouses in such proportions as the Board of Directors deems fair and equitable in light of the damage sustained by such townhouses.

(g) Should any mortgagee fail to concur in the application of the insurance proceeds to the cost of repair and restoration, such proceeds shall first be applied to the sums secured by the first mortgage, with the excess, if any, applied to the cost of repair and restoration of such townhouse and other property.

(h) All costs, charges and premiums for all insurance that the Board of Directors authorized as provided herein, except on the individual townhouses, shall be a common expense of all Owners and be a part of the maintenance assessment.

ARTICLE V

ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced, erected, or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made nor shall any major landscaping be undertaken until the plans and specifications showing the nature, kind, shape, height, materials, and locations of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association or by an architectural control committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans

and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been complied with.

ARTICLE VI

MAINTENANCE AND REPAIRS

Section 1. Owner's Maintenance. Each Owner shall maintain and keep in repair his townhouse and all other improvements and equipment located on his Lot (except as provided in Section 3 of this Article VI); provided, however, that any lines, pipes, wires, conduits or systems running through a residence which serve one or more other residences and which are not maintained by any utility company, shall be operated, repaired and maintained by the Association, and shall not be disturbed or relocated by an Owner without the written consent and approval of Declarant or the Association.

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

Section 2. Neglect of Owner. In the event that the need for maintenance or repair is caused through the willful or negligent act of the Owner, his family, or guests, invitees, employees or agents, the Association may make such needed repairs or maintenance, and the cost of such repairs or maintenance shall be added to and become a part of the assessment to which such Lot is subject.

Section 3. Association Maintenance. In addition to maintenance upon the Common Area, the Association shall provide maintenance for the roofs of the improvements situated each Lot which is subject to assessment hereunder; but not in the event of fire, or other casualty loss normally covered by insurance on the improvements.

Section 4. Authority of Association. In the event an Owner is responsible for certain exterior maintenance as set forth in the Rules and Regulations of the Association and such Owner shall fail to maintain the premises and the improvements situated thereon in a manner satisfactory to the Board of Directors, the Association, after approval by two-thirds (2/3) vote of the Board of Directors, shall have the right, through its agents and employees, to enter upon said Lot and to repair, maintain and restore the Lot and any improvements erected thereon. The cost of such exterior maintenance shall be added to and become part of the assessment to which such Lot is subject.

ARTICLE VII

USE RESTRICTIONS AND EASEMENTS

Section 1. No Lot within the Properties shall be used except for residential purposes; provided, however, that until the Declarant, its successors or assigns shall have sold all of the lots in the Properties, a field office may be located and maintained on one lot by Declarant, its successors, assigns or agents, the location of which field office may be changed from time to time as the lots are sold, and a building constructing a residence or residences in the Properties may place a field office on a lot or lots during said construction, provided that the approval of the Declarant is first had and obtained. The term "residential purposes" as used herein excludes hospitals, clinics, apartment houses, boarding houses, hotels and all commercial and professional uses; all such uses of property in the Properties are hereby prohibited. No building shall be erected, altered, placed or permitted to remain on any lot other than one attached or detached single family dwelling not to exceed two stories in height (a "story" is defined as not to exceed twelve (12) feet) together with private garage space for not more than two (2) cars.

Section 2. It is hereby specifically provided that dwellings constructed on lots in the Properties may be "zero lot line" townhouses and may be built as close to the property line as possible and party walls, as hereinafter provided, may be built upon the property line between adjoining Lots, and an easement is hereby granted each Lot owner to go onto adjoining Lots as often as is reasonably necessary for purposes of maintenance, reconstruction, and repair of the exterior walls and roof of his dwelling. It is further provided that each lot or parcel in the Properties shall be subject to an easement for minor encroachments created by construction, settlement, shifting, movement, overhangs, brick ledges, fences or other protrusions constructed by the Declarant or lot owner as long as it stands, and shall and does exist. In the event any dwelling in the Properties is partially or totally destroyed, and then rebuilt, the owners affected agree that minor encroachments onto adjacent property due to construction, reconstruction or repair shall be permitted and that a valid easement for said encroachment and the maintenance thereof shall exist.

Section 3. It is hereby specifically provided that dwellings constructed on lots in the Properties may be "attached dwellings" which share a common wall within the dwelling on the adjacent property and such wall shall be a "party wall", its use shall be governed by Article VIII below.

Section 4. No residential structures shall be erected or placed on any building lot or plat on the Properties having an area of less than one thousand (1,000) square feet.

Section 5. No noxious or offensive trade or activity shall be carried on upon any lot or the Common

Area, nor anything be done thereon which may be or become an annoyance or nuisance to the other Owners. No machinery, appliances, mechanical equipment, of any kind shall be placed, operated or maintained on the Common Area or within view of any street. The aforesaid prohibition shall in no way limit the general applicability of any other provisions of this paragraph or any other provisions of these restrictive covenants.

Section 6. No structures of a temporary character, trailer (whether permanently immobilized or connected to utilities or not), basement, tent, shack, garage, barn or other outbuilding located or erected on a Lot shall at any time be used as a residence, temporarily or permanently, nor shall any used structure be moved onto any Lot, except that during the period of construction and sale of the townhouses, Declarant may erect and maintain such structures as is customary in connection with such construction and sale of such townhouses, including, but without limitation, a construction office, storage areas, model units, and sales offices.

Section 7. The Owner of each Lot on which permanent improvements are being constructed shall, prior to the time that such improvements are occupied (either temporarily or permanently), connect such improvements to the public water and sewage facilities, at the owner's expense.

Section 8. No boats, trailers, motor homes or recreational vehicles shall be parked or stored on any part of the Common Area, or streets adjacent to the Properties, either permanently or temporarily.

Section 9. No Lot in the Properties, or any part thereof, shall be used for any purpose in violation of the laws of the State of Texas, or of the United States, or of police, health, sanitary, building or fire code regulations

relating to or affecting the use, occupancy or possession of any of the said sites. All building lots and plots are subject to the rules and regulations pertaining to and available from all governmental bodies having jurisdiction over the development of building lots and plots, construction of buildings and operation of all public facilities within the subdivision.

Section 10. No sign of any kind shall be displayed to the public view except (a) one sign of not more than five (5) square feet, advertising any lot or plot for sale or rent, (b) signs used by a builder or the Declarant to advertise the property during the construction and sales period without regard to size, and (c) a sign or signs erected at the entrance(s) of the Properties as permanent identification thereof.

Section 11. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot, nor shall any wells, tanks, tunnels, mineral excavation, or shafts be permitted upon or in any Lot. No derrick or other structures designed for the use of boring for oil or natural gas shall be erected, maintained, or permitted upon any Lot in the Properties.

Section 12. No Lot shall be used or maintained as a dumping ground for rubbish. No trash, garbage or other waste shall be kept except in sanitary containers and shall be collected at areas designated by Declarant or the Board of Directors of the Association. All incinerators or other equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. Except as specified to the contrary elsewhere in this Declaration, each Owner of a Lot shall be responsible for the maintenance of his property and any improvements thereon. Lots shall be

kept free of refuse in order to preserve the appearance of the Properties. The Board of Directors, at its sole discretion, may determine whether or not any Lot or the building thereon is being maintained in accordance with these restrictions. If it is determined that proper maintenance is not being accomplished, the Board of Directors shall have the right to cause such reasonable maintenance as it determines necessary to be done, and may assess the Owner of said property for the cost. Said assessment shall be enforceable as if it were an annual maintenance fund assessment as herein provided.

Section 13. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot except that dogs, cats or other common household pets of the domestic variety may be kept, provided that they are not kept, bred or maintained for commercial purposes and provided that no more than two (2) of each type animal is kept. No resident of any Lot shall permit any dog, cat or other domestic pet under his ownership or control to leave such resident's Lot unless leashed and accompanied by a member of such resident's household.

Section 14. All private swimming pools shall be completely enclosed by a solid fence not less than six feet (6') high.

Section 15. Any violation of any of the covenants, agreements, reservations, easements, and restrictions contained herein shall not impair or affect the rights of any mortgagee, trustee, or guarantor under any mortgage or Deed of Trust or the assigns of any mortgagee, trustee, or guarantor, under any such mortgage or Deed of Trust outstanding against the said property at the time that the covenants, agreements, reservations, restrictions, or covenants may be violated.

Section 16. Underground single phase electric service shall be available to all residential buildings in the Properties, and the metering equipment shall be located on the exterior surfaces of walls at points to be designated by the utility company. The utility company furnishing the service shall have a two foot (2') wide easement along and centered on the underground electric power service conductors installed from the utility company's easement to the designated point of service on the structure for service and maintenance of its conductors and metering equipment. For so long as such underground service is maintained, the electric service to each dwelling shall be uniform and exclusively of the type known as single phase, 120/240 volt, 3 wire, 60 cycle alternating current. Easements for the underground service may be crossed by driveways, walkways, and patio areas, provided the Declarant or the Association makes prior arrangements with the utility company furnishing such service. Such easements for the underground service shall be kept clear of all buildings and neither Declarant nor utility company using the easement shall be liable for any damage done by either of them or their assigns, their agents, employees, or servants to shrubbery, trees, flowers, or other improvements of the owner located on the land covered by said easements. The owner of each Lot shall, at his own cost, furnish, install, own and maintain (all in accordance with the requirements of local governing authorities and the National Electrical Code) the underground service cable and appurtenances from the point of utility company's metering at the structure to the point of attachment at such company's installed transformers or energized secondary junction boxes, such point of attachment to be made available by the electric company at a point designated by such company at the property line of each Lot. The

utility company furnishing service shall make the necessary connections at said point of attachment and at the meter. In addition, the Owner of each Lot shall at his own cost, furnish, install, own and maintain a meter loop (in accordance with the then current Standards and Specifications of the utility company furnishing service) for the location and installation of the meter of such utility company for the residence on such Lot. The company shall install the underground electric distribution system in the property upon Declarant's representation that the property being developed for residential dwelling units, namely townhouses (and expressly excluding mobile homes) which are built for sale or rent and all of which dwelling unit structures are wired so as to provide for separate metering to each unit. Should this Declaration be amended, revoked or otherwise altered so as to permit the erection on the property of one or more mobile homes, the utility company shall not be obligated to provide electric service to any such mobile home unless (a) the utility company has received payment of an amount representing the excess in cost, for the entire property of the underground distribution system over the cost of equivalent overhead facilities to serve such property or (b) the Owner of each affected Lot, or the applicant for service to any mobile home, shall pay to the Company the sum of (1) \$1.75 per front lot foot, it having been agreed that such amount reasonably represents the excess in cost of the underground distribution system to serve such lot or dwelling unit over the cost of equivalent overhead facilities to serve such lot or dwelling unit, plus (2) the cost of rearranging, and adding any electric facilities serving such lot, which arrangement and/or addition is determined by Company to be necessary.

Section 17. Use of Common Area. Except in enclosed areas on a Lot, no planting or guardening shall be done, and no fences, hedges or walls shall be erected or maintained upon the initial construction of the buildings located thereon or as approved by the Associations' Board of Directors or their designated architectural committee. Except for the right of ingress and egress and the right and easement of enjoyment as defined herein, the Owners are hereby prohibited and restricted from using any of the Properties outside the interior property lines of each Lot, except as may be allowed by the Association's Board of Directors. It is expressly acknowledged and agreed by all parties concerned that this paragraph is for the mutual benefit of all Owners of the Properties, and any addition thereto, and is necessary for the protection of said Owners. Any cooperative action necessary or appropriate to the proper maintenance and upkeep of the Common Area and the exterior and roofs of the residences, including but not limited to, parking areas and walks, shall be taken up by the Board of Directors or by its duly delegated representatives.

Section 18. Radio or Television Antenna. No electronic antenna or device of any type, including an antenna consisting of an array of metal rods or tubes for receiving normal television or radio signals shall be erected, constructed, placed or permitted to remain on the roof or any exterior portion of any improvement constructed on any Lot. Each of the townhouses shall be served by a common amplified television system, which shall be maintained by the Association as a common expense. In no event shall any antenna be used for transmitting electronic signals of any kind.

ARTICLE VIII

PARTY WALLS

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

Section 2. Sharing of Repair and Maintenance. If a party wall is destroyed by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proration to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 3. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 4. Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 5. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

ARTICLE IX

MORTGAGEES

Section 1. Notice to Association. An Owner who mortgages his townhouse shall notify the Association giving the name and address of his mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Townhouses".

Section 2. Notice of Default. The Association shall notify a first mortgagee in writing, upon request of such mortgagee, of any default by the mortgagor in the performance of such mortgagor's obligations as set forth in the Declaration which is not cured within thirty (30) days.

Section 3. Taxes and Other Charges on Common Area. The Association shall immediately reimburse first mortgagees who may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area; or who may pay overdue premiums on hazard insurance policies; or who may secure new hazard insurance coverage on the lapse of a policy.

Section 4. Unpaid Dues, Charges or Assessments. Any first mortgagee who obtains title to a townhouse pursuant to the remedies provided in the mortgage or foreclosure of the mortgage, or by deed of assignment in lieu of foreclosure, or any purchase at a foreclosure sale, shall not be liable for such townhouse's unpaid dues, charges or assessments which accrue prior to the acquisition of title to such townhouse by the mortgagee or such other purchaser, except for claims for a share of such assessments or charges resulting from a reallocation of such assessments or charges to all units, including the mortgaged unit.

Section 5. Examination of Books. The Association shall permit first mortgagees to examine the books and records of the Association during normal business hours.

Section 6. Reserve Fund. The Association shall establish an adequate reserve fund for replacement of the Common Area property and fund the same by regular monthly payments rather than by special assessments.

Section 7. Annual Audits. The Association shall furnish each first mortgagee an annual audited financial statement of the Association within ninety (90) days following the end of each fiscal year of the Association.

Section 8. Notice of Meetings. The Association shall furnish each first mortgagee upon request of such mortgagee, prior written notice of all meetings of the Association and permit the designation of a representative of such mortgagee to attend such meetings, one such request to be deemed to be a request for prior written notice of all subsequent meetings of the Association.

Section 9. Notice of Amendments to Declaration, etc. The Association shall furnish each first mortgagee prior written notice for the following: (i) abandonment or termination of CORNERSTONE II TOWNHOMES as a planned unit development; (ii) any material amendment to the Declaration, By-Laws or Articles of Incorporation of the Association; and (iii) the termination of any professional management contract for the planned unit development.

Section 10. Leases. The Association shall require that all leases of any townhouse units must: (i) be in writing, and (ii) provide that such leases are specifically subject in all respects to the provisions of the Declaration, Articles of Incorporation and By-Laws of the Association, and that any failure by the lessee to comply with the terms and conditions of such documents shall be a default under such leases. Other than the foregoing, there shall be no restriction on the right of any townhouse owner to lease his unit.

Section 11. Notice of Damage or Destruction. The Association shall furnish the first mortgagees timely written notice of any substantial damage or destruction of townhouse units and of any part of the Common Area and facilities.

Section 12. Notice of Condemnation or Eminent Domain. The Association shall furnish the first mortgagees timely written notice of any condemnation, or eminent domain proceedings regarding all or any portion of a townhouse unit or of the Common Areas and facilities and of any proposed acquisition of all or any part of such properties through condemnation or eminent domain proceedings.

Section 13. Consent of Mortgagees Required.

A. Unless all of the first mortgagees of residential lots in CORNERSTONE II TOWNHOMES have given their prior written approval, the Association shall not be entitled to:

(a) by act or omission seek to abandon, partition, subdivide, alienate, release, encumber, hypothecate, sell or transfer, real estate or improvements thereon which are owned, directly or indirectly, by such Association, for the benefit of the owners of residential lots in the subdivision; the granting of easements for public utilities or for other public purposes consistent with the intended use of such property by the subdivision shall not be deemed a transfer within the meaning of this clause;

(b) change the ratio of assessment or the method of determining the obligations, assessments, dues or other charges which may be levied against a residential lot owner.

B. Unless at least seventy-five percent (75%) of the first mortgagees (based upon one vote for each first

mortgage owned), and owners (other than the Declarant) of residential lots in CORNERSTONE II TOWNHOMES have given their prior written approval, the Association shall not be entitled to:

(a) by act or omission change, waive or abandon any scheme or regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of units, the exterior maintenance of units, the maintenance of party walls or common fences and driveways, or the upkeep of lawns and plantings in the subdivision;

(b) fail to maintain fire and extended coverage on insurable Common Area property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost);

(c) use hazard insurance proceeds for losses to any Common Area property for other than the repair, replacement or reconstruction of such improvements.

Section 14. Management Agreements. Any management agreement entered into by the Association will be terminable by the Association for cause upon not more than thirty (30) days written notice, and the term of such management agreement will not exceed the period of one (1) year, renewable by agreement of the parties to such agreement for successive one (1) year periods.

Section 15. Delegations of Owner's Use of Common Area. Regarding an Owner's delegation of his rights of enjoyment of the Common Areas and facilities as provided for in Article II, Section 2 of this Declaration of Covenants, Conditions and Restrictions, no such delegation shall work a severance of the rights of enjoyment of the Common Areas and facilities from the ownership of a Lot, and any such delega-

tion by any Owner shall automatically terminate upon conveyance of legal title to such Lot by said Owners.

Section 16. Exemption From Right of First Refusal.

When any first mortgagee comes into possession of a Townhouse pursuant to the remedies provided in the mortgage, such as foreclosure of the mortgage or deed of trust, or deed in lieu of foreclosure, such mortgagee shall be exempt from any "right of first refusal" or other restriction on the sale or rental of the mortgaged Townhouse which the Association might have, including, but not limited to, restrictions on the age of unit occupants and restriction on the posting of signs pertaining to the sale or rental of Townhouse.

ARTICLE X

GENERAL PROVISIONS

Section 1. Enforcement. The failure of any Owner to comply with the provisions of this Declaration, the Articles of Incorporation for Cornerstone II Townhome Homeowner's Association, Inc. or the By-Laws of said corporation shall give rise to a cause of action in the Association and any aggrieved Owner for the recovery of damages, or for injunctive relief, or both. Failure by the Association or by an Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bond the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatic-

ally extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners. Any amendment must be recorded.

Section 4. Annexation.

(a) Additional residential property and Common Area may be annexed to the Properties with the consent of two-thirds (2/3) of each class of members.

(b) Additional adjoining land may be annexed by the Declarant without the consent of any other Owners within five (5) years of the date of this instrument.

Section 5. Rights of Mortgagees, Trustees or Lienholders. No violations of any of these restrictions, covenants or conditions, shall effect or impair the rights of any Mortgagee, Trustee, or Lienholder under any mortgage or deed of trust, or the rights of any assignee of any Mortgagee, Trustee or Lienholder under any such mortgage or deed of trust.

Section 6. Severability. Invalidation of any one or more of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions hereof which shall remain in full force and effect.

Section 7. Gender and Grammar. The singular whenever used herein shall be construed to include the plural, and the plural to include the singular, when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations, other entities, or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

IN WITNESS WHEREOF, the undersigned J.E.T. CORPORATION, being the Declarant herein, joined herein by FANNIN

BANK, being the Lender herein, solely for the purpose of subordinating any and all liens which it may hold to the Covenants, conditions and restrictions hereof, have hereunto set their hands and seals this 6th day of November, 1979. (2)

"DECLARANT"

J.E.T. CORPORATION

ATTEST:

Jack W. Howeth
Jack W. Howeth, Secretary

By A. J. Howeth
A. J. HOWETH, President

"LENDER"

FANNIN BANK

ATTEST:

Dennis A. Young
Dennis A. Young, Assistant
Clerk

THE STATE OF TEXAS §

COUNTY OF HARRIS §

By Glenn Harris, Jr.
Glenn Harris, Jr., Vice President

BEFORE ME, the undersigned authority, on this day personally appeared A. J. HOWETH, President of J.E.T. CORPORATION, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and considerations therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 6th day of November, 1979.

Denise Miller
Notary Public in and for
Harris County, Texas

My Commission Expires:

DENISE MILLER

Notary Public in and for Harris County, Texas
My Commission expires March 8, 1981

154-83-0286

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared Glenn Harris, Jr., Sr., Vice President of FANNIN BANK, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and considerations therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 6th day of November, 1979.

Denise Miller
Notary Public in and for
Harris County, Texas

My Commission Expires:

DENISE MILLER

Notary Public in and for Harris County, Texas
My Commission expires March 8, 1981

Return To:
UNITED TITLE CENTER, INC.
9350 BELLAIRE BLVD.
HOUSTON, TEXAS 77036