

DECLARATION OF CONDOMINIUM

OF

KEY ALLEGRO CONDOMINIUMS

OF

ROCKPORT, TEXAS

For the purpose of establishing a condominium regime subject to the provisions of Vernon's Annotated Civil Statutes of the State of Texas, Art. 1301a, KEY ALLEGRO CONDOMINIUMS, INC., a Texas Corporation, herein called "Developer", for itself, its successors, grantees and assigns, hereby makes this Declaration of Condominium, and for such purpose, Developer does hereby make the declarations hereinafter set forth, and Developer hereby submits the following described land together with all buildings and improvements thereon erected, or to be erected and completed, to the condominium form of ownership in accordance with the provisions of this Declaration hereinafter set forth. The description of such land so submitted and dedicated is shown on Exhibit "A" attached hereto.

SECTION 1: DEFINITIONS AND DESCRIPTION OF PROJECT

1.1 NAME: The property shall have the name "KEY ALLEGRO CONDOMINIUMS".

1.2 DEFINITIONS:

Bylaws - All references to bylaws herein shall be deemed to include bylaws or other governing rules adopted by the Council as an unincorporated association, and the articles of incorporation and bylaws of the Council as a nonprofit corporation.

Buildings - shall initially mean the thirteen apartment buildings erected or to be erected upon the property described above.

Building - means one of the apartment buildings erected or to be erected on the above described property.

Common-Expenses - means the expenses of the Project and operation thereof to be borne and shared in common by all of the apartment owners proportionately as set forth herein.

Common Fund - The common fund consists of all funds of all apartment owners collectively administered by the Council.

Apartment - shall mean an enclosed space in a building consisting of one (1) room or a suite of rooms designed for independent use as a housing accommodation and designated on the plat of the project as a separate apartment and provided to be owned individually and not owned in common with the other owners of the project.

General Common Elements - means all parts of the project which are not owned separately and which are owned in common including, but not limited to the items specifically designated as such in this Declaration, together with such other property as shall be designated as such from time to time by written instrument recorded in the Condominium Records of Aransas County, Texas, signed by the Council and by the owner of the property so designated.

Project - shall mean all of the real property described above and all improvements constructed or to be constructed thereon.

Developer - shall mean KEY ALLEGRO CONDOMINIUMS, INC., a Texas Business Corporation, which has made and executed this Condominium Declaration.

Declaration - means this instrument by which the property described herein is submitted to the provisions of the Texas Condominium Act.

Council of Co-Owners [and "Council"] - means the collective organization or association [whether incorporated as a membership corporation or unincorporated] of all of the persons, firms, corporations, partnerships, association trusts and other legal entities who own an apartment or apartments in the condominium project, acting in concert for their common interest.

Board or Board of Directors - refers to the Board of Directors of the Council of Co-Owners, which Board shall manage the affairs of the Council.

General - All terms defined in the Condominium Act are used herein in the sense and meaning so defined except as limited, substituted or amplified as set forth herein.

1.3 DEVELOPMENT PLAN: The condominium is described and established as follows:

Survey and Plot Plan: A plot plan of the land showing the buildings and improvements placed thereon is attached as Exhibit "B".

Easements: Easements are reserved through the project property as may be required for utility services in order adequately to serve the project; provided, however, such easements through an apartment shall be only according to the plans and specifications for the building containing the apartment, or as the building is constructed, unless otherwise approved in writing by the apartment owner.

Improvements: Improvements upon the land include the following:

[A] Apartment Buildings: The Condominium includes thirteen apartment buildings of two stories each, which are designated as Buildings 1 through 12 and Building 14, upon said plot plan survey which buildings and the numbers and locations of the apartments therein are more particularly described upon Exhibit "B". Such Buildings have been or will be constructed substantially in accordance with plans and specifications therefor prepared by Robert Callaway & Associates.

[B] Other Improvements: The project includes automobile parking areas, landscaping, bulkheads, canal, tennis court, swimming pool and other common improvements located substantially as shown upon said Exhibit "B" and which are part of the common elements. Such improvements have been or will be constructed by Developer substantially in accordance with plans therefor prepared by Robert Callaway & Associates.

1.4 GENERAL PROVISIONS: The following provisions shall apply to each apartment:

Boundary - Each apartment shall include that part of the building containing the apartment which lies within the boundaries of the apartment which boundaries are as follows: The interior surfaces of the perimeter walls [including doors and windows], floors, ceilings and the exterior surfaces of balconies and terraces, and each apartment unit includes both portions of the building so described and the air space so encompassed excepting general common elements situated therein as set forth herein. Each apartment also includes all fixtures, appliances, and individual air conditioning and heating equipment located within such apartment and intended for individual use.

General Common Elements - The general common elements consist of the entire property including all parts of the buildings, other than the apartments, and including, without limitation, the following:

[A] The land described above.

[B] The foundations, bearing walls and columns, roofs, elevators, and shafts, halls, lobbies, stairways, and entrances and exits or communication ways; yards and gardens; recreation room; seawall; the facilities for installation of, and the equipment for, central utility services such as power, light, gas, hot and cold water, reservoirs, water

tanks and pumps, swimming pool, tennis court, canals and bulkheads, and all other like elements.

[C] The air conditioning and heating equipment not individually owned, as provided above.

[D] The Common Fund.

[E] All other parts of the project, and all apparatus and installations existing in the buildings or on the property, for the common use, or necessary or convenient to the existence, maintenance or safety of the property.

[F] The automobile parking spaces and boat slips shown on Exhibit "B" provided, however, that the use thereof shall be in accordance with rules and regulations promulgated by the Board of Directors.

1.5 BUILDINGS: Each building consists of two floors containing the apartments, all as described upon Exhibit "B" attached hereto and which is incorporated herein.

Apartments - The apartments in the thirteen buildings are located as shown on Exhibit "B". The dimensions, area, and boundaries of said apartments are more particularly described upon the floor plans which are attached hereto as Exhibit "C".

Appurtenances to Apartments - The owner of each apartment shall own a share and certain interests in the condominium project which are appurtenant to his apartment including but not limited to the following items which are appurtenant to the apartments as indicated:

General Common Elements - The undivided share in the land and other general common elements of each apartment is shown on the schedule attached as Exhibit "D".

Council of Co-Owners - The membership of each apartment owner in the Council and the interest of each apartment owner in the funds and assets held by the Council.

1.6 PIPES, DUCTS, CABLES, CONDUITS, PUBLIC UTILITY LINES: Each owner shall have an easement in all pipes, wires, ducts, cables, conduits, public utility lines and other general common elements located in whole or in part in any of the other apartments or common areas but serving his apartment. Each apartment shall be subject to an easement in favor of the owners of all other apartments to use the pipes, ducts, cables, wires, conduits, public utility lines and other general common elements serving such other apartments but located in such apartment.

1.7 EASEMENTS, RESTRICTIONS, COVENANTS AND CONDITIONS: The project is subject to, and the purchase of ownership of each apartment and interest in the general common elements is subject to, all provisions of this declaration and the Council articles of incorporation, if any, bylaws, and project rules and regulations, and to the restrictions, covenants, conditions and easements and all outstanding oil, gas and mineral leases and all outstanding royalty and mineral interest applicable to or affecting the project recorded in Aransas County, Texas.

1.8 ENCROACHMENTS: If any portion of the general common elements now encroaches upon any apartment or if any apartment now encroaches upon any other apartment or upon any portion of the general common elements, as a result of the construction of the building or if any such encroachment shall occur hereafter as a result of settling or shifting of the building, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the building shall stand. In the event the improvements shall be partially or totally destroyed as a result of fire or other casualty or as a result of condemnation or eminent domain proceedings and then rebuilt, the encroachment of part of the general common elements upon any apartment or of any apartment upon any other apartment or upon any portion of the general common elements due to such rebuilding shall be permitted and valid easements for such encroachments and maintenance thereof shall exist so long as the building shall stand.

1.9 ACCESS: The Board of Directors shall have the right of access to each

apartment to inspect the same and to remove violations therefrom and to maintain, repair and replace the general common elements contained therein or elsewhere in the building.

SECTION 2: COUNCIL OF CO-OWNERS

2.1 COUNCIL - The common elements shall be administered and the project shall be governed by a Council of Co-Owners ["Council"], which is hereby established as a membership association. The Council shall act for the benefit of all apartment owners to provide for the protection, preservation, maintenance and repair of the general common elements, and the government, operation and administration of the project property as hereby established and shall administer the Common Fund. Such Council and its affairs shall be administered and managed by a Board of Directors elected by the members of the Council.

2.2 INCORPORATION - The Council of Co-Owners shall be incorporated [under the name Key Allegro Condominiums Council of Co-Owners, Inc. or such other name as the Board shall select] as a membership corporation under the provisions of the Texas Nonprofit Corporation Act; but it shall subsequently be operated as an unincorporated membership association if the corporation shall at any time be dissolved in a manner provided by law. The affairs of the Council, whether or not incorporated, shall be governed by the provisions of this Declaration, the Articles of Incorporation [if incorporated] and the bylaws adopted by the Board. The project shall be subject to and governed by such instruments and by such rules and regulations as shall be adopted and published by the Board of Directors from time to time.

2.3 DIRECTORS - The Board of the Council shall consist of the number of Directors specified in the Articles of Incorporation and Bylaws of the Council. A majority of the Board shall at all times be persons directly or indirectly owning or having an ownership interest in an apartment. Such Board shall have the powers, duties, authority, and responsibility specified in the bylaws of the Council.

2.4 INITIAL DIRECTORS: The initial Directors of the Council of Co-Owners shall be the persons designated in the Articles of Incorporation of the Council.

2.5 MEMBERSHIP, COUNCIL OF CO-OWNERS: Each owner of an apartment, including Developer if, and so long as, Developer owns an apartment, shall automatically be a member of the Council. Each owner shall remain a member of the Council until such time as he ceases to own an apartment, at which time his membership shall automatically cease. Upon any transfer of ownership of any apartment, the new apartment owner shall succeed to such membership in the Council.

2.6 BYLAWS: The initial Articles of Incorporation and Bylaws, which are hereby adopted by the Developer as sole owner of the project property and sole member of the Council and which shall be used for the purpose of organizing the Council corporation are attached hereto as Exhibit "E" and made a part hereof. The Articles of Incorporation and Bylaws may be amended from time to time in the manner therein provided or as provided by law.

2.7 VOTING RIGHTS: The owner or owners of each apartment or his legally authorized representative and proxy shall be entitled to cast one vote for each apartment owned at all meetings of the Council.

2.8 COUNCIL VOTING RIGHTS: Voting rights attributable to any apartment which shall have been acquired by the Council shall, while owned by the Council, be entitled to be represented at meetings of the members of the Council for purposes of determining the existence of a quorum, and shall be exercised and voted as directed by a majority of the members voting at such meeting. Apartments, if any, owned by the Council shall not be subject to assessment while owned by the Council, however.

2.9 TEMPORARY ADMINISTRATION BY DEVELOPER: Until such time as the Developer sells and conveys ninety per cent [90%] of the apartment units, or the expiration of two (2) years from the date this Declaration is filed for record, whichever occurring first, the Developer, as Temporary Managing Agent, shall have all of the authority, powers, functions and duties of the Council of Co-Owners and the Board of Directors.

SECTION 3: DUTIES OF COUNCIL AND OWNERS

3.1 MAINTENANCE, ALTERATION AND IMPROVEMENT: Responsibility for the maintenance of the project and restrictions upon the alteration and improvement thereof shall be as follows:

By the Council - The Council shall maintain, repair and replace at the expense of the co-owners through the Common Fund:

[A] All portions of an apartment [except interior surfaces] contributing to the support of the apartment building, which portions shall include, but not be limited to, the outside walls of the apartment building and all fixtures on the exterior thereof, boundary walls of apartments, floor and ceiling slabs, load-bearing columns and load-bearing walls.

[B] All conduits, ducts, plumbing, wiring and other facilities, for the furnishing of utility services which are contained in the portions of an apartment maintained by the Council; and all such facilities contained within an apartment which service part or parts of the project other than the apartment within which contained.

[C] All incidental damage caused to an apartment by such work.

[D] Exterior doors and windows of each individual apartment.

By the Apartment Owner: The responsibility of the apartment owner shall be as follows:

[A] To maintain, repair and replace at his expense, all portions of his apartment except the portions to be maintained, repaired and replaced by the Council. Such shall be done without disturbing the rights of other apartment owners.

[B] Not to paint or otherwise decorate or change the appearance of any portion of the exterior of the apartment building.

[C] Promptly to report to the Council any defect or need for repairs, the responsibility for the remedying of which is that of the Council.

3.2 ALTERATION AND IMPROVEMENT: Neither an apartment owner nor the Council shall make any alterations in the portions of an apartment or building which are to be maintained by the Council, or remove any portion thereof, or make any additions thereto, or do anything which would jeopardize the safety or soundness of the building, or impair any easement, without first obtaining approval in writing of owners of all other apartments in the same building and the approval of the Board of Directors of the Council. A copy of detailed plans for all of such work shall also be filed with the Council prior to the start of such work.

3.3 GENERAL COMMON ELEMENTS:

[A] By the Council-- The maintenance and operation of the general common elements shall be the responsibility of the Council at the expense of the co-owners through the common fund.

[B] By the Apartment Owner - The cost of all repairs to a general common element necessitated by the negligence, missuse or neglect of an apartment owner shall be paid by the apartment owner.

[C] Alteration and Improvement - The Board of the Council is authorized to make alterations and improvements to the general common elements; provided, however, that if any alteration or improvement necessitates the expenditure of more than \$1,000.00, then such alteration or improvement shall require approval of a majority of the members of the Council or such greater number as shall be specified in the Council Bylaws. The improvement or alteration of the general common elements shall, moreover, be subject to such restrictions and provisions, if any, as shall be set forth in the Bylaws.

3.4 UTILITIES: Each owner of an apartment shall be individually responsible for and shall pay for all telephone, electricity and all other utilities services furnished to his apartment which are separately metered or billed by the respective utility companies or other party furnishing same. Utilities which are not separately metered or billed to the individual apartments shall be a part of the common expenses, and each apartment owner shall pay his prorata part thereof as in the case of other common expenses.

3.5 BLANKET INSURANCE: The Council and its Board shall have the authority and responsibility to obtain and continue in effect blanket property insurance to insure the buildings, structures and apartments in or on the project and the owners thereof, against risks of loss or damage by fire and other hazards as are covered under standard extended coverage provisions in such amount, and with such deductibles as the Board shall deem advisable, and insurance against other risks of whatever character as the Board shall deem advisable, without prejudice to the right of each apartment owner to insure his individual apartment on his own account and for his own benefit. Such blanket insurance shall be written in the name of, and the proceeds may be payable to the Council, or to any person designated by the Council, as trustee for the owners of each apartment. Each apartment owner, and his Mortgagee, if any, shall be a beneficiary of such insurance in proportions determined by the Board even though not expressly named in the policy of insurance as an Insured or Beneficiary. All costs, charges and premiums for such blanket insurance shall be paid by each owner on his proportionate part of the total coverage, such payment to be to the Council, or paid directly as the Board may direct. The Council may enforce the payment of such premiums as provided in Paragraphs 4.2 and 4.3. The proceeds from all blanket insurance shall be held by the designated beneficiary as a part of the common fund and shall be used and paid out as hereinafter provided, consistent with the Condominium Act. Council shall furnish notice to owners of the policy limits of insurance coverage carried so owners may increase personally the insurance coverage on his apartment as desired.

3.6 INDIVIDUAL INSURANCE: Each apartment owner shall be responsible at his own personal expense and cost for his own personal insurance on the contents of his own apartment and his additions and improvements thereto, and decorations, furnishings and personal property therein, and his personal property stored elsewhere on the project property and his personal liability not covered by liability insurance for all the apartment owners obtained as a part of the common expenses.

3.7 PUBLIC LIABILITY AND OTHER INSURANCE: The Council shall have the authority to and shall obtain comprehensive public liability insurance and such other types of insurance in such limits as it shall deem desirable, insuring each apartment owner and the Council and its Board from and against liability in connection with the general common elements. All costs, charges and premiums for all such insurance shall be a common expense. Each apartment owner shall pay his prorata share for such insurance as in the case of other common expenses.

3.8 REPAIR OR RECONSTRUCTION AFTER FIRE OR OTHER CASUALTY: In the event of damage to or destruction of the buildings as a result of fire or other casualty [unless two-thirds (2/3) or more of the buildings are destroyed or substantially damaged and all of the apartment owners do not duly and promptly resolve to proceed with repair or restoration], the Council shall arrange for the prompt repair and restoration of the buildings [including any damage to apartments except wall, ceiling, or floor decorations or coverings or other furniture, furnishings, fixtures or equipment installed by apartment owners individually] and the Council shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration in appropriate progress payments. Any cost of such repair and restoration in excess of the insurance proceeds shall constitute a common expense and the Council may assess all the unit owners for such deficit as part of the common charges.

If two-thirds [2/3] or more of the buildings shall be destroyed or substantially damaged, and if all the owners of the apartments therein do not voluntarily, within ninety [90] days thereafter make provision for reconstruction and restoration to the original condition, the Council will forthwith record a notice setting forth such facts, and upon such recording of notice, the project shall be sold by the Council or its designated representative, as trustee free and clear of the interest of the apartment owners and of the provisions contained in this Declaration, the

plats and the Bylaws. The insurance settlement proceeds, and the proceeds from sale of the project shall thereupon be collected by such trustee and after payment of expenses of the sale, such proceeds shall be divided according to each owner's interest based in proportion to their respective shares, and upon such division such trustee shall hold the share of each apartment owner in a separate trust account. From each separate account, the trustee shall use and disburse the total amount of each account toward the full payment of the following for and on behalf of the apartment owner for whom each account is held:

[A] the payment of any balance of any first mortgage lien on such owner's apartment;

[B] the payment of taxes and special assessment liens on such apartments in favor of any taxing entity;

[C] payment of such owner's share of unpaid common expenses and assessments of the Council;

[D] payment of junior liens on such apartment in the order and extent of their priority;

[E] the balance remaining, if any, to the apartment owner.

The determination of whether two-thirds [2/3] or more of the buildings shall have been destroyed or substantially damaged by any fire or other disaster or casualty shall be conclusively made by the Council by action of the members of the Council.

SECTION 4: ASSESSMENTS AND LIENS

4.1 LIABILITY FOR COMMON EXPENSES: Each apartment owner shall be liable for a proportionate share of the common expenses, such share being the same as the undivided share in the common elements which is appurtenant to the apartment as set forth in Exhibit "D" to the extent that the same shall be assessed against the owners from time to time by the Council. The common expenses shall include, but not be limited to, all expenses incurred by the Council in performing its duties, obligations and services as authorized or required hereby or by the members of the Council, all expenses or expenditures incurred by the Council for repair, replacement, construction, acquisition, maintenance or operation of common elements, reserves for proper Council purposes, costs of enforcing this Declaration, applicable Bylaws, rules and regulations or the rights of the Council or its members, professional fees, utilities and such other expenses as shall be authorized by the Council. The Council is authorized to collect from time to time as a part of the common expenses from the apartment owners an amount of money equal to the deductible amounts, if any, in the insurance policy or policies insuring the building, structure and apartments of the project and the Council is authorized to enter into agreements with the mortgage companies who hold mortgages on individual apartments with respect to the depositing of this fund and the use of such fund in case of damage to the project.

4.2 ASSESSMENTS: The Council shall have the power to assess the owners of the apartments for their respective shares of common expenses, and otherwise as herein provided. The making and collection of assessments against apartment owners for common expenses shall be subject to the Bylaws and to the following provisions:

[A] Share of Common Expense - Each apartment owner shall be liable for and shall pay a proportionate share of the common expenses to the extent that the same shall be assessed against the owners from time to time by the Council, and shall share in the common fund, if any, such shares being the same as the undivided share in the general common elements which is appurtenant to the apartments owned by him.

[B] During any period of time in which not all of the buildings are being maintained and operated by the Council [as, for example, when the maintenance and operation of a building are omitted pending reconstruction of such building after a casualty], that portion of assessments for the common expenses attributable only to the maintenance and operation of the buildings then being maintained and operated by the Council shall be assessed only to the owners of apartments

of such buildings and in the proportions which their respective shares in the general common elements bear each to the other.

[C] Interest; Application of Payments - Assessments and installments thereon paid on or before 10 days after the date when due shall not bear interest, but all sums not paid on or before 10 days after the date when due shall bear interest at the rate of ten per cent [10%] per annum from the date when due until paid. All payments upon account shall be first applied to interest and then to the assessment payment first due.

[D] Attorney's Fees - If the Council shall incur any legal expenses, including attorney's fees, to enforce any rights of the Council against an apartment owner, including but not limited to collection of delinquent assessments, such apartment owner shall be liable to the Council for such expenses and the Council may recover the same.

4.3 LIEN FOR ASSESSMENTS: The Council shall have a lien upon each apartment and the interests in the general common elements and common fund appurtenant thereto to secure the payment by the owner of such apartment of his proportionate share of all assessments required or permitted to be levied hereunder or by law, and any other sums which shall become due and owing from such owner to the Council and such assessments shall also secure all other expenses including reasonable attorney's fees, incurred by the Council incident to the collection of such assessment or enforcement of such lien.

4.4 FORECLOSURE OF LIENS: All liens for assessments made by the Council of Co-Owners, or by the Board when authorized to do so as aforesaid, shall be prior to other liens, except that such liens for said assessments shall be subordinate, secondary and inferior, and the same are hereby expressly made subordinate, secondary and inferior to [1] All liens for taxes or special assessments levied by the city, county, and state governments or any political subdivision or special district thereof, and [2] First liens securing amounts due or to become due under any mortgage, vendor's lien or deed of trust filed for record prior to the date payment of such assessment for common expenses becomes due. Any Second liens shall be inferior to any and all liens held by the Council. The claim of the Council for assessments and the lien securing such claims shall be freely assignable. Such lien for assessments herein provided for may be foreclosed, without prejudice and subject to the aforesaid prior liens, by the holder thereof in the same manner as either a vendor's lien, or as is provided for foreclosure of a contractual deed of trust lien on real property under Vernon's Annotated Civil Statutes of Texas, Art. 3810. No such foreclosure shall affect or impair any such prior liens. The Council in this project, shall have power to bid in the apartment unit foreclosed on at any foreclosure sale, and to acquire, hold, lease, mortgage and convey the same in behalf of the Council. The purchaser acquiring title to such apartment unit at any foreclosure sale, whoever he may be, and his successor: and assigns, shall not be liable for the share of the unpaid common expenses or assessment: by the Council chargeable to such apartment which became due prior to acquisition of such title at such foreclosure sale, but such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the owners of the apartments in this project, including such purchaser or acquirer, his successors and assigns, on a prorata basis, to the extent not recovered from the proceeds of such foreclosure sale.

4.5 STATUS AFTER FORECLOSURE: Upon the sale or conveyance of an apartment, including sales at foreclosure, all unpaid assessments against the selling owner for his prorata share of the common expenses and charges shall be first paid out of the sale price or by the purchaser in preference over any other assessments or charges of whatever nature except the following:

[A] Assessments, liens and charges in favor of state and any political subdivision thereof for taxes due and unpaid on the apartment units; and

[B] Amounts under first mortgage instruments duly recorded prior to the time the debt to the Council became due.

4.6 CERTIFICATE OF ASSESSMENT: Any prospective purchaser or encumbrancer of an apartment, upon written request being made, shall be entitled to a certificate

from the Board as to the amount of unpaid common expenses, if any, of the subject apartment, and such apartment shall not be liable or subject to any lien for any unpaid assessment in excess of the amount set forth in said certificate for the period of time specified therein. If such request for a certificate is not complied with within twenty [20] days of such request, the prospective purchaser or encumbrancer shall not be liable for, nor shall the subject apartment thereafter be subject to a lien for, any unpaid common expenses or assessments due prior to the date of such request.

4.7 COMMON FUND: All funds collected by reason of assessments of the apartment owners, or otherwise received from the apartment owners proportionately, and all funds received for the use and benefit of, or the account of, the apartment owners [whether derived from insurance proceeds or other source] shall constitute the common fund and shall be held, administered and accounted for by the Council as trustee for the benefit of all of the owners of apartments in the project as set forth herein. The common fund is the property of the apartment owner proportionately and constitutes a part of the general common elements appurtenant to the apartments of the project. The common fund shall be administered and disbursed by the Council according to the terms of this Declaration and as determined by the co-owners from time to time. In addition to other uses authorized herein or by the members of the Council, the common fund may be expended in payment of the common expenses and in reimbursement of the expense of the Council. The funds constituting a part of the common fund shall be held in a separate account or accounts in one or more depositories selected by the Council under the style KEY ALLEGRO CONDOMINIUMS COMMON FUND, or such other name as the Council shall select. If the condominium regime for the project shall be terminated and if the Council shall at such time own any assets in its own right [as distinguished from funds or property of the co-owners administered by the Council] in excess of its liabilities, then any such excess of assets shall be added to the common fund and administered as such.

SECTION 5: RESTRICTIONS

5.1 [A] General Common Elements - The general common elements shall be used only for the purposes for which they are intended in the furnishing of services and facilities for the apartments.

[B] Nuisances - No nuisances shall be allowed upon the project, nor any use or practice which is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the property by its residents. All parts of the property shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist. No apartment owner shall permit any use of his apartment or make any use of the general common elements which will constitute a nuisance or annoyance to the residents of other apartments.

[C] Lawful Use - No immoral, improper, offensive or unlawful use shall be made of the project nor any part thereof; and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. The responsibility of meeting the requirements of governmental bodies which require maintenance, modification or repair of the project shall be the same as the responsibility for the maintenance and repair of the property concerned.

[D] Regulations - Reasonable regulations concerning the use of the condominium property may be made and amended from time to time by the Board of Directors.

[E] Proviso - Notwithstanding other provisions hereof, until developer has completed and sold all of the apartments, neither the apartment owners nor the Council nor the use of the project shall interfere with the completion of the contemplated improvements and the sale of the apartments. Developer may make such use of the unsold units and common areas as may facilitate such completion and sale, including but not limited to maintenance of a sales office, the showing of the property and the display of signs.

[F] Rental - Each apartment owner shall have an absolute right to lease or rent his apartment upon such terms as he shall approve, subject to all provisions and restrictions applicable to the project.

[G] Use - Each apartment shall be used and occupied only for housing accommodations and no apartment shall be altered, remodeled, subdivided or converted into

more than one housing accommodation without the approval of the Council.

[H] Non-partition - The general common elements shall remain undivided and shall not be the object of an action for partition or division of the co-ownership so long as suitable for a condominium regime unless the owners of all apartments shall otherwise consent in writing.

SECTION 6: TRANSFERS

6.1 NO SEVERANCE OF OWNERSHIP: The appurtenant interest including interests in the general common elements, shall not be severable from the ownership of the apartment to which appurtenant, and no attempted or purported severance of such ownership shall be effective. No apartment owner shall execute any deed, mortgage, or other instrument conveying or mortgaging title to his apartment without including therein the appurtenant interest, it being the intention hereof to prevent any severance of such combined ownership. Any such deed, mortgage, or other instrument purporting to affect one or more of such interests, without including all such interests, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein, or even if a portion thereof shall be purported to have been expressly excluded. No part of the appurtenant interests of any apartment may be sold, transferred or otherwise disposed of, except as part of a sale, transfer or other disposition of the apartment unit to which such interests are appurtenant, or as part of a sale, transfer or other disposition of such part of the appurtenant interests of all apartments.

6.2 FINANCING OF PURCHASE OF APARTMENTS BY COUNCIL: Acquisition of apartments by the Council may be made from the assets, if any, or on the credit of, the Council, as such, or from the common fund [if on behalf of the co-owners as such] or if such funds are insufficient, the Board may levy an assessment against each apartment owner in proportion to his ownership in the general common elements, as a common charge, which assessment shall be enforceable in the same manner as provided herein; or the Board, in its discretion, may cause the Council to borrow money to finance the acquisition of such apartment, provided, however, that no financing may be secured by an encumbrance or hypothecation of any property other than the apartment, together with the appurtenant interests, so to be acquired by the Council. The Council shall not levy any assessment for funds to be used to acquire or to amortize indebtedness on any apartment without the prior approval of a majority of the apartments owners and a majority of the mortgagees and lienholders holding mortgages or liens upon the apartments.

SECTION 7: MISCELLANEOUS

7.1 AMENDMENTS: This Declaration may be changed or amended only with the written consent of the owners of apartments owning 85% of the general common elements and with the written consent of all mortgagees of apartments.

7.2 NOTICES: Notices provided for in this Declaration or the Bylaws shall be in writing and shall be addressed to the Board at the address of the Board as such address may be established from time to time and in which each unit owner shall be notified. Notices to the apartment owners shall be mailed or delivered to the mailing address of their respective apartments or to such other address which any apartment owner may designate by notice thereof in writing to the Board.

7.3 SEVERABILITY: If any provision of this Declaration or in the Bylaws attached hereto or any part thereof or the application thereof in any circumstances shall be held invalid or unenforceable, the validity or enforceability of the remainder of the Declaration or Bylaws or the application of any such provision or part thereof in any other circumstance shall not be affected thereby.

7.4 PERPETUITIES: If any provision of this Declaration or Bylaws either existing or hereafter amended would otherwise violate the rule against perpetuities or any other rule, statute of law imposing time limits, and notwithstanding anything herein said, Bylaws to the contrary, then, and to such extent only, such provision shall be deemed to remain in effect only until twenty-one [21] years after the death of all of the descendants of Joseph P. Kennedy, [being the father of the late President John F. Kennedy] who are living on the date of execution of this Declaration.

7.5 COVENANT: The provisions of this Declaration shall constitute a covenant

and easement running with the land described above and shall bind Developer, its successors and assigns.

EXECUTED this the 5th day of July, 1973.

KEY ALLEGRO CONDOMINIUMS, INC.

ATTEST:

(s) Carlwell Smith SECRETARY BY: (s) Carl C. Krueger, Jr. PRESIDENT

THE STATE OF TEXAS]
COUNTY OF ARANSAS]

BEFORE ME, the undersigned authority, on this day personally appeared Carl C. Krueger, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as PRESIDENT of KEY ALLEGRO CONDOMINIUMS, INC., a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 5th day of July, 1973.

(SEAL) (s) Sam E. Wilcox
Notary Public, Aransas County, Texas
My commission expires June 1, 1975

EXHIBIT "A"

Being 6.171 acres out of Lot 7, Block 5, Key Allegro Island Estates along and with all of Lots 2, 3, 4, 5 and 6, Block 5, Key Allegro Island Estates, Unit One, Aransas County, Texas, according to the Plat of Record in Volume 2, page 106, Plat Records of Aransas County, Texas, and being more particularly described by metes and bounds as follows:

Begin at the most Northeasterly corner of Lot 7, Block 5, Key Allegro Island Estates, Unit One, being also the point of intersection of the North line of Mazatlan Drive and the West line of Lauderdale Drive:

Thence, S 71°55'10" W along and with the North line of Mazatlan Drive a distance of 266.46 feet to a 3/8" rod:

Thence, at right angle to Mazatlan Drive N 18°04'50" W a distance of 90.0 feet to a 3/8" iron rod:

Thence, N 23°23'07" W and parallel to Lauderdale Drive a distance of 337.08 feet to a 3/8" iron rod:

Thence, S 66°39'53" W a distance of 64.50 feet to a drill hole on the concrete bulkhead on Little Bay:

Thence, along and with said concrete bulkhead N 40°14'41" W a distance of 258.54 feet to an angle point in said concrete bulkhead:

Thence, continuing with said concrete bulkhead N 59°25'38" W a distance of 174.88 feet to an angle point in said concrete bulkhead:

Thence, leaving the concrete bulkhead N 5°39'10" E a distance of 61.55 feet to a point on the South line of Nassau Drive:

Thence, along and with the South line of Nassau Drive N 88°24' E a distance of 84.84 feet to a point at the beginning of a curve to the left:

Thence, along and with said curve to the left whose radius is 130.0', Central angle is 43°05'00", tangent is 51.32 feet at 82.75 feet pass the Southwest corner of Lot 6, Block 5, Key Allegro Island Estates, Unit One and at 97.75 feet the end of said curve to the left:

Thence, continuing with the South line of Nassau Drive, N 45°19' E a distance of 207.0 feet to a point at the beginning of a curve to the left:

Thence, along and with said curve to the left whose radius is 130.0 feet, central angle is 26°14'36", tangent is 30.30 feet a distance of 59.54 feet to the end of said curve to the left:

Thence, N 19°04'24" E along and with the South line of Nassau Drive a distance of 46.32 feet to a point of intersection with the West line of Lauderdale Drive and the point of beginning of a curve to the right:

Thence, along and with said curve to the right on the West line of Lauderdale Drive whose radius is 70.0 feet, whose central angle is 47°32'29", tangent is 30.83 feet a distance of 58.08 feet to the end of said curve to the right:

Thence, continuing along and with the West line of Lauderdale Drive S 23°23'07" E at 80.0 feet pass the Northeast corner of Lot 2, Block 5, and in all 953.06 feet to the Place of Beginning.

SAVE AND EXCEPT therefrom, all of the oil, gas and other minerals. The above described property is SUBJECT TO the following:

(1) Restrictions, covenants and conditions recorded in Volume Q-4, page 325, Volume M-4, page 402, Volume 148, page 24 and Volume 177, page 75, all in the Deed Records of Aransas County, Texas.

(2) Easements as shown on the plat of Key Allegro Island Estates, Unit One recorded in Volume 2, page 106 of the Plat Records, of Aransas County, Texas.