

ARTICLE VII.

INSURANCE; REPAIR; RESTORATION; COMMUNITY SERVICES ARRANGEMENTS

Section 1. Right to Purchase Insurance. The Association shall have the right and option to purchase, carry and maintain in force insurance covering any or all portions of the Common Properties, any improvements thereon or appurtenant thereto, for the interest of the Association, its Board of Directors, officers, managers, agents and employees, and of all Members of the Association, in such amounts and with such endorsements and coverage as shall be deemed appropriate by the Board and/or as specifically required by the Eligible Mortgagees or Eligible Insurers. Such insurance may include, but need not be limited to:

- (a) Insurance against loss or damage by fire and hazards covered by a standard extended coverage endorsement in an amount which shall be equal to the maximum insurable replacement value, excluding foundation and excavation costs;
- (b) Comprehensive public liability and property damage insurance on a broad form basis, including coverage of personal liability (if any) of the Board, Owners, Residents and Members with respect to the Common Properties;
- (c) Fidelity bonds for all officers and employees of the Association having control over the receipt or disbursement of funds; and
- (d) Liability insurance regarding the errors and omissions of directors, officers, managers, employees and representatives of the Association.

Section 2. Insurance and Condemnation Proceeds. The Association shall be the exclusive representative of the Members in any proceedings, negotiations, settlements or agreements concerning insurance or condemnation. The Association and the Members may use the net insurance or condemnation proceeds to repair and replace any damage or destruction of property, real or personal, covered by such insurance or condemnation. Any balance from the proceeds of insurance or condemnation paid to the Association, remaining after satisfactory completion of repair and replacement or after the Board has elected to waive the repair, restoration or replacement, shall be retained by the Association as part of a general reserve fund for repair and replacement of the Common Properties.

Section 3. Insufficient Proceeds. If the insurance or condemnation proceeds are insufficient to repair or replace any loss or damage, the Association may levy a special group assessment as provided for in Article V of this Declaration to cover the deficiency.

Section 4. Community Services Arrangements. Declarant and the Association have arranged for the employment and utilization of a mechanical crossing gate and/or unarmed community services personnel generally stationed at the gatehouse entry point to the Subdivision. The Declarant and the Association hope that the gatehouse and private streets concept will discourage undesired and unauthorized vehicular traffic within the Subdivision and foster a higher degree of peace and tranquillity. However, the Subdivision is not entirely encompassed by a fence nor are there any plans for such an enclosure. Also, the gatehouse program is not designed to restrict or impede pedestrian traffic into, within or out of the Subdivision.

Although the Declarant and the Association reasonably believe that the existence and visibility of community services personnel and controlled access points may discourage the commission of criminal acts (e.g., burglary, theft, etc.) within the Subdivision, nevertheless neither the Declarant nor the Association warrant or guarantee that: (a) the community services personnel and/or gate arrangements are sufficient and adequate to diminish or eliminate the commission of crimes against persons or property; and (b) such acts will not be attempted or actually occur within the Subdivision. These community services arrangements are not designed or intended to replace the conventional police and fire protection and paramedical services available from Chambers County, Texas or any other governmental entity which may hereinafter legally provide such services to Members, Residents, and Owners of the Subdivision.

The Association will seek to carry public liability insurance generally covering bodily injury and property damage arising out of negligent acts by employees, members or authorized representatives of the Association. The Association will not carry any insurance pertaining to, nor does it assume any liability or responsibility for, the real or personal property of the Owners, Residents and Members (and their respective family members and guests).

Each Owner, Resident and Member expressly understands, covenants and agrees with the Declarant and the Association that:

(a) Neither Declarant nor the Association has any responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and personal property of each Owner, Resident and Member;

(b) Each Owner, Resident and Member shall, from time to time and at various times, consult with reputable insurance industry representatives of each Owner's, Resident's and Member's own selection to select, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of insurance deemed satisfactory to each Owner, Resident and Member covering his or her real and personal property;

(c) Each Owner, Resident and Member releases and holds Declarant and the Association harmless from any uninsured liability, claims, causes of action or damages of any kind or character whatsoever arising out of or related (directly or indirectly) to any and all aspects of the community services system and private streets within the Properties, including, without limitation:

- (1) the interviewing, hiring, training, licensing (if any), bonding (if any) and employment of community services personnel;
- (2) the instructions, directions and guidelines issued to or by the community services personnel;
- (3) the duties, performance, actions, inactions or omission of or by the community services personnel; and
- (4) the functioning (failure or malfunctioning, etc.) of the mechanical gate access devices;

(d) Each Owner, Resident and Member will cooperate with Declarant, the Association and the ARC in connection with the establishment, evolution and maintenance of reasonable controls on the pedestrian and vehicular traffic into and within the Properties and abide by any and all rules and regulations of the Association, as adopted and promulgated from time to time, related to the entry upon and use of any private streets and other Common Areas within the Properties.

ARTICLE VIII.

ARCHITECTURAL REVIEW

Section 1. Architectural Review Committee. The Architectural Review Committee ("ARC") shall be composed of at least three (3) individuals selected and appointed by the Declarant, each generally familiar with residential and community development design matters and knowledgeable about the Declarant's concern for a consistent approach to and construction of improvements within the Subdivision. In the event of the death, incapacity or resignation of any member of the ARC, the Declarant (during the Development Period) shall have full authority to designate and appoint a successor. From and after conclusion of the Development Period, the ARC members shall be appointed, and replaced in the event of death, incapacity or resignation, by the Board.

Section 2. ARC Jurisdiction. No building, structure, fence, wall or improvement of any kind or nature shall be erected, placed or altered on any Lot until all plans and specifications have been submitted to and approved in writing by the ARC, or a majority of its members, as to:

- (i) quality of workmanship and materials, adequacy of site dimensions, adequacy of structural design, proper facing of main elevation with respect to nearby streets, and zero lot-line considerations, in accordance with this Declaration and/or the Design Guidelines and/or bulletins;
- (ii) minimum finished floor elevation and proposed footprint of the dwelling;
- (iii) conformity and harmony of the external design, color, type and appearance of exterior surfaces and landscaping;
- (iv) drainage solutions;

- (v) the observance of and compliance with applicable setback lines and easement areas and the enhancement of aesthetic views and visual corridors to and from the Common Properties; and
- (vi) the other standards set forth within this Declaration (and any amendments hereto) or as may be set forth within the Design Guidelines, bulletins promulgated by the ARC, or matters in which the ARC has been vested with the authority to render a final interpretation and decision.

The ARC is authorized and empowered to consider and review any and all aspects of construction, location and landscaping, which may, in the reasonable opinion of the ARC, adversely affect the living enjoyment of one or more Owner(s) or Residents or the general value of the Properties. Also, the ARC is permitted to consider technological advances and changes in design and materials and such comparable or alternative techniques, methods or materials may or may not be permitted, in accordance with the reasonable opinion of the ARC.

The following is a general outline of the steps likely to be involved in the review of plans and specifications:

- (1) Submit preliminary plans and specifications to the ARC;
- (2) Submit final plans and specifications to the ARC;
- (3) Submit plans and specifications to all governmental entities, which maintain the right to approve any proposed construction plans within the Subdivision, if any; and
- (4) Submit copy of any such building permit(s), if any, to the ARC.

Each and every owner and applicant shall use their respective best efforts to commence construction of all improvements approved by the ARC (and any and all other applicable governmental agencies) within sixty (60) days after obtaining all necessary governmental approvals therefor and thereafter diligently pursue the project through to completion.

Section 3. Design Guidelines. The ARC may, from time to time, publish and promulgate additional or revised Design Guidelines, and such design guidelines shall be explanatory and illustrative of the general intent of the proposed development of the Properties and are intended as a guide to assist the ARC in reviewing plans and specifications. The Architectural Review Committee shall have the right, power and authority to establish and prescribe architectural restrictions and guidelines pertaining to items and topics such as (but not necessarily limited to):

- a. A site plan showing the "footprint" of the building, zero lot-line factors, location of all existing trees (indicate size and type) and proposed improvements, including but not limited to, structures, patios, driveways, parking areas and structures, fences and walls.
- b. Exterior elevations of all proposed buildings and structures.
- c. A description and samples of exterior materials, colors, textures and shapes of all buildings and structures.
- d. Landscape plans, which shall include walkways, fences, walls, details, elevation changes, irrigation and watering systems, vegetation and ground cover (indicating size, spacing and quantity), and the protection and preservation of trees and other existing and introduced vegetation.
- e. Utility connections, including routing of electrical, gas, water, sanitary sewer, telephone cables and prewired CATV facilities.
- f. Exterior illumination and location.
- g. Dimensional floor plan of all enclosed spaces and any garages or parking facilities (particularly where the garages face the street).
- h. Smoke detector locations.
- i. Mailbox location and design.
- j. Drainage solutions.

- k. Such other matters as may be required by the then applicable governmental agencies, if any.
- l. The items described within Section 2 above and any other data or information requested or deemed reasonably necessary by the Architectural Review Committee.

PRIOR TO ACQUIRING ANY INTEREST IN A LOT, EACH PROSPECTIVE PURCHASER, TRANSFEREE, MORTGAGEE AND OWNER OF ANY LOT IN THE SUBDIVISION IS STRONGLY ENCOURAGED TO CONTACT THE DECLARANT OR ASSOCIATION OR THE ARC TO OBTAIN AND REVIEW THE MOST RECENT DESIGN GUIDELINES WHICH WILL CONTROL THE DEVELOPMENT CONSTRUCTION AND USE OF THE LOT.

Section 4. Preliminary and Final Plan Submissions. The Architectural Review Committee is authorized and empowered to and shall consider, review and comment on preliminary plans submitted in duplicate on an informal basis to assist Owners, developers, homebuilders and prospective purchasers of the Lots in complying with these Covenants and to assist in the completion of any feasibility studies undertaken by such persons or entities. [The ARC shall have the right, however, to prescribe reasonable limitations concerning the time, effort and expense likely to be involved in handling such matters on an informal basis]. If the preliminary plans and specifications are approved by the ARC, the Owner or the Owner's designated representative will be so advised by letter. If found not to be in compliance with these Covenants, the Owner or the Owner's designated representative will be so advised by letter containing a reasonable statement and explanation of items found not to comply with these Covenants. If the ARC fails to approve or disapprove such plans and specifications within thirty (30) days after the actual date on which the submission is received, approval of the matters submitted shall be presumed. Comments on and approvals of preliminary plans and specifications shall be binding upon the Architectural Review Committee provided that conforming final plans and specifications are submitted within ninety (90) days of such preliminary comments or approvals.

Final plans, specifications and surveys shall be submitted in duplicate to the Committee for approval or disapproval. The Committee is authorized to request the submission of samples of proposed construction materials. At such time as the plans, specifications and surveys meet the approval of the ARC, one complete set of plans, specifications and surveys will be retained by the ARC and the other complete set will be marked "Approved" and returned to the Lot Owner or his designated representative. If found not to be in compliance with these Covenants, one set of such plans, specifications and surveys shall be returned marked "Disapproved," accompanied by a reasonable statement and explanation of items found not to comply with these Covenants. Any modification or change to the approved set of plans, specifications and surveys must again be submitted to the ARC for its inspection and approval. The ARC's approval or disapproval, as required herein, shall be in writing. If the ARC fails to approve or disapprove such plans, specifications and surveys within thirty (30) days after the actual date on which the submission is received, then the ARC approval shall be presumed.

The ARC may from time to time publish and promulgate architectural standards bulletins and/or lot information sheets which shall be fair and reasonable and shall carry forward the spirit and intention of these Covenants. Such bulletins and lot information sheets shall supplement these Covenants and are incorporated herein by reference. **EACH OWNER SHALL SEEK AND OBTAIN AND BECOME THOROUGHLY FAMILIAR WITH ANY AND ALL ARCHITECTURAL STANDARDS BULLETINS AND LOT INFORMATION SHEETS PRIOR TO ACQUISITION OF, AND CONSTRUCTION ON, ANY LOT WITHIN THE SUBDIVISION.**

Section 5. General. The following declarations within this Section apply to the ARC. The ARC shall be entitled, at any time and from time to time, to associate or employ a staff and to seek and obtain professional advice and counsel (including but not limited to architects, attorneys, designers, engineers and landscape technicians) in connection with the performance of its duties with all reasonable costs and expenses related thereto paid for or reimbursed by the Association. The Association may, in turn, reasonably recoup some or all of these expenses from the applicants seeking review and approval of plans and specifications.

The Declarant and/or the Association and/or the ARC may require any Owner to restore such Owner's improvements or alteration to the condition existing prior to the construction thereof (including, without

limitation, the demolition and removal of any unapproved improvement) if such improvements or alterations were commenced or constructed in violation of this Article. In addition, the Declarant and/or the Association and/or the ARC may, but has no obligation to do so, cause such restoration, demolition and removal and levy the amount of the cost thereof as a special individual assessment against the Lot upon which such improvements or alterations were commenced or constructed. A material violation of these Covenants shall be deemed to have occurred if no prior express written approval of the ARC has been obtained where it was originally required, even if hindsight reveals that the actual plans and specifications would have been approved by the ARC had they been properly and timely submitted.

Neither Declarant, nor the Association, nor the ARC, nor the Board nor the officers, directors, managers, members, employees and agents of any of them, shall be liable in damages to anyone submitting plans and specifications to any of them for approval, or to any Owner of property affected by these restrictions by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications. No approval of plans and specifications and no publication of any Design Guidelines, architectural bulletins or lot information sheets shall be construed as representing or implying that such plans, specifications, guidelines, bulletins or sheets will, if followed, result in properly designed improvements and/or improvements built in a good and workmanlike manner. Every person or entity who submits plans or specifications, and every Owner of each and every Lot, agrees that he will not bring any action or suit against Declarant, the Association, the ARC, the Board, or the officers, directors, managers, members, employees and agents of any of them, to recover any such damages and hereby releases, remises and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given.

After reasonable notice to the Owner (and any applicable Resident), any member or agent of the Committee may from time to time at any reasonable hour or hours enter and inspect any property subject to the jurisdiction of the ARC to confirm improvement or maintenance or alteration in compliance with the provisions hereof. No improvements or addition or change or alteration thereof shall be constructed, erected, placed, altered or maintained on any Lot which is in violation of any of the laws or ordinances of the City of Beach City, Texas, Chamber County, Texas, or any other applicable governmental laws, rules or regulations. However, Declarant, the Association, the ARC and their respective officers, directors, managers, agents and employees shall have no obligation to enforce or to report the violation of any such law, ordinance, rule or regulation.

The ARC shall have the power to grant variances, waivers, tolerances or modifications of the standards set forth within the Covenants under circumstances and conditions deemed reasonable, appropriate and prudent by the ARC. Matters of "quality", "adequacy" and "propriety" are to be considered by the ARC generally from an aesthetic standpoint, rather than from an engineering standpoint. Plans and specifications are not reviewed or approved for engineering or structural design or technical quality of materials, and by approving such plans and specifications neither the ARC, nor the members thereof, nor the Association assumes liability or responsibility therefor, nor for any defect in any structure constructed from such plans and specifications.

ARTICLE IX.

USE OF LOTS IN THE SUBDIVISION; PROTECTIVE COVENANTS

The Subdivision (and each Lot situated therein) shall be constructed, developed, occupied and used as follows:

Section 1. Residential Lots. All Lots within the Subdivision shall be used, known and described as residential Lots, unless otherwise indicated on the Subdivision plat. Lots shall not be further subdivided and, except for the powers and privileges herein reserved by the Declarant, the boundaries between lots shall not be relocated without the prior express written consent of the ARC. No building or structure shall be erected, altered, placed or permitted to remain on any residential Lot other than one (1) single-family dwelling and, if any, its customary and usual accessory structures (unless otherwise prohibited herein). No building or structure intended for or adapted to business or commercial purposes shall be erected, placed, permitted or maintained on such premises, or any part hereof, save and except those related to development, construction and sales purposes of a bona-fide homebuilder, the Declarant or the Association. No Owner, Resident or Member shall conduct, transmit, permit or allow any type or kind of home business or home profession or hobby on any Lot or within any Dwelling Unit which would: (i) attract automobile, vehicular or pedestrian traffic to the Lot; (ii) involve lights, sounds, smells, visual effects, pollution and the like which would adversely affect the peace and tranquillity of any one or more of the Residents within the Subdivision. The restrictions on use herein contained shall be cumulative of,

and in addition to, such restrictions on usage as may from time to time be applicable under and pursuant to the statutes, rules, regulations and ordinances of any other governmental authority having jurisdiction over the Subdivision.

Section 2. General Construction Requirements; Minimum Floor Space; Alarms. All permanent structures placed on any Lot within the Subdivision shall be constructed on the Lot with a foundation on the ground (concrete slab or pier and beam) and no modular or mobile homes shall be moved on or allowed to be placed on any Lot; except by a contractor during the construction phase for a temporary period and then not beyond one week after the residence becomes occupied. The first floor of any structure constructed on each Lot shall not be higher than four (4) feet above the ground level of the Lot on which it is located. Each one (1) story dwelling and each one-and-one half (1.5) and two (2) story dwelling constructed on any Lot shall contain a minimum of two thousand five hundred (2,500) square feet of air-conditioned floor area (exclusive of all porches, garages or breezeways attached to the main dwelling). The Design Guidelines and/or the ARC may require that the construction plans and specifications for each residential dwelling include provisions for the installation and equipment of fire and burglar alarms, smoke detectors and such other safety and security devices which, from time to time, become technologically feasible for residential use as may be further described and defined by the Architectural Review Committee.

Section 3. Pools; Hot Tubs; Garages; Parking. No above ground swimming pools may be constructed on any Lot and any hot tubs constructed above ground shall be permanently affixed to the dwelling. Each single-family residential dwelling erected on any Lot shall provide garage space attached to the main dwelling for a minimum of two (2) conventional automobiles and not more than four (4) motor vehicles, unless otherwise specifically approved by the ARC. Each Owner, Member and Resident shall use their respective best efforts to park and store their automobiles within the garage. All garage doors shall be closed at all times when not in use. Carports are not encouraged but may be permitted under limited rigid circumstances if, as and when, in the absolute opinion of the Architectural Review Committee, the exterior surface and appearance will substantially compare with a garage and there shall be absolutely no storage of items, which would otherwise be visible or allowed to occur thereunder. Any and all proposed garage or carport plans and specifications must be submitted to the Architectural Review Committee for review and approval. Each Owner, Resident and Member shall use their respective best efforts to refrain from:

- (a) habitually parking any automobile or vehicle on any Lot outside of an approved garage area between any Dwelling Unit and the abutting front street or between any Dwelling Unit and an abutting side street; and
- (b) repeatedly performing, permitting or allowing repair or maintenance work to any automobile or other vehicle outside the garage and visible to the abutting street(s).

Under no circumstances or conditions shall any automobile or other vehicle be parked on a non-paved portion of any Lot.

Section 4. Setback Requirements. No building shall be located on any Lot nearer to the front Lot line or nearer to any side street line than the minimum building setback lines shown on the Plat. No portion of any structure shall be located within five (5) feet of any exterior other boundary line of the Lot which does not constitute a common boundary line with a street. If two or more Lots, or portions of two or more Lots, are consolidated into a building site, these building setback requirements shall apply to the resulting building site as if it were one original, platted Lot. Setback requirements may be further described within the Design Guidelines. The Architectural Review Committee may establish additional setback lines (for fences, walls and for buildings) from the front property line of each Lot at varying distances; the mixture of various front setbacks may reflect architectural style and design considerations. In order to allow flexibility for: (i) implementation of state-of-the-art construction designs, and (ii) any consolidation of two (2) or more Lots to accommodate the construction of a lesser number of dwellings thereon, the Architectural Review Committee shall also have the authority to develop and refine rear and side yard setback requirements. Within the setback areas for each Lot and subject to the construction or installation of any other items otherwise permitted, a non-exclusive surface easement and right-of-way is reserved for the Association in order to properly facilitate and carry out its duties and responsibilities under this Declaration.

Section 5. Height Limitations; Elevations; Intersection Sight Lines. No building or structure on any Lot shall exceed the height limit specified by the Design Guidelines or the ARC. In order to create a desired architectural appearance and mix of one (1) and two (2) story structure heights the Architectural Review Committee may prescribe inter-related height and setback requirements. The Architectural Review Committee shall have the power and authority to further develop and refine guidelines and interpretations concerning the height concepts and limitations envisioned herein. No fence, wall, hedge, or shrub planting that obstructs sight lines at elevations between two (2) and six (6) feet above the roadway shall be placed or permitted to remain on any corner lot in the triangular area formed by the street property lines and a

line connecting them at points twenty five (25) feet from the intersection of the street lines, or in the case of a rounded property corner, from the intersection of the street property lines as extended. The same sight-line limitations shall apply on any Lot within ten (10) feet from the intersection of a street property line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distances of intersections unless the foliage line is maintained to meet the sight line requirements set forth above.

Section 6. Fences; Signs. No fence, wall or hedge (which serves as a barrier) shall be erected, placed or altered on any Lot nearer to any street than the minimum building setback line as established by the Design Guidelines or the Architectural Review Committee. All exterior mechanical or service equipment must be enclosed within fences, walls or landscaping so as not to be visible from the immediate residential street. No fence, wall or hedge shall be erected, placed or altered on any residential Lot without the approval of the Architectural Review Committee. One of the primary objectives of the ARC's review of any proposed fencing being to maintain, where available and where possible, any view of Trinity Bay and the air flow or winds therefrom. Consistent with the objectives of maintaining any view of Trinity Bay and the air flow or winds therefrom, any fence located on the rear property line of any Lot shall be constructed of black wrought iron, five (5) feet in height with sufficient openings to allow the free flow of air and allow adjacent Lot owners to maintain their view, if any of Trinity Bay. It being the objective of the ARC to maintain consistency in the nature and type of all such black wrought iron fencing. No sign or signs shall be displayed to the public view on any residential Lot, except:

- (a) any builder, during the applicable initial construction and sales period, may utilize one (1) professional sign [of not more than six (6) square feet in size] per Lot for advertising and sales purposes;
- (b) thereafter, a dignified "For Sale" or "For Lease" sign [of not more than six (6) square feet in size] may be utilized by the Owner of the respective residential Lot for the applicable sale or lease situation; and
- (c) development-related signs owned or erected by the Declarant shall be permitted.

The Declarant and/or the ARC shall have the right and privilege to develop and implement uniform signage specifications and requirements applicable throughout the Subdivision.

Section 7. Easements; Bulkheading; Utilities. Easements for the installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded subdivision plat. Each Lot having frontage on Trinity Bay shall have an easement as depicted on the recorded subdivision plat to provide access to and from the street and the bulkheaded portion of the Lot sufficient to provide ingress and egress for the equipment and materials necessary to repair and maintain the bulkheading on the portion of the Lot fronting on Trinity Bay. The Owner of each Lot having frontage on Trinity Bay shall be responsible for all repairs and maintenance associated with the bulkheading associated with such Lot; all of which shall be done in a timely manner; subject to the approval of the ARC and in accordance with the then current Design Guidelines applicable to the bulkheading, if any. All Utility service may be installed along or near the front and/or side and/or rear Lot lines and each Lot Owner shall have the task and responsibility of determining the specific location of all such utilities. Except as may be otherwise permitted by the ARC (e.g. fencing, flatwork, landscaping, etc.), no Owner shall erect, construct or permit any obstructions or permanent improvements of any type or kind to exist within any easement area, nor shall anything be done or permitted within an easement area which would restrict or adversely affect drainage. Electrical (and possibly other utility) easements are likely to be located at or near or along the rear lot line(s), and each Lot Owner assumes full, complete and exclusive liability and responsibility for all cost and expense related to damage, repair, relocation and restoration of such improvements or fence. Except as to special street lighting or other aerial facilities which may be installed by the Declarant pursuant to its development plan, no aerial utility facilities of any type (except meters, risers, service pedestals and other surface installations necessary to maintain or operate appropriate underground facilities) shall be erected or installed on the Subdivision whether upon individual Lots, easements, streets or rights-of-way of any type, either by the utility company or any other person or entity, including, but not limited to, any person owning or acquiring any part of the Subdivision, and all utility service facilities (including, but not limited to, water, sewer, gas, electricity and telephone) shall be buried underground unless otherwise required by a public utility. All utility meters, equipment, air conditioning compressors and similar items must be visually screened and located in areas designated by the Architectural Review Committee. The Association or the Architectural Review Committee shall have the right and privilege to designate the underground location of any CATV-related cable. Pursuant to requirements by utility company(ies) providing service to the Properties, the following provisions and covenants are to run with the land within the Subdivision with the same force and effect as all other Covenants herein and as if such provisions and covenants had originally been recited within each deed to each Lot executed and delivered by Declarant:

(a) Electric service of the type known as 120/240 volt, single phase, 3 wire, 60 cycle, alternating current has been made available to the Lot hereby conveyed by means of underground facilities, at a cost in excess of the cost of service provided by the usual and standard overhead facilities, and each Owner acknowledges for himself, his heirs, executors, administrators, successors and assigns, that electric service of any character other than that hereinabove described will not be available except at added cost to such Owner and in accordance with the rules and regulations for electric service of the subject electric utility company; and

(b) Since electric service is to be furnished to each of the Lots solely by underground facilities, each Owner agrees for himself, his heirs, executors, administrators, successors and assigns, that he will, at his own expense, install and maintain the necessary underground facilities to connect the Owner's installation with the service wires of the subject electric utility company and security system at the point of delivery of electric energy."

Each Owner shall assume full and complete responsibility for all costs and expenses arising out of or related to the repair, replacement or restoration of any utility equipment damaged or destroyed as a result of the negligence or mischief of any Resident of the Owner. Each Owner agrees to provide, at the sole cost and expense of each Owner, such land and equipment and apparatus as are necessary and appropriate to install and maintain additional lighting and security-related measures which becomes technologically provident in the future.

Section 8. Temporary Structures and Vehicles. No temporary structure of any kind shall be erected or placed upon any Lot. Temporary structures shall include, but not be limited to, any garage, servant's house or other improvement erected more than one hundred twenty (120) days prior to the completion of the main portion of the single-family dwelling. However, upon receiving the prior, express written approval of the Architectural Review Committee, Declarant or any bona-fide homebuilder may maintain temporary sales or construction offices provided such sales or construction offices are removed within sixty (60) days after completion of sales or construction, as the case may be.

Any truck (over 3/4 ton and excluding conventional pickups), bus, boat, boat trailer, trailer, mobile home, golf cart, motorcycle, recreational vehicle, campmobile, camper and any vehicle other than a conventional automobile, if brought within the Subdivision by or on behalf of any Owner, Member or Resident, shall be stored, placed or parked within the enclosed garage on the appropriate Lot unless otherwise directed by the Architectural Review Committee if it is allow to remain overnight within the subdivision for five (5) days within any calendar month.

Section 9. Site Maintenance, Garbage and Trash Collection. Lot Owners are responsible for keeping construction sites free of rubbish on a daily basis and streets (to the crown) scraped clear of any mud accumulation. Lot Owners will not be allowed to store any excavation of soil on streets or adjacent sites. Soil runoff due to rain or irrigation will be removed promptly from streets and sidewalks by the Lot Owner.

All garbage shall be picked up and disposed of by a collector designated by the Board. Each resident who elects to utilize the services of the designated garbage collector shall be personally responsible for paying the garbage collector for such services. All garbage shall be kept in plastic bags or other containers required designated by the Board. Each Owner, Member and Resident shall observe and comply with any and all regulations or requirements promulgated by the Association in connection with the storage and removal of trash and garbage, particularly where the collection point is in front of the residential Dwelling Units or is otherwise visible from any street.

No residential Lot, or any portion of the Common Properties or any public right-of-way area, shall be used or maintained as a dumping ground for rubbish, trash or garbage. No Owner, Member or Resident shall dump grass clippings, landscape debris, garbage or trash of any kind on another Lot. Each Owner is responsible for the appearance and condition of such Owner's Lot. If more than five (5) days after prior written notice an Owner shall fail to: (i) control weeds, grass and/or other unsightly growth; (ii) remove trash, rubble, building and construction debris; or (iii) exercise reasonable care or conduct to prevent or remedy an unclean, untidy or unsightly condition, then Declarant or the Association shall have the authority and right to go onto said Lot for the purpose of mowing and cleaning said Lot and shall have the authority and right to assess and collect from the Owner of said Lot a reasonable charge for mowing or cleaning said Lot on each respective occasion of such mowing or cleaning. The assessments, together with such interest thereon and costs of collection thereof, shall be a charge on the land and shall be a continuing Payment and Performance Lien upon each Lot against which each such assessment is made. Each such assessment, together with interest thereon and costs of collection thereof, shall also be the continuing personal obligation of the person who was the Owner of such Lot at the time when the assessment occurred.

Section 10. Offensive, Prohibited Activities; Pets. No noxious or offensive activity or pollution emitting sight/sound/smell, as determined by the ARC, shall be conducted or permitted on any portion of the Properties.

No direct sales activities (excluding, however, activities of the Declarant and bona-fide homebuilders and community activities specifically approved by the Board), garage sales, yard sales, patio sales, flea markets, bazaars, sample sales, promotional dinner parties or similar activities shall be conducted on any portion of the Subdivision.

No fireworks whatsoever shall be ignited, exploded, or displayed within the Subdivision.

No firearm or high velocity air rifle or pistol of any type shall not be discharged within the Subdivision.

Christmas lighting shall be permitted no earlier than Thanksgiving and shall be removed no later than the January 15th each year.

All woodpiles, vegetable gardens, and other such temporary activities or conditions shall be kept within the patio areas or other fenced areas at the rear of any Lot so as to conceal them from view from neighbors and the street.

No scrub, trees, or shed shall be planted or erected on any lot fronting on Trinity Bay which obstructs or limits an adjacent lot owners view of the water.

Any noise or odor emitted by, and any discharge or waste from, any animal (including without limitation dogs and cats) which can be seen, heard or smelled outside the perimeter of the subject Owner's (or Member's or Resident's) Lot shall be deemed noxious and offensive and is therefore prohibited. No animals, livestock or poultry of any kind shall be raised, bred or kept on any residential Lot, except that not more than two (2) dogs, cats or other domestic household pets may be kept, provided that they are not kept, bred or maintained for commercial purposes and they are not noxious, offensive, vicious (e.g. pit bull terriers shall not be permitted within the Subdivision) or dangerous. Any outside pen, cage, kennel, shelter, concrete pet pad, run, track or other building, structure or device directly or indirectly related to animals which can be seen, heard or smelled by anyone other than the subject Lot Owner must be approved by the Architectural Review Committee in its sole and absolute discretion. Each and every dog, cat or other household pet, if not kept and confined within an enclosed non-visible portion of the Owner's/Resident's/Member's Lot, must be leashed and accompanied by its corresponding Owner/Resident/Member, particularly when traveling beyond the perimeter of the Owner's/Resident's/Member's Lot, and such Owner/Resident/Member shall promptly clean and remove the discharge and waste of any pet.

Section 11. Landscaping; Maintenance. Construction of each and every residential dwelling within the Properties shall include the installation and placement of appropriate landscaping. Each Owner, Member and Resident of any Lot shall jointly and severally have the duty and responsibility, at their sole cost and expense, to keep and maintain the Lot, and all improvements therein and thereon, in a well maintained, safe, clean and attractive condition at all times. Such maintenance shall include (without limitation):

- the-proper seeding, consistent watering and mowing of all lawns;
- the pruning and cutting of all trees and shrubbery;
- prompt removal of all litter, trash, refuse and waste; watering of all landscape;
- keeping exterior lighting and mechanical facilities in working order;
- keeping lawn and garden areas alive, free of weeds and attractive;
- keeping driveways in good repair and condition; promptly
- repairing any exterior damage; complying with all governmental health and police requirements.

all in a manner and with such frequency as is consistent with aesthetics, safety and good property management. The Association, and its agents, during normal business hours, shall have the right (after 5 days written notice to the Owner of any Lot involved, setting forth the specific violation or breach of this covenant and the action required to be taken, and if at the end of such time reasonable steps to accomplish such action have not been taken by the Owner), to enter on the subject premises (without any liability whatsoever for damages for wrongful entry, trespass or otherwise to any person or entity) and to take the action(s) specified in the notice to remedy or abate said violation(s) or breach(es). The cost of such remedy or abatement will be paid to the Association upon demand and if not paid within thirty (30) days thereof, shall become a lien upon the Lot affected. The Association, or its agent, shall further have the right (upon like notice and conditions), to trim or prune, at the expense of the Owner, any hedge, tree or any other planting that, in the written opinion of the Association, by reason of its location on the Lot, or the height, or the manner in which it is permitted to grow, is detrimental to the adjoining Lots, is dangerous or is unattractive in appearance. The lien provided under this section will constitute a lien retained against such property with the same force and effect as the Payment and Performance Lien for assessment set forth in these Covenants.

Section 12. Exterior Surfaces. All roofs shall be constructed of slate, tile, metal, composition, built-up roof or other materials approved by the Architectural Review Committee taking into account

Member and Resident of any Lot shall jointly and severally have the duty and responsibility, at their sole cost and expense, to keep and maintain the Lot, and all improvements therein and thereon, in a well maintained, safe, clean and attractive condition at all times. Such maintenance shall include (without limitation):

- the-proper seeding, consistent watering and mowing of all lawns;
- the pruning and cutting of all trees and shrubbery;
- prompt removal of all litter, trash, refuse and waste; watering of all landscape;
- keeping exterior lighting and mechanical facilities in working order;
- keeping lawn and garden areas alive, free of weeds and attractive;
- keeping driveways in good repair and condition; promptly
- repairing any exterior damage; complying with all governmental health and police requirements,

all in a manner and with such frequency as is consistent with aesthetics, safety and good property management. The Association, and its agents, during normal business hours, shall have the right (after 5 days written notice to the Owner of any Lot involved, setting forth the specific violation or breach of this covenant and the action required to be taken, and if at the end of such time reasonable steps to accomplish such action have not been taken by the Owner), to enter on the subject premises (without any liability whatsoever for damages for wrongful entry, trespass or otherwise to any person or entity) and to take the action(s) specified in the notice to remedy or abate said violation(s) or breach(es). The cost of such remedy or abatement will be paid to the Association upon demand and if not paid within thirty (30) days thereof, shall become a lien upon the Lot affected. The Association, or its agent, shall further have the right (upon like notice and conditions), to trim or prune, at the expense of the Owner, any hedge, tree or any other planting that, in the written opinion of the Association, by reason of its location on the Lot, or the height, or the manner in which it is permitted to grow, is detrimental to the adjoining Lots, is dangerous or is unattractive in appearance. The lien provided under this section will constitute a lien retained against such property with the same force and effect as the Payment and Performance Lien for assessment set forth in these Covenants.

Section 12. Exterior Surfaces. All roofs shall be constructed of slate, tile, metal, composition, built-up roof or other materials approved by the Architectural Review Committee taking into account harmony, conformity, color, appearance, quality and similar considerations. The exterior surface of all residential dwellings shall be constructed of glass, brick, stone or other materials approved by the Architectural Review Committee. All driveways shall be constructed of concrete or brick paving stones or other materials approved by the Architectural Review Committee. The Architectural Review Committee is specifically authorized to require a continuous, uniform surface with respect to all improvements which directly face a street, face a perimeter common green area or adjoin any Greenway Frontage. Installation of all types of exterior items and surfaces such as address numbers or external ornamentation, outdoor illumination, lights, mail chutes, exterior paint or stain and the like shall be subject to the prior approval of the Architectural Review Committee. All antennae (including, without limitation, radio or television transmitting or receiving antennae and satellite dishes) should be installed within the residential dwelling so that no exterior antennas or satellite dishes are visible or otherwise approved by the ARC. Each Owner shall keep and maintain the quality and appearance of all exterior surfaces, particularly those areas covered by an approved paint or stain, in good repair, condition and appearance.

Section 13. Water & Sewer Utilization. Each Lot Owner and all Residents of the Subdivision shall utilize the water system and sewage-disposal facilities commonly provided to and utilized by other Residents and Owners within the Subdivision. No individual sewage-disposal system shall be permitted on any Lot unless the system is designed, located, and constructed in accordance with the requirements, standards, and recommendations of the ARC. No individual water-supply system shall be permitted on any Lot unless the system is located, constructed, and equipped in accordance with the requirements, standards, and recommendations of the ARC.

ARTICLE X.

EASEMENTS AND TELECOMMUNICATION SERVICES

Section 1. Utility Easements. Non-exclusive easements for installation, maintenance, repair, operation, and removal of utilities and drainage facilities over, under and across the areas and perimeter of each Lot denoted on the Plat are reserved by Declarant for itself, the Association, and all utility and CATV companies and their respective successors and assigns, serving the Subdivision and no Improvement or Structure shall be constructed or placed thereon without the express prior written consent of the ARC. Full rights of ingress and egress shall be had by Declarant, the Association, and

B. Common Area Facilities. The telecommunication equipment, wiring and other facilities that are necessary to provide any such telecommunication services for the Common Properties in the Subdivision shall either be owned by the Association or the Association shall contract with other parties to provide such facilities on behalf of the Association. The cost and expense of constructing, installing, operating, maintaining, repairing and replacing such facilities shall be paid by the Association, and may be included as part of the annual assessments and special assessments to the Members.

C. Lot Facilities. Each residence constructed on a Lot should include a Residential Service Unit to provide optional access to the residence for the telecommunication services described above. The Residential Service Unit should provide a connecting terminal for the wiring that extends to each outlet or point of access in the residence for the telecommunication services. The Association and/or the ARC shall have the right to designate the type of Residential Service Unit to be installed and the manner in which such Residential Service Unit shall be operated, maintained and repaired, and may, from time to time, designate appropriate replacements or improvements to the Residential Service Unit. The Association may contract with other parties to provide the foregoing services relating to the Residential Unit. Each Owner shall pay all costs and expenses required to purchase, install, maintain, repair, replace or improve the Residential Service Unit for the Owner's residence, which shall be paid by each Owner in the same manner as a special assessment, except that no approval of the Members of the Association shall be required for such special assessment. The Residential Service Unit shall remain as a permanent fixture to the residence and may not be removed from the residence without the written permission of the Association, and shall remain as a part of the residence when the residence is sold to another party. The Association and the parties with whom it contracts to provide services relating to the Residential Service Unit shall have an easement and right of entry over and across each Lot and into each residence for the purpose of installing, maintaining, repairing and replacing and making improvements to the Residential Service Unit.

D. Optional Services. The installation of the Residential Service Unit in a residence does not obligate the Owner of the Lot to accept or pay for any of the telecommunication services to the residence that may be provided by, or available through, the Association. Each Owner shall have the right to (i) accept and pay for any such services provided by or through the Association, (ii) contract with another party to provide such services, or (iii) decline such services, in whole or in part.

ARTICLE XI.

RIGHT OF FIRST REFUSAL; REGISTRATION

Section 1. Right of First Refusal. **THE PROVISIONS OF THIS SECTION ONLY APPLY TO UNIMPROVED LOTS AND DO NOT APPLY WHATSOEVER TO ANY LOT ON WHICH THERE IS A COMPLETED RESIDENTIAL DWELLING OR AN INSTITUTIONAL MORTGAGE BY AN ELIGIBLE MORTGAGEE OR ELIGIBLE INSURER.** In order that the Declarant and the ARC may more effectively and carefully guide, control, coordinate and monitor the construction of residential dwellings within the Subdivision, prior to the commencement and completion (as determined by the ARC) of a residential dwelling and its appurtenant landscaping on a Lot, no Lot Owner (excluding the Declarant) may sell, transfer, lease, rent, devise, give, assign or in any other manner dispose of a fee or undivided fee interest in such Lot without first offering such fee interest to the Declarant, or otherwise obtaining the express written approval of the Declarant, in the manner hereinafter provided:

(a) Any Lot Owner intending or proposing to sell, transfer, lease, rent, devise, give, assign or in any other manner dispose of a fee or undivided fee interest in a Lot (any and all such manners of disposition being referred to or considered hereinafter for convenience as "sale" or "sell") shall give written notice to the Declarant of such intention or proposal together with the terms and conditions of the sale and the name and address of the intended or proposed purchaser and such other information as the Declarant may reasonably require in connection with such transaction. The issuance of such notice to the Declarant shall constitute a warranty and representation by such Lot Owner that the proposal and purchaser are bona fide in all respects:

(b) Declarant shall, upon receipt of the notice described above, have the exclusive right and option, exercisable at any time during a period of thirty (30) days from the receipt of said notice, to purchase or acquire the subject Lot at the same price and on the same terms and conditions as set forth in the notice; and

(c) If Declarant does not elect to exercise its first refusal option right hereunder, the Lot Owner shall be so notified in writing and shall be free to proceed with the sale of the Lot upon the terms and conditions, and with the same purchaser, as set forth in the notice theretofore given to the Declarant. However, the contractual arrangements with the third-party purchaser must be made strictly upon the terms and conditions and with the person or entity described in the notice theretofore given to Declarant, and any proposed arrangement with a different person or entity or upon changed terms and conditions shall be subject to the same first refusal option right and the same notice requirements set forth above.

FROM AND AFTER THE DATE OF COMPLETION (AS DETERMINED BY THE ARC) OF A RESIDENTIAL DWELLING AND ITS APPURTENANT LANDSCAPING ON EACH LOT, SUCH LOT, AND THE OWNER THEREOF, SHALL NO LONGER BE AFFECTED BY THE FOREGOING FIRST REFUSAL RIGHT. ANY PERSON OR ENTITY HAVING A BONA FIDE INTEREST IN ANY LOT IS ENCOURAGED TO SEEK AND OBTAIN A CERTIFICATE FROM THE ARC VERIFYING THE STATUS OF COMPLETION OF A DWELLING ON A SUBJECT LOT OR, ALTERNATIVELY, A CERTIFICATE FROM THE DECLARANT AND/OR ASSOCIATION CONCERNING THE FIRST REFUSAL RIGHT PROVIDED FOR HEREIN. A REASONABLE CHARGE FOR EXECUTING AND DELIVERING ANY CERTIFICATES MAY BE CHARGED AND COLLECTED BY THE ARC AND/OR THE ASSOCIATION.

Section 2. Registration with the Association. In order that the Declarant and the Association can properly acquaint every Lot purchaser and every Owner, Resident and Member with these Covenants and the day-to-day matters within the Association's jurisdiction, no acquisition of any Lot within the Subdivision shall become effective until and unless:

(a) the then-existing "Closing Information Package" and homeowner handbooks have been properly executed by the Association, Declarant and the Purchaser/Transferee; and

(b) all directives by, and all obligations to, the Association and the Declarant have been properly and timely satisfied.

Each and every Owner, Member and Resident shall have an affirmative duty and obligation to originally provide, and thereafter revise and update, within fifteen (15) days after a material change has occurred, various items of information to the Association such as: (a) the full name and address of each Owner, Member and Resident; (b) the full name of each individual family member who resides within the residential dwelling of the Lot Owner; (c) the business address, occupation and telephone numbers of each Resident; (d) the description and license plate number of each automobile owned or used by a Resident and brought within the Properties; (e) the name, address and telephone numbers of other local individuals who can be contacted (in the event the Resident cannot be located) in case of an emergency; and (f) such other information as may be reasonably requested from time to time by the Association. In the event any Owner, Member or Resident fails, neglects or refuses to so provide, revise and update such information, then the Association may, but is not required to, use whatever means it deems reasonable and appropriate to obtain such information and the offending Owner, Member and Resident shall become automatically jointly and severally liable to promptly reimburse the Association for all reasonable costs and expenses incurred in so doing.

Section 3. Special Assessment on Transfer. In connection with each and every transfer(s) [including, without limitation, voluntary and involuntary transfers, assignments, deeds, leases for more than five (5) years, gifts, testamentary bequests, intestate transfers, muniment of title, or other instrument or by operation of law which causes or effects a transfer of a significant estate or fee simple title, but excluding the exceptions discussed below] of record ownership title to any Lot, the Board shall have the right to collect a special transfer assessment in an amount equal to one (1) month of the then-existing regular assessment applicable to such Lot, which sum shall be earmarked by the Board for deposit(s) to one or more of the then-existing Association reserve funds. Such sum shall be non-refundable and shall not be regarded as a prepayment of or credit against any portion of the regular Annual Assessment.

Notwithstanding the foregoing, the following transfers are excepted and excluded from applicability and coverage of the special transfer assessment:

- (a) transfer from the Declarant to any Homebuilder;
- (b) foreclosure by any Eligible Mortgagee and/or Eligible Insurer;
- (c) transfer to, from or by the Association;
- (d) transfers by any Owner to his/her spouse or any other member of such Owner's immediate family;

(e) transfers between or among existing Owners (regardless whether such Owners are spousal, family or otherwise) of the same Lot;

(f) any transfer in which the assessment envisioned by Section 10 of Article XII is being collected;

(g) transfer by Declarant of all Lots remaining in the Subdivision to a single purchaser in a single transaction.

The Board of Directors is authorized from time to time and at any time to develop and implement such procedures, forms and collection mechanisms as it deems reasonable and appropriate to administer and collect this transfer assessment.

ARTICLE XII.

RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

The provisions within this Article are for the primary benefit of:

- (a) the owners and holders of Institutional Mortgages which are required to satisfy the applicable requirements of FHA, VA, FNMA, FLMC and other similar governmental, quasi-governmental and nationally recognized public and/or private sources of end financing (such mortgagees sometimes collectively referred to herein as "Eligible Mortgagees" and their mortgages referred to as "Eligible Mortgages"); and
- (b) the insurers, guarantors, participants and subsidizers of the Eligible Mortgages, sometimes collectively referred to herein as the "Eligible Insurers."

To the extent applicable, necessary or proper, the provisions of this Article XII apply not only to this Declaration but also to the Articles of Incorporation and By-Laws of the Association. This Article is supplemental to, and not in substitution of, any other provisions of this Declaration, the Articles of Incorporation and By-Laws, but in the event of ambiguity or conflict, this Article shall control.

Section 1. Notices of Action. An Eligible Mortgagee or Eligible Insurer who provides written request to the Association (such request to state the name and address of such holder, insurer or guarantor and a reasonable description of the Dwelling Unit covered by the Eligible Mortgage) will be entitled to receive timely written notice of:

- (a) any proposed termination of the Association;
- (b) any condemnation loss or any casualty loss which affects a material portion of the Subdivision or which materially affects any Dwelling Unit on which there is an Eligible Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer, as applicable;
- (c) any delinquency in the payment of assessments or charges owed by an Owner of a Dwelling Unit subject to the Eligible Mortgage of such Eligible Mortgagee or Eligible Insurer, where such delinquency has continued for a period of sixty (60) days;
- (d) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or
- (e) any proposed action which would require the consent of the Eligible Mortgagees as required hereinbelow.

Section 2. Joinder to Documents. In addition to the provisions set forth within Article XIII, Eligible Mortgagees who have requested the Association to notify them concerning any proposed action that requires the consent of a specified percentage of Eligible Mortgagees also have the right to join in the decision making about certain amendments to this Declaration. Amendments of a material nature (as defined below) must be agreed to by: (i) at least sixty-seven percent (67%) of the Dwelling Unit Owners; and (ii) the Declarant (during the Development Period) or the Board of Directors of the Association (after conclusion of the Development Period); and (iii) Eligible Mortgagees representing at least fifty-one percent (51%) of the Dwelling Units that are subject to Eligible Mortgages. A substantive change to any of the following would be considered as material:

- voting rights;
- manner of making or changing or enforcing assessments, assessment liens, or subordination of assessment liens; other than as contemplated by this Declaration;
- reserves for maintenance, repair, and replacement of Common Properties;
- responsibility for maintenance and repairs;
- boundaries of any Lot covered by an Eligible Mortgage;
- convertibility of Dwelling Units into Common Properties or vice versa;
- expansion or contraction of the Subdivision, or the addition, annexation, or withdrawal of the property to or from the Subdivision;
- insurance or fidelity bonds;
- leasing of Dwelling Units;
- imposition of any restrictions on a Dwelling Unit Owner's right to sell or transfer his or her Dwelling Unit;
- a decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgagee;
- restoration or repair (after a hazard damage or partial condemnation) in a manner other than that specified herein;
- any action to terminate the legal status of the Subdivision after substantial destruction or condemnation occurs; or
- any provisions that expressly benefit Eligible Mortgagees or Eligible Insurers.

Additions or amendments such as the correction of a technical error or the clarification of a statement shall not be considered or construed as being "material."

If and when the Dwelling Unit Owners are considering termination of the coverage of this Declaration over the Subdivision for reasons other than substantial destruction or condemnation, the Eligible Mortgagees representing at least sixty-seven percent (67%) of the mortgaged Dwelling Units in the Subdivision must agree.

Section 3. Special FHLMC Provision. So long as required by The Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the other Sections of this Article. Unless two-thirds (2/3) of the Eligible Mortgagees or Owners give their consent, and subject to the condition that any proposed action of the Association purportedly covered by the following requirements must be material and adverse, the Association shall not:

- (a) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Properties which the Association owns, directly or indirectly (but the granting of easements for public utilities or for other public purposes consistent with the intended use of the Development shall not be deemed a transfer);
- (b) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;
- (c) by act or omission charge, waive or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Dwelling Units and of the Common Properties;
- (d) assign any future income of the Association, including its right to receive assessments;
- (e) fail to maintain fire and extended coverage insurance on assets owned by the Association, as required by this Declaration; or

(f) use hazard insurance proceeds for any Common Properties losses for other than the repair, replacement or reconstruction of such properties.

The provisions of this Section 3 shall not be construed to reduce the percentage vote that must be obtained from Eligible Mortgagees or Owners when a larger percentage vote is otherwise required for any of the actions described in this Section.

Eligible Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Properties and may pay overdue premiums on casualty insurance policies, or secure new casualty insurance coverage upon the lapse of a policy, for the Common Properties, and Eligible Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

Section 4. Approval of Amendments. The failure of an Eligible Mortgagee or Eligible insurer to respond within thirty (30) days to any written request of the Association for approval of an addition or amendment shall constitute an implied written approval of the addition or amendment.

Section 5. Inspection of Books. The Association shall have current copies of the Declaration, Articles of Incorporation, Bylaws, rules and regulations, books, records and financial statements available for inspection by Dwelling Unit Owners and by Eligible Mortgagees and Eligible Insurers during normal business hours or under other reasonable circumstances.

Section 6. Financial Statements. The Association shall provide any Eligible Mortgagee or Eligible Insurer which submits a written request with a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement must be audited by an independent certified public accountant, at the expense of the Association, if any Eligible Mortgagee or Eligible Insurer submits a written request for it.

Section 7. Enforcement. The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors and may be enforced by any of them by any available means, at law, or in equity.

Section 8. Attendance at Meetings. Any authorized representative(s) of an Eligible Mortgagee or Eligible Insurer may attend and address any meeting of the Association which an Owner may attend.

Section 9. Annexation. With respect to any annexation of additional lands to the scheme of this Declaration, the following additional provisions shall apply:

- the legal method of expansion shall be generally in accordance with Article II hereinabove;
- the potential annexable property is legally within a quarter-mile radius of the Subdivision;
- the time limit within which any expansion will take place is the Development Period;
- prescribing assessments and/or granting voting rights to the annexed properties shall be generally in accordance with Articles III and V herein;
- all improvements intended for future phases will be substantially completed prior to annexation and will be consistent with the initial improvements in terms of quality of construction; and
- the annexation document(s) that will be recorded will likely be a Declaration similar to this document.

Section 10. Working Capital Fund. To satisfy existing requirements of Eligible Mortgagees and Eligible Insurers and better insure that the Association will have the funds to meet unforeseen expenditures or to purchase additional equipment or services, Declarant and the Association shall establish a working capital fund at least equal to three (3) months of the Annual Assessment for each Lot. Any amounts paid into this fund should not be considered as advance payments of regular assessments. Each Owner's share of the working capital fund should be collected at the time the sale of the Lot is closed and then should be transferred to the Association for deposit to a segregated fund. Within sixty (60) days after closing has been held for the first Lot, the Declarant should pay each unsold Lot's share of the working capital fund to the Association. Declarant should then reimburse itself for this payment from the funds collected at closing when the unsold Lots are sold.

ARTICLE XIII.

GENERAL PROVISIONS

Section 1. Power of Attorney. Each and every Owner, Member and Resident hereby makes, constitutes and appoints Declarant as his/her true and lawful attorney-in-fact, coupled with an interest and irrevocable, for him/her and in his/her name, place and stead and for his/her use and benefit, to do the following:

(a) to exercise, do or perform any act, right, power, duty or obligation whatsoever in connection with, arising out of, or relating to any matter whatsoever involving this Declaration and the Properties;

(b) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the terms within this Declaration, or any part hereof, with such clause(s), recital(s), covenant(s), agreement(s) and restriction(s) as Declarant shall deem necessary, proper and expedient under the circumstances and conditions as may be then existing; and

(c) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the subdivision plat(s) of the Properties, or any part thereof, with any easements and rights-of-way to be therein contained as the Declarant shall deem necessary, proper and expedient under the conditions as may then be existing.

The rights, powers and authority of said attorney-in-fact to exercise any and all of the rights and powers herein granted shall commence and be in full force upon recordation of this Declaration in the Chambers County Clerk's Office and shall remain in full force and effect thereafter until conclusion of the Development Period.

Section 2. Further Development. During the Development Period, each and every Owner, Resident and Member waives, relinquishes and shall not directly or indirectly exercise any and all rights, powers or abilities, and the Association shall not devote or expend any monies or personnel, regarding the following: to contest, object, challenge, dispute, obstruct, hinder or in any manner disagree with the proposed or actual development (including, without limitation, zoning or rezoning efforts or processes) pertaining to residential uses of any real property owned by the Declarant or by the affiliates, assignees or successors of the Declarant within a quarter-mile radius of the Subdivision.

Section 3. Duration. The Covenants of this Declaration shall run with and bind the land subject to this Declaration, and shall inure to the benefit of and be enforceable by the Association and/or the Owner and Resident of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for an original fifty (50) year term expiring on the fiftieth (50th) anniversary of the date of recordation of this Declaration, after which time these Covenants shall be automatically extended for successive periods of ten (10) years unless an instrument is signed by the Owners of at least fifty-one percent (51%) of all Lots within this Subdivision and all the Subdivisions and recorded in the Deed Records of Chambers County, Texas, which contains and sets forth an agreement to abolish these Covenants; provided, however, no such agreement [where approved by less than seventy-five percent (75%) of the Owners of all Lots within this Subdivision and all of the Subdivisions] to abolish shall be effective unless made and recorded one (1) year in advance of the effective date of such abolishment.

Section 4. Amendments. The Covenants set forth herein are expressly subject to change, modification and/or deletion by means of amendment at any time and from time to time as provided herein. Notwithstanding Section 3 of this Article, these Covenants may be amended and/or changed in part as follows:

(a) During the Development Period, and in response to any governmental or quasi-governmental suggestion, guideline, checklist, requisite or requirement, particularly with respect to those entities or agencies directly or indirectly involved in, or having an impact on, mortgage financing, mortgage insurance and/or reinsurance, the Declarant shall have the complete and unfettered right and privilege to amend, change, revise, modify or delete portions of these Covenants, and each and every Owner, Member and Resident specifically and affirmatively authorizes and empowers the Declarant, utilizing the attorney-in-fact status set forth in Section 1 above, to undertake, complete and consummate any and all such amendments, changes, revisions, modifications or deletions as Declarant (in its sole and absolute discretion) shall deem reasonable and appropriate;

(b) During the Development Period the Declarant may otherwise amend or change these Covenants by exercising its powers under Article XIII, Section 1 hereinabove or with the direct consent of at least fifty-one percent (51%) of the Owners of Lots within the Subdivision; and

(c) From and after conclusion of the Development Period these Covenants may be amended or changed upon the express written consent of the Board and at least fifty-one percent (51%) of the Owners of Lots within the Subdivision.

Any and all amendments shall be recorded in the Office of the County Clerk of Chambers County, Texas.

Section 5. Enforcement. Each Owner of each Lot shall be deemed, and held responsible and liable for the acts, conduct and omission of each and every Resident, Member, guest and invitee affiliated with such Lot, and such liability and responsibility of each Owner shall be joint and several with their Resident(s), Member(s), guests and invitees. The Payment and Performance Lien shall extend to, cover and secure the proper payment and performance by each and every Resident, Member, guest and invitee affiliated with each Owner. Each Owner may, upon appropriate application to and approval by the Association, impose greater or additional restraints and restrictions on the "good standing" qualifications of the Residents and Members of such Owner's Lot. Unless otherwise prohibited or modified by law, all parents shall be liable for any and all personal injuries and property damage proximately caused by the conduct of their children (under the age of 18 years) within the Properties. Enforcement of these Covenants may be initiated by any proceeding at law or in equity against any person or persons violating or attempting to violate them, whether the relief sought is an injunction or recovery of damages, or both, or enforcement of any lien created by these Covenants; but failure by the Association or any Owner to enforce any Covenant herein contained shall in no event be deemed a waiver of the right to do so thereafter. The county of Chambers County, Texas is specifically authorized (but not obligated) to enforce these Covenants. With respect to any litigation hereunder, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, from the non-prevailing party.

Section 6. Validity. Violation of or failure to comply with these Covenants shall not affect the validity of any mortgage, bona fide lien or other similar security instrument which may then be existing on any Lot. Invalidation of any one or more of these Covenants, or any portions thereof, by a judgment or court order shall not affect any of the other provisions or covenants herein contained, which shall remain in full force and effect. In the event any portion of these Covenants conflicts with mandatory provisions of any ordinance or regulation promulgated by any governmental entity have regulatory authority over the Subdivision; then the ordinance or regulation of such governmental entity shall control.

Section 7. Proposals of Declarant. The proposals of the Declarant, as set forth in various provisions hereinabove, are mere proposals and expressions of the existing good faith intentions and plans of the Declarant and shall not be deemed or construed as promises, solicitations, inducements, contractual commitments or material representations by the Declarant upon which any person or entity can or should rely. Nothing contained in or inferable from this Declaration shall ever be deemed to impose upon any other land owned or to be owned by the Declarant, or any related entity, any covenants, restrictions, easements or liens or to create any servitudes, negative reciprocal easements or other interests in any such land in favor of any person or entity other than the Declarant. Declarant has no control over the development of land parcels adjoining the Properties and Declarant makes no representations of any kind or character concerning those parcels. Each prospective Owner should make his/her own investigation concerning those parcels, including Texas FM 2354 and any construction program associated therewith or related thereto, and what impact, if any, same may have on the ownership, use and enjoyment of the Properties.

Section 8. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration. Words of any gender used herein shall be held and construed to include any other gender, and words in the singular shall be held to include the plural and vice versa, unless the context requires otherwise. Examples, illustrations, scenarios and hypothetical situations mentioned herein shall not constitute an exclusive, exhaustive or limiting list of what can or cannot be done.

Section 9. Notices to Resident/Member/Owner. Any notice required to be given to any Resident, Member or Owner under the provisions of this Declaration shall be deemed to have been properly delivered when: (i) deposited in the United States Mail, postage prepaid, addressed to the last known address of the person who appears as the Resident, Member or Owner on the records of the Association at the time of such mailing; or when (ii) delivered by hand or by messenger to the last known address of such person within the Properties; or when (iii) posted on the Association's bulletin board for at least thirty (30) consecutive calendar days.

Section 10. Notices to Mortgagees. The holder(s) of a mortgage may be furnished with written notification from the Association of any default by the respective mortgagor/Member/Owner in the performance of such mortgagor's/Member's/Owner's obligation(s) as established by this Declaration, provided that the Association has been theretofore furnished, in writing, with the correct name and

address of such mortgage holder(s) and a request to receive such notification and a reasonable supply of self-addressed, stamped envelopes.

Section 11. Disputes. Matters of dispute or disagreement between Owners, Residents or Members with respect to interpretation or application of the provisions (excluding Article VIII architectural matters and issues concerning "substantial completion") of this Declaration or the Association Bylaws, shall be determined by the Board of Directors. Matters pertaining to Article VIII architectural matters and issues concerning "substantial completion" shall be determined by the Architectural Review Committee. These respective determinations (absent arbitrary and capricious conduct or gross negligence) shall be final and binding upon all Owners, Residents and Members.

* * * * *

Witness the hand of an authorized representative of Declarant on the acknowledgment date noted below.

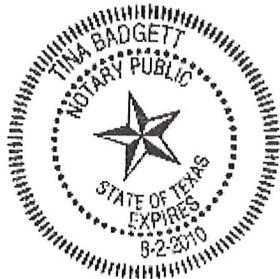
DECLARANT:
DOWS REEF LTD
(K&K MANAGEMENT, INC., its general partner)

By: *Kenneth E. Taylor*
Kenneth E. Taylor, its President

THE STATE OF TEXAS §
COUNTY OF CHAMBERS §

BEFORE ME, the undersigned authority, on this day personally appeared KENNETH E. TAYLOR, personally known to me, who executed the foregoing instrument in the capacity stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 19th day of March, 2007.



Tina Badgett
Notary Public - State of Texas