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**DECLARATIONS OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
EMERALD LAKES, SECTION ONE**

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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
EMERALD LAKES, SECTION ONE**

STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

THIS DECLARATION is made on the date hereinafter set forth by Lake Forest Development, LLC, a Texas limited liability company (“Declarant”).

WITNESSETH:

WHEREAS, Declarant is the owner of land comprising Emerald Lakes, Section One, a subdivision of 132.92 acres and containing 87 Lots, in 4 blocks, and six (6) Restricted Reserves, according to the map or plat thereof, recorded in Cabinet Z, Sheets 730 - 736, of the Map Records of Montgomery County, Texas (the “Property”); and

WHEREAS, Declarant intends to develop the Property as a residential subdivision, and to provide and adopt a uniform plan of development including assessments, conditions, covenants, easements, reservations, and restrictions designed to govern, control and preserve the values and amenities of the Property for the development, improvement, aesthetic considerations, sale, common welfare of the community, use and enjoyment of the Property as a residential subdivision; and

WHEREAS, Declarant desires to subject the Property to the assessments, conditions, covenants, easements, reservations, and restrictions hereinafter set forth, for the benefit of the Property and of any additional properties that may hereafter be brought within the scheme of development of Emerald Lakes and subjected to this Declaration or a similar declaration of covenants, conditions and restrictions, including future sections of Emerald Lakes, and of each Owner of any part of the Property or such additional properties; and

WHEREAS, for the efficient preservation of the amenities in said subdivision and enforcement of this Declaration, a property owners association (the "Association") has been or will be created, to which shall be delegated and assigned the power of administering and enforcing these assessments, conditions, covenants, easements, reservations and restrictions, including levying, collecting and disbursing the assessments; and

WHEREAS, the Association has been or will be incorporated as a non-profit corporation under the laws of the State of Texas. The Directors of the Association have established or will establish certain Bylaws by which the Association shall be governed through its Board of Directors, for the purpose of exercising the functions aforesaid and any other duties as set out in the Bylaws and/or other dedicatory instruments, as that term is defined in the Texas Property Code.

NOW, THEREFORE, Declarant hereby declares that the Property shall be developed, improved, sold, used and enjoyed in accordance with, and subject to the following plan of development, including the assessments, conditions, covenants, easements, reservations, and restrictions hereinafter set forth, all of which are hereby adopted for, and placed upon, said Property and shall run with the Property and be binding on all parties now and at anytime hereinafter, having or claiming any right, title or interest in the Property or any part thereof, their heirs, executors, administrators, successors and assigns, regardless of the source of, or the manner in which any such right, title or interest is or may be acquired, and shall inure to the benefit of the Declarant and each Owner of any part of the Property or of any additional properties that may hereafter be brought within the scheme of development of the Emerald Lakes subdivision and subjected to this Declaration or a similar declaration, including future sections of Emerald Lakes.

ARTICLE I.

DEFINITION OF TERMS

The following words when used herein shall have the following meanings when capitalized (unless the context requires otherwise and the term is then not capitalized):

- A. "Animal Unit" means a mother and her unweaned offspring. A weaned offspring is considered an Animal Unit.

- B. "Annexable Area" means all or any portion of (i) that certain real property described in Deed dated July 31, 2006 from Rockin' D Land & Cattle Company, Ltd. to SKJ, Inc. and RADIUS Investments, LLC, of record in the Official Public Records of Real Property of Montgomery County, Texas under Clerk's File No. 2006-088944, (ii) that certain 47.5374 acre tract and that certain 1.3622 acre tract described in Deed dated July 31, 2006 from David B. Canada to SKJ, Inc. and RADIUS Investments, LLC, of record in the Official Public Records of Real Property of Montgomery County, Texas under Clerk's File No. 2006-088945, (iii) that certain 5.171 acre tract described in Deed dated October 19, 2006 from John Adamick, Jr. to SKJ, Inc. and RADIUS Investments, LLC, of record in the Official Public Records of Real Property of Montgomery County, Texas under Clerk's File No. 2006-127093 and (iv) any other tracts or parcels of land situated adjacent to or in close proximity to the Property or the tracts referenced in (i), (ii) or (iii) and now owned or hereafter acquired by Declarant.
- C. "Annual Assessment" means the assessment levied against the Lots as set out in Article XI, Section C of this Declaration.
- D. "ARC" means the Architectural Review Committee established for the Property as set forth in Article VII, Section A of this Declaration
- E. "Architectural Guidelines" mean a publication of the ARC, if any, that may set forth various standards relating to exterior harmony of any and all improvements placed upon or constructed on any Lot, which publication may be amended without notice to Owners.
- F. "Assessments" means the Annual Assessment and the Special Assessment levied against all Lots as set out in Article XI and any other charge authorized by this Declaration, the Bylaws, or the Rules and Regulations.
- G. "Association" means Emerald Lakes Property Owners Association, a Texas non-profit corporation, and its successors, which has jurisdiction over all property encumbered by this Declaration and any other properties brought within the jurisdiction of the Association.

- H. "Board" means the duly elected Board of Directors of the Association as provided in the Bylaws.
- I. "Bylaws" means the bylaws of Emerald Lakes Property Owners Association, as they may be amended from time to time.
- J. "Common Area" means all real property owned in fee or held in easement by the Association for the common use and/or enjoyment of the Owners and shall include any areas designated by Declarant to be conveyed by deed or easement to the Association.
- K. "Declarant" means Lake Forest Development, LLC, and to any entity which succeeds to all or substantially all of the Property by merger, consolidation or conveyance and to whom Lake Forest Development, LLC's rights and privileges as the developer and declarant hereunder are assigned, as evidenced by a written instrument recorded in the Official Public Records of Real Property of Montgomery County, Texas.
- L. "Declaration" means this Declaration of Covenants, Conditions, and Restrictions for Emerald Lakes, Section One or supplemental declaration and/or amendments thereto.
- M. "Dwelling" means a structure or structures intended for residential use.
- N. "Emerald Lake" means the lake or body of water lying north of and adjacent to the north boundary of the Property.
- O. "Hardscape" shall include but not be limited to such items as rocks, landscape timbers, railroad ties, fountains, statuary, sculpture, terracing materials, lawn swings, and yard art.
- P. "Homesite" means one or more Lots upon which a single family Dwelling may be erected subject to this Declaration.

- Q. "Lot" or "Lots" means any one or more of the numbered parcels of property as depicted on the Subdivision Plat and encumbered by this Declaration. Homesites may be comprised of more than one Lot. Each such Lot will be subject to the rights and duties of membership in the Association.
- R. "Member" means an Owner, as defined in this article.
- S. "Owner" means an owner of any Lot constituting a part of the Property including Declarant. Persons or entities holding title only as a lienholder and the owner of a mineral interest only shall not be an Owner for purposes of this Declaration.
- T. "Property" means all of the property subject to this Declaration (i.e., Emerald Lakes, Section One).
- U. "Recreational Sites" means Common Area Property that is set aside for use as recreational facilities, reserves, or green space and is encumbered by this Declaration, a recorded plat, or both.
- V. "Special Assessment" means an assessment levied under Article XI, Section D for a specific purpose.
- W. "Street" or "Streets" means the private streets depicted on the Subdivision Plat.
- X. "Subdivision" and/or "Emerald Lakes" means Emerald Lakes, Section One, as depicted on the map or plat thereof, recorded in Cabinet 2, Sheets 730 - 736 of the Map Records of Montgomery County, Texas, together with any additional properties brought within the scheme of development of Emerald Lakes and subjected to this Declaration or a similar declaration.
- Y. "Subdivision Plat" means the map or plat of Emerald Lakes, Section One, which is recorded in Cabinet 2, Sheets 730 - 736, inclusive, of the Map Records of Montgomery County, Texas.

ARTICLE II.**PURPOSE AND INTENT**

Emerald Lakes is intended to be a residential development that is planned to feature residential uses.

This Declaration shall serve as the means by which design, maintenance and use of the Property will be established.

ARTICLE III.**PROPERTY SUBJECT TO RESTRICTIONS****A. Property Encumbered**

The Property that is encumbered by this Declaration and is therefore a part of Emerald Lakes, Section One is more particularly described in the map or plat thereof, recorded in Cabinet Z, Sheets 730 - 736 of the Map Records of Montgomery County, Texas.

ARTICLE IV.**EMERALD LAKES PROPERTY OWNERS ASSOCIATION,****MEMBERSHIP AND VOTING RIGHTS****A. Organization**

The Association has been or will be organized and formed as a non-profit corporation under the laws of the State of Texas.

B. Purposes

The principal purposes of the Association are, in addition to the other purposes and powers set out in this Declaration, the Certificate of Formation of the Association or the Association's Bylaws, the collection, expenditure and management of the Assessments, enforcement of the covenants, conditions and restrictions set out in this Declaration, holding legal title to the Common Area, providing for the maintenance, preservation and architectural control of the Lots, Dwellings, buildings, structures and Common Area within the Subdivision, the repair, maintenance and upkeep

of the drainage and detention facilities within the Subdivision, the general overall supervision of all of the affairs and well being of the Subdivision and the promotion of the health, safety and welfare of the residents within the Subdivision.

C. Board of Directors

The Association shall act through a Board of not less than three (3) nor more than seven (7) Directors, which shall manage the affairs of the Association as specified in the Bylaws of the Association.

D. Eligibility

Eligibility to vote or serve as a representative, director or officer of the Association, after the expiration of the term of the initial Board of Directors, shall be predicated upon a Member being in good standing with the Association. To be in good standing, the Member must have all assessments of every type and category paid up to date and have no outstanding financial obligations to the Association that are delinquent. Additionally, no Member shall be allowed to vote or hold office if that Member is noted of record (or within the records of) the Association to have a deed restriction violation on one or more Lots in Emerald Lakes.

E. Membership

The sole criteria to become a Member of the Association is to hold title to a Lot within Emerald Lakes. This is not to imply that any holder of a mere security interest (such as a mortgagee, or holder of any other lien against property) or the owner of a mineral interest only would be a Member, unless that holder of the security interest has foreclosed and thereby become the Owner of the Lot(s). Membership is appurtenant to and runs with the land. Membership is not severable as an individual right and cannot be separately conveyed to any party or entity. Multiple owners of any single Lot must vote in agreement (under any method they devise among themselves), but in no case shall such multiple Owners cast portions of votes.

All duties and obligations set forth in this Declaration are the responsibility of each Member. No waiver of use of rights of enjoyment created by this Declaration shall relieve Members or their successors or assigns of such duties or obligations. Mandatory membership shall begin with the

execution of this Declaration and shall pass with title to the land (regardless of any method of conveyance) to any subsequent grantee, or successor in title of Members.

In consideration for payment of the Assessments, all Owners of Lots in Emerald Lakes shall have the right to the use and enjoyment of amenities and Common Area in Emerald Lakes.

F. Voting Rights

The Association shall have two classes of membership, Class A and Class B, as follows:

1. Class A Membership:

Class A Members shall be all Members with the exception of Declarant. Each Class A Member's voting rights shall be based on the number of Lots and shall be determined as follows:

Class A Members shall have one (1) vote for each Lot owned.

2. Class B Membership:

The Class B Member shall be Declarant. The Class B Member's voting rights shall be based on the number of Lots owned, and shall be determined as follows:

The Class B Member shall have ten (10) votes for each Lot owned.

Declarant shall retain its Class B membership and retain control and authority to appoint all members of the Board of Directors of the Association until the earlier to occur of the following:

1. The total votes outstanding in Class A Membership equal the total votes outstanding in Class B Membership;
2. January 1, 2020; or
3. When Declarant shall elect to terminate the Class B Membership and shall file a written statement to such effect in the Official Public Records of Real Property of Montgomery County, Texas.

At such time, the Class B Membership shall be converted to Class A Membership and elections shall be held to elect the Members of the Board of Directors of the Association pursuant to the provisions of the Certificate of Formation and the Bylaws of the Association. Provided however, if, prior to January 1, 2020, additional property is subjected to the jurisdiction of the Association as provided in this Declaration, the Class B Membership shall be automatically reinstated subject to further termination (i) when, once again, the total votes outstanding in Class A Membership equals the total votes outstanding in Class B Membership, (ii) on January 1, 2020, or (iii) Declarant shall elect to terminate the Class B Membership, whichever event first occurs.

G. Reversion

Notwithstanding anything to the contrary herein, in the event of any foreclosure, deed in lieu of foreclosure, bankruptcy, or other failure of the Subdivision, or the sale by Declarant of all or substantially all of its interest in the Subdivision, this Declaration may not be amended or modified by any means without the consent of two-thirds (2/3) of the retail Lot Owners. Also in such event, the person(s) or entities which acquire Declarant's interests in the Subdivision shall not take any action inconsistent with this Declaration including assessments, conditions, covenants, easements, reservations, and restrictions designed to govern, control and preserve the values and amenities of the Property for the development, improvement, aesthetic considerations, sale, common welfare of the community, use and enjoyment of the Property as a residential subdivision, including Common Area.

H. Voting Procedures

Class A and Class B Members shall exercise their votes as set out in the Bylaws.

ARTICLE V.**EFFECTIVE DATE OF DECLARATION**

This Declaration shall be effective as of the date this document is recorded in the Official Public Records of Real Property of Montgomery County, Texas.

ARTICLE VI.**USE RESTRICTIONS; STREETS; EASEMENTS; RESERVES; AND COMMON AREAS****A. Residential Uses Permitted**

Homesites within Emerald Lakes shall be used exclusively for single-family residential purposes. The term "single family" as used herein shall refer not only to the architectural design of the Dwelling but also to the permitted number of inhabitants, which shall be limited to a single family, as defined below. Single Family shall mean the use of, and improvement to, a Homesite with no more than two (2) buildings designed for and/or containing facilities for living, sleeping, cooking, and eating therein. In no case may a Homesite contain more than one (1) primary Dwelling, one (1) guest house and one (1) barn, together with such sheds, storage buildings, and other structures as

may be specifically approved by the ARC. If a separate guest house is constructed, it must be built at the same time, or after, the main residence has been constructed and contain not be less than one thousand (1,000) square feet of living space. Only a primary Dwelling and one (1) barn or one (1) guest house or one (1) outbuilding may be constructed and maintained on any Homesite of less than two (2) acres. A barn may include living quarters for use on a non-permanent basis or an apartment for domestic employees and may be built and utilized prior to the main building on a Homesite. No multi-family Dwellings may be constructed on any Homesite. Unless otherwise approved in writing by the ARC in its sole discretion, no barn, guest house, shed, outbuilding or other structure (other than the primary Dwelling and one (1) storage building not exceeding one hundred (100) square feet in size) shall be built on or maintained on any Homesite abutting or contiguous to Emerald Lake. All barns, guest houses, outbuildings or other structures built or erected on any Lot or Homesite in Emerald Lakes must be similar in design, color and materials as the main Dwelling. No building, outbuilding or portion thereof shall be constructed for use as income property, such that tenants would occupy less than the entire Lot and/or Homesite. It is permitted for tenants to lease a residence in Emerald Lakes, Section One, so long as tenants are leasing the entire land and improvements comprising the Homesite.

No structure of a temporary character, mobile home, manufactured home, modular home, trailer, basement, tent, shack, garage or other out buildings shall be used on any tract at any time as a residence, either temporary or permanently.

No Dwelling shall be occupied by more than one (1) single family. A single family shall include and be limited to the Owner or the Owner's tenant and such Owner's or tenant's immediate family (i.e., any number of persons related by blood, adoption or marriage) and not more than one person not so related.

It is not the intent of this provision to exclude from a Lot any individual who is authorized to so remain by any state or federal law. If it is found that this definition is in violation of any law, then this provision shall be interpreted to be as restrictive as possible to preserve as much of the original provision as allowed by law.

B. Non-Permitted Uses

No trade or business may be conducted in or from any Dwelling, building, Lot or Homesite, except such use within a Dwelling where (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling; (b) the business activity conforms to all zoning requirements and restrictive covenants applicable to the Property; (c) the business activity does not involve visitation of the Dwelling or Homesite by clients, customers, suppliers or other business invitees or door-to-door solicitation of residents of Emerald Lakes; and (d) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of Emerald Lakes, as may be determined in the sole discretion of the Board. Without limiting the generality of the foregoing prohibition, it is expressly provided that an auto repair facility, day-care facility, home day-care facility, church, nursery, pre-school, beauty parlor, or barber shop or other similar facility is prohibited.

C. Parking and Prohibited Vehicles

Except as provided below, no motor vehicles or non-motorized vehicles, including but not limited to boats, trailers, marine craft, recreational vehicles, camper rigs off of truck, hovercraft, machinery or equipment of any kind, may be parked or stored in the Streets, driveways, easements or right-of-ways. Such vehicle or object may only be parked on a Homesite if it is completely concealed from public view inside a garage, barn, shed, or enclosure approved by the ARC. Passenger automobiles, passenger vans, motorcycles, or pickup trucks that: (a) are in operating condition; (b) are qualified by current vehicle registration and inspection stickers; (c) are in daily use as motor vehicles on the streets and highways of the State of Texas; (d) do not exceed six feet ten inches (6'10") in height, or eight feet (8') in width; and (e) whose appearance is well maintained may be parked in the driveway on a Lot. Parking of any vehicles in a Street for more than twelve (12) hours in any twenty-four (24) hour period or more than seven (7) twelve (12) hour periods in a calendar month is prohibited.

Recreational vehicles, such as motor homes, campers, and boats are not considered vehicles incident to the residential use of a Homesite and therefore are not permitted to be stored on Homesites for any period of time greater than seventy-two (72) hours unless screened from view. Recreational vehicles may not be parked on the Streets.

Four wheelers and similar vehicles will not be allowed on any Streets, roads, or Common Areas. Only street legal cars, trucks and motorcycles, golf carts, utility type carts, and non-motorized vehicles such as bicycles will be allowed on roads, Streets, and Common Areas within the Subdivision. No vehicles with an excessively loud or defective muffler will be allowed within the Subdivision. Bicycles and pedestrians always have the right of way on all Streets and roads within the Subdivision.

D. Screening

The drying of clothes in public view is prohibited. All yard equipment, woodpiles or storage piles shall be kept screened (as approved by the ARC) so as to conceal them from public view of neighboring Lots, Streets or other property. All screening designs, locations, and materials are subject to prior ARC approval. Any such screening installed must be maintained in a clean and neat condition at all times, and may not detract from the appearance of the Property.

E. Outside Storage and Trash Collection

No equipment, machinery, or building materials of any kind or nature shall be stored in public view on any Homesite unless the equipment, machinery or materials is being used temporarily and is incident to repair or construction of the Dwelling or Homesite. All equipment, machinery, and materials shall be properly stored out of sight of every other Homesite immediately after use of such item, and all trash, debris, excess, or unused materials or supplies shall likewise be disposed of immediately off of the Homesite, or stored out of view until trash collection occurs.

Trash placed outside for collection must be contained to protect from animals or spillage and trashcans must be removed from sight within a reasonable time after collection.

F. Streets, Easements, Reserves and Common Area

1. Reservations, Exceptions and Dedications; General

The Subdivision Plat dedicates for use as such, subject to the limitations set forth therein, the Streets and easements shown thereon, and such Subdivision Plat further establishes certain restrictions applicable to the Subdivision, including, without limitation, certain minimum setback lines. All dedications, limitations, restrictions and reservations shown on the Subdivision Plat are incorporated herein, and shall be construed as being adopted in each and every contract, deed or

conveyance executed or to be executed by or on behalf of Declarant, conveying the property depicted thereon or any part thereof, whether specifically referred to therein or not.

All sales and conveyances of Lots by contract, deed or other conveyance and dedications of Streets in the Subdivision shall be subject to the dedications, easements and rights-of-way as shown on the Subdivision Plat, and to any easements over, under, along or across such portion of each Lot, as may be reserved in each deed, as being appropriate or necessary for the purpose of installing, using, repairing and maintaining public utilities, water, sewer lines, electric lighting and telephone poles, pipe lines, drainage ditches or structures, and/or any equipment necessary for the performance of any public or quasi-public utility service and functioning, with the right of access thereto for the purpose of further construction, maintenance and repairs. Such easements shall be for the general benefit of the Subdivision and the Owners of properties within the Subdivision and are hereby reserved and created in favor of any and all utility companies into and upon said property for the purposes aforesaid.

Neither Declarant, the Association, nor any utility company using the easements referred to herein shall be liable for any damages done by them, or their assigns, agents, employees or servants, to fences, shrubbery, trees, flowers, structures or buildings or other property situated on the land covered by such easements as a result of construction, maintenance or repair work conducted by Declarant, the Association, the utility company or their assigns, agents, employees or servants.

It is expressly agreed and understood that the title conveyed by Declarant to any Lot or other parcel of land within the Subdivision by contract, deed or other conveyance shall convey no interest in any pipes, lines, poles or conduits, or in any utility facility or appurtenances thereto constructed by or under Declarant, any utility company or any easement owner, or their agents, through, along or upon the premises affected thereby, or any part thereof, to serve said land or other portion of the Subdivision, or the right to maintain, repair, sell or lease such appurtenances to any municipality or other governmental agency or to any public service corporation or to any other party, and such right is hereby expressly reserved.

2. Additional Easement Rights

In addition to the easements referenced in Paragraph 1 above, there are hereby reserved unto Declarant, so long as the Declarant owns any Property, the Association, and the designees of each (which may include, without limitation, Montgomery County, the City of Willis and any utility) easements upon, across, over, and under all of the Property to the extent reasonably necessary for the

purpose of installing, replacing, repairing, and maintaining any or all of the following which may exist now or in the future: cable television systems, master television antenna systems, monitoring and similar systems, roads, drives, entrances, dams, walkways, fences, bicycle pathways, wetlands, drainage systems, street lights, signage, and all utilities, including, but not limited to, water, meter boxes, telephone, gas, and electricity, and for the purpose of installing any of the foregoing on Property that Declarant owns or within easements designated for such purposes on recorded plats of the Property. Notwithstanding anything to the contrary herein, the easements provided for in this Paragraph 2 shall not entitle the easement holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing Dwelling, barn, guest house or other permanent structure; and any damage to a Homesite resulting from the exercise of the easement rights shall promptly be repaired by, and at the expense of, the person or entity exercising the easement right. The exercise of the easement rights provided for in the Paragraph 2 shall not unreasonably interfere with the use of any Homesite.

Without limiting the generality of the foregoing, there are hereby reserved for the local water supplier, electric company, telephone company, cable company and natural gas supplier easements across all the Property for ingress, egress, installation, reading, replacing, repairing and maintaining utility meter, boxes, installation equipment, service equipment, and any other device, machinery or equipment necessary for the proper functioning of the utility; however, the exercise of these easement rights shall not extend to unauthorized entry into the Dwelling on any Homesite, except in an emergency. Notwithstanding anything to the contrary contained in this Section, no electrical lines, water lines, or other utilities may be installed or relocated on the Property, except as may be approved by the Board of Directors or Declarant.

3. Easements for Emerald Lake, Emerald Park, Emerald Dam, Use, Maintenance, Flood Water and Other Reserves, and Common Areas

There currently exists on or adjacent to certain of the Lots within the Subdivision a lake and various tributary creeks depicted as Emerald Lake on the Subdivisions Plat. There is expressly reserved for the use and benefit of Declarant, the Association, all Owners, and their respective successors, assigns and designees, the right and easement to keep, maintain, repair and replace Emerald Lake, including the dam, spillway and tributary creeks, in the areas depicted on the Subdivision Plat and the right and easement to go upon and use the surface area of Emerald Lake and the tributary creeks; provided, however, except as otherwise provided in this Declaration, this

easement shall not include the right to use or go upon any portion of any of the affected Lots that are not inundated with the waters of Emerald Lake or the tributary creeks.

Declarant and Association reserve for themselves and their successors, assigns and designees the non-exclusive right and easement, but not the obligation, to enter upon the Emerald Lake, including the dam, spillway, and tributary creeks, and Emerald Park and other landscape reserves, Common Area, creeks, and other bodies of water located within the Property (a) to install, keep, maintain and replace pumps or wells in order to obtain water for the irrigation of any of the Common Area, (b) to construct, maintain and repair any fountain, wall, dam, or other structure retaining water therein, and (c) to remove trash and other debris and fulfill their maintenance responsibilities as provided in this Declaration. Declarant's rights and easements hereunder shall be transferred to the Association at such time as Declarant shall cease to own Property subject to the Declaration, or such earlier time as Declarant may decide, in its sole discretion, and transfer such rights by a written instrument. The Declarant, the Association, and their designees shall have an access easement over and across any of the Lots abutting or containing any portion of Emerald Lake, Emerald Park or Emerald Dam to the extent reasonably necessary to exercise their rights under this Section.

All Owners of Lots abutting Emerald Lake and any tributary creek at Emerald Lakes will allow the Association reasonable access to the lake and creeks for maintenance purposes including: to dredge, deepen, clean, fertilize, dye and generally maintain these waters and the shoreline. All Owners of Lots bordering Emerald Lake and Emerald Lakes creeks will keep all shorelines free of trash and prevent animals from entering and/or polluting these waters or damaging the banks. If a fence is required to prevent animals from entering these waters or damaging the banks, then the property owner will be responsible for installing a fence approved by the ARC, not closer than fifty feet (50') to the waters edge. Nothing herein shall be construed to make Declarant or any other person or entity liable for damage resulting from flood due to hurricanes, heavy rainfall, or other natural disasters.

On all Lots abutting or contiguous to Emerald Lake and any of its tributaries, there is reserved a flowage, flood and storm water detention easement on all portions of said Lots lying below the 288.5 foot contour line.

4. Recreation Reserves

Owners of Lots within the Property are advised that there exist within the Property Restricted Reserve "A" ("Open Space"), Restricted Reserve "B" ("Recreation Area"), Restricted Reserve "C" ("Recreation Area"), and Restricted Reserve "F" ("Recreation Area") (hereinafter, collectively, the "Recreation Reserves"), which reserves are restricted in their use to recreation areas and/or open space. Currently located or to be located within Restricted Reserve "A" is the "Emerald Dam", fishing piers, a walking trail and picnic area. Currently located or to be located within Restricted Reserve "B" is "Emerald Park" and parking and related areas. Currently located or to be located within Restricted Reserve "C" is "Emerald Athletic Facility", parking and related areas. Currently located within Restricted Reserve "F" is "Emerald Barn", parking and related areas. Owners of Lots within the Property hereby agree to hold harmless the Declarant and the Association, and their successors and assigns, and release them from any liability for the placement, construction, design, operation, maintenance and replacement of any recreational facility, including parking areas, in said Recreation Reserves, and agree to indemnify the parties released from any damages they may sustain. Owners further grant an easement to the Declarant and the Association for any incidental noise, lighting, odors, parking and/or traffic which may occur in the normal operation of the Recreation Reserves or recreational facilities which is or may be placed within the Recreation Reserves. The Association has the right to promulgate rules and regulations governing the use of the Recreation Reserves and any recreational facility, if, as, and when such facility is built.

Owners whose lots are adjacent to or abut the Recreation Reserves shall take care and shall not permit any trash, fertilizers, chemicals, petroleum products, environmental hazards or any other foreign matters or animals to infiltrate the Recreation Reserves. Any owner permitting or causing such infiltration shall indemnify and hold harmless the Association for all costs of clean up and remediation necessary to restore the Recreation Reserves to its condition immediately prior to said infiltration.

Except as provided in Section V below ("Declarant's Special Use") the Emerald Lakes Recreation Reserves or Common Area shall never be utilized for any commercial or other public purpose including but not limited to: churches or meetings of groups, religious or charitable organizations; or shows, carnivals, or other group events open to non-property owners at Emerald Lakes. Any private parties held at the Emerald Lakes Recreation Reserves or other Common Area

shall not create a nuisance, cause undue noise, or interfere with the peace of Owners of Lots in Emerald Lakes.

5. Entrance Reserves

Owners of Lots within the Property are advised that there exists Reserves "D" and "E" (hereinafter the "Entrance Reserved") shown on the Subdivision Plat, which are dedicated for use as an entrance to the Subdivision and shall be maintained by the Association. Owners of Lots within the Subdivision hereby agree to hold harmless the Declarant and the Association, and their successors and assigns, and release them from any liability for the placement, construction, design, operation, maintenance and replacement of any improvements on the Entrance Reserves, and agree to indemnify the parties released from any damages they may sustain. Owners further grant an easement to the Declarant and the Association for any incidental noise, lighting, odors, parking and/or traffic which may occur in the normal maintenance of the Entrance Reserves.

Owners whose Lots are adjacent to or abut any Entrance Reserve shall take care and shall not permit any trash, fertilizers, chemicals, petroleum products, environmental hazards or any other foreign matters to infiltrate a Reserve. Any owner permitting or causing such infiltration shall indemnify and hold harmless the Association for all costs of clean up and remediation necessary to restore a Reserve to its condition immediately prior to said infiltration.

6. Well Site Buffer Zone Easement

Depicted on the Subdivision Plat is a "Well Site Easement" affecting portions of Lot 3 in Block 1, Lots 5 and 6 in Block 4, Restricted Reserves "D", "E" and "F" and Emerald Lakes Drive. This easement is a sanitary control and buffer zone easement surrounding the site of the water well that will serve the Subdivision. The construction and/or operation of underground petrochemical storage tanks, stock pens, feed lots, dump grounds, privies, cesspools, septic tanks, septic tank drain fields, drilling of improperly constructed water wells of any depth and all other construction or operation that could create an unsanitary condition within, upon or across said easement is prohibited. Further, tile or concrete sanitary sewers, sewer appurtenances, septic tanks and storm sewers are specifically prohibited within a fifty foot (50') radius of the water well location.

7. Dam Maintenance and Access Easement

Owners of Lot 7, Block 1 are advised that Declarant reserves for itself, the Association, all Owners, and their successors, assigns and designees, the nonexclusive right of passage and access easement, upon, over and across a thirty foot (30') strip along the rear one hundred fifty feet (150') of the northwest property line and a twenty foot (20') strip along the sixty-six foot (66') west property line of said Lot. The Declarant, the Association, and their designees shall have an access easement over and across any of the Property abutting or containing any portion of the Emerald Lake dam to the extent reasonably necessary to construct, maintain or repair any wall, dam, levee, dike or other structure retaining the waters of Emerald Lake and to remove trash and other debris and fulfill their maintenance responsibilities, if any, as provided in this Declaration.

8. Central Water

The Lots in Emerald Lakes will be served by a water system installed, operated and continuously maintained by an independent water utility company in accordance with applicable utility company and governmental requirements. The Association shall have the exclusive right to cancel such service in the event the utility company, its successor, assigns or replacements, fails to construct, operate, repair and maintain a high-quality public water system with adequate water pressure. Except for the well currently situated on Lot 21, Block 1, private water wells will not be allowed on any Lots.

9. Streets

The Streets in the Subdivision are dedicated as private streets for the use and benefit of the Owners and occupants of the Subdivision. The Association shall be responsible for the repair and maintenance of the Streets.

Notwithstanding the fact that all Streets are not dedicated to the public but that each Owner of property in the Subdivision has an appurtenant easement of ingress and egress and use of said Streets, it is specifically provided that the law enforcement officers of Montgomery County, Texas, the State of Texas and other official law enforcement bodies, together with fire trucks and other emergency vehicles and school busses shall have access to the Streets in the exercise of their official duties.

G. Signs

No sign or emblem of any kind may be kept or placed upon any Lot or mounted, painted or attached to any Dwelling, fence or other improvement upon such Lot so as to be visible from public view except the following:

An Owner may erect one (1) sign on his Lot identifying the Lot by name, subject to prior ARC approval. By way of example, but not limitation, a sign naming the owner's Lot such as "The Jones" may be installed at the entry to the Lot subject to prior ARC approval.

Subject to prior ARC approval, during construction of the primary Dwelling, the builder may erect and maintain one (1) sign containing the name and phone number of the builder.

The Declarant may place certain information and advertising signs on Reserves without the prior permission of the ARC.

If any sign is placed within Emerald Lakes in violation of this Declaration, the Association or its agents shall be authorized to enter upon any Lot or Homesite and remove and/or dispose of any such sign violation, and in doing so shall not be subject to any liability for trespass, other tort or damages in connection with or arising from such entry, removal and/or disposal nor in any way shall the Association or its agent be liable for any accounting or other claim for such action.

H. Common Area

The Association, subject to the rights of the Members set forth in this Declaration and any amendments or supplemental amendments shall be responsible for the exclusive maintenance, management and control of the Common Area and all improvements thereon and shall keep it in good, clean, attractive and sanitary condition. Any Member or his or her guests, family or invitees that causes damage to the Common Area shall be financially responsible for said damage. No Member may appropriate any portion of the Common Areas or any improvement thereon for his or her own use (exclusive or common) unless approved by the Association. The cost of repair, if not timely paid by the Member (within thirty (30) days of notice from the Association) shall be assessed against the Member's Homesite and secured by the continuous lien set forth in Article XI, Section A of this Declaration. The Association will make rules and guidelines for the use of the Common Area, including parties, weddings and other special events that one or more property owners may wish to hold.

I. Deed Restriction Enforcement

1. Authority to Promulgate Rules and Regulations

The Board has the authority to promulgate reasonable rules and regulations concerning enforcement of the covenants and restrictions contained in this Declaration, any supplemental amendment, and/or amendments, and concerning the use and enjoyment of Common Areas.

2. Attorney's Fees and Fines

In addition to all other remedies that may be available, after notice and an opportunity to be heard as required by Section 209 of the Texas Property Code as same may be amended, the Association has the right to collect attorney fees and/or fines as set by the Board from any Owner that is in violation of this Declaration, any applicable supplemental amendment or amendments, any Architectural Guidelines or any other rule or regulation promulgated by the Association. Such attorney's fees and fines shall be secured by the lien set forth in Article XI, Section A.

3. Remedies

Every Owner shall comply with all provisions of this Declaration, the Bylaws, and the rules and regulations of the Association, all other dedicatory instruments of the Association and any amendments or supplements to any of the foregoing. Failure to comply shall be grounds for an action to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, maintainable by the Association. In addition, the Association may avail itself of any and all remedies provided in this Declaration, any amendment, supplemental restriction, the Bylaws or any other dedicatory instruments. Additionally, any Owner shall have the authority to enforce the restrictive covenants set out in this Declaration.

J. Antennas

No exterior antennas, aerials, satellite dishes, or other apparatus for the reception or transmission of television, radio, satellite or other signals of any kind shall be placed, allowed, or maintained upon any portion of the Property, including any Homesite, which is visible from any street, common area or other Lot unless it is impossible to receive/send signals from a non-visible location. In that event the receiving/sending device may be placed in a visible location as approved by the ARC. The ARC may require as much screening as possible while not substantially interfering with reception. In no event will any device be allowed that creates interference with other reception/transmission devices or as determined to be a potential health risk. The Declarant and/or

the Association shall have the right, without obligation, to erect or install an aerial, satellite dish, master antenna, cable system, or other apparatus for the transmission/reception of television, radio, satellite or other signals for the benefit of all or a portion of the Property. No broadcast antenna mast may exceed the height of the center ridge of the roofline. No Multichannel Multipoint Distribution Service ("MMDS") antenna mast may exceed the height of twelve feet (12') above the center ridge of the roofline. The Declarant by promulgating this Section is not attempting to violate the Telecommunications Act of 1996 ("the 1996 Act"), as may be amended from time to time. This Section shall be interpreted to be as restrictive as possible while not violating the 1996 Act.

In the event that it is impossible to send or receive a signal from a non-visible location, the installation of antennas shall be subject to rules and regulations which may be promulgated by the Association setting out preferred alternate locations for antennas.

K. General Nuisances

No portion of the Property shall be used, in whole or in part, for the storage of any property or thing that will cause it to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept upon any portion of the Property that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding Homesites, Recreational Sites, or Common Areas.

No noxious, illegal, or offensive activity shall be carried on upon any portion of the Property, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance, or nuisance to any person using any portion of the Property. There shall not be maintained any plants, animals, device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Property. No speaker, horn, whistle, bell or other sound device, except alarm devices used exclusively for residential monitoring purposes, shall be installed or operated on the Property, unless required by federal, state or local regulation. The use and discharge of firecrackers and other fireworks is prohibited within the Property.

It shall be the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on his or her Homesite. The pursuit of hobbies or other visible activities, including specifically, without limiting the generality of the foregoing, the

assembly and disassembly of motor vehicles and other mechanical devices, that might tend to cause disorderly, unsightly, or unkempt conditions, shall not be pursued or undertaken on any part of the Property. Notwithstanding the above, the disassembly and assembly of motor vehicles to perform repair work shall be permitted provided such activities are not conducted on a regular or frequent basis, and are either conducted entirely within an enclosed garage or, if conducted outside, are begun and completed within twelve (12) consecutive hours.

Additionally, it shall be the responsibility of each Owner to maintain all building and vehicle security systems in good working order. Malfunctioning security systems which create undue noise in the Subdivision are declared to be a nuisance for the purpose of this covenant.

L. Tree Removal

No trees greater than six inches (6") in diameter measured at a point six inches (6") above the ground shall be removed, except for diseased or dead trees and trees needing to be removed to promote the growth of other trees or for safety reasons, unless approved by the ARC. In the event of an intentional or unintentional violation of this Section, the violator may be required to replace the removed tree with one (1) or more comparable trees of such size and number, and in such locations, as the Association may determine necessary, in its sole discretion, to mitigate the damage.

M. Animals, Pets

1. The raising and/or penning of wild game, feedlot operations and commercial operations of any type whatsoever are strictly prohibited. No dangerous exotic pets shall be allowed. This exclusion includes, but is not limited to, lions, tigers, cougars, leopards, pumas, ocelots, hyenas, any and all poisonous snakes or reptiles, large non-native mammals such as elephants, camels, bears, water buffaloes, hippos, warthogs, javelina, etc. Raising, housing, or training any animals on a commercial basis is not allowed.

2. Owners of two (2) or more contiguous acres may keep horse(s). One (1) horse Animal Unit will be allowed for every contiguous acre owned or leased over one (1) acre. (Example: For two (2) contiguous acres, one (1) horse Animal Unit is allowed. For three (3) contiguous acres, two (2) horse Animal Units are allowed.)

Horses are not allowed on any street or common area within Emerald Lakes.

All horses entering or maintained upon any portion of the Property shall have an equine infectious anemia laboratory (coggins) test dated within the previous twelve (12) months and showing a negative test result.

3. Any animal with unweaned offspring shall be deemed and considered to be a single Animal Unit. Otherwise each animal shall be deemed to be a single Animal Unit.

4. Dogs, cats, or other common household pets (collectively, "Pets") are excluded from the term "Animal Unit", provided they are kept for non-commercial purposes. Pets shall not be permitted to roam freely. The Association has the right to adopt rules and regulations concerning the keeping of animals and the means to enforce such. At all times, Owners of dogs and cats must be able to exhibit current rabies vaccinations from a licensed veterinarian. Pit Bulls and other breeds of dogs declared by the Association to be excessively dangerous are expressly prohibited.

5. All lots, pens, and other areas where any animals kept or raised shall be maintained in a neat and clean condition reasonably free from odors and shall be periodically sprayed to restrict and minimize flies and other insects so as not to become a nuisance to Owners of Lots.

N. Hunting

No hunting is allowed on the Property. No pistol, rifle, shotgun or any other firearms, bows, crossbows or fireworks or any other device capable of killing or injuring or causing property damage including BB/pellet guns, slingshots, blowguns, shall be discharged on any part of the Property.

O. Swimming Pools/Spas

No above ground swimming pools are permitted. All swimming pools and spas require architectural approval as set out in Article VII herein.

P. Barns, Out Buildings/Accessory Buildings

No living structure, Dwelling, out building and/or accessory building (including, but not limited to barns, greenhouses, sheds, gazebos, play houses, shade trellis) shall be constructed, modified, or placed on a Lot within Emerald Lakes without the prior written approval of the Association. Any and all improvements, including but not limited to: living structure, Dwelling, out building and/or accessory building (including, but not limited to barns, greenhouses, sheds, gazebos,

play houses and shade trellis) must be constructed and/or modified to be compatible with the "Country Setting" as same is set out herein and the design and materials must be compatible to the main dwelling. The Association shall have the right without the obligation to promulgate rules, regulations and guidelines regarding the size, quality, location and type of these structures.

Q. Window Air Conditioning Units

No window or wall type air conditioners shall be permitted to be used, placed or maintained on or in any building on the Lots, with the exception that window or wall type air conditioners shall be permitted for the benefit of a garage, barn, or outbuilding if such air conditioning unit is located at the rear of the garage unit, barn, or outbuilding is screened from public view, and is screened from view by any other Lot, Common Area or Dwelling unless otherwise approved by the ARC. All window air conditioning units require architectural approval as set out in Article VII herein.

R. Emerald Lake and Emerald Creeks

All Lot Owners, in good standing, may use the surface areas of Emerald Lake and the tributary creeks. Access to the Lake and creeks is allowed only from Emerald Park and Emerald Dam, except for Lot Owners adjoining the Lake or tributary creeks. Only boats with sails, oars or paddles, paddle boats, or boats with electric trolling motors may be used on Emerald Lake and the tributary creeks. No gasoline or diesel motors of any type are allowed except for lake maintenance approved by the Association. Swimming shall not be permitted in Emerald Lake or the tributary creeks; however, the Board may amend this provision in its discretion without the joinder, approval or consent of the Owners. All fishing and fishermen on Emerald Lake or the tributary creeks must be in compliance with Texas Parks and Wildlife safety regulations. All fishing and fishermen on Emerald Lake or the tributary creeks must be in compliance with rules and regulations established for Emerald Lake and the tributary creeks by the Declarant and/or the Association. No Owner may grant any non-Owner permission to fish Emerald Lake or the tributary creeks unless accompanied by Owner at all times. All fishing in Emerald Lake or the tributary creeks shall be catch and release unless expressly permitted by the Association for the purposes of game management or procuring a limited number of trophies. No one may trespass onto the Lots adjoining Emerald Lake or the tributary creeks.

With the approval of the ARC, the Owners of Lots abutting Emerald Lake may build a simple, low profile pier which projects no more than six feet (6') into Emerald Lake. A railing no higher than 4' from the top of the pier will be allowed. Covered piers or boat houses will not be allowed. No more than one vessel shall be berthed at a pier at any time. Any vessels berthed at such piers shall be properly secured and maintained at all times in a good and seaworthy condition, clean, and free from any visible mold or mildew above the water line.

No Lot Owner in Emerald Lakes may draw or pump water from Emerald Lake, tributary creeks, or ponds within the Subdivision for any purpose.

Notwithstanding the foregoing, the Association and the Declarant (for so long as the Declarant owns property that is or may be subjected to this Declaration) may use and regulate the use of Emerald Lake and the tributary creeks for the irrigation of the Common Area or any other purpose deemed appropriate by the Board or Declarant.

The Tiger Lillies surrounding portions of Emerald Lake shall not be cut, eradicated or otherwise disturbed without the consent of the Association, which consent may be granted or withheld in the absolute discretion of the Board.

S. Ponds and Other Water Bodies

Individual ponds may be constructed, subject to prior ARC approval, on a Lot so long as they are maintained so as not to become stagnant and do not interfere with the existing or planned drainage of the Property. No dam or embankment may be constructed on natural drainage, outfall, or waterways that result in backwater effect across existing or proposed public rights of way. Motorized boats (except boats with electric trolling motors) and jet skis are not permitted on any lake or pond within Emerald Lakes.

The Board of Directors has the right to promulgate rules and regulations governing the use of the ponds, and other bodies of water. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of ponds, or other bodies of water within or adjacent to the Subdivision.

T. Outdoor Lighting

Outdoor lighting shall be permitted subject to prior ARC approval. Mercury vapor, halogen, sodium vapor, or quartz iodine type lights are generally prohibited. Incandescent, reflector, down-directed or flood lights are preferred over the radial light style. Outdoor lighting must be installed so as to minimize the amount of spill light that shines on adjacent properties, homes, streets or on to Emerald Lake. Lighting installed to delineate the perimeter of a Lot is specifically prohibited. In no event shall the lighting be directed to shine in a manner which disturbs a neighbor or directed to shine upward. Decorative up-lighting of trees, Dwellings and entrances may be approved by the ARC.

The Board shall have the authority to require the removal or modification of any lighting which it reasonably determines to be annoying to Owners within Emerald Lakes.

U. Combining/Subdividing of Lots

No lots may be subdivided except as provided in Paragraph 2 below. The combining of Lots, or portions of Lots, is permitted subject to the following provisions.

1. All governmental requirements must be complied with as to combining one Lot with a portion of another Lot. If Lots are combined, the side setback requirements are moved to the resulting perimeter Lot lines after the combination.

2. A Lot may be divided and a portion of that Lot may be purchased by each of the adjacent Lot Owners, so long as the entire Lot is purchased by the adjoining Lot Owners. By way of example, and not limitation, if a Lot is divided between two adjoining Lot Owners, where Owner "A" purchases one-third of the subdivided Lot, then Owner "B" must purchase the remaining two-thirds of the subdivided Lot. Owner "B" may not purchase less than the entire remainder of the subdivided Lot.

3. If any Lot is divided between adjacent Lot Owners, that Lot shall be subject to Annual Assessments in an amount equal to one-half of the regular assessment prorated, however, between the respective Owners of the subdivided Lot based on the proportionate size of each part of the subdivided Lot. Special assessments shall be at the full rate per Lot, proportionally.

4. The Annual and Special Assessment lien created herein shall be a charge and continuing lien upon each portion of the subdivided Lot, and it shall be the personal obligation of the persons or entities who were the Owners of such portion of the Lot at the time when the Assessment became due.

V. Declarant's Special Use

It is specifically agreed by each Owner and stipulated herein that the Declarant, its successors and assigns, will have the right of use of all Common Areas. Such use will be allowed for the purposes of promotion and sale of property by the Declarant and will include the right to issue passes and permits to guests or prospective purchasers of property and Declarant's agents or employees to use and enjoy, for limited periods, such Common Area facilities and services. This right is reserved unto the Declarant, its successors and assigns, for so long as the Declarant owns land in the Subdivision and is marketing same.

W. Responsibility for Damage to Property During Construction

Owners, and their building contractors shall be responsible for any damage caused to the Streets, roadside ditches, and easements during the construction of improvements on a Lot.

X. Walls, Fences and Hedges

Walls, Fences and Hedges must be approved by ARC. No wall, fence, planter or hedge in excess of six feet (6') in height shall be erected, planted or maintained on any lot. On lake lots, pond lots, and on non-Reserve bordering corner lots, except for a Non-Privacy Fence as hereinafter described, no privacy fence, or wall of any kind shall be erected or maintained. A non-privacy fence is an iron ornamental fence or wood picket style fence no more than four inches (4") high, of a design and color approved by the ARC. A dog run may be constructed with chain link fencing as long as it is screened from public view. All other fences and walls will be constructed of ornamental iron, wood, masonry, or synthetic materials and approved by the ARC. Privacy fences shall not be constructed any closer to the front of the lot than fifty percent (50%) of the depth of the dwelling.

All Owners of Lots along the outside perimeter of Emerald Lakes are responsible for maintaining the existing barbwire fence in good repair or have the option of replacing it with a different fence approved by the ARC.

Owners shall be responsible for the maintenance, repair and/or replacement of all fences. The maintenance of any portion of a fence which lies between Lots shall be the joint responsibility of each Lot owner on whose property the fence lies between. In the event an Owner fails to repair, replace or maintain said fence in a manner consistent with the Subdivision in the sole discretion of the Board of Directors, the Association shall have the right, but not the obligation, to enter such property for the repair and/or replacement of such fence after notice to the Owner. Any expense incurred by the Association in effectuating such repairs/replacement shall be the responsibility of the Owner and shall be secured by the continuing lien on the Lot as provided in Article XI of this Declaration.

Notwithstanding any provision to the contrary contained in this Section or elsewhere in this Declaration, Declarant shall have the option and authority to construct a board fence, plant trees and other landscaping along the common boundary of the Property and Highway 75 and for this purpose, a three foot (3') wide easement is retained in favor of the Association along said common boundary. The Association shall be responsible for maintenance of any such fence.

Y. Sales Office

Notwithstanding any provision to the contrary contained in Section A or Section B or this Article VI or elsewhere in this Declaration, Declarant reserves the right for itself and its designates to maintain within the Emerald Barn or any other location within the Property a Sales Office for the purpose of marketing Lots or other properties within the Subdivision.

ARTICLE VII.

ARCHITECTURAL RESTRICTIONS

THE GENERAL INTENT OF THE DECLARANT IS THAT THE MOTIF AND DESIGN OF ALL BUILDINGS ON THE LOTS BE COMPATIBLE WITH THE "COUNTRY SETTING". THIS PROVISION IS INCLUDED HEREIN FOR THE PURPOSE OF STRONGLY DISCOURAGING CONSTRUCTION OF RESIDENTIAL BUILDINGS CONSIDERED TO BE UNCONVENTIONAL OR EXTREME IN DESIGN.

A. Architectural Review Committee ("ARC")

The initial ARC shall be composed of three (3) individuals designated by Declarant. The Declarant reserves the right to appoint replacements as necessary by reason of resignation, removal or incapacity. The Declarant shall retain the right of ARC appointment until the first to occur of the following:

1. The Declarant own no Lots in Emerald Lakes; or
2. The Declarant so desires to relinquish its authority over ARC appointment; or
3. January 1, 2015.

At such time, the Board shall have the right to replace such ARC members by duly appointing three Owners in good standing with the Association. The Board shall have the right to appoint replacements as necessary by reason of resignation, removal or incapacity. Such removal and/or appointment shall be at the sole discretion of the Board.

The Board shall have the right to review any action or non-action taken by the ARC and shall be the final authority.

At any time during which the Declarant controls the ARC, the Declarant may, without obligation, assign to the Board the responsibility for review and approval of modifications to existing Dwellings.

The ARC shall have the right, but not the obligation, to promulgate Architectural Guidelines as to construction types and aesthetics as set by the ARC.

B. ARC Approval Required

No buildings, Dwellings, guest houses, barns, outbuildings, garages, carports, hardscape, additions, modifications or improvements shall be erected, placed or performed on any Homesite until the construction plans and specifications including, but not limited to, the site plan, the orientation and directional profile, foundation detail, driveway, entry, fencing, mailboxes and drainage plans have been submitted in duplicate to and approved in writing by the ARC as hereinafter provided. In addition to all other prerogatives and discretionary authority granted in this Declaration, the ARC shall have the authority to determine the directional orientation of the primary Dwelling. The ARC or Board may, at their sole discretion, retain and/or delegate review of plans and specifications to a designated AIA architect or other such person or firm as may be designated by the Board, experienced or qualified to review same, who may then render an opinion to the ARC or

Board of Directors. Approval of plans and specifications shall not cover or include approval for any other purpose and specifically, but without limitation, shall not be construed as any representation as to or responsibility for the structural design or engineering of the improvement or the ultimate construction thereof. In the event the ARC fails to approve or disapprove such plans and specifications within forty-five (45) days after the receipt thereof, they shall be deemed to be approved. The ARC or its assignee, at its sole discretion and to the extent not expressly prohibited by this Declaration and any amended or supplemental amendment, is hereby permitted to approve in writing deviations in the general use restrictions set forth in Article VI in instances where, in its judgment, such deviations will result in a more common beneficial use and enhance the overall development plan for the Property. The approval of a deviation in the general use restrictions by the ARC does not obligate the ARC to approve a similar deviation at a later time. Notwithstanding any other provision contained herein, any Dwellings, additions, or improvements erected or placed on any Homesite shall be deemed to comply with the building requirements of the ARC and related covenants contained in the Declaration unless the ARC so notifies the Owner otherwise in writing within four (4) years from the completion thereof. This provision, however, shall not be deemed a waiver of the right of the ARC or Declarant to enforce the continuing restriction of use contained herein.

The ARC shall have the authority hereunder to require any Owner or Owner's agents or contractors to cease and desist in constructing or altering any improvements on any Homesite where such actions have not first been reviewed and approved or constitute a violation of the Declaration, the Architectural Guidelines or any other documents promulgated by the ARC. The violating Owner shall remove such violating improvements or sitework at its sole expense and without delay, returning same to its original condition or bringing the Homesite into compliance with the Declaration, ARC documents and any plans and specifications approved by the ARC for construction on that Homesite. If an Owner proceeds with construction that is not approved by the ARC, or that is a variance of the approved plans, the Association, in addition to any other remedies available to it at law or in equity, may assess fines as provided in Article XIV, and may continue to assess such fines until ARC approval is granted or the violation is removed. This Declaration is notice of such liability for violation and Owners hereby agree to bear the cost and expense to cure any violations according to this provision, regardless of the cost or time involved.

Written notice may be delivered to Owner or any agent or contractor with apparent authority to accept same and notice shall be binding on Owner as if actually delivered to Owner.

The ARC or its agents or assigns shall have the right, but not the obligation, to enter any Homesite to determine if violations of this Declaration, the Architectural Guidelines, or any other documents promulgated by the ARC exist. In so doing, the ARC shall not be subject to any liability for trespass, other tort or damages in connection with or arising from such entry nor in any way shall the Association or its agent be liable for any accounting or other claim for such action.

The ARC shall have the right to set reasonable time constraints for both the commencement and completion of construction, which constraints shall be no less than ninety (90) days after the approval date to commence construction and twelve (12) months after the date of commencement to complete construction. If construction fails to start before the designated commencement date or is not completed before the designated completion date the plans shall be deemed not approved.

The ARC has the right to charge a review fee, to be established by the Board, for review of any plans or specifications submitted for approval to the ARC.

Notwithstanding any provision to the contrary contained in this Section VII, B, (1) the houses on Lot 2, Block 1 and Lot 21, Block 1 are approved as they exist. Any other improvements hereafter constructed on Lot 2, Block 1 and Lot 21, Block 1, shall be governed by the provisions of this Declaration.

C. Building Setbacks

No Dwelling or other structure shall be erected nearer to any Street, or property line than the applicable building setback line depicted on the Subdivision Plat without ARC approval. Driveways shall be permitted to be placed within a setback as approved by the ARC. With the exception of Lots that abut Emerald Lake, no structure of any kind shall be built nearer to any Street than the front of the primary Dwelling without ARC approval. On Lots that are not contiguous to Emerald Lake the front setbacks are seventy-five feet (75') interior side setbacks are twenty feet (20') and rear setbacks are twenty-five feet (25'). On corner Lots, the setback along the side street is fifty feet (50'). On Lots that are contiguous to Emerald Lake, rear setbacks are one hundred feet (100') from the rear lot line. The ARC may, in its sole discretion, modify the building setbacks.

D. Landscaping

All landscape plans for the front and sides of the Lot and the back of Lots abutting Emerald Lake must be submitted to the ARC prior to installation. The landscape design must be compatible with the country setting. All open, unpaved space in the front and at the sides (and back of Lots abutting Emerald Lake) of a primary Dwelling and along the main driveway shall be planted and landscaped. Landscaping in accordance with the plans approved by the ARC must be installed prior to occupancy of any Dwelling constructed on the Property. Without prior approval of the ARC, on Lots adjoining Emerald Lake no landscaping over two feet (2') in height will be allowed within seventy-five feet (75') of the waters of the lake and the Owners of these Lots will keep this seventy-five (75) foot area free of brush and new growth.

Any significant changes in the existing landscaping on any Homesite must have written approval from the ARC.

E. Grading and Drainage

Topography of each and every Homesite must be maintained with proper grading and drainage systems such that runoff of water (rain or other precipitation, or manmade irrigation) does not cause undue erosion of the subject Homesite itself or any other Homesites, whether adjacent to the subject Homesite or not, or the Common Area. Owners causing (either directly or indirectly) erosion or other incidental damage to personal or real property due to inadequate or defective grading or drainage measures on their own Homesite, or because of excess runoff shall be liable to all such damaged parties for the replacement, repair and/or restoration of such damaged real or personal property.

Owners shall be responsible for ensuring that all local, state and federal rules and regulations regarding drainage and run-off are met.

F. Temporary Structures

No motor home, trailer, tent, shack, garage, or other outbuilding shall be used on any Lot as a residence or office at any time.

G. Exterior Materials

Unless otherwise approved by the ARC, in its sole and exclusive discretion, the exterior materials of all residential buildings, including but not limited to the main residential structure and any attached garage, guest houses shall be constructed at least fifty percent (50%) of brick, stone, or stucco. Aluminum and vinyl siding is not allowed. Mobile homes, modular homes, manufactured homes, and log cabins are prohibited; however, custom designed log houses may be approved at the discretion of the ARC. All exterior painting must be approved by the ARC. Approval shall take into consideration the aesthetics and the general plan and scheme of Emerald Lakes, as well as the color of the paint, the architecture of the structure, roofing color and color of structures in Emerald Lakes. Any residence constructed in the Subdivision shall be of new construction, unless otherwise approved by the ARC, with the exception of such decorative accessories as are customarily used by builders in the construction of new residences and historical farm or ranch houses approved by the ARC

Subject to prior ARC approval, barns and other approved out buildings may be constructed from any of the above materials and/or certain metal siding, unless otherwise determined by the ARC in its sole discretion.

H. Plate Height

Homes on Lots contiguous to Emerald Lake and homes on Lots located across the street from Lots contiguous to Emerald Lake must have a minimum plate height of ten feet (10'). All other homes must have a minimum plate height of nine feet (9').

I. Roofing Materials

The roof of all buildings (including any guest house, garage, barn,) shall be constructed or covered with appropriately colored composition shingles, concrete or clay tiles, metal or slate acceptable to and approved by the ARC. Any other type of roofing material shall be permitted only at the sole discretion of the ARC upon written request. A wood or wood shingle roof shall not be permitted.

J. Septic and Water Systems

Each Lot Owner must install, at the Owner's expense, his own private septic system, subject to approval of the ARC and in accordance with Montgomery County specifications. The Owner of any private septic system must maintain in effect at all times a maintenance contract and secure periodic inspections as required by Montgomery County regulations. Water will be provided by an independent private utility company. Individual water wells are prohibited.

K. Utility Lines for Electrical, Telephone and/or Cable

Each Owner, at the Owner's expense, must install underground service to the residence, guest house, barn, ponds, corrals, and any other outbuildings or improvements constructed upon a Lot. The ARC may approve the extension of overhead power lines in special circumstances.

L. Gates, Entrances and Driveways

Gates, entrances and driveways must meet all county and state standards and regulations. All gates and fences must be approved by the ARC. A custom entrance of stone or masonry compatible with the country setting may be constructed subject to prior ARC approval. All entries, driveways, sidewalks, circle driveways, etc. which cross drainage ways must be across an approved culvert with sloped sides as determined by the ARC and Montgomery County or other governmental authority having jurisdiction. Furthermore, it is the Lot Owner's responsibility to maintain and keep clean the drainage ways and culverts associated with his Lot.

The portion of the driveway extending the first twenty-five feet (25') onto the Lot from the paved surface of the Street must be constructed of asphalt to match the finish of the adjacent street. Thereafter, driveways, unless otherwise approved by the ARC, may be constructed of asphalt, concrete (including crushed concrete), brick pavers or gravel. All driveways must be a minimum of twelve feet (12') wide unless otherwise approved by the ARC.

No gate, entrance or driveway will be allowed on any Lot onto Emerald Lakes Drive within approximately 925 feet of the Subdivision's main entrance at Highway 75.

M. Orientation of Dwellings

Unless otherwise approved in advance by the ARC, the orientation of a residence on a Lot will be such that the front elevation is facing the Street. Corner Lots will have the front elevation facing the Street with the shortest or narrowest lot line. The front elevation of all Dwellings in Block 4 of the Property must face Sterling Court. The front elevation of Dwellings on Lots 1 and 2, in Block 1 must face Pearl Cove.

N. Garages

Dwellings must at all times have either attached or detached garages architecturally similar to the residence and capable of housing a minimum of two (2) full size vehicles but, except as otherwise approved by the ARC, no more than five (5) vehicles. No ground floor garage space may be used for a living area. The garage must be of the same architectural motif as the residence and constructed of the same material. All garages must be side or rear loading unless otherwise approved by the ARC.

The ARC may consider a porte cochere or carport in lieu of a garage if it meets the architectural standards of Emerald Lakes and is compatible with the country setting. The existing caretakers cottage on Lot 2, Block 1 and the lake house on Lot 21, Block 1 are exempt from the requirement of a garage or carport.

O. Minimum Square Footage

On Lots not abutting Emerald Lake and not across the street from Lots abutting Emerald Lake, the width of each home must be at least fifty feet (50') wide excluding a garage. All one-story residences shall contain not less than two thousand (2,000) square feet of living area, exclusive of porches, breezeways, patios and garages. All two-story residences on said Lots shall contain not less than two thousand four hundred (2,400) square feet of living area, with not less than two thousand (2,000) square feet of living area on the ground floor, exclusive of porches, breezeways, patios, and garages. On Lots abutting Emerald Lake or across the street from Lots abutting Emerald Lake, the width of each home must be at least fifty feet (50'), excluding a garage. All one-story residences shall contain not less than two thousand five hundred (2,500) square feet of living area, exclusive of porches, breezeways, patios and garages. All two story residences on said Lots shall contain not less than three thousand (3,000) square feet of living area with not less than two thousand five hundred

(2500) square feet of living area on the ground floor exclusive of porches, breezeways, patios, and garages.

P. Location of Structures Relative to Flood Plain

No Dwelling or other structure shall be located within twenty-five feet (25') of the one hundred (100) year flood plain as depicted on FEMA maps maintained in the office of the County Engineer of Montgomery County, Texas. The existing lake house on Lot 21, Block 1 is exempt from this requirement.

Q. Foundations

The top of all building slabs must be constructed a minimum of ten inches (10") above the natural ground grade. Additionally, the top of all building slabs must be a minimum of twelve inches (12") above the finished surface of any abutting Street located downhill from the slab. In determining the slab elevation, water flow during periods of heavy rain must be considered.

All building foundations shall consist of concrete slabs, unless the ARC approves a different type of foundation when circumstances such as the topography of the Lot make it impractical to use a concrete slab for all or any portion of the foundation of the building improvements constructed on the Lot, or the residence is an historical farm or ranch house, in which case appropriate alternative foundation methods will be considered. All foundations are required to be engineered and designed by a licensed, registered engineer based upon appropriate soils information taken from the specific Lot in question as recommended by such engineer. Soil borings and soil reports by a qualified soils engineer are required for all Lots prior to such engineer's design of the foundation.

The residential foundation plans to be used in the construction of the residence must be submitted to the ARC along with the plans and specifications for the residence as provided in this Article VII of this Declaration. All foundation plans must be signed, sealed and dated by the engineer designing said foundation plans. The ARC and/or Declarant shall rely solely upon the Owner/Builder's engineer as to the adequacy of said foundation design when issuing architectural approval of the residence to be constructed. No independent evaluation of the foundation plan is being made by the ARC. The ARC's sole function as to foundation plans is to determine if the plans have been prepared by a licensed registered engineer, as evidenced by the placement of an official seal on the plans.

The Owner shall establish and construct the residence and garage slab at an elevation sufficient to avoid water entering into the residence and garage in the event of a heavy rain. A special drainage structure, as recommended and designed by a licensed engineer and approved by the ARC, shall be constructed in front of the garage where the entrance to the garage is lower than the street gutter.

The granting of approvals of foundation plans and the residence and garage slab elevation shall in no way serve as a representation, warranty or guaranty as to the quality of the plans and specifications and/or that a residence shall be free from flood damage from rising or wind driven water or the flow of surface water from other locations within Emerald Lakes and in no event shall the Declarant, the ARC or the Association have any liability as a result of the ARC's approval or disapproval of the resulting improvement.

R. Standards and Procedures

The ARC may establish and promulgate the Architectural Guidelines, which the ARC may modify or amend as it deems necessary and appropriate for the orderly development of the Property and Emerald Lakes, including, but not limited to, those portions of the Architectural Guidelines regarding workmanship, materials, building methods, observance of requirements concerning installation and maintenance of public utility facilities and services, and compliance with governmental regulations. The Architectural Guidelines may be amended by the ARC without notice, but they shall not be applied retroactively to reverse a prior approval granted by the ARC or the Association to any Owner or prospective purchaser of any Homesite. The rules, standards, and procedures set forth in the Architectural Guidelines, as same may be amended from time to time, shall be binding and enforceable against each Owner in the same manner as any other restriction set forth in this Declaration.

S. Inspection

The ARC strongly suggests that Owners and builders have frequent inspections made, or require their contractors to have inspections made, in order to control the quality of the improvement being constructed. However, neither the Association, the ARC nor the Declarant is responsible for procuring such inspections and will not be liable for any damage that may occur as a result of such inspections not being done or being done improperly.

T. Building Fee

The ARC shall have the authority to set a fee to cover the administrative expense of reviewing plans and estimated damage to the Streets caused by heavy vehicles during the construction of improvements on an Owners Lot. This fee will be due and payable prior to the start of any construction or heavy landscaping. Unless and until changed by the ARC, this fee shall be \$750.00. If the Owner decides not to construct any improvements on the Lot after having submitted the fee, \$500.00 will be refunded to the Owner.

ARTICLE VIII.

MAINTENANCE

A. General Maintenance

Each Owner shall maintain and keep in good repair his or her Dwelling and all structures, rights-of-way, easements, parking areas and other improvements, including but not limited to mail box, fences, pastures, and driveways comprising the Homesite. All structures and other improvements designed to be painted must be kept painted and the paint must be kept in good condition. Mildew and related discoloring must be removed as it appears. Grass, vegetation and weeds on each Homesite, including the fence line, shall be cut as often as may be necessary to maintain the same in a neat and attractive condition. Grass growing onto or over sidewalks, driveways, and curbs shall be presumed to be unattractive.

The Owner or occupants of all Lots shall at all times keep all weeds and grass thereon cut in a sanitary healthful attractive manner and shall in no event use any Lot for storage of material and equipment except for normal residential requirements or incident to construction of improvements thereon as herein permitted. The accumulation of garbage, trash or rubbish of any kind or the burning thereof (except as such burning is permitted by law) of any such materials is prohibited. Each Lot Owner shall arrange for at least weekly garbage, rubbish and trash pickup from the Lot *as long as* such service is not provided by a government entity. The Association may, at its option, require each Lot Owner to purchase trash service from one service and charge for such service as part of the assessments described in Article XI hereof. In the event of default on the part of the Owner or occupant of any Lot in observing the above requirements or any of them, subject to notice and an opportunity to be heard as may be required by law, such default continuing after ten (10) days written notice thereof, Declarant, or its assigns, may without liability to Owner or occupant, but without

being under any duty to do so, in trespass or otherwise, enter upon said Lot, cut, or cause to be cut, such weeds and grass and remove or cause to be removed, such garbage, trash and rubbish or do any other thing necessary to secure compliance with these restrictions and to place said Lot in a neat, attractive, healthful and sanitary condition, and may charge the Owner or occupant of such Lot for the cost of such work. The Owner or occupant, as the case may be, agrees by the purchase or occupation of the Lot to pay such statement immediately upon receipt thereof. Any unpaid amount shall bear interest at the lesser of the highest rate allowed by law or eighteen percent (18%) per annum.

B. Maintenance of Street Right-of-Ways

Mowing and maintenance of Street right-of-ways will be the responsibility of the Association.

C. Liability, Cost and Approval

Neither the Association nor its agents, contractors, or employees shall be liable, and are expressly relieved from any liability, for trespass or other tort in connection with the performance of the exterior maintenance, landscaping or other work authorized in this Article. The cost of such exterior maintenance, interior hazard diminution and other work shall be the personal obligation of the Owner of the Homesite on which it was performed and shall become part of the Assessment payable by the Owner and secured by the lien retained in this Declaration. Alternatively, the Association or any Owner of a Homesite may bring an action at law or in equity to cause the Owner to bring said Homesite into compliance with these restrictions.

All Owners' replacement, repair and restoration practices as to the improvements on properties within Emerald Lakes, Section One are subject to the prior approval of the ARC and must comply with all Architectural Guidelines which may change from time to time, as found necessary and appropriate in the ARC's sole discretion.

ARTICLE IX.**VARIANCES**

The Board, upon the recommendation of the ARC, or its duly authorized representative, may authorize variances from compliance with any of the architectural provisions of this Declaration, any amendment, supplemental amendment, or Architectural Guidelines, unless specifically prohibited, including restrictions upon height, size, placement of structures, or similar restrictions, when circumstances such as topography, natural obstruction, hardship, aesthetic, or environmental considerations may require. Such variances must be evidenced in writing, must be approved by at least a majority of the Board, and shall become effective upon execution of the variances, which variances shall be signed by the president or a vice president of the Association. If such variances are granted, no violation of the covenants, conditions, or restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all applicable governmental laws and regulations.

No granting of a variance shall be relied on by any Member or Owner, or any other person or entity (whether privy or party to the subject variance or not), as a precedent in requesting or assuming variance as to any other matter of potential or actual enforcement of any provision of this Declaration. Action of the ARC or Board in granting or denying a variance is a decision based expressly on one unique set of circumstances and need not be repeated for any other request by any party or the same party for any reason whatsoever.

ARTICLE X.**LIMITATION OF LIABILITY**

Neither Declarant, the Association, the ARC, the Board, nor any of the respective officers, managers, partners, directors, members, successors or assigns of the above, shall be liable in damages or otherwise to anyone who submits matters for approval to any of the above-mentioned parties, or to any Owner affected by this Declaration by reason of mistake of

judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any matters requiring approval hereunder. Approval by the ARC, the Board, or the Association, or any of their respective officers, partners, directors, agents, managers, members, successors or assigns, is not intended as any kind of warranty or guarantee as to the integrity or workability of the plans or the competency or workmanship of the contractors used.

ARTICLE XI.

ASSESSMENTS

A. Creation of the Lien and Personal Obligation of Assessments

The Owners of any Lot or Homesite, by virtue of ownership of property within Emerald Lakes, covenant and agree to pay to the Association:

1. Annual Assessments; and
2. Special Assessments.

The Annual and Special Assessments, together with attorney's fees, interest and costs shall be a charge and continuing lien upon the Homesite and Lot(s) against which each such assessment is made. Each such assessment, together with attorney's fees, interest and costs, shall also be the personal obligation of the person or entity who was the Owner of the land at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to successors in title unless expressly assumed by them.

B. Purpose of Assessments

Annual and Special Assessments levied by the Association shall be used for any legal purpose for the benefit of Emerald Lakes as determined by the Board and, in particular, may, by way of example and not limitation or obligation, include enforcement of the provisions of this Declaration, maintenance, repair or improvement of any Common Area, Street right-of-way, Recreational Sites, fountains, docks, parks, boulevards, esplanades, easements, and entryways, patrol service, fire protection, emergency medical service, street cleaning, street lighting, mosquito control, other services as may be in the Subdivision's and Owners' interest and for promotion of the recreational interests of the Members which may include payment for recreational improvements on

recreational sites, reserves and/or Common Area. Notwithstanding anything contained herein, Special Assessments shall not be used to fund any costs of development including but not limited to construction of platted roads, initial construction of the entrance gates, initial installation of utilities, initial refurbishment of the Emerald Lakes Barn, or construction of the Athletic Facility pool and tennis courts.

C. Annual Assessment

Each Lot in the Subdivision shall be subject to the Annual Assessment, as follows:

1. Creation

Payment of the Annual Assessment shall be the obligation of each Owner and shall constitute a lien on the Lot(s), binding and enforceable as provided in this Declaration.

When an Owner owns two (2) or more contiguous Lots in the Subdivision, the Annual Assessment for the first Lot shall be the regular rate provided for herein and the Annual Assessment for additional contiguous Lots will be one-half (1/2) of the regular rate. If the second or any additional Lot is conveyed, the full Annual Assessment and any Special Assessment will be assessed against the second or additional Lots from the time of conveyance.

2. Rate

The initial Annual Assessment established by the Board shall not exceed \$550.00 per Lot. Notwithstanding any provision to the contrary contained in this Declaration, the Emerald Lakes caretakers who live on Lot 2, Block 1, will not be obligated to pay Annual Assessments or Special Assessments as long as they work for the Declarant and/or Association.

3. Commencement

For purposes of calculation, the initial Annual Assessment shall commence on the date of filing of this Declaration in the Official Public Records of Real Property of Montgomery County, Texas. There will be no Annual or Special Assessment for 2007 for any Lot. Beginning in the year 2008, the Annual Assessment shall be payable in advance on January 1st of each year and shall become delinquent if not paid in full by February 1st.

4. Proration

The Annual Assessment shall be prorated from the date of acquisition of the Lot. An Owner's Annual Assessment shall be made for the balance of the calendar year as determined on a pro-rata basis and shall become due and payable on the day of closing so long as the commencement date is past.

5. Levying of the Annual Assessment

The Annual Assessment shall be levied at the sole discretion of the Board. The Board shall determine the sufficiency or insufficiency of the then current Annual Assessment to reasonably meet the expenses for providing services and maintenance and performing its other duties in Emerald Lakes and may, at its sole discretion and without a vote by the Members, increase the annual Assessment in an amount up to twenty percent (20%) over the previous year's Annual Assessment. The Annual Assessment may only be increased by more than twenty percent (20%) over the preceding year's assessment if such increase is approved by Members in good standing who represent a majority of the votes in Emerald Lakes present at a meeting called for said purpose at which a quorum is present in person or by proxy. The Annual Assessment shall not be adjusted more than once in a calendar year nor shall any increase be construed to take effect retroactively, unless otherwise approved by Members in good standing representing a majority of the votes subject to such assessments present at a meeting called for said purpose at which a quorum is present in person or by proxy.

D. Special Assessments for Capital Improvements

In addition to the Annual Assessments authorized above, the Association may levy a Special Assessment applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of a capital improvement in the Streets, Recreation Reserves, or any other Common Area or any unusual, infrequent expense benefiting the Association, provided that any such assessment shall have the approval of both a majority vote of the Class A Members in good standing and by the Class B Member present at a meeting duly called for this purpose at which a quorum is present. Such Special Assessments will be due and payable as set forth in the resolution authorizing such assessment and shall be levied only against those Owners subject to the Annual Assessment as set forth in Section C hereof. The reduced amount for multiple,

contiguous Lots owned as provided in Section C, Paragraph 1 above shall not apply to Special Assessments. Owners of multiple Lots shall pay a full Special Assessment for each Lot owned.

E. Collection and Remedies for Assessments

1. The assessments provided for in this Declaration, together with attorneys' fees, late fees, interest and costs as necessary for collection, shall be a charge on and a continuing lien upon the land against which each such assessment is made. Each such assessment, together with attorney's fees, interest and costs, shall also be the personal obligation of the Owner of the land at the time the assessment became due. This personal obligation for delinquent assessments shall not pass to successors in title unless expressly assumed by them.

2. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the lesser of (i) eighteen percent (18%) or (ii) the maximum non-usurious rate of interest allowed by applicable law. No Owner may waive or otherwise escape liability for the assessments provided for in this Declaration by reason of non-use or abandonment.

3. In order to secure the payment of the assessments hereby levied, an assessment lien is hereby reserved in each deed from the Declarant to the Owner of each parcel of Property in Emerald Lakes, which lien may be foreclosed upon by non-judicial foreclosure pursuant to the provisions of Section 51.002 of the Texas Property Code (or any successor statute); each Owner grants a power of sale to the Association to sell such property upon default in payment by any amount owed. Alternatively, the Association may judicially foreclose the lien and/or maintain an action at law to collect the amount owed.

The President of the Association or his or her designee is hereby appointed Trustee to exercise the Association's power of sale. The Board of Directors may appoint in writing a substitute trustee, succeeding to all rights and responsibilities of the trustee. Trustee shall not incur any personal liability hereunder except for his or her own willful misconduct.

Although no further action is required to create or perfect the lien, the Association may, as further evidence give notice of the lien, by executing and recording a document setting forth the amount of the delinquent sums due the Association at the time such document is executed and the fact that a lien exists to secure the repayment thereof. However the failure of the Association to execute and record any such document shall not, to any extent, affect the validity, enforceability, or

priority of the lien. The Association shall also have the right but not the obligation to notify a delinquent Owner's lender, in writing, of such Owner's delinquency and default.

In the event the Association has determined to non-judicially foreclose the lien provided herein pursuant to the provisions of said Section 51.002 (or any successor statute) and to exercise the power of sale hereby granted, after giving of any required notice of default and the expiration of the time allowed to cure such default, the Association shall mail to the defaulting Owner a copy of the Notice of Trustee's Sale no less than twenty-one (21) days prior to the date of the proposed foreclosure sale, postage prepaid, registered or certified mail, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Association or by hand delivery. At any foreclosure proceeding, any person or entity, including but not limited to the Declarant, the Association or any Owner, shall have the right to bid for such property at the foreclosure sale and to acquire and hold, lease, mortgage and convey the same. During the period the property is owned by the Association following foreclosure, 1) no right to vote shall be exercised on its behalf; and, 2) no assessment shall be levied on it. Out of the proceeds of such sale, there shall be paid all expenses incurred by the Association in connection with such default, including attorneys' fees and trustee's fees; second, from such proceeds there shall be paid to the Association an amount equal to the amount of assessments in default inclusive of interest, late charges and attorneys' fees; and, third, the remaining balance, if any, shall be paid to such Owner. Following any such foreclosure, each occupant of any such tract foreclosed on and each occupant of any improvements thereon shall be deemed to be a tenant-at-sufferance and may be removed from possession by any lawful means.

F. Subordination of the Maintenance Lien to Certain Mortgages

The lien for assessments, including interest, late charges, costs and attorney's fees, provided for herein shall be subordinate to the lien of any valid purchase money, construction, home equity or reverse mortgage on any Lot or Homesite. The sale or transfer of any Lot or Homesite shall not affect the assessment lien. The sale or transfer shall not relieve such Lot or Homesite from lien rights for any assessments thereafter becoming due. Where the mortgagee holding a first mortgage of record or other purchaser of a Lot or Homesite obtains title pursuant to judicial or non-judicial foreclosure of the mortgage, it shall not be liable for the share of the assessments or other charges by the Association chargeable to such Lot or Homesite that became due prior to such acquisition of title.

However, from the date of foreclosure forward, such assessments shall again accrue and be payable to the Association.

G. Notice of Delinquency

The Association or its agent or designee shall be required to give a written notice of the assessment to any Owner who has not paid an assessment that is due under this Declaration. Such notice shall be mailed to the Owner's last known address according to the records of the Association. The address of the Lot or Homesite shall be presumed to be the address for proper notice unless written notice of another address shall be provided by the Owner to the Association.

H. Exempted Lots

Notwithstanding anything to the contrary contained in this Article XI or elsewhere in the Declaration, Lots owned by Declarant shall not be subject to any Annual Assessment, Special Assessment or any other Assessment provided for herein during any period that such Lots are owned by Declarant.

ARTICLE XII.

MODIFICATION AND TERMINATION OF COVENANTS

This Declaration may be amended, modified, or terminated by the filing of a recorded instrument executed by the Association or its legal representatives, successors or assigns. So long as Class B membership exists, approval of two-thirds (2/3) of the votes of each class of Membership shall be required to amend, modify or terminate this Declaration. However, the Declarant may unilaterally amend this Declaration at any time without the joinder or consent of any Owners, entity, Lender or other person if such amendment is (a) necessary to bring any provision hereof into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (b) necessary to enable any reputable title insurance company to issue title insurance coverage on Lots and Homesites; c) required by a governmental lender, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender to make mortgage loans on the Lots or Homesites; (d) necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on Lots or Homesites (limited to the affected Homesite); or (e) for the purpose of clarifying or resolving any ambiguities or conflicts

herein, or correcting any typographical or scriviner's errors herein; provided, however, any such amendment shall not adversely affect the title to or value of any Lots or Homesites unless the Owner shall consent thereto in writing.

After the termination of Class B Membership, approval by the Owners holding a majority of the total votes in the Association shall be required to amend, modify or terminate this Declaration. Upon the required approval by the Owners of said amended declaration (as evidenced by the President's or Vice-President's signature) the amended declaration shall be recorded in the Official Public Records of Real Property of Montgomery County, Texas.

ARTICLE XIII.

ALTERNATE DISPUTE RESOLUTION

A. Dispute Resolution

No litigation between any of the following entities or individuals shall be commenced until the parties have submitted to non-binding mediation: Owners; Members; the Board; officers in the Association; the Association, the ARC, ARC members, or the Declarant.

Disputes between Owners that are not regulated by the Declaration shall not be subject to the dispute resolution process.

B. Outside Mediator

In a dispute between any of the above entities or individuals, the parties must voluntarily submit to the following mediation procedures before commencing any judicial or administrative proceeding. Each party will represent himself/herself individually or through an agent or representative, or may be represented by counsel. The dispute will be brought before a mutually selected mediator. In order to be eligible to mediate a dispute under this provision, a Mediator may not reside in Emerald Lakes, work for any of the parties, represent any of the parties, nor have any conflict of interest with any of the parties. Costs for such mediator shall be shared equally by the parties. If the parties cannot mutually agree upon the selection of a mediator after reasonable efforts (not more than thirty (30) days), each party shall select its own mediator and a third will be appointed by the two selected mediators. If this selection method must be used, each party will pay the costs of their selected mediator and will share equally the costs of the third appointed mediator.

C. Mediation is Not a Waiver

By agreeing to use this Dispute Resolution process, the parties in no way waive their rights to extraordinary relief including, but not limited to, temporary restraining orders or temporary injunctions, if such relief is necessary to protect or preserve a party's legal rights before a mediation may be scheduled.

D. Assessment Collection and Lien Foreclosure

The provisions of this Declaration dealing with Alternate Dispute Resolution shall not apply to the collection of assessments and/or the foreclosure of the Assessment Lien by the Association as set out in the Declaration.

ARTICLE XIV.

ENFORCEMENT

The restrictions herein set forth shall inure to the benefit of, be binding upon, and be enforceable by Declarant and its successors and assigns, and all persons or entities claiming through or under them, by the Association (and the Association is hereby expressly authorized to use its funds for the purpose of assisting in the enforcement of the terms and provisions hereof), and by any and all Owners, each of whom shall be obligated and bound to observe such restrictions, covenants and conditions. The violation of any restriction, covenant or condition shall not operate to invalidate any mortgage, deed of trust or other lien acquired and held in good faith against the Property, or any part thereof, but such liens may be enforced against any and all property covered thereby subject, nevertheless, to the restrictions, covenants and conditions mentioned herein.

In the event of any violation or attempted violation of any of the terms or provisions hereof, including any of the restrictions or covenants set forth herein, enforcement of the terms and provisions hereof shall be authorized by any proceeding at law or in equity against any person or persons so violating or attempting to violate any of the provisions hereof, including by means of actions to restrain or prevent such violation or attempted violation by injunction, prohibitive or mandatory, and it shall not be a prerequisite to the granting of any such injunction that there be inadequate remedy at law or that there be any showing of irreparable harm or damage if such

injunction is not granted, and against the property to enforce any lien created by this Declaration. In addition, any person or entity entitled to enforce the provisions hereof may recover such damages, either actual or punitive, as such person may show himself justly entitled by reason of such violation of the terms and provisions hereof. The Declarant, the Association and/or the Owner of any Lot or Lots shall have the right, but not the obligation, to prevent a breach of any restriction, covenant or condition, or to enforce the performance of same. Failure by the Association or any Owner to so enforce any covenant or restriction hereof shall not be construed to constitute a waiver of the right to thereafter enforce such provision or any other provision hereof.

Fines for Violations. In addition to the other remedies and rights of enforcement provided for herein, the Association may assess reasonable fines for violations of the restrictive covenants contained in this Declaration, other than non-payment or delinquency in assessments, in amounts to be set by the Board, which fines shall be secured by the continuing assessment lien set out in this Declaration. Such fines shall be recoverable in the same manner as the Assessments; provided however, the Association may not foreclose the Association's lien if the debt secured by the lien consists solely of fines assessed by the Association or attorney's fees incurred by the Association solely associated with fines assessed by the Association.

ARTICLE XV.

GENERAL PROVISIONS

A. Severability

The invalidity of any one or more of the provisions of this Declaration shall not affect the validity of the other provisions thereof.

B. Compliance with Laws

At all times, each Owner shall comply with all applicable federal, state, county, and municipal laws, ordinances, rules, and regulations with respect to the use, occupancy, and condition of the Homesite and any improvements thereon. If any provision contained in this Declaration or any supplemental declaration or amendment is found to violate any law, then the provision shall be interpreted to be as restrictive as possible to preserve as much of the original provision as allowed by law.

C. Gender and Number

The singular wherever used herein shall be construed to mean or include the plural when applicable, and the necessary grammatical changes required to make the provisions hereof applicable either to corporations (or other entities) or individuals, male or female, shall in all cases be assumed as though in each case fully expressed.

D. Headlines

The titles and captions for this Declaration and the sections contained herein are for convenience only and shall not be used to construe, interpret, or limit the meaning of any term or provision contained in this Declaration.

E. Governing Law

The provisions in this Declaration shall be governed by and enforced in accordance with the laws of the State of Texas. Any and all obligations performable hereunder are to be performed in Montgomery County, Texas.

F. Books and Records

The books, records and papers of the Association shall, upon written request and by appointment, during normal business hours, be subject to inspection by any Member, for any proper purpose. The Certificate of Formation, Bylaws, and this Declaration shall likewise be available, upon written request, for inspection, by appointment during normal business hours by any Member at the office of the Association, for any proper purpose as set forth in the Bylaws. Copies of all books, records and papers of the Association or of the dedicatory instruments of the Subdivision shall be available for a reasonable charge to be set by the Board.

G. Notices

Any notice required to be sent to any Owner under the provisions of this Declaration shall be deemed to have been properly sent when mailed, postpaid, to the last known address of the person who appears as Owner on the records of the Association at the time of such mailing.

H. Mergers

Upon a merger or consolidation of the Association with another association, the Association's properties, assets, rights and obligations may be transferred to another surviving or consolidated association or, alternatively, the properties, assets, rights and obligations of another association may be transferred to the Association as a surviving corporation or to a like organization or governmental agency. The surviving or consolidated association shall administer any restrictions together with any Declarations of Covenants, Conditions and Restrictions governing these and any other properties, under one administration. No such merger or consolidation shall cause any revocation, change or addition to this Declaration.

I. Current Address and Occupants

Owners are required to notify the Association in writing of their current address if other than the physical address of the Lot or Homesite at all times. If an Owner fails to notify the Association of his current address, the Association shall use the address of the Lot or Homesite as the current address. If an Owner leases the property, he shall supply the name of the tenant present upon the execution of any lease.

J. Security

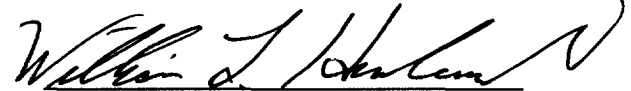
NEITHER THE ASSOCIATION, ITS DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, NOR THE DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL IN ANY WAY BE CONSIDERED AN INSURER OR GUARANTOR OF SECURITY WITHIN THE PROPERTY. NEITHER SHALL THE ASSOCIATION, ITS DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, DECLARANT OR SUCCESSOR DECLARANT BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. ALL OWNERS AND OCCUPANTS OF ANY LOT, TENANTS, GUESTS AND INVITEES OF ANY OWNER, AS APPLICABLE, ACKNOWLEDGE THAT THE ASSOCIATION, ITS BOARD OF DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, DECLARANT OR ANY SUCCESSOR DECLARANT DOES NOT REPRESENT OR WARRANT THAT ANY FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL PREVENT LOSS BY FIRE, SMOKE, BURGLARY,

THEFT, HOLD-UP OR OTHERWISE, NOR THAT FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL IN ALL CASES PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH OWNER AND OCCUPANT OF ANY LOT AND EACH TENANT, GUEST AND INVITEE OF AN OWNER, AS APPLICABLE, ACKNOWLEDGES AND UNDERSTANDS THAT THE ASSOCIATION, ITS DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, DECLARANT OR ANY SUCCESSOR DECLARANT ARE NOT INSURERS AND THAT EACH OWNER AND OCCUPANT OF ANY DWELLING AND EACH TENANT, GUEST AND INVITEE OF ANY OWNER ASSUMES ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO DWELLINGS AND TO THE CONTENTS OF DWELLINGS AND FURTHER ACKNOWLEDGES THAT THE ASSOCIATION, ITS DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, DECLARANT OR ANY SUCCESSOR DECLARANT HAVE MADE NO REPRESENTATIONS OR WARRANTIES NOR HAS ANY OWNER, OCCUPANT, TENANT, GUEST OR INVITEE RELIED UPON ANY REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, RELATIVE TO ANY FIRE AND/OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS RECOMMENDED OR INSTALLED OR ANY SECURITY MEASURES UNDERTAKEN WITHIN THE PROPERTY.

IN WITNESS WHEREOF, the Declarant has executed this Declaration to be effective on the date it is recorded in the Official Public Records of Real Property of Montgomery County, Texas.

LAKE FOREST DEVELOPMENT, LLC,
a Texas limited liability company

By:



William L. Hintermister,
Sole Member

ACKNOWLEDGMENTS

THE STATE OF TEXAS §

§

COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on the 28th day March, 2007, by WILLIAM L. HINTERMISTER, Sole Member of LAKE FOREST DEVELOPMENT, LLC, a Texas limited liability company.



Rachel V. Collins
Notary Public in and for
the State of Texas

CONSENT BY LIENHOLDER

FIRST BANK OF CONROE, N.A., the owner and holder of liens covering a portion of the Subdivision (said liens being evidenced by instruments of record in the Official Public Records of Real Property of Montgomery County, Texas under Clerk's File Nos. ¹⁹⁹⁶⁻⁰⁸⁸ 946 and 947), has executed this Declaration to evidence its joinder in, consent to, ratification of, and subordination of the lien to the foregoing covenants, conditions, and restrictions.

LIENHOLDER:

FIRST BANK OF CONROE, N.A.

RECORDER'S MEMORANDUM:

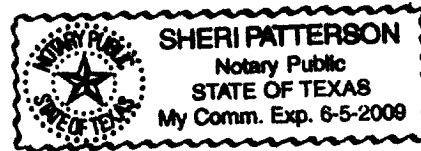
At the time of recordation, this instrument was found to be inadequate for the best photographic reproduction because of illegibility, carbon or photo copy, discolored paper, etc. All black-outs, additions and changes were present at the time the instrument was filed and recorded.

By: [Signature]
Name: James E. Crow, Jr.
Title: President - Montgomery Banking Center

THE STATE OF TEXAS

COUNTY OF MONTGOMERY

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This instrument was acknowledged before me on the 29th day of March, 2007, by [Signature], President of FIRST BANK OF CONROE, N.A., a national banking corporation, on behalf of said corporation.

[Signature]
Notary Public in and for
the State of Texas

AFTER RECORDING RETURN TO:

Lake Forest Development, LLC
17178 FM 1097
Montgomery, Texas 77356

FILED FOR RECORD

07 MAR 30 PM 4:14

[Signature]
COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

STATE OF TEXAS
COUNTY OF MONTGOMERY
I hereby certify this instrument was filed in File Number Sequence on the date and at the time stamped herein by me and was duly RECORDED in the Official Public Records of Real Property at Montgomery County, Texas.

MAR 30 2007



[Signature]
County Clerk
Montgomery County, Texas