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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
DEER TRAIL, SECTION ONE

THIS DECLARATION, made as of August 11, 2006, by DUANE T. CORLEY, TRUSTEE, hereinafter referred to as "Declarant".

WITNESSETH

WHEREAS, Declarant is the owner of a certain tract of land containing 69.439 acres of land located in the Jonathan Pitts Survey, A-28, Montgomery County, Texas, being out of and a part of that certain 1,068 acres of land, comprised of multiple tracts, described in Deed filed for record in the Official Public Records of Real Property of Montgomery County, Texas under Clerk's File No. 2004-094357 (said 69.439 acre tract being hereinafter sometimes called and referred to as the "Property"). The Property has been heretofore platted and subdivided into that certain Subdivision known and designated as DEER TRAIL, SECTION ONE (containing 50 Lots and 3 Restricted Reserves in 2 Blocks), as per map or plat thereof, of record in Cabinet Z, Sheets 409-411, inclusive, of the Map Records of Montgomery County, Texas; and

WHEREAS, Declarant desires to develop the Property and to provide for and adopt a uniform plan of covenants, easements, restrictions, conditions, dedications, reservations, charges and liens designed to govern, control and preserve the values and amenities of the Property for the better development, improvement, sale, use and enjoyment of the Property; and

WHEREAS, Declarant desires to provide for the maintenance of any Common Areas, and to this end desires to subject the Property to the covenants, easements, conditions, dedications, restrictions, reservations, charges and liens hereinafter set forth, each and all of which is and are for the benefit of the Property and each Owner of any part thereof; and

WHEREAS, in order to efficiently preserve the values and amenities in the Property and other sections of Deer Trail, there has been created a nonprofit corporation to which shall be delegated and assigned the powers of maintaining, administering and enforcing these covenants and restrictions, and levying, collecting and disbursing the assessments and charges hereinafter created; and

WHEREAS, Deer Trail Property Owners Association, a Texas nonprofit corporation, has been formed and has established the bylaws by which said corporation is governed through its Board of Directors, for the purpose of exercising the functions aforesaid.

NOW, THEREFORE, Declarant hereby declares that the Property shall be developed, improved, held, used, sold and conveyed in accordance with and subject to the following easements, restrictions, reservations, dedications, covenants, conditions and stipulations, all of which are hereby adopted for and placed upon said Property and which shall run with the Property and be binding on all parties, now and at any time hereafter, 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 all of which shall inure to the benefit of each Owner of any part of the Property.

ARTICLE I - DEFINITIONS

The following words, when used in this Declaration, shall have the following meanings:

SECTION 1. "Annexable Area" shall mean and refer to (i) the residual of that certain 1,068 acres conveyed to Duane T. Corley, Trustee, by Deed filed for record in the Official Public Records of Real Property of Montgomery County, Texas under Clerk's File No. 2004-094357, and (ii) any other tracts or parcels of land situated adjacent to or in close proximity to the Subdivision and now or hereafter owned by Declarant.

SECTION 2. "Architectural Control Committee" or "Committee" shall mean and refer to the Deer Trail Architectural Control Committee, as provided for in ARTICLE II hereof.

SECTION 3. "Association" shall mean and refer to Deer Trail Property Owners Association, a Texas nonprofit corporation, its successors and assigns.

SECTION 4. "Builder" shall mean and refer to the Owner of a Lot who owns the Lot for the sole purpose of building a residence for sale to third parties and is designated in writing as a Builder by Declarant. If a Builder rents or leases a Lot to a third party, he shall cease to occupy the status of a Builder with respect to such Lot.

SECTION 5. "Common Area" shall mean and refer to any properties, real or personal, now owned or hereafter acquired by the Association for the common use, benefit and/or enjoyment of Members of the Association. The term shall not apply to any property acquired by the Association pursuant to a foreclosure of the assessment lien provided for in ARTICLE IV below unless such property is later dedicated by the Association for the use and benefit of the Members.

SECTION 6. "Declarant" shall mean and refer to Duane T. Corley, Trustee, and to any entity which succeeds to all or substantially all of the Properties by merger, consolidation or conveyance and to whom the Declarant's rights and privileges as the developer of the Properties are specifically assigned in writing.

SECTION 7. "Developer Control Period" is the period of time beginning on the date that this Declaration is filed for record with the County Clerk of Montgomery County, Texas and

continuing until neither Declarant nor Declarant's successor owns any part of the Annexable Area, or for such shorter period as the Declarant or his successor shall determine.

SECTION 8. "FHA" shall mean and refer to the Federal Housing Administration.

SECTION 9. "Lot" shall mean and refer to any of the numbered Lots shown on the Subdivision Plat intended for the construction of a single family residence. Restricted Reserves "A", "B" and "C" as depicted on Subdivision Plat are not Lots within the meaning of this Declaration and are restricted and shall be used for the purpose(s) indicated on the Subdivision Plat.

SECTION 10. "Member" shall refer to every person or entity that holds a membership in the Association during the period of such membership.

SECTION 11. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot, including contract purchasers, but excluding those having an interest merely as security for the performance of an obligation or those owning only an easement right, a mineral interest, or a royalty interest.

SECTION 12. "Properties" shall mean and refer to the real property within the jurisdiction of the Association including the property included in the Subdivision Plat of the Property, the property included in the plat of Deer Trail, Section Two, as per map or plat thereof, of record in Cabinet Z, Sheets 412-414, inclusive, of the Map Records of Montgomery County, Texas, and any additional lands incorporated into the general scheme of development of the Deer Trail Subdivision and/or brought within the jurisdiction of the Association as provided herein.

SECTION 13. "Street" shall mean and include any street, drive, boulevard, road, alley, lane, avenue, or any place shown on the Subdivision Plat as a thoroughfare.

SECTION 14. "Subdivision" shall mean and refer to DEER TRAIL, SECTION ONE, as set forth in the map or plat thereof recorded in Cabinet Z, Sheets 409-411, inclusive, of the Map Records of Montgomery County, Texas.

SECTION 15. "Subdivision Plat" shall mean and refer to the recorded map or plat of the Subdivision.

SECTION 16. "VA" shall mean and refer to the Veterans Administration.

ARTICLE II - ARCHITECTURAL CONTROL COMMITTEE

SECTION 1. INITIAL COMPOSITION, TERM, ASSUMPTION OF CONTROL BY ASSOCIATION, NUMBER, ETC. The Declarant or the Declarant's designate(s) shall serve as the initial Architectural Control Committee for DEER TRAIL, SECTION ONE. The initial member(s) of the Architectural Control Committee need not be Owners of Lots or Members of the Association.

The initial Architectural Control Committee shall serve during the Developer Control Period. The initial Architectural Control Committee shall act independently of the Association. During the Developer Control Period, Declarant may add, remove and/or replace committee members in Declarant's discretion. At the end of the Developer Control Period, architectural control for the Subdivision shall become vested in the Association and the members of the Architectural Control Committee shall be elected or appointed by the Board of Directors of the Association in accordance with its Bylaws. From and after such time the Committee shall consist of at least three (3) members.

Compensation. No person serving on the Committee shall be entitled to compensation for services performed as a committeeman. However, the Committee may employ one or more architects, engineers, attorneys or other consultants to assist the Committee in carrying out its duties hereunder; and the Association shall pay such consultants for such services as they render to the Committee; provided, further, however, the members of the Committee shall be entitled to such compensation for services rendered and reimbursement for reasonable expenses incurred by them in the performance of their duties hereunder as the Declarant (during the Developer Control Period) or the Board of Directors (after Developer Control Period) may from time to time authorize or approve.

SECTION 2. ARCHITECTURAL APPROVAL, SUBMISSION OF PLANS, APPLICATION OF PLANS, APPLICATION FEE, FAILURE TO ACT, PROMULGATION OF CONSTRUCTION STANDARDS, OTHER POWERS. No building or other improvements, including dwellings, garages, outbuildings, streets, driveways, sidewalks, drainage facilities, landscaping, fences, animal pens, enclosures, mailboxes, walks, fountains, statuary, outdoor lighting or signs shall be commenced, constructed, erected, placed or maintained on any Lot or elsewhere in the Subdivision (but not including commercial reserves, if any), nor shall any exterior addition or alteration thereto be made, unless and until (1) a preliminary site plan showing all uses and dimensions, the location of buildings, entries, streets, driveways, parking areas, pedestrian ways and storage areas, and a schematic plan for the landscaping and lighting of the property, have been submitted to and approved in writing by the Architectural Control Committee, and thereafter (2) the final working plans and specifications for the work shown on the preliminary site plan and schematic plan have been submitted to and approved in writing by the Architectural Control Committee as to compliance with this Declaration and as to harmony of external design and location in relation to property lines, building lines, easements, grades and finished ground elevation, surrounding structures, walks, paths and topography. The final working plans and specifications shall not be commenced until the preliminary site plan and schematic plan have been so approved. The final working plans and specifications shall specify, in such form as the Architectural Control Committee may reasonably require, structural, mechanical, electrical and plumbing details and the nature, kind, shape, height, exterior color scheme, materials and location of the proposed improvements or alterations thereto. The Architectural Control Committee may require the submission of such plans, specifications and plot plans, together with such other documents as it deems appropriate, in such form and detail as it may elect in its discretion.

The Architectural Control Committee may charge a reasonable application and/or review fee

in an amount to be determined by the Committee.

In the event the Architectural Control Committee fails to approve or disapprove the preliminary site plan and schematic plan within thirty (30) days after they have been submitted to it, approval thereof will not be required and the provisions of this section will be deemed to have been fully complied with.

Without limitation of the powers herein granted, the Architectural Control Committee shall have the right, with the approval of a majority of the Directors of the Association after control of the Committee passes to the Association, to specify an outline of minimum acceptable construction standards, including but not limited to acceptable exterior materials and/or finishes which may be used in the construction, alteration or repair of any improvement; provided however, that such outline will serve as a minimum guideline and the Architectural Control Committee shall not be bound thereby.

Where not otherwise specified herein, the Architectural Control Committee also shall have the right to specify requirements for each building site as follows: minimum setbacks; the location, height and extent of fences, walls or other screening devices; and the orientation of structures with respect to streets, walks, paths and structures on adjacent property. The Architectural Control Committee shall have full power and authority to reject any plans and specifications that do not comply with the restrictions herein imposed or meet its minimum construction requirements or architectural design requirements or that might not be compatible, in its judgment, with the overall character and aesthetics of the Subdivision.

SECTION 3. SELF-HELP REMEDY FOR OWNER'S FAILURE TO REPAIR OR MAINTAIN DWELLING. If in the opinion of the Architectural Control Committee the exterior of any dwelling is in need of repair or maintenance, the Committee shall notify the Owner thereof in writing of the need for such repairs or maintenance, and if such repairs or maintenance are not accomplished within sixty (60) days of said date then the Committee may proceed to have such repairs or maintenance work done for the account of and payment by the Owner, and the Owner shall pay upon demand the Committee's cost, together with interest at the rate of ten percent (10%) per annum until such payment is made, and reasonable attorney's fees if referred to an attorney for collection.

SECTION 4. NON-LIABILITY FOR COMMITTEE ACTION. The granting of approvals by the Committee 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 or other structure is properly and adequately constructed in accordance with the plans and specifications therefor or in a good and workmanlike manner. In no event shall the Declarant, the Committee or the Association have any liability as a result of the Committee's approval or disapproval of any improvement. No member of the Committee, the Association, any member of the Board of Directors, or Declarant shall be liable for any loss, damage, or injury arising out of or in any way connected with the performance of the duties of the Committee. In reviewing any matter, the Committee shall not be responsible for reviewing, nor shall its approval of any plans or specifications be deemed an approval of, any building or improvement from the standpoint of safety, whether structural or otherwise, or conformance with existing building codes, governmental laws

or regulations. Furthermore, no member of the Committee, any officer or member of the Board of Directors or the Declarant shall be personally liable for debts contracted for or otherwise incurred by the Association or for any torts committed by or on behalf of the Association, or for a tort of another of such individuals, whether such individuals were acting on behalf of the Association, the Committee, the Board of Directors, or otherwise. Finally, neither Declarant, the Association, the Board of Directors, or the Committee, or their officers, agents, members or employees, shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements, or portion thereof, or for failure to repair or maintain the same.

ARTICLE III - DEER TRAIL PROPERTY OWNERS ASSOCIATION

SECTION 1. ORGANIZATION; PURPOSES; AUTHORITY. Deer Trail Property Owners Association has been organized and formed as a nonprofit corporation under the laws of the State of Texas. The principal purposes of the Association are the collection, expenditure and management of the maintenance funds, enforcement of the restrictions contained herein, providing for the maintenance, preservation and architectural control of the Lots, the general overall supervision of all of the affairs of and the promotion of the health, safety, and welfare of the Owners and residents within the Properties. To this end, the Subdivision is expressly made subject to the jurisdiction of the Association, and the Association shall have all of the powers and authority set out in its Certificate of Formation and/or Bylaws, including, but not limited to, all of the powers and authority of property owners associations as provided in Chapter 202 and Chapter 204 of the Texas Property Code.

SECTION 2. BOARD OF DIRECTORS. The Association shall act through a Board of Directors which shall manage the affairs of the Association as specified in the Bylaws of the Association. During the Developer Control Period, the Board shall consist of not less than three (3) Directors, none of whom need be Owners or Members of the Association. After the Developer Control Period, the Board shall consist of not less than five (5) Directors, all of whom shall be Members of the Association. The initial members of the Board of Directors shall be chosen by the Declarant. Except for the initial Directors, during the Developer Control Period the Directors of the Association shall be appointed or elected by the Board of Directors. After the Developer Control Period, the Board of Directors shall be elected by the Members of the Association.

SECTION 3. MEMBERSHIP. The Declarant (during the Developer Control Period) and every person or entity, who is a record Owner of any Lot or of any of the Properties which are subject, or which may hereafter be subject to the Association, shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation; those owning only an easement right, or those having only an interest in the mineral estate. No Owner shall have more than one membership. Except for the Declarant's membership in the Association during the Developer Control Period, memberships shall be appurtenant to and may not be separated from ownership of the Lot or other property. Membership shall automatically pass with the title to the Lot or other property. Except for the Declarant's membership in the Association during the Developer Control Period, ownership of such land shall be the sole qualification for membership. The owners of Reserves, if any, shall not be Members.

SECTION 4. CLASSES OF MEMBERSHIP; VOTING RIGHTS. The Association shall have

two classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of the Declarant and, except as provided in the next grammatical paragraph, shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot. During the Developer Control Period, the Class A Members shall not be entitled to vote on (i) the election of Directors, (ii) amendment of the Certificate of Formation of the Association, or (iii) amendment of the Bylaws of the Association.

Class B. Class B Members shall be Declarant. The Class B Member(s) shall be entitled to ten (10) votes for each Lot owned within the Properties and shall have the exclusive right to vote on (i) the election of Directors (if the Directors are not elected by the Board of Directors), (ii) amendment of the Certificate of Formation of the Association, and (iii) amendment of the Bylaws of the Association. The Class B membership shall exist during the Developer Control Period. At the end of the Developer Control Period the Class B membership shall cease. If Declarant (or any other person or entity entitled to Class B membership as above provided) then owns any Lot in the Subdivision or the Properties, it shall become a Class A Member with all of the rights and privileges of the Class A Members.

Declarant hereby agrees to assign to the Association all of its rights and powers as herein expressly provided for at such time as the Class B membership shall terminate in accordance with the foregoing provisions.

SECTION 5. 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. The Association may charge a reasonable fee for copies of any books, records, papers or dedicatory instruments requested by a Member or other person.

ARTICLE IV - MAINTENANCE ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION FOR ASSESSMENTS. The Declarant, imposes on each Lot within the Subdivision, and the Owner of each Lot, by acceptance of a Deed thereto, whether or not it shall be expressed in the Deed or other evidence of conveyance, is deemed to covenant and agree to pay the Association the following:

- (a) Annual assessments or charges; and
- (b) Special assessments for capital improvements, such assessments or charges to be fixed, established and collected as hereinafter provided.

These assessments and charges, together with interest thereon as hereinafter provided, costs of collection, and reasonable attorney's fees, shall be a charge on the land and shall be secured by a

continuing lien upon the property against which such assessments or charges are made. Each such assessment or charge, together with such interest, costs of collection, and reasonable attorney's fees shall also be and remain the personal obligation of the Owner of the particular Lot at the time the assessment or charge falls due notwithstanding any subsequent transfer of title of such property. The personal obligation for delinquent assessments and charges shall not pass to successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the Owners and residents in the Properties, and for the improvement and maintenance of the Common Area, if any. Without limiting the foregoing, the assessments accumulated by the Association, insofar as the same may be sufficient, shall be applied toward the payment of all taxes, insurance premiums and repair, maintenance and acquisition expenses incurred by the Association and, at the option of the Board of Directors of the Association, for any and all of the following purposes: street lighting, improving and maintaining streets, alleyways, paths, easements, and esplanades in the Properties; collecting and disposing of garbage, ashes, rubbish and materials of a similar nature; payment of legal and all other expenses incurred in connection with the collection, enforcement and administration of all assessments and charges and in connection with the enforcement of this Declaration; providing for the planting and upkeep of trees, grass and shrubbery in esplanades, easements, and in the Common Area, if any; and doing any other thing necessary or desirable in the opinion of the Board of Directors of the Association to keep and maintain the lands within the Properties in a neat and good order or which they consider of general benefit to the Owners or occupants of the Properties, including the establishment and maintenance of a reserve for repair, maintenance, taxes, insurance, and other charges as specified herein. The judgment of the Board of Directors of the Association in establishing annual assessments, special assessments and other charges and in the expenditure of said funds shall be final and conclusive so long as said judgment is exercised in good faith.

SECTION 3. MAXIMUM LEVEL OF ANNUAL ASSESSMENTS. The annual assessment per Lot is hereby set at Two Hundred Forty and No/100 (\$240.00) Dollars for the calendar year 2006. Thereafter, the Board of Directors of the Association at its sole discretion may increase the annual assessment by a maximum amount equal to a twenty percent (20%) increase over the annual assessment for the previous year without a vote of the Members of the Association. Each year after 2006, the annual assessment may be increased by more than twenty per cent (20%) by a vote of the Members who are voting, in person or by proxy, at a meeting duly called for this purpose. After consideration of current maintenance costs and future needs of the Association, the Board of Directors may fix the annual assessment at any amount not in excess of the maximum. Annual assessments may be collected in advance on an annual, monthly or quarterly basis at the Board's election.

SECTION 4. SPECIAL ASSESSMENT FOR CAPITAL IMPROVEMENTS. In addition to the annual assessment authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, or repair or replacement of a capital improvement located upon any Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3 rds) of the votes of the Members who are voting, in person or by proxy, at a meeting duly called for this purpose. Special assessments may be collected on an annual, monthly or quarterly basis at the Board's election.

SECTION 5. NOTICE AND QUORUM. Written notice of any meeting called for the purpose of taking any action under Sections 3 or 4 above shall be sent to all Members not less than ten (10) days nor more than sixty (60) days in advance of the meeting. At such meeting, the presence of Members or of proxies entitled to cast twenty per cent (20%) of all the votes of the membership of the Association shall constitute a quorum.

SECTION 6. RATES OF ASSESSMENT. Both annual and special assessments on all Lots (except Lots owned by Declarant) shall be fixed at uniform rates.

SECTION 7. DATE OF COMMENCEMENT AND DETERMINATION OF ANNUAL ASSESSMENT. The annual assessment provided for herein shall commence as to each Lot on the conveyance of such Lot by the Declarant. Such assessment shall be adjusted according to the number of months remaining in the calendar year. On or before the 31st day of May in each year, the Board of Directors of the Association shall fix the amount of the annual assessment to be levied against each Lot in the next calendar year. If the Board of Directors does not fix the amount of the annual assessment for the next calendar year, it shall remain the same as the previous year's assessment. Each annual assessment shall be due and payable in advance on the first day of July of each calendar year unless the Board elects to collect the assessment on a monthly or quarterly basis. The Association shall, upon demand, and for reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a particular Lot is binding upon the Association as of the date of its issuance.

SECTION 8. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. Any assessments or charges which are not paid when due, shall be delinquent. If an assessment or charge is not paid within thirty (30) days after the due date, it shall bear interest from the original due date until paid at the lesser of eighteen per cent (18%) per annum or the highest non-usurious rate permitted by law, and the Association may bring an action at law against the Owner personally obligated to pay the same, and/or against the then Owner of the subject Lot(s) to foreclose the lien herein retained against the respective Lot or Lots. Interest as above specified, costs and reasonable attorney's fees incurred in any such action shall be added to the amount of such assessment as a charge. Each such Owner, by his acceptance of a Deed, hereby expressly vests in the Association or its agents, the right and power to bring all actions against such Owner personally for the collection of such assessments and charges as a debt and to enforce the lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage or deed of trust lien foreclosure on real property, and such Owner expressly grants to the Association a power of sale and non-judicial foreclosure in connection with the lien. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

SECTION 9. SUBORDINATION OF THE LIEN TO MORTGAGES. As hereinabove provided, the title to each Lot shall be subject to a lien securing the payment of all assessments and charges due the Association, but the lien shall be subordinate to any valid purchase money lien, improvement lien, home equity lien or reverse mortgage (or any renewal and extension or such liens) affecting such Lot. The sale of any Lot shall not affect the lien in favor of the Association; PROVIDED, HOWEVER, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu

thereof shall extinguish the lien securing such assessment or charge as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot or the Owner thereof from liability for any charges or assessments thereafter becoming due or from the lien thereof. In addition to the automatic subordination provided for hereinabove, the Association, in the sole discretion of its Board of Directors, may subordinate the lien securing any assessment provided for herein to any other mortgage lien or encumbrance, subject to such limitations, if any, as the Board of Directors may determine.

SECTION 10. LOTS OWNED BY DECLARANT AND BUILDERS. Notwithstanding any provision to the contrary in this Article IV or in this Declaration in general, no annual or special assessments or charges shall accrue or be assessed against Lots owned by the Declarant, whether such Lots are unsold Lots remaining in Declarant's inventory or have been previously sold or conveyed and subsequently foreclosed on or repossessed by Declarant. Additionally, Lots owned by Builders shall be exempt from annual and special assessments for a maximum period of one (1) year after the Lot is acquired by the Builder.

ARTICLE V - PROPERTY RIGHTS IN COMMON AREAS

SECTION 1. OWNER'S EASEMENT FOR ACCESS AND ENJOYMENT. Subject to the provisions herein stated, every Member shall have an easement of access and a right and easement of enjoyment in the Common Area, if any, and such right and easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following rights of the Association:

- (a) The Association has the right to borrow money to be used in furtherance of the purposes of the Association, and to mortgage, pledge, deed in trust, or hypothecate any or all of the Common Area, if any, as security for money borrowed or debts incurred.
- (b) The Association has the right to take such steps as are reasonably necessary to protect any Common Area against foreclosure of any such mortgage.
- (c) The Association has the right to establish reasonable rules and regulations governing the Members' use and enjoyment of the Common Area, if any, and to suspend the enjoyment rights and voting rights of any Member for any period not to exceed sixty (60) days for any infraction of such rules and regulations.
- (d) With the assent of Members representing two-thirds (2/3rds) of the total votes of the Members of the Association, the Association shall have the right to dedicate, sell or transfer all or any part of the Common Area, if any, to any public agency or authority for such purposes and subject to such conditions as may be approved by said two-thirds (2/3rds) of the votes of all Members; provided, however, nothing contained herein shall be construed to limit the right of the Association to grant or dedicate easements in portions of the Common Area, if any, to public or private utility companies.

SECTION 2. DELEGATION OF USE. Each Member has the right to extend his rights and easements of enjoyment to the Common Area, if any, to the members of his family, to his tenants who reside in the Subdivision, and to such other persons as may be permitted by the Association.

SECTION 3. LIABILITY OF OWNERS FOR DAMAGE BY MEMBER. Each Member shall be liable to the Association of any damage to any Common Area or for any expense or liability incurred by the Association, to the extent not covered by insurance, that may be sustained by reason of the negligence or willful misconduct of such Member or for any violation by such Member of this Declaration for any of the rules or regulations adopted by the Board of Directors. The Association has the power to levy and collect an assessment against a Member, after notice and hearing, to cover the costs and expenses incurred by the Association on account of any such damage or any such violation of this Declaration or of its rules and regulations, or for any increase in insurance premiums directly attributable to any such damage or any such violation.

SECTION 4. ASSOCIATION POWERS IN THE EVENT OF CONDEMNATION. If any Common Area or interest therein is taken under exercise of the power of eminent domain or by private purchase in lieu of condemnation, the award in condemnation or the price payable shall be paid to the Association, except to the extent payable to any mortgagee of any such property, or to any Lot Owner, to the extent such Common Area consists of an easement over the Lot of the Owner in question. The Association shall have the exclusive right to participate in such condemnation proceeding and to represent the interest of all Owners therein. Any award or funds received by the Association shall be held by the Association as determined by the Board of Directors, as reserve for future maintenance, repair, reconstruction, or replacement of the Common Area or may be used for improvements or additions to or operations of the Common Area.

ARTICLE VI - USE RESTRICTIONS

SECTION 1. RESIDENTIAL USE. Each and every Lot is hereby restricted to residential dwellings for single-family residential use only. No business, professional, commercial or manufacturing use shall be made of any of said Lots, even though such business, professional, commercial or manufacturing use be subordinate or incident to use of the premises as a residence; provided, however, an Owner of a Lot in the Subdivision may use his residence for professional or other home occupations such as the maintenance of a personal or professional library, the keeping of personal business or professional records or accounts, or for the handling of personal business or professional telephone calls or correspondence so long as there are no external evidences thereof (such as signs, advertising a business or the storing of any equipment, inventory or other materials of whatever kind or character on the Lot or elsewhere in the Subdivision, or meeting with or consulting in person with clients or customers on the Lot or within the Subdivision), and no unreasonable inconvenience to such Owner's neighbors. No structure other than one private single-family dwelling, a guest house and/or servants quarters, a garage and carport appurtenant thereto and no more than two related outbuildings shall be constructed or permitted to remain on any Lot in the Subdivision. As used herein, the term "residential use" shall be construed to prohibit the use of any Lot for duplex houses, garage apartments for rental purposes, or apartment houses. Notwithstanding any provision to the contrary contained in this Section 1 or in any other provision of this Declaration, Declarant reserves the right and privilege of using any one Lot in the Subdivision for constructing and maintaining a sales and/or construction office in connection with the marketing and sale of Lots in the Subdivision and/or the construction of homes and other improvements in the Subdivision. During the period of such use by Declarant, Declarant may store construction materials and machinery on such Lot and, in general, utilize such Lot for any purpose reasonably consistent with its use as a sales and/or construction office. After Declarant ceases to use the Lot as a sales and/or construction office, such Lot thereafter may be used for inside light commercial use such as a beauty shop, barber shop,

professional office (i.e., bookkeeping, taxes, real estate sales or insurance agency).

SECTION 2. ANIMALS AND LIVESTOCK. Except as specifically permitted in this section, no animals, livestock, or poultry of any kind shall be raised, bred or kept on any Lot. Dogs, domestic cats, or other household pets may be kept on a Lot, provided that they are not kept, bred or maintained for any business or commercial purposes; and provided further, however, no exotic cats or other wild animals shall be allowed. Additionally, a maximum of two (2) horses may be maintained on a Lot provided that such horses are kept behind the back exterior wall of the residential dwelling on the Lot and provided further that they are not kept, bred or maintained for any business or commercial purposes. All Montgomery County or, if applicable, City of Conroe leash laws related to animals shall apply. No animals will be allowed to run loose in the Subdivision. The Association, acting through its Board of Directors, shall have the authority (but not the obligation) to designate and identify, in its sole judgment and discretion, certain of the animals or breeds of animals that are permitted in the Subdivision by the above provisions that it deems to be unusually dangerous or to be an unusual risk to the health, safety and welfare of the residents of the Subdivision, and in connection therewith, the Association may require that such animals as so identified and designated be kept in an enclosure approved by the Association or removed from the Subdivision.

Notwithstanding the foregoing prohibitions, with the prior written approval of the Association, animals may be raised for FFA and 4-H school sponsored programs.

No horses or other animals may be kept on any Lot forward of the front exterior wall of the dwelling; provided however, no animal pens, cages, kennels, shelters or stalls shall be located on any Lot closer than one hundred fifty (150) feet from the front property line.

SECTION 3. NUISANCES. No noxious or offensive trade or activity shall be carried on upon any Lot, nor shall anything be done thereon which may be or become an annoyance or nuisance to residents of the Subdivision. The Association shall have the sole and absolute discretion to determine what conditions or activities constitute annoyances or nuisances.

SECTION 4. VEHICLES; DRIVEWAYS. No vehicles, or parts thereof, may be parked or maintained in the streets of the Subdivision. No inoperable vehicle or vehicle without a current license tag and state inspection sticker shall be allowed on any Lot or in the Subdivision. No large trucks, such as eighteen-wheelers, tractor-trailer rigs, concrete trucks, garbage trucks or construction vehicles, or commercial vehicles with a rated carrying capacity of more than one and one-half (1 1/2) ton shall be parked or permanently kept in the Subdivision. Unless otherwise approved by the Committee, no boat, boat trailer, boat rigging, trailer, bus, motor home, recreational vehicle or camper shall be parked or kept in the street or on any Lot unless such vehicle is stored within a garage or behind the back of the residential dwelling and screened from public view from the street; provided, however, boats, boat trailers, boat riggings, motor homes, recreational vehicles, trailers, and campers may be temporarily parked in a driveway for a period not exceeding seventy-two (72) hours in any thirty (30) day period. No Owner of any Lot or any visitor or guest of any Owner shall be permitted to perform work on automobiles or other vehicles in driveways or streets other than work of a temporary nature.

ATV's shall be allowed only on the ATV's owner's Lot and shall not be kept or operated on any street, drainage easements, detention ponds or elsewhere in the Subdivision or elsewhere in the Annexable

Area; provided however, with respect to the Annexable Area, Declarant reserves the right to unilaterally cancel or amend this restriction at any time before the Annexable Area becomes part of the Properties.

Notwithstanding any provision to the contrary contained in this section, with the prior written consent of the Association, an Owner may temporarily keep on his Lot one (1) "project" car or truck that is being restored by or for the Owner provided that such vehicle must not be located forward of the back exterior wall of the residence and must not remain on the Lot for more than two (2) years without becoming operable and having a current license tag and state inspection sticker.

All personal vehicles must be parked on a driveway. All driveways shall be constructed of concrete or asphalt and shall be at least ten (10) feet wide [eighteen (18) feet wide at the street] extending from the street to the Owner's residence. Except as otherwise provided in this Section 4, the parking of vehicles other than on the driveway is expressly prohibited.

SECTION 5. PERMITTED HOURS FOR CONSTRUCTION ACTIVITY. Except in an emergency or when other unusual circumstances exist, as determined by the Board of Directors of the Association, outside construction work or noisy interior construction work shall be permitted only between the hours of 6:00 a.m. and 9:00 p.m.

SECTION 6. OWNER'S LIABILITY FOR CONTRACTOR'S DAMAGE. The Board of Directors shall establish guidelines for building contractors and home movers whose trucks and equipment will be used on the Properties. A copy of such guidelines shall be given to Owner upon approval by the Committee of Owner's plans. It shall be Owner's responsibility to provide such guidelines to the contractor or the mover. In the event the Common Areas of the Property are damaged as a result of Owner's contractor or mover, the provisions of Article V, Section 3 shall apply.

SECTION 7. DISPOSAL OF TRASH. No trash, rubbish, garbage, manure, debris, or offensive material of any kind shall be kept or allowed to remain on any Lot, nor shall any Lot be used or maintained as a dumping ground for such materials. All such matter shall be placed in sanitary refuse containers constructed of metal, plastic or masonry materials with tight fitting sanitary covers or lids and placed in an area adequately screened from the view of any streets. Equipment used for the temporary storage and/or disposal of such materials prior to removal shall be kept in a clean and sanitary condition and shall comply with all current laws and regulations and those which may be promulgated in the future by any federal, state, county, municipal or other governmental body with regard to environmental quality and waste disposal. In a manner consistent with good housekeeping, the Owner of each Lot shall remove such prohibited matter from his Lot at regular intervals at his expense.

SECTION 8. BUILDING MATERIALS. Unless otherwise approved by the Committee, no Lot shall be used for the storage of any materials whatsoever, except that material used in the construction of improvements erected upon any Lot may be placed upon such Lot at the time construction is commenced. Building materials may remain on Lots for a reasonable time, so long as the construction progresses without undue delay after which time these materials shall either be removed from the Lot or stored in a suitable enclosure on the Lot. Under no circumstances shall building materials be placed or stored on any street.

SECTION 9. MINERAL PRODUCTION. No oil drilling, oil development operations, refining,