

**DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
THE LAKES OF SOUTH SHORE HARBOUR COMMUNITY ASSOCIATION, INC.**

Table of Contents

Article	Caption	Page Number
ARTICLE I	GENERAL	1
Section 1.1	Project Area	1
Section 1.2	Purposes of Declaration	1
Section 1.3	Declaration	2
ARTICLE II	DEFINITIONS	2
Section 2.1	Annexation Agreement	2
Section 2.2	Annexable Area	3
Section 2.3	Architectural Committee	3
Section 2.4	Architectural Control Guidelines	3
Section 2.5	Articles of Incorporation	3
Section 2.6	Assessable Unit	3
Section 2.7	Assessment	3
Section 2.8	Association	3
Section 2.9	Association Area	3
Section 2.10	Association Properties	3
Section 2.11	Board of Directors	4
Section 2.12	Bulkhead	4
Section 2.13	Bylaws	4
Section 2.14	Capitalization Fees	4
Section 2.15	Common Area	4
Section 2.16	Common Assessment	4
Section 2.17	Common Household Group	4
Section 2.18	Declarant	5
Section 2.19	Declarant Owned Acreage	5
Section 2.20	Detention Basins	5
Section 2.21	Drainage Easement	5
Section 2.22	Dwelling Unit	5
Section 2.23	Improvements	5
Section 2.24	Initial Property	6
Section 2.25	Interlocal Agreement	6
Section 2.26	Lake	6
Section 2.27	Lot	6
Section 2.28	Manager	6
Section 2.29	Member	6
Section 2.30	Operating Fund	6
Section 2.31	Operating Fund Capitalization Fees	6
Section 2.32	Owner	6
Section 2.33	Permitted User	7
Section 2.34	Person	7

Section 2.35	Plat or Plats	7
Section 2.36	Platted Reserves	7
Section 2.37	Properties	7
Section 2.38	Reimbursement Assessment	7
Section 2.39	Related Users	8
Section 2.40	Reserve Fund	8
Section 2.41	Reserve Fund Capitalization Fees	8
Section 2.42	Rules and Regulations	8
Section 2.43	Set Back Areas	8
Section 2.44	Special Assessment	8
Section 2.45	Sports Facilities	8
Section 2.46	Universal Common Area	8
Section 2.47	Voting Unit	9
ARTICLE III	ANNEXATION	9
Section 3.1	Property Subject to this Declaration	9
Section 3.2	Property Which May Be Annexed	9
Section 3.3	Manner of Annexation	9
Section 3.4	Withdrawal of Annexed Property	10
ARTICLE IV	COMMON AREA AND DETENTION BASINS	11
Section 4.1	Owner's Rights of Enjoyment in Common Area	11
Section 4.2	Delegation of Use	13
Section 4.3	Declarant's Reservation of Rights and Use Easements	13
Section 4.4	No Partition of Common Area	14
Section 4.5	Liability of Owners for Damage by Member	14
Section 4.6	Special Provisions Related to Detention Basins and Drainage Easements	14
ARTICLE V	ASSOCIATION OPERATION, MEMBERSHIP AND VOTING RIGHTS	16
Section 5.1	Association	16
Section 5.2	Association Board of Directors	16
Section 5.3	Membership in Association	16
Section 5.4	Voting Rights of Members	17
ARTICLE VI	DUTIES AND POWERS OF ASSOCIATION	17
Section 6.1	General Duties and Powers of Association	17
Section 6.2	Duty to Accept Property and Facilities Transferred by Declarant	18
Section 6.3	Duty to Manage and Care for Property	18
Section 6.4	Duty to Pay Taxes	18
Section 6.5	Duty to Maintain Casualty Insurance	19
Section 6.6	Duty to Maintain Liability Insurance	19

Section 6.7	Duty to Prepare Budgets	19
Section 6.8	Duty to Levy and Collect Assessments	19
Section 6.9	Power to Acquire Property and Construct Improvements	19
Section 6.10	Power to Adopt Rules and Regulations	20
Section 6.11	Power to Enforce Declaration and Rules and Regulations	20
Section 6.12	Power to Provide Special Services for Members	21
Section 6.13	Power to Charge for Facilities and Services	21
Section 6.14	Power to Grant Easements	22
Section 6.15	Power to Employ Managers	22
Section 6.16	Power to Engage Employees, Agents and Consultants	22
Section 6.17	Association Duties in the Event of Damage or Destruction to Association Properties, Drainage Easements and Detention Basins	22
Section 6.18	Association Powers in the Event of Condemnation	23
Section 6.19	Title to Association Properties on Dissolution of Association	23
Section 6.20	General Corporate Powers	24
ARTICLE VII	ASSESSMENTS AND LIEN THEREFOR	24
Section 7.1	Creation of the Lien and Personal Obligation of Assessments	24
Section 7.2	Operating Fund	24
Section 7.3	Reserve Fund	25
Section 7.4	Purpose of Annual Common Assessments	25
Section 7.5	Annual Common Assessment	26
Section 7.6	Special Assessments	27
Section 7.7	Notice and Quorum for any Action Authorized Under Section 7.5(b) and 7.6	27
Section 7.8	Rate and Initial Commencement of Annual Common Assessments	27
Section 7.9	Payment of Annual Common Assessments	28
Section 7.10	Reimbursement Assessments	29
Section 7.11	Operating Fund Capitalization Fee	29
Section 7.12	Reserve Fund Capitalization Fee	29
Section 7.13	Effect on Non-Payment of Assessments - Remedies of the Association	30
Section 7.14	Texas Residential Property Owners Protection Act	32
Section 7.15	Subordination of the Lien to Mortgages	32
Section 7.16	Exempt Property	33
Section 7.17	No Offsets	33
Section 7.18	Notice of Transfer	33
Section 7.19	Limited Liability	34

ARTICLE VIII	ARCHITECTURAL REVIEW	34
Section 8.1	Designation of Architectural Committee	34
Section 8.2	Architectural Committee Approval	34
Section 8.3	Improvement to Property for Certain Purposes Defined	35
Section 8.4	Content and Submission of Plans	35
Section 8.5	Criteria for Approval	36
Section 8.6	Committee Guidelines or Rules	37
Section 8.7	Architectural Review Fee	37
Section 8.8	Decision of Committee	37
Section 8.9	Prosecution of Work After Approval	38
Section 8.10	Inspection of Work	38
Section 8.11	Notice of Non-Compliance	38
Section 8.12	Correction of Non-Compliance	38
Section 8.13	No Implied Waiver or Estoppel	39
Section 8.14	Committee Power to Grant Variances	39
Section 8.15	Non-Liability	39
Section 8.16	Devices Regulated Under the Telecommunications Act of 1996	40
Section 8.17	Approved General Contractors	40
Section 8.18	Rules and Regulations, Minimum Construction Standards	41
Section 8.19	Remodeling, Renovation and Redecorating of Exterior Walls	41
ARTICLE IX	PROTECTIVE COVENANTS AND USE RESTRICTIONS	41
Section 9.1	Residential Use	41
Section 9.2	No Hanging Articles	42
Section 9.3	No Further Subdivision	42
Section 9.4	View Restrictions	42
Section 9.5	Landscaping	43
Section 9.6	Vehicle Restriction	44
Section 9.7	Animals	44
Section 9.8	Restriction on Exterior Lighting	45
Section 9.9	Casualty Insurance for Improvements	45
Section 9.10	Solar Energy Installations	46
Section 9.11	Drilling or Mining	46
Section 9.12	Character of Improvements	46
Section 9.13	Masonry and Roof Requirements	46
Section 9.14	Building Set-Back Lines	47
Section 9.15	Visual Obstruction at the Intersections of Streets	47
Section 9.16	Walls and Fences	48
Section 9.17	Required Fencing and Fence Easement	48
Section 9.18	Additional Requirements During Construction	49
Section 9.19	Access Easement for Owners	50
Section 9.20	Utility Easements	50
Section 9.21	Nuisances	50
Section 9.22	Other Structures	51

Section 9.23	Domestic Quarters	51
Section 9.24	Gas Service, Non-Utilization Fee	52
Section 9.25	Signs	52
Section 9.26	Restrictions on Antennae, Pipes and Utility Lines	53
Section 9.27	Sewage, Garbage and Refuse Disposal	53
Section 9.28	Infringement	53
Section 9.29	Composite Lots	53
Section 9.30	Lot Drainage	53
Section 9.31	Maintenance of Property	54
Section 9.32	Annoying Sounds or Odors	55
Section 9.33	No Unsightliness	55
Section 9.34	Exterior Materials	56
ARTICLE X	DECLARANT'S ADDITIONAL SPECIAL RIGHTS	56
Section 10.1	Period of Declarant's Rights and Reservations	56
Section 10.2	Right to Construct Additional Improvements	56
Section 10.3	Declarant's Rights to Use Common Areas, Drainage Easement, and Detention Basins in Promotion and Marketing of Properties	57
Section 10.4	Declarant's Rights to Grant and Create Easements	57
Section 10.5	Declarant's Rights to Convey Additional Property to Association	57
Section 10.6	Declarant's Reservation	58
ARTICLE XI	INITIAL PROPERTY	58
Section 11.1		58
Section 11.2	Certain Initial Property Fencing	58
ARTICLE XII	GENERAL PROVISIONS	59
Section 12.1	Enforcement	59
Section 12.2	Severability	59
Section 12.3	Duration and Amendment	59
Section 12.4	Required Consent of Declarant to Amendment	59
Section 12.5	Vacating of Plat or Correction of Plat by Declarant and Owners	60
Section 12.6	Restrictions Construed Together	60
Section 12.7	Number and Gender	60
Section 12.8	Captions for Convenience	60
Section 12.9	Delay in Enforcement	60
Section 12.10	Universal Common Areas	60
Section 12.11	Association's Right to Mortgage Information	60
Section 12.12	Notices	61
Section 12.13	Persons Entitled to Enforce Declaration	61

Section 12.14	Violations Constitute a Nuisance	61
Section 12.15	Enforcement by Self Help	61
Section 12.16	Violations of Law	61
Section 12.17	Limitation on Liability	61
Section 12.18	No Representations or Warranties	62
Section 12.19	Liberal Interpretation	62
Section 12.20	Governing Law	62
Section 12.21	Severability	62

**DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS FOR
THE LAKES OF SOUTH SHORE HARBOUR COMMUNITY ASSOCIATION, INC.**

THE STATE OF TEXAS §

COUNTY OF GALVESTON §

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR THE LAKES OF SOUTH SHORE HARBOUR COMMUNITY ASSOCIATION, INC. ("Declaration"), is made on the date hereinafter set forth by SOUTH SHORE HARBOUR DEVELOPMENT, LIMITED, a Texas limited partnership.

**ARTICLE I
General**

Section 1.1 Project Area. Declarant is the owner of a certain parcel of land in the City of League City, County of Galveston, State of Texas, which, with other parcels which may be acquired by Declarant, is defined in this Declaration as part of the "Annexable Area" and is the owner of the parcel of land defined herein as the "Initial Property". Declarant intends to develop the Association Area (hereinafter defined) as planned single family residential community. Certain portions of the property within the "Annexable Area" may also hereafter become included within the "Commercial Project Area" as that term is defined in the Amended and Restated Declaration of Restrictions, Covenants and Easements for South Shore Harbour Commercial Maintenance Association, Inc., recorded under Clerk's File No. 9101217 in the Office of the County Clerk of Galveston County, Texas, as amended, (collectively, the "CMA Declaration"), and Declarant shall have the right, at its sole discretion, to annex properties situated within the "Annexable Area" either into the Association Area, and thus subject to this Declaration, or into the "CMA Association Area" (as that term is defined in the CMA Declaration), and thus subject to the aforesaid CMA Declaration.

Section 1.2 Purposes of Declaration. Property which becomes subject to this Declaration in the manner hereinafter provided shall be referred to as the "Association Area". This Declaration is executed (a) in furtherance of a common and general plan for those portions of the Annexable Area and contiguous properties which hereby become or which may hereafter become part of the Association Area; (b) to protect and enhance the quality, value, desirability and attractiveness of all property which becomes part of the Association Area; (c) to provide for an Association as a vehicle to hold, maintain, care for and manage Common Area and Association Properties and to perform any and all functions for the benefit of Owners and of Lots within the Association Area; (d) to

define the duties, powers and rights of the Association; and (e) to define certain duties, powers and rights of Declarant and the Owners of Lots within the Association Area.

Section 1.3 Declaration. Declarant for itself and its successors and assigns, hereby declares that the Initial Property and all property which becomes subject to this Declaration in the manner hereinafter provided, and each part thereof, shall, from the date the same becomes subject to this Declaration, be owned, held, transferred, conveyed, sold, leased, rented, hypothecated, encumbered, used, occupied, maintained, altered and improved subject to the covenants, conditions, restrictions, limitations, reservations, exceptions, equitable servitudes and other provisions set forth in this Declaration, for the duration thereof, all of which are declared to be part of, pursuant to, and in furtherance of a common and general plan of development, improvement, enhancement and protection of the Association Area. The provisions of this Declaration are intended to and shall run with the land and, until their expiration in accordance with Section 12.3 hereof, shall bind, be a charge upon and inure to the mutual benefit of (a) all of the property which becomes a part of the Association Area and each part or parcel thereof, (b) Declarant and its successors and assigns, (c) the Association and its successors and assigns, and (d) all persons having or acquiring any right, title or interest in any property which becomes part of the Association Area or any part or parcel thereof or any improvement thereon, and their respective heirs, personal representatives, successors and assigns.

ARTICLE II

Definitions

Unless otherwise expressly provided herein, the following words and phrases when used in this Declaration shall have the meanings hereinafter specified. Functional provisions contained in these definitions shall be given the same force and effect as provisions set forth elsewhere in this Declaration.

Section 2.1 Annexation Agreement. "Annexation Agreement" shall mean the written instrument executed by Declarant and/or the Board, as provided in Section 3.3 of this Declaration, and recorded in the Official Public Records of Real Property of Galveston County, Texas, pursuant to which real property, and improvements thereon, if any, are made a part of the Properties and subject to this Declaration. An Annexation Agreement may contain any provision, related solely to the real property thereby to be annexed, which does not conflict with or modify or delete or make inapplicable to any such property any provision of this Declaration which is not limited to specific other annexed property.

Section 2.2 Annexable Area. "Annexable Area" shall mean the real property described on EXHIBIT "A" attached hereto and made a part hereof and any other property at any time owned or acquired by Declarant which Declarant designates as part of the Annexable Area by instrument recorded in the Galveston County Real Property Records.

Section 2.3 Architectural Committee. "Architectural Committee" shall mean the Committee provided for in and established in accordance with Article VIII of this Declaration.

Section 2.4 Architectural Control Guidelines. "Architectural Control Guidelines" shall mean such architectural control guidelines as from time to time may be initiated by Declarant and adopted, or further promulgated, by the Architectural Committee, as same may be from time to time amended by such committee at its discretion, effective upon notice to the Owners.

Section 2.5 Articles of Incorporation. "Articles of Incorporation" or "Articles" shall mean the Articles of Incorporation of The Lakes of South Shore Harbour Community Association, Inc., which have been or will be filed in the Office of the Secretary of State of the State of Texas, as such articles are amended from time to time.

Section 2.6 Assessable Unit. "Assessable Unit" shall be the measure of allocation of Common Assessments and Special Assessments for Lots as provided in Section 7.5 hereof.

Section 2.7 Assessment. "Assessment" shall mean all assessments assessable from time to time against Lots as set forth herein or in any "Annexation Agreement", including but not limited to, Capitalization Fees, Common Assessments, Special Assessments and Reimbursement Assessments, all as hereinafter defined.

Section 2.8 Association. "Association" shall mean and refer to The Lakes of South Shore Harbour Community Association, Inc., a Texas non-profit corporation, and its successors and assigns.

Section 2.9 Association Area. "Association Area" shall refer to those portions of the Annexable Area as are from time to time annexed into the jurisdiction of the Association as provided in this Declaration and made subject to this Declaration as provided herein, and shall include the Initial Property.

Section 2.10 Association Properties. "Association Properties" shall mean all real and personal property, including Improvements thereon, now or hereafter owned by the Association, or as to which the Association has any easement or license rights.

Section 2.11 Board of Directors. "Board of Directors" or "Board" shall mean the Board of Directors of the Association.

Section 2.12 Bulkhead. "Bulkhead" shall mean the land and retaining walls, including but not limited to bulkhead and rip-rap, installed or to be installed, to hold and retain the land portion of any Common Area or Association Properties and to separate same from any adjacent waters, together with all supporting improvements constructed or to be constructed in connection therewith.

Section 2.13 Bylaws. "Bylaws" shall mean the Bylaws of the Association which have been or will be adopted by the Board, as amended from time to time.

Section 2.14 Capitalization Fees. "Capitalization Fees" shall mean the Operating Fund Capitalization Fees and the Reserve Fund Capitalization Fees provided for in Sections 7.11 and 7.12 of this Declaration.

Section 2.15 Common Area. "Common Area" shall mean all real property and improvements thereon owned by the Association primarily for the common use and enjoyment of the Owners, or in which the Association has any right, title or interest, or in which the Owners have any right or privilege for use and enjoyment, by easement, lease, license agreement or otherwise, either alone or together with other persons or entities, which has been approved by the Board. Such Common Area may be owned by: (a) any third party if the Association has an easement or license for maintenance or use purposes, (b) the Association, for the benefit of and for the common use and enjoyment by defined Owners and Permitted Users, or (c) Declarant, for the exclusive or non-exclusive common use and enjoyment by those Owners and Permitted Users entitled to use such Common Area as set forth in a recorded instrument respecting such property. In order to be "Common Area", a property or right shall be expressly denominated as such in an instrument recorded in the Galveston County Real Property or Plat Records, describing such property or right.

Section 2.16 Common Assessment. "Common Assessment" shall mean the assessments made for the purpose of covering the annual costs of operating the Association, including expenses incurred in connection with any authorized function of the Association, which are to be paid by each Owner to the Association as provided herein for purposes provided herein and charged to such Owner and to the Lot of such Owner, as set forth herein and in any applicable Annexation Agreement.

Section 2.17 Common Household Group. "Common Household Group" shall mean one or more natural Persons, each related to the other by blood, marriage or legal adoption, or a group of no more than four (4) such persons not all so related, together with his,

her or their domestic servants, all of whom maintain a common household in a Dwelling Unit on a Lot within the Properties.

Section 2.18 Declarant. "Declarant" shall mean South Shore Harbour Development, Limited, a Texas limited partnership, and such successors and assigns as hereinafter provided. A person or entity shall be deemed a "successor and assign" of South Shore Harbour Development, Limited, as Declarant only if such person or entity is specifically designated in a duly recorded instrument as a successor or assign of Declarant under this Declaration, and shall be deemed a successor or assign of Declarant only as to the particular rights or interests of Declarant under this Declaration which are specifically designated in such written instrument. However, a successor to South Shore Harbour Development, Limited by consolidation or merger shall automatically be deemed a successor or assign of South Shore Harbour Development, Limited as Declarant under this Declaration.

Section 2.19 Declarant Owned Acreage. "Declarant Owned Acreage" shall mean land lying within the Annexable Area in which Declarant has any ownership interest, direct or indirect, from time to time, which has not been platted into individual Lots or has not been annexed into the Association Area, which shall initially be as described on **EXHIBIT "B"** attached hereto.

Section 2.20 Detention Basins. "Detention Basins" shall mean and refer to all platted detention and/or sedimentation ponds and basins situated within the Annexable Area which are at any time annexed into the Association Area.

Section 2.21 Drainage Easement. "Drainage Easement" shall mean such portions of the Properties as are designated on a plat or other instrument signed by Declarant and recorded in the Official Public Records of Real Property of Galveston County, Texas as a "Drainage Easement" or otherwise for drainage or surface water flow which are at any time annexed into the Association Area.

Section 2.22 Dwelling Unit. "Dwelling Unit" shall mean a single family residential building designed solely for, and limited and restricted to occupancy by a Common Household Group on a Lot, not including any approved garage.

Section 2.23 Improvements. "Improvements" shall mean all paving, fixtures, structures and any appurtenances thereto of every type or kind, including, but not limited to, Dwelling Units, buildings, outbuildings, accessory buildings, finishes of any exterior surfaces of any visible structure, additions, walkways, trails, sprinkler pipes, garages, portocacheres, roads, driveways, parking areas, fences, windows, screening, walls, retaining walls, stairs, decks, gazebos, pool cabanas, fixtures, windbreaks, poles, signs, exterior tanks, solar energy equipment, exterior air

conditioning fixtures and equipment, water softener fixtures, exterior lighting, recreational equipment or facilities, radio or television antenna and microwave antenna, patios, pools, Bulkhead, walkways, paving and landscaping, either temporary or permanent. The inclusion of any item in this definition shall in no way modify any provision of this Declaration prohibiting, requiring the approval of, or otherwise limiting, any such item.

Section 2.24 Initial Property. "Initial Property" shall mean the property described on **Exhibit "C"** attached hereto and made a part hereof, which is hereby annexed into the Properties and the Association Area.

Section 2.25 Interlocal Agreement. "Interlocal Agreement" shall mean any written agreement entered into between the Association and any other non-profit property owners association, or between the Association and any governmental or quasi-governmental entity.

Section 2.26 Lake. Such Detention Basin which is referred to as a "Lake" in the Annexation Agreement therefor, and is sometimes herein referred to as the "Lake".

Section 2.27 Lot. "Lot" shall mean and refer solely to any platted lot shown in any recorded subdivision Plat of any portion of the Properties.

Section 2.28 Manager. "Manager" shall mean any one or more persons employed by the Association as hereinafter provided in the Declaration who is engaged to perform any of the duties, powers or functions of the Association.

Section 2.29 Member. "Member" shall mean the Person, or if more than one, all Persons collectively, who constitute the Owner of a Lot, and Declarant as to all Lots and Declarant Owned Acreage owned by Declarant from time to time.

Section 2.30 Operating Fund. "Operating Fund" shall mean the account(s) into which the Board and/or the Manager shall deposit monies paid to the Association as Common Assessments, exclusive of such portions of the Common Assessments as the Board may allocate to a Reserve Fund as provided herein.

Section 2.31 Operating Fund Capitalization Fees. "Operating Fund Capitalization Fees" shall be those fees payable upon such transfers of Lots, as provided in Section 7.11 hereof.

Section 2.32 Owner. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any "Lot" or parcel which is part of the Properties, including contract sellers, but excluding those having

such interest merely as security for the performance of an obligation. "Owner" shall also apply to Declarant as to all Declarant Owned Acreage and Lots owned by Declarant from time to time.

Section 2.33 Permitted User. "Permitted Users" shall mean such Persons, not necessarily owners of property within the Properties, as to whom the Board of Directors has entered into a written instrument regarding, or otherwise has permitted to use any Common Area and/or Association Properties under such terms and conditions as deemed appropriate by the Board of Directors, provided that in no event shall such use prevent or materially impair continued use by Members of any such Common Area or Association Properties.

Section 2.34 Person. "Person" shall mean a natural person, a corporation, a partnership or any other legal entity.

Section 2.35 Plat or Plats. "Plat" or "Plats" shall mean and refer to all plats filed for record in the Office of the County Clerk of Galveston County, Texas with respect to any property annexed into the Association, including but not limited to the plat of SF 70-1, otherwise known as the "Waterside Subdivision", recorded in Plat Record 18, Map Number 1143 and under Clerk's File No. 2001014518 and that certain plat recorded under Plat Record 18, Map Number 1244, both in the Office of the County Clerk of Galveston County, Texas ("Initial Plats") and all amendments and all replats and partial replats of any thereof.

Section 2.36 Platted Reserves. "Platted Reserves" shall mean and refer to any parcel or segment of land designated as a "reserve" on the Initial Plat or on any Plat of any property annexed into the Association. Such land shall be a "Platted Reserve" for purposes of this Declaration only to the extent same is actually annexed into the Association, and shall then be used for any purpose set forth or permitted in the applicable Plat or Annexation Agreement.

Section 2.37 Properties. "Properties" shall mean and refer to the Initial Property, and such additions thereto as may hereafter be brought within the jurisdiction of the Association in accordance with this Declaration.

Section 2.38 Reimbursement Assessment. "Reimbursement Assessment" shall mean a charge against a particular Owner and his Lot for the purpose of reimbursing the Association for expenditures and other costs of the Association in connection with any violation, directly attributable to such Owner, of this Declaration, the applicable Annexation Agreement, or the Rules and Regulations, together with all late charges and interest permitted under this Declaration.

Section 2.39 Related User. "Related User" shall mean and refer to any member of the Common Household Group of an Owner who resides with such Owner, guests and invitees of any Owner; employees of any Owner; and occupants, tenants and contract purchasers residing in a Dwelling Unit of an Owner who claim by, through or under an Owner.

Section 2.40 Reserve Fund. "Reserve Fund" shall mean the account(s) into which are deposited all Reserve Fund Capitalization Fees and any portions of any Assessment earmarked by the Board as contingency funds for the operation of the Association and/or the purchase of property beneficial to the Association, or construction, repair, replacement or other restoration work to, the Association Properties including but not limited to the Bulkhead, park equipment, Detention Basins, Common Area fencing and other Common Area improvements.

Section 2.41 Reserve Fund Capitalization Fees. "Reserve Fund Capitalization Fees" shall be those fees payable upon such transfers of Lots as provided in Section 7.12 hereof.

Section 2.42 Rules and Regulations. "Rules and Regulations" shall mean and refer to such rules and regulations concerning the Common Areas, the general welfare of the Association, the Properties and/or the Members, or any other matter deemed appropriate by the Board, as may be promulgated from time to time by the Board and notice of same provided to the Members then existing.

Section 2.43 Set Back Areas. "Set Back Areas" shall mean the area on any Lot or Platted Reserve situated between any property boundary line and the nearest parallel building or other set back line as provided on any Plat or in any Annexation Agreement for such Lot or Platted Reserve, or in this Declaration or the Initial Plat as to the Initial Property.

Section 2.44 Special Assessment. "Special Assessment" shall mean a charge against each Owner and his or her Lot representing a portion of the costs to the Association for any purposes set forth in Section 7.6 hereof.

Section 2.45 Sports Facilities. "Sports Facilities" shall mean and refer to any and all basketball backboards, poles, hoops, nets, volleyball, badminton or tennis net or court, tetherball pole, football, soccer or field hockey goal, baseball or softball backstop, golf practice net, or other device or equipment used or designed for use in connection with any sport or athletic activity.

Section 2.46 Universal Common Area. "Universal Common Area" shall mean all esplanades and right-of-way areas associated with

any public street in or near any of the Properties or Annexable Area and all improvements thereon.

Section 2.47 Voting Unit. "Voting Unit" shall refer to the allocation of voting power to Owners (including Declarant) calculated from time to time as provided in Section 5.4 hereof.

ARTICLE III
Annexation

Section 3.1 Property Subject to this Declaration. Property shall be made subject to this Declaration as provided in Section 3.3. hereof. As further provided in the Annexation Agreements applicable to each such properties, such properties shall be developed and maintained for the purposes therein provided (which shall not be materially inconsistent with the purposes permitted by this Declaration). All dedications, easements, limitations, restrictions, and reservations described or referred to in any plat of record with respect to any of the Annexable Area which at any time is annexed into the Association Area are hereby incorporated herein by reference for all purposes insofar as such plats relate to such properties. The provisions of this Declaration shall not constitute an encumbrance or restrict the use of any portion of the Annexable Area which has not been made subject to this Declaration pursuant to Section 3.3. hereof.

Section 3.2 Property Which May Be Annexed. Declarant may, but shall in no way be required to, from time to time, as evidenced by written instrument recorded in the Office of the County Clerk of Galveston County, Texas real property records, unilaterally add to the Association Area, all or any portion of the Annexable Area, and may, but shall in no way be required to from time to time unilaterally add to the Annexable Area, without any obligation whatsoever to actually annex into the Association Area any of the property so added to the Annexable Area.

Section 3.3 Manner of Annexation. The Initial Property is hereby annexed to be a part of the Association Area. Other real property within the Annexable Area shall become part of the Association Area and subject to this Declaration, effective upon the recordation in the Office of the County Clerk of Galveston County, Texas, of an Annexation Agreement or deed meeting the requirements hereinafter set forth. Such property which is being so annexed shall sometimes be referred to as the "Annexed Property". An Annexation Agreement (a) shall be executed and acknowledged by all Owners of the Annexed Property described therein; (b) shall, if the Annexed Property is not then owned by Declarant, contain the executed and acknowledged written consent of Declarant for so long as Declarant owns any property in the Annexable Area or Association Area; (c) shall contain an adequate

legal description of the Annexed Property; (d) shall contain a reference to this Declaration which shall state its date of recordation and the recording reference thereof in the Records of the County Clerk of Galveston County, Texas; (e) shall designate the manner in which the Owner(s) of the particular Lots shall contribute to the Association as required in this Declaration for purposes of Assessment obligations (and may add additional assessments but may not waive or modify any assessments expressly provided herein); (f) shall contain a statement that the Annexed Property is declared to be part of the Association Area under this Declaration and that the Annexed Property shall be subject to this Declaration; (g) shall state whether and to what extent the Owners of any Lot therein are subject to any Assessments in addition to those provided for herein; (h) shall provide for such building, architectural, construction, fencing and set back provisions as Declarant deems appropriate for such Annexed Property, which shall be solely applicable to such Annexed Property, but which shall not supercede any provision of this Declaration which is not solely applicable to the Initial Property. Additionally, an Annexation Agreement may provide for phased annexation so that portions of the Annexable Area may be made subject to the Annexation Agreement and this Declaration at different times by recording of one or more Annexation Agreements for annexation of additional phases meeting the requirements of this Section 3.3. A deed by which Declarant conveys a parcel of property, including property comprising any Common Area, to another Person (including the Association) may constitute an Annexation Agreement if it meets the foregoing requirements, as applicable (and may designate such Person a successor and assign of Declarant with respect to all or a portion of the property conveyed therein). An Annexation Agreement may impose on the Annexed Property described therein such covenants, conditions, restrictions, limitations, reservations, exceptions, equitable servitudes, assessments and other provisions which shall be in addition to those set forth in this Declaration, taking into account the unique and particular aspects of the proposed or permitted development of the Annexed Property covered thereby; provided, however, in no event shall any Annexation Agreement revoke, modify or amend the covenants or restrictions established by this Declaration or any other Annexation Agreement for any other property comprising part of the Association Area, or revoke the provisions of the covenants or restrictions established by this Declaration as to such Annexed Property. Upon recordation of an Annexation Agreement, the Annexed Property shall be subject to all of the covenants, conditions, restrictions, limitations, reservations, exceptions, equitable servitudes and other provisions set forth in this Declaration, in addition to those specifically stated in the applicable Annexation Agreement.

Section 3.4 Withdrawal of Annexed Property. Provided that there is no materially adverse impact on the Association, as determined by the Board, which impact is not mitigated by other

means reasonably acceptable to the Board, all or any portion of the Annexable Area which has theretofore been annexed may be withdrawn from the Association Area and from this Declaration in the manner described below. The withdrawal of Annexed Property shall be accomplished by the execution, acknowledgment and recordation of a withdrawal notice ("Notice of Withdrawal"). The Notice of Withdrawal (i) shall be executed and acknowledged by all of the Owner(s) of the Annexed Property to be withdrawn and by Owner(s) of not less than 50% (measured by Voting Units) of other Lots and Declarant Owned Acreage; (ii) shall, if the Annexed Property to be withdrawn is not then owned by Declarant, contain the executed and acknowledged written consent of Declarant for so long as Declarant owns any property in the Annexable Area or the Association Area; (iii) shall contain an adequate legal description of the Annexed Property to be withdrawn; (iv) shall contain a statement and declaration that all or any portion of the property which is being withdrawn is withdrawn from the Association Area and shall not be thereafter subject to this Declaration or the Annexation Agreement for such Annexed Property. The withdrawal shall be effective upon recordation of the Notice of Withdrawal and, upon recordation of the Notice of Withdrawal, the Annexed Property described therein shall no longer be part of the Association Area or subject to this Declaration or to the Annexation Agreement for such Annexed Property. Any Annexed Property which is withdrawn from the Association Area and this Declaration pursuant to a Notice of Withdrawal may be re-annexed at any subsequent time in one or more annexations, and the withdrawal of such Annexed Property does not create any future impediment to any number of re-annexations or withdrawals of such Annexed Property. The withdrawal of such Annexed Property shall not impair the validity of any action taken by the Board or the Association, notwithstanding the exercise by the Owners of such Annexed Property of any voting rights hereunder with respect to such action. Additionally, the Owners of such Annexed Property shall be liable for their prorata share of any Assessments imposed or imposable against such Annexed Property prior to the date of recordation of the Notice of Withdrawal, and further provided that the Association shall not be obligated to refund any portion of any Assessment paid in advance by the Owners of such Annexed Property.

ARTICLE IV

Common Area and Detention Basins

Section 4.1 Owner's Rights of Enjoyment in Common Area.

Every Owner shall have a non-exclusive right of enjoyment in and to the Common Area, which right shall be appurtenant to and shall pass with the title to every Lot, subject to the provisions of this Article IV, including but not limited to the following provisions and rights which are hereby granted:

a) the right of the Association to charge reasonable admission and other fees for the use of any Association Properties, or any recreational or other improvement or facility which may at any time be situated upon any Common Area;

b) the right of the Association through the Board to promulgate and amend from time to time rules and regulations regarding the use of the Common Areas, Lakes and Association Properties;

c) the right of the Association to suspend the voting rights and right to use of the Association Properties and Common Area by an Owner: (i) for any period during which any Assessment against his Lot remains unpaid; and (ii) for such period as determined by the Board (but in no event greater than one hundred eighty (180) days) for any infraction of any of the Rules and Regulations;

d) the right of the Association to dedicate or transfer, or to enter into other agreements respecting, all or any part of the Common Area owned by the Association to or with any public agency, authority or utility, for such purposes and subject to such conditions as may be deemed to be reasonable and appropriate by the Board;

e) the right of the Association to limit the number of guests of Owners regarding use of Common Areas, Lakes, and Association Properties, and to regulate the times, purposes and methods of uses thereof;

f) the right of the Association to borrow money for the purpose of repairing, replacing, adding to or improving the Common Area, Bulkhead, Detention Basins and/or Association Properties, and in aid thereof to mortgage the Common Area, Detention Basins and/or Association Properties owned by the Association. The rights of any such mortgagee in said properties shall be superior as to the rights of the Owners hereunder at the mortgagee's election; provided however, that the rights of any such mortgagee shall be subject to the restrictions on the Common Area, Detention Basins and/or Association Properties pledged as contained in this Declaration or any amendment hereof or any Annexation Agreement, or the Rules and Regulations;

g) the right of the Association to enter into agreements for joint use of Common Areas, Detention Basins and/or Association Properties by owners and related users in other property owners' associations, and/or joint use by owners of common areas or facilities in other subdivisions, or by Declarant, on such basis as deemed reasonable by the majority of the Board of Directors. The affirmative vote of the majority of the Board of

Directors shall be conclusive evidence of the reasonableness and acceptability to the Members of any such agreement;

h) the right of the Association to enter into and perform such Interlocal Agreements as are deemed necessary by the Board in order to create and maintain such signage, lighting and landscaping on medians, esplanades and setbacks in or along any Universal Common Areas, or to manage and maintain the Detention Basins and Drainage Easements.

Section 4.2 Delegation of Use. Any Owner may delegate, in accordance with the Association's By-Laws and Rules and Regulations, his, her or its rights of enjoyment of any Common Area to the members of his or her family, or his, her, or its tenants or contract purchasers who reside on such Owner's Lot, but the Owner shall be and remain liable for all such users' actions in connection therewith.

Section 4.3 Declarant's Reservation of Rights and Use Easements. (a) There is hereby reserved to Declarant a non-exclusive perpetual easement for the reasonable use and enjoyment of all Common Areas, Association Properties and Platted Reserves and any other rights related thereto deemed necessary by Declarant in furtherance of Declarant's completion of sale and/or development by Declarant of the Properties, and any real property owned by Declarant adjacent to or near any of the Properties ("Other Declarant Properties"), or for any other purposes, which right shall include the right to assign or delegate the use of same by all others which Declarant chooses to permit to participate in such use and enjoyment. Declarant further hereby reserves the right to make such reservations and/or conveyances of easements as aforesaid and any other rights deemed necessary by Declarant in furtherance of Declarant's completion of development of the Properties and Other Declarant Properties as to any and/or all Platted Reserves and/or Common Areas which may at any time be annexed into the Properties, in any Annexation Agreements respecting such additional Platted Reserves and/or Common Area.

(b) There is hereby reserved and granted to Declarant the non-exclusive and perpetual easement and right to use all Common Area, including Detention Basins, and all Improvements thereon, at any time, which right shall be for the benefit of Declarant, and all guests, invitees, agents, employees, representatives and affiliates of Declarant, and shall be assignable by Declarant. Such right shall expressly include, but not be limited to, (i) the right to draw water from any Detention Basin for irrigation of any property whatsoever, and to install and maintain pump stations and irrigation equipment and facilities, both underground and above ground in, on or under any and all Common Areas and Detention Basins; (ii) the right but not the obligation to install and maintain in any Detention Basin or other

Common Area such vehicle parking area and improvements as deemed necessary by Declarant to exercise and enjoy any right referred to herein; and (iii) the right but not the obligation to install, construct, and/or maintain such other Improvements in, on or under the Detention Basins as Declarant may elect to do from time to time in its sole discretion.

Section 4.4 No Partition of Common Area. No Owner shall have the right to partition or seek partition of the Common Area or Association Properties or any part thereof.

Section 4.5 Liability of Owners for Damage by Member. Each Member shall be liable to the Association for (a) all damage to any Common Area and/or Association Properties, and any Improvements thereon, and for all expense and liability incurred by the Association, to the extent not covered by any insurance, which damage may be sustained by reason of any action or omission of such Member or Related User and for (b) any violation by such Member or such Related User of this Declaration or any Rule or Regulation adopted by the Board. The Association shall have the power, as elsewhere provided in this Declaration to levy and collect a Reimbursement Assessment against a Member to cover the costs and expenses incurred by the Association on account of any such damage or any such action or omission or any such violation of this Declaration or of such Rules and Regulations, including but not limited to payment of all Association insurance deductibles and of any increase in Association insurance premiums directly attributable to any such damage, action or omission, or any such violation.

Section 4.6 Special Provisions Related to Detention Basins and Drainage Easements.

(a) Each Owner of a Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant, acknowledge and agree that (i) the Association Properties and/or Common Areas may or may not include the Detention Basins and Drainage Easements, (ii) the common right and easement of enjoyment in the Common Areas as defined in this Declaration as applicable to the Detention Basins and Drainage Easements shall be subject to all rights of third parties therein granted or reserved by Declarant and no rights and easements shall be created in favor of any Owner in relation thereto which are not expressly provided for in the Rules and Regulations; (iii) the title to the real property represented by the Detention Basins may be owned by the Association subject to the rights of Declarant herein and/or in any Annexation Agreement, and to an easement to the City of League City for drainage and other similar purposes; (iv) the Detention Basins are created and established for the primary purpose of providing flood control, sedimentation, detention and drainage for the Annexable Area and for the secondary purpose of enhancing the

natural beauty and aesthetic quality of the Annexable Area, in addition to purposes consistent with Declarant's reserved rights and easements therein; and (v) although the Association has primary responsibilities for maintenance and repair of the Detention Basins and Drainage Easements, the use and enjoyment of the Detention Basins by Owners shall be and is hereby expressly limited to the enjoyment of the enhancement of the Association Area by the preservation of the natural beauty and aesthetic quality of the Detention Basins and their appurtenances and to such other uses as expressly permitted in the Rules and Regulations from time to time in effect with respect thereto. The use of the Detention Basins, for any activities, recreational or otherwise, including, but not limited to swimming, boating, canoeing, fishing or any other water related activity is hereby expressly limited as provided in the Rules and Regulations from time to time, and such limitations shall be subject to enforcement and the assessment of fines, penalties and Reimbursement Assessments resulting therefrom in accordance with this Declaration and the Rules and Regulations. **Each Owner is deemed to covenant and agree to indemnify and hold harmless the Association and Declarant from and against any and all claims, demands, lawsuits, actions, debts, damages, costs, charges and expenses, including court costs and attorney's fees, liabilities and losses of any nature whatsoever incurred, suffered or sustained by the Association or Declarant arising out of or in any way caused by, connected with or resulting from actions or activities pursued or conducted in violation of such limitations or the applicable Rules and Regulations by such Owner, the occupants of such Owner's Lot, or such Owner's agents, guests or invitees.**

(b) The Association shall maintain the Lake, Drainage Easements, and all landscaping and Improvements located or placed in, on or about the Detention Basins, including, but not limited to, (i) the removal of accumulated sedimentation from time to time, (ii) repairing and/or replacing any Improvements removed or affected by the proper and efficient maintenance of the hydraulic aspects of the Detention Basins and all related drainage systems, systems, and (iii) employing one or more architects, engineers, attorneys, and other consultants, for the purpose of advising the Association in carrying out its duties and authority as set forth herein or in the opinion of the Board of Directors of the Association, for the maintenance and/or improvement of the Common Areas and Detention Basins and Drainage Easements.

(c) The Common Area shall include all Improvements existing and subsequently provided by Declarant or the Association on, under, in or about the Detention Basins and Drainage Easements and any improvements and facilities which may be constructed thereon or thereabout, and the maintenance of the hydraulic aspects of the Detention Basins and all related drainage systems. The

Association, as a common expense of all Owners, shall perpetually care for, maintain and keep in good repair the Improvements located on or subsequently placed on or about the Detention Basins, including, but not limited to the removal of accumulated sedimentation from time to time and repairing and/or replacing any Improvements removed or affected by the proper and efficient maintenance of the hydraulic aspects of the Detention Basins and all related drainage systems.

ARTICLE V

Association Operation, Membership and Voting Rights

Section 5.1 Association. The Association will be formed as a Texas non-profit corporation under the Texas Non-Profit Corporation Act. The Association shall have the duties, powers and rights set forth in this Declaration and in its Articles of Incorporation and Bylaws. As more specifically set forth hereinafter and in the Articles and Bylaws, the Association shall have a Board of Directors which shall be elected by Members.

Section 5.2 Association Board of Directors. The affairs of the Association shall be managed by a Board of Directors. The number, term and qualifications of the Board of Directors shall be fixed in the Articles of Incorporation and/or Bylaws. The Board of Directors may, by resolution, delegate any portions of its authority to an executive committee or to other committee(s), to officers of the Association, or to agents and/or employees of the Association, but such delegation or authority shall not relieve the Board of Directors of the ultimate responsibility for management of the affairs of the Association. Action by or on behalf of the Association may be taken by the Board of Directors or any duly authorized executive committee, officer, agent or employee, without a vote of Members, except as otherwise specifically provided in this Declaration.

Section 5.3 Membership in Association. Declarant and each Owner of any Lot within the Association Area shall be a Member of the Association. The Person or Persons who constitute the Owner of a Lot shall automatically be the holder of the Membership appurtenant to that Lot. Initially, the Owners, other than Declarant, shall hold membership in the Association for each Lot within the Association Area as a "Class A Member", and Declarant shall hold one membership in the Association, and shall have such other rights as a "Class B Member", with voting rights appurtenant to such membership and appurtenant to Declarant Owned Acreage as set forth in the provisions of Section 5.4. hereof. Membership in the Association shall not be assignable separate and apart from fee simple title to a Lot, except that, provided that prior written notice thereof is given to the Board of Directors, an Owner may

assign some or all of his rights as an Owner and may arrange for a tenant to perform some or all of such Owner's obligations as provided in this Declaration, but no Owner shall be permitted to relieve himself of the responsibility for fulfillment of the obligations of an Owner under this Declaration, notwithstanding any such arrangement.

Section 5.4 Voting Rights of Members. Each Member shall have the right to cast votes as provided herein. There shall be two classes of Members for voting purposes, Class A Members and a Class B member. Class A Members shall be all Owners, with the exception of Declarant, and the sole Class B Member shall be Declarant, until the time or occurrence of events described in 5.4(b) below.

(a) Each Class A Member shall be entitled to the following number of Voting Units for each Lot owned by it: one (1) Voting Unit. One (1) vote may be cast by each Member for such Member's Lot.

(b) Declarant shall be the sole Class B Member. For each Lot owned by Declarant, Declarant shall have fifteen (15) Voting Units, and for each acre (or portion thereof) of Declarant Owned Acreage, and each acre or portion thereof of all real property in the Association Area (excluding Lots) owned by Declarant, Declarant shall be entitled to forty (40) Voting Units. Declarant's status as a Class B Member for voting purposes shall cease and be converted to a Class A Membership on the happening of either of the following events, whichever event first occurs: (i) when Declarant owns no Lots in the Association Area, including duly annexed areas; (ii) on January 1, 2022; or (iii) when the Declarant unilaterally terminates Class B votes by an instrument signed by Declarant and filed in the Official Public Records of Real Property of Galveston County, Texas. No Member, other than Declarant, shall be a Class B Member.

ARTICLE VI

Duties and Powers of Association

Section 6.1 General Duties and Powers of Association. The Association has been formed to further the common interests of the Members. The Association, acting through the Board, or Persons to whom the Board had delegated such powers, shall have the duties and powers hereinafter set forth, and, in general, shall have the power to do anything that may be necessary or desirable to further the common interests of the Members, to maintain, improve and enhance Properties and Common Areas, and to improve and enhance the attractiveness, desirability and safety of the Properties and to carry out the duties otherwise provided in this Declaration.

Section 6.2 Duty to Accept Property and Facilities Transferred by Declarant. The Association shall accept title to any property, including any Improvements thereon, and any personal property, transferred to the Association by or pursuant to the request of Declarant, together with the responsibility to perform any repair, maintenance or improvements to become necessary thereon, provided that such property and such responsibilities are not inconsistent with the terms of this Declaration. Property interests transferred to the Association by Declarant may include fee simple title, easements, leasehold interests and licenses to use property. Any property or interest in property transferred to the Association by Declarant shall, except to the extent otherwise specifically approved by resolution of the Board of Directors, be transferred to the Association free and clear of all liens and mortgages (other than the lien of property taxes and assessments not then due and payable), but shall be subject to the terms of this Declaration, the terms of any Annexation Agreement annexing such property into the Properties, and such easements, covenants, conditions, restrictions and equitable servitudes or other encumbrances which do not materially adversely affect the use and enjoyment of such property by the Association or by Owners authorized to use such property. Except as otherwise specifically approved by resolution of the Board of Directors, no property or interest in property transferred to the Association by Declarant shall impose upon the Association any obligation to make monetary payments to Declarant or any subsidiary of Declarant including, but not limited to, any purchase price, rent, charge or fee, in consideration of such transfer.

Section 6.3 Duty to Manage and Care for Property. Except as and to the extent, if any, that any duty of care, management, operation, repair or maintenance of any Common Area, Detention Basin, Drainage Easement, Bulkhead, or Association Property has been specifically delegated to an Owner of one or more Lot(s) in the Annexation Agreement for such Lot(s) or to any other entity pursuant to an Interlocal Agreement, the Association shall manage, operate, care for, maintain and repair all Association Property, Detention Basins, Drainage Easement, Bulkhead, Common Areas, and Universal Common Areas, and keep the same in a safe, attractive and desirable condition for the use and enjoyment of the Members and all others entitled to use same. The Association shall fulfill all functions as to Detention Basins and Drainage Easements referred to in Section 4.6 hereof.

Section 6.4 Duty to Pay Taxes. The Association shall pay all taxes and assessments levied upon all Common Area, Detention Basins, Drainage Easements, including all Improvements thereon, and shall have the right to contest any such taxes or assessments, provided that the Association shall contest the same by appropriate legal proceedings.

Section 6.5 Duty to Maintain Casualty Insurance. The Association shall obtain and keep in full force and effect at all times, to the extent reasonably obtainable, casualty, fire and extended coverage insurance with respect to all insurable Improvements and personal property, title to which is owned by the Association, and to all Improvements in all Common Area, and to all Detention Basins and Drainage Easements, including coverage for vandalism and malicious mischief and, if and to the extent reasonably available and if deemed appropriate, coverage for flood risk. Casualty, fire and extended coverage insurance with respect to insurable Improvements shall, to the extent reasonably obtainable, be for the full insurable value based on current replacement cost. As to any other Common Areas with respect to which the Association does not have fee title, the Association may, in its discretion, if determined by the Board to be beneficial to the Association, obtain and maintain insurance thereon.

Section 6.6 Duty to Maintain Liability Insurance. The Association shall obtain and keep in full force and effect at all times, to the extent reasonably obtainable, broad form comprehensive liability insurance covering public liability for bodily injury, death, and property damage, on or about all Association Properties, Detention Basins, and Common Areas, and such insurance shall include, if the Association owns or operates motor vehicles, public liability for bodily injury, death, and property damage arising as a result of the ownership and operation of motor vehicles. Public liability insurance for other than motor vehicle liability shall, to the extent reasonably obtainable, have limits of not less than One Million Dollars (\$1,000,000.00) combined single limit coverage. As to any other Common Areas with respect to which the Association does not have title, the Association may, in its discretion, if determined by the Board to be beneficial to the Association, obtain and maintain insurance thereon.

Section 6.7 Duty to Prepare Budgets. The Association shall prepare, or shall cause to be prepared, an annual budget for the Association.

Section 6.8 Duty to Levy and Collect Assessments. The Association shall levy and collect Assessments as elsewhere provided in this Declaration.

Section 6.9 Power to Acquire Property and Construct Improvements. The Association may acquire property or an interest in property for the common benefit of Owners, including real property, improvements and personal property. The Association may construct Improvements on Common Area and Detention Basins and may demolish Improvements at any time existing on any Common Area, Detention Basins or Drainage Easements.

Section 6.10 Power to Adopt Rules and Regulations. The Association may adopt, amend, repeal and enforce rules and regulations, fines, levies and enforcement provisions as may be deemed necessary or desirable with respect to the interpretation and implementation of this Declaration, the operation of the Association, the use and enjoyment of the Association Properties, Detention Basins, Drainage Easements, Common Area and the use of any other property within the Properties ("Rules and Regulations").

Any such Rules and Regulations shall be reasonable and uniformly applied (as to all Owners in the Association, if deemed by the Board to be applicable, but, in any event, to all Owners of similarly restricted Lots). Such Rules and Regulations shall be effective only upon adoption by resolution of the Board of Directors. Copies of the currently effective Rules and Regulations shall be made available to each Member upon request and payment of the reasonable expense of copying the same. Each Member shall comply with such Rules and Regulations and shall see that Persons claiming through such Member comply with such Rules and Regulations. Such Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Declaration. In the event of conflict between the Rules and Regulations and the provisions of this Declaration, the provisions of this Declaration shall prevail.

Section 6.11 Power to Enforce Declaration and Rules and Regulations. The Association shall have the power to enforce the provisions of this Declaration and of Rules and Regulations by all lawful means, and may take such action as the Board deems necessary or desirable to cause such compliance by each Member and each Related User as not prohibited by law. Without limiting the generality of the foregoing, the Association, acting through the Board of Directors or any committee or agent authorized by resolution of the Board of Directors, shall have the power to enforce the provisions of this Declaration and of the Rules and Regulations by any one or more of the following means: (i) by entry upon any property, including any Lot, within the Properties without liability by the Association or its authorized agent to the Owner thereof, for the purpose of enforcement of this Declaration or Rules and Regulations; (ii) by commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the provisions of this Declaration or the Rules and Regulations, by mandatory injunction or otherwise; (iii) by commencing and maintaining actions and suits to recover damages for breach of any of the provisions of this Declaration or the Rules and Regulations; (iv) by suspension of the voting rights of a Member during and for up to one hundred eighty (180) days following any breach by such Member or a Related User of such Member of this Declaration or such Rules and Regulations, unless the breach is a continuing breach in which case such suspension shall continue for so long as such breach continues; (v) by levying and collecting a Reimbursement Assessment against any Member for breach of this Declaration or

such Rules and Regulations by such Member or a Related User of such Member; and (vi) by levying and collecting reasonable and uniformly applied fines and penalties, established in advance in the Rules and Regulations of the Association, from any Member or Related User for breach of this Declaration or such Rules and Regulations by such Member or a Related User of such Member; and (vii) by filing and enforcing a lien on the Lots of any Member who fails to pay any fine, penalty or Reimbursement Assessment after thirty (30) days written request therefor from the Board of Directors. Notwithstanding (i) above, it is provided that, after completion of the Dwelling Unit and approved garage on any Lot and the commencement of occupancy of such Dwelling Unit, entry upon a Lot shall require not less than one (1) business day's prior notice to the Owner thereof, and shall further require that all persons making entry upon such Lot for such purpose present the Owner thereof (or the occupant of such Lot) with proper identification of such persons upon or prior to making any such entry, and do not breach the peace in so doing.

Section 6.12 Power to Provide Special Services for Members. The Association shall have the power, but no obligation, to provide services to a Member or group of Members. Any service or services to a Member or group of Members shall be provided pursuant to an agreement in writing, or through one or more Annexation Agreements, which shall provide for payment to the Association by such Member or group of Members of the reasonably estimated costs and expenses of the Association of providing such services, including a fair share of the overhead expenses of the Association, and shall contain reasonable provisions assuring that the obligations to pay for such services shall be binding upon any heirs, personal representatives, successors or assigns of the Member or group of Members and that the payment for such services shall be secured by a lien on the property of the Member or group of Members.

Section 6.13 Power to Charge for Facilities and Services. The Association shall have the power to establish reasonable and uniformly applied (as to each group of Members, Related Users, guests or invitees or Permitted Users using the particular facilities or receiving such services in accordance with the level of benefit to and/or usage of each such group) charges for the use of facilities and services. The charges may include reasonable admission or other fees for any special or extraordinary use of property or facilities or services of the Association such as special parking privileges, conference rooms, instruction, or other uses beyond the ordinary use of Association Properties, facilities and services. Such charges or fees shall be set forth in schedules of charges and fees adopted from time to time by the Board of Directors.

Section 6.14 Power to Grant Easements. In addition to any blanket easements described in this Declaration or any Annexation Agreement, the Association shall have the power to grant access, utility, drainage, water facility and other such easements in, on, over or under Common Areas, Drainage Easements, Detention Basins and Association Properties.

Section 6.15 Power to Employ Managers. The Association shall have the power to retain and contract with, and pay for the services of a Manager or Managers to undertake any of the management or other functions for which the Association has responsibility under this Declaration to the extent deemed advisable by the Board of Directors, and may delegate any of its duties, powers or functions to any such Manager. Any contract or agreement with any such Manager shall be written such that it can be terminated by the Association for cause on no more than thirty (30) days prior written notice, and without cause on sixty (60) days prior notice. Notwithstanding any delegation to a Manager of any duties, powers or functions of the Association, the Association and its Board of Directors shall remain ultimately responsible for the performance and exercise of such duties, powers and functions.

Section 6.16 Power to Engage Employees, Agents and Consultants. The Association shall have the power to hire and discharge employees and agents and to retain and pay for legal, accounting and other professional services as may be necessary or desirable in connection with the performance of any duties or the exercise of any powers of the Association under this Declaration.

Section 6.17 Association Duties in the Event of Damage or Destruction to Association Properties, Drainage Easements and Detention Basins. In the event of damage to Association Properties, Drainage Easements, or Detention Basins or any Improvement thereon by flood, fire or other casualty or act of God or in the event any governmental authority shall require, or the Board of Directors shall deem to be necessary, any repair, reconstruction or replacement of any Association Properties, Drainage Easements, and Detention Basins, the Association shall have the duty to repair, reconstruct or replace the same with comparable Improvements. Any insurance proceeds payable by reason of damage or destruction of Association Properties, Drainage Easements, or Detention Basins by fire or other casualty shall be paid to the Association and shall be used, to the extent necessary, to pay the costs of repair, reconstruction or replacement. If funds from insurance proceeds or from reserves for replacement are insufficient to pay all costs of repair, reconstruction or replacement of Improvements damaged or destroyed, or if the Association is required to make repairs, replacements or improvements by governmental authorities, or deemed necessary by resolution of the Board of Directors, the Association may, as

elsewhere provided in this Declaration, in order to make up any deficiency in the insurance proceeds or to pay for the required repair, replacement or improvement, levy a Special Assessment on all Owners, or if a Member or group of Members is liable for such damage, levy a Reimbursement Assessment against the Member or group of Members responsible therefor, to provide the necessary additional funds. Repair, reconstruction or replacement of Association Properties, Drainage Easements, or Detention Basins shall be done under such contracting and bidding procedures as the Association shall determine are appropriate. If insurance proceeds available to the Association on account of damage or destruction exceed the cost of repair, reconstruction and replacement, the Association may use any such excess for future maintenance, repair, improvement and operation of any Association Properties, Drainage Easements, or Detention Basins. The Association may, through determination by the Board of benefit to the Association thereby, elect at its option to repair or replace areas damaged as described above, and is hereby granted the right to levy a Special Assessment for such purposes.

Section 6.18 Association Powers in the Event of Condemnation. If any Association Properties or interest therein are taken under exercise of the power of eminent domain or by purchase in lieu thereof, the award in condemnation or the price payable shall be paid to the Association, except to the extent payable to any other Person with an interest in such property including any Mortgagee of such Property. The Association shall have the exclusive right to participate in such condemnation proceedings and to represent the interests of all Owners therein and is hereby appointed as the attorney-in-fact for each Owner for such purpose. Any award or funds received by the Association shall be held as determined by the Board, as a reserve for future maintenance, repair, reconstruction or replacement of Association Properties or may be used for Improvements or additions to, or operation of, Association Properties. No Owner shall be entitled to participate as a party or otherwise in any condemnation proceedings.

Section 6.19 Title to Association Properties on Dissolution of Association. In the event of dissolution of the Association, except if such dissolution is in connection with a merger or consolidation of the Association with or into an entity created for a similar purpose, the Association Properties shall, to the extent reasonably possible, be conveyed or transferred to an appropriate public or governmental agency or agencies to be used for the common benefit of Owners for similar purposes for which the particular Association Property was held by the Association, or to a non-profit corporation, association, trust or other organization. To the extent the foregoing is not possible, the Association Properties shall be sold or disposed of and the proceeds from the sale or disposition shall be distributed to Members in proportion

to the number of Assessment Units of each Member, and determined in this Declaration.

Section 6.20 General Corporate Powers. The Association shall have all of the ordinary powers and rights of Texas non-profit corporation formed under the Texas Non-Profit Corporation Act, including, without limitation, entering into partnership and other agreements, subject only to such limitations upon such powers as may be set forth in this Declaration or in the Articles of Incorporation or Bylaws. The Association shall also have the power to do any and all lawful things which may be authorized, required or permitted to be done under this Declaration or the Articles of Incorporation and Bylaws and to do and perform any and all acts which may be necessary or desirable for, or incidental to, the exercise of any of the express powers or rights of the Association under this Declaration and the Articles of Incorporation and Bylaws.

ARTICLE VII

Assessments and Lien Therefor

Section 7.1 Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot which shall be or shall thereafter become subject to the assessments hereinafter provided for, by joining herein or by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association such Assessments as are fixed, established, and collected from time to time as hereinafter provided, together with such interest thereon and cost of collection thereof as are hereinafter provided for, all of which shall be a charge on and secured by a continuing lien upon the property against which each such assessment is made. All Assessments, together with such interest thereon and cost of collection thereof as are hereinafter provided for, shall also be and remain the personal obligation of the Person who is the Owner of such Lot at the time the Assessment becomes due and payable, notwithstanding any subsequent transfer of title to such property.

Such personal obligation shall not pass to such Owner's successors in title unless expressly assumed by them, but shall run with the Lot conveyed and be secured by the continuing lien referred to above.

Section 7.2 Operating Fund. The Association shall establish, in one or more accounts of the Association, a fund designated as the Operating Fund into which the Association shall cause to be deposited all Assessments exclusive of Reserve Fund Capitalization Fees and such portion(s) of Common Assessments as are from time to time designated by the Board for Reserves. The expenses of the regular operation of the Association, inclusive of

expenditures made for the purposes for Common Assessments as defined herein, but exclusive of replacements and repairs which the Board may determine to pay out of the Reserve Fund, are to be paid out of the Operating Fund.

Section 7.3 Reserve Fund. The Association shall establish, in one or more accounts of the Association, a fund designated as the Reserve Fund into which shall be deposited all Reserve Fund Capitalization Fees and all portions of any other Assessments designated by the Board for Reserves from time to time. Funds in the Reserve Fund shall be used for replacements and repairs of Common Areas, Drainage Easements and Detention Basins, and Improvements thereon, including but not limited to irrigation systems, which are not budgeted for or covered by the regular annual expenses to be paid out of the Operating Fund.

Section 7.4 Purpose of Annual Common Assessments. The Annual Common Assessments levied by the Association may be used (i) to acquire, improve, maintain, repair, secure, beautify, manage, operate, care for and maintain the Common Areas, Association Properties, Bulkhead, Universal Common Areas, and any street lights, signage, drainage or flood control facilities or properties in or adjacent to the Properties, and all Detention Basins, Drainage Easements, parks, greenbelts or spaces, or other open areas or property owned or leased by directly or indirectly the Association, or maintained for the direct or indirect benefit, in whole or in part, of Members of the Association, and all such other areas as the Board of Directors of the Association shall in its discretion determine; (ii) to pay taxes, utility charges and insurance premiums for the Association's operation and on any of such properties or improvements owned or leased by the Association or in which Members have easements, licenses or other rights to use; (iii) to promote the health, safety, convenience, enjoyment and welfare of the Members, such benefits to include, by way of illustration but not limitation, providing insect control, enforcing the provisions contained in this Declaration, employing, at the request of the Board of Directors, one or more architects, engineers, attorneys, and/or other consultants, for the purpose of advising such Architectural Committee or the Association, or otherwise acting for the benefit of the Members, (iv) providing for a reserve for Common Area, Drainage Easement, and Detention Basins maintenance repair and replacement, (v) paying the cost of labor, equipment (including expense of leasing any equipment), material, and any associated management or supervisory services and fees required for management and supervision of the Detention Basins, Drainage Easement, Common Areas, Common Facilities, and common Personal Property, (vi) paying the cost and fees of a manager or firm retained to carry out the duties of the Association or to manage the affairs and property of the Association, (vii) designing, purchasing and installing any improvements in addition to Declarant improvements to the Common Areas, Drainage Easement,

and Detention Basins, (viii) mowing and routine maintenance of the Common Areas, Drainage Easement, and Detention Basins, (ix) removing excess sedimentation and/or debris from the Common Areas, Drainage Easement, and Detention Basins, (x) repairing all areas of erosion within the Common Areas, Drainage Easement, and Detention Basins, (xi) lighting, improving and maintaining streets, alleyways, sidewalks, and paths in the Property, (xii) collecting and disposing of trash, garbage, ashes, rubbish and other similar materials, (xiii) payment of legal fees and expenses incurred to collect assessments and enforce this Declaration and to pursue or defend any legal or administrative action, (xiv) employing policemen or watchmen and/or guard service, (xv) payment of any expenses necessary for the Association, (xvi) payment of and providing for access control, and (xvii) carrying out the duties of the Board of Directors of the Association. The foregoing uses and purposes are permissive and not mandatory, and the decisions of the Board of Directors being final as long as made in good faith and in accordance with the By-Laws and all applicable governmental laws, rules and regulations.

Section 7.5 Annual Common Assessment. (a) Subject to the provisions of Section 7.8 hereof, the Association shall levy annual Common Assessments against all Class A Lots in accordance with the number of Assessable Units allocated to each such Lot determined in accordance herewith. Each Class A Lot shall be allocated one (1) Assessable Unit for each square foot of the main residential structure Dwelling Unit floor space area, including first and all stories above, but exclusive of porches or patios (whether open or screened) and the garage, terraces and driveways square footage. The initial square footage shall be as designated by the Builder on the construction plans specific to each such Lot. Changes in Dwelling Unit square footage occasioned by room additions or remodeling, as approved by the Architectural Committee, will be added to the initial square footage based on information made available by the Architectural Committee. Measurements by which square footage is calculated for purposes hereof shall be to the face of the outside walls of the main residential Dwelling Unit structure. Each Class A Lot shall be assessed \$0.22 in Annual Common Assessments for each Assessable Unit, subject to 7.5(b) below. Class B Lot Annual Common Assessments shall be as set forth in Section 7.8(b) hereof.

(b) The maximum annual Common Assessment may be increased by the Board of Directors of the Association without a vote of the Members of the Association, on or before the first day of July of each year, by an amount not in excess of Twenty percent (20%) of the amount of the maximum annual Common Assessment for the immediately preceding year's annual Common Assessment, which amount shall be determined by the Board from time to time and notice of same provided to the Members of the Association at the time of the increase. After consideration of current maintenance

costs and future needs of the Association, the Board of Directors may fix the annual Common Assessment at any amount not in excess of the maximum amounts permitted as provided above. The maximum annual Common Assessment may be increased above the above-mentioned percentage only by approval of two-thirds (2/3rds) of each class of Members in the Association entitled to vote present in person or by proxy and voting at a meeting duly called for this purpose. This increase shall become effective on the date specified in the resolution adopted at such meeting.

Section 7.6 Special Assessments. In addition to the annual Common Assessments provided for above, the Association may levy against each Lot, in any assessment year, one or more special assessments applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any acquisition, lease, construction, reconstruction, repair or replacement of any capital improvement upon or personal property for the Common Area, or any Drainage Easement, Detention Basins, or Bulkhead, including fixtures and personal property related thereto, any expense of obtaining legal services for the Association and/or of obtaining insurance coverage as required by this Declaration, or for any other purpose deemed by the Board to be of benefit to the Association or the Properties but which was not budgeted for within the annual Common Assessment, including applicable Reserve Funds. Any such assessment shall require the vote or written assent of two-thirds (2/3rds) of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose. Special Assessments shall be allocated and prorated among the Owners at the date such Special Assessment is levied in the same manner as Annual Common Assessment are allocated and prorated among the lots pursuant to Section 7.5(a) of this Article.

Section 7.7 Notice and Quorum for any Action Authorized Under Section 7.5(b) and 7.6. Written notice of any meeting called for the purpose of taking any action authorized under Section 7.5(b) or Section 7.6 shall be sent to all members not less than ten (10) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of the Members, either in person or by proxies entitled to cast twenty-five percent (25%) of all of the votes of each class of membership of the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting.

Section 7.8 Rate and Initial Commencement of Annual Common Assessment. (a) For purposes of Annual Common Assessments only, Lots shall be divided into two (2) classes: Class A Lots and Class B Lots. Class A Lots shall be (i) those Lots upon which a permanent Dwelling Unit and approved garage has been constructed

and title to such Lot has been conveyed to the purchaser of such completed residence ("Completed Residence"); and (ii) all other Lots which do not qualify as Class B Lots as provided herein. Class B Lots shall be all Lots which are owned by Declarant or Declarant's designated successors and assigns, a builder, building company or other like entity whose purpose for acquisition of the Lot is to build or cause to be built a Dwelling Unit thereon for sale to an unrelated third party ultimate owner/resident of such Dwelling Unit ("Builder"), whether or not improved by a completed, unoccupied residential structure, and shall include those Lots upon which substantially completed single family residential structure exists which structure is either occupied or used as a model home or sales site for a Builder as permitted in this Declaration ("Model Home"). Any residential occupancy of any Class B Lot shall automatically convert same to a Class A Lot. Determination of such residential occupancy and Builder status shall be made by the Board, whose decision shall be final in the Board's sole discretion.

(b) Annual Common Assessments on Class A Lots shall be the full amount of the Annual Common Assessment amount pursuant to Section 7.5(a) hereof, commencing as to each such Lot, on the earlier of the date of conveyance of such Lot and Completed Residence thereon to the resident owner thereof, or the date of occupancy of same as a residence. The Annual Common Assessment for each Class B Lot shall be at the rate of Two Hundred Fifty and No/100 Dollars (\$250.00) per year, commencing with the commencement of Assessments on the first Class A Lot in the same section in which the Class B Lot in question is annexed pursuant to this Declaration, with each Class B Lot to convert to a Class A Lot as and when such individual Lot is conveyed or becomes occupied as described in Section 7.8(a). Annual Common Assessments on all Lots as they commence, or on Lots as they convert to another lot classification for purposes of this Section 7.8, shall be payable upon such commencement or conversion, as the case may be, as provided herein, at the applicable rate provided for in this Section 7.8, in an amount proportionate to the days remaining in the calendar year of such conveyance or conversion. For purposes of this Section 7.8, the phrase "Declarant's designated successors and assigns" shall mean and refer only to such person(s) or entity(ies) as shall be named by Declarant as such in a "Designation of Successor or Assign" executed by Declarant and recorded in the Official Public Records of Real Property of Galveston County, Texas, as assuming the rights and duties of Declarant hereunder.

Section 7.9 Payment of Annual Common Assessments. The annual Common Assessment charge on Lots for all years after the initial commencement described in Section 7.8 above shall accrue and become due and payable in advance on the first day of July of each such succeeding year. The Board of Directors shall prepare

its annual budget and shall fix the amount of the annual assessment against each Lot as provided in Section 7.8 not later than April 30 of each calendar year, with notices thereof to go to all Lot Owners by June 1 of each calendar year. The Board, by resolution, may permit payment of same in installments as prescribed by the Board.

The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessments on a specified Lot have been paid. If any installment of any Assessment payment is less than the amount assessed, the receipt by the Association from that Owner shall be credited first to interest, attorneys' fees and other costs of collection, and next to principal reduction of Assessment obligations, satisfying the oldest obligations first, followed by more current obligations, in accordance with the foregoing order of priority.

Section 7.10 Reimbursement Assessments. The Board of Directors may levy a Reimbursement Assessment against any Member if the failure of the Member or any Related User of such Member to comply with this Declaration, the Articles of Incorporation, the Bylaws, any Architectural Control Guidelines, or the Rules and Regulations shall have resulted in the incurring or expenditure of expense or funds, or in the determination that costs will be incurred or funds will be expended, by the Association, to cause such compliance or to correct the effects of any such non-compliance. Such Assessment shall be known as a "Reimbursement Assessment" and shall be levied only after not less than thirty (30) days written notice and a hearing opportunity in front of the Board. The amount of the Reimbursement Assessment shall be due and payable to the Association thirty (30) days after notice to the Member of the decision of the Board of Directors that the Reimbursement Assessment is owing which shall be made following such hearing opportunity.

Section 7.11 Operating Fund Capitalization Fee. Upon the transfer of ownership of any Lot by a Builder ("Transfer"), the Lot shall be subject to an Assessment of an Operating Fund Capitalization Fee in the amount provided herein, which fee shall be an Assessment for all purposes under this Declaration. Such fee shall be in an amount equal to one-half (1/2) of the amount of the annual Common Assessment for such Lot as provided in Section 7.5(a) hereof, shall be due and payable upon the date of the Transfer thereof, and shall be deposited in the Operating Fund of the Association. Such fee is in addition to the annual Common Assessment assessed against each Lot. Notwithstanding the foregoing, no such fee shall be chargeable upon any transfer of any Lot from Declarant to a Builder.

Section 7.12 Reserve Fund Capitalization Fee. Upon the transfer of ownership of any Lot by a Builder ("Transfer"), the Lot shall be subject to an Assessment of a Reserve Fund Capitalization

Fee in the amount provided herein, which fee shall be an Assessment for all purposes under this Declaration. Such fee shall be in an amount equal to one-quarter (1/4) of the amount of the annual Common Assessment for such Lot as provided in Section 7.5(a) hereof, shall be due and payable upon the date of the Transfer thereof, and shall be deposited in the Reserve Fund of the Association. Such fee is in addition to the annual Common Assessment assessed against each Lot. Notwithstanding the foregoing, no such fee shall be chargeable upon any transfer of any Lot from Declarant to a Builder.

Section 7.13 Effect on Non-payment of Assessments - Remedies of the Association. (a) Any Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of the lesser of eighteen percent (18%) per annum or the maximum lawful rate chargeable by the Association for such delinquent accounts under applicable state or federal law, or eighteen percent (18%), if there is no such maximum lawful rate, and the Owner obligated to pay such Assessment shall, in addition, pay all costs of collection of same and (to the extent not limited or prohibited by applicable law), shall also pay a late charge of \$10.00 for each Assessment or installment thereof which remains past due for more than ten (10) days after the due date thereof. If any Assessment (or any installment thereof, if payable in installments) is not paid within thirty (30) days after its due date, the Board of Directors may mail a notice of default to the Owner of the Lot. The notice shall specify (i) the fact that the Assessment, or installment thereof, is delinquent; (ii) the action required to cure the default; (iii) a date, not less than thirty (30) days from the date the notice is mailed to the Member, by which such default must be cured; and (iv) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the Assessment or the installments of the Assessment for the then current calendar year and the filing of a notice of lien and/or foreclosure of the lien for the Assessment against the Lot. If the delinquent Assessment or installment and any late charges or interest thereon or any attorney fees incurred in connection therewith are not paid in full on or before the date specified in the notice, the Board, at its option, may declare all of the unpaid balance of the Assessment and all late charges, interest and attorneys fees to be immediately due and payable without further demand and may enforce the collection of the full Assessment and all late charges, interest and attorneys fees in any manner authorized by law or by this Declaration. The Association may bring an action at law against the Owner personally obligated to pay the same, and/or foreclose the lien granted hereby against the Lot.

(b) Each such Owner, by his or her acceptance of a deed to a Lot, hereby expressly vests in the Association, or its agents, the right and power to bring all legal actions against such Owner personally for the collection of such charges and fees, and all

costs of such collection, as a debt. Each Assessment levied hereunder shall be a separate, distinct and personal debt and obligation of the Owner or Member against whom the same is assessed. In the event of a default in payment of any Assessment or installment thereof, whether Common, Special or Reimbursement, the Board may, in addition to any other remedies provided under this Declaration or by law, enforce such obligation on behalf of the Association by suit and/or by filing and foreclosure of the lien as herein provided and as permitted by law. In order to secure the payment of the Assessments hereby levied, a vendor's lien is hereby reserved in each Deed from the Declarant to the Owner of each Lot, which lien shall be enforceable through appropriate legal action by the Association. As additional security for the payment of the Assessments hereby levied, each Owner of a Lot, by such party's acceptance of a Deed thereto or joinder in this Declaration, hereby grants the Association a lien on such Lot. Except as otherwise required by law, such lien may be foreclosed on by non-judicial foreclosure and pursuant to the provisions of Section 51.002 of the Texas Property Code (or any successor statute) with the individual who is President or any Vice President of the Association at the time of the enforcement of such lien being hereby designated as the Trustee for purposes of foreclosing such lien, and with the right of the Board of Directors to designate a substitute trustee (which may be any officer or director of the Association) without any action other than a designation of such substitute trustee in written instrument recorded in the Office of the County Clerk of Galveston County, Texas; and each such Owner hereby expressly grants the Association a power of sale in connection therewith.

(c) The Association shall, whenever it proceeds with non-judicial foreclosure pursuant to the provisions of said Section 51.002 (or any successor statute) and said power of sale, file a written instrument in the Office of the County Clerk of Galveston County, Texas disclosing the name of the individual who is at such time president or vice presidents of the Association and the name of the trustee who shall, if no substitute is designated, post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. In the event that 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, 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 on which said sale is scheduled by posting such notice through the United States Postal Service, postage prepaid, registered and certified, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Association. Out of the proceeds of such sale, there shall first be paid all expenses incurred by the Association in connection with such default, including

reasonable attorneys' fees and a reasonable trustee's fee; 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 shall be paid to such Owner or other parties legally entitled thereto. Following any such foreclosure, each occupant of any such Lot 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, including a judgment for possession and any action of forcible detainer and the issuance of writ of restitution thereunder. No Owner may waive or otherwise escape liability for the Assessments provided for herein or costs of collection of same by non-use of the Common Area or abandonment of his or her Lot.

(d) In addition to the rights of the Board to enforce the Assessments in the manners described in this Declaration, the Board may elect to file a claim or assert its lien against the Lot of the delinquent Owner or Member by recording a notice ("Notice of Lien") setting forth (i) the amount of the claim of delinquency, (ii) the interest and costs of collection which have accrued thereon, (iii) the legal description and street address of the Lot against which the lien is claimed and (iv) the name of the record owner thereof. Such Notice of Lien shall be signed and acknowledged by an officer of the Association or other duly authorized agent of the Association. The lien shall continue until the amounts secured thereby and all subsequently accruing amounts are fully paid or otherwise satisfied. When all amounts claimed under the Notice of Lien and all other costs and assessments which may have accrued subsequent to the filing of the Notice of Lien have been fully paid or satisfied, the Association shall execute and record a notice releasing the claim upon payment by the Owner of a reasonable fee as fixed by the Board of Directors to cover the preparation and Recordation of the release of such claim. If amounts secured by such lien are not satisfied within the time therefor set forth in notice to the delinquent Owner, the Association may proceed to enforce such lien under applicable law or this Section 7.13.

Section 7.14 Texas Residential Property Owners Protection Act. Notwithstanding any of the foregoing, nothing contained herein shall abrogate any right of an Owner required by Chapter 209 of the Texas Property Code (The Texas Residential Property Owners Protection Act) as amended (The "Act"), and any provisions hereof which are not valid under The Act shall not be enforceable, but such invalidity or unenforceability shall not affect any other provision in this Declaration.

Section 7.15 Subordination of the Lien to First Mortgages. The lien for the Assessments provided for herein shall be subordinate to the lien of any first mortgage on any Lot given for purchase money and/or construction funds of the Lot and

Improvements thereon. Sale or transfer of any Lot shall not affect the Assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof on the basis of any lien to which the Assessment Lien is subordinate as provided above shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any Assessments thereafter becoming due, or from the lien securing same, nor shall same relieve the prior Owner of such Lot from personal liability for Assessments which accrued prior to such sale or transfer.

Section 7.16 Exempt Property. All Declarant Owned Acreage, Common Areas and all properties dedicated to, and accepted by, a local public authority and all properties owned by the Association or a charitable or non-profit organization exempt from taxation by the laws of the State of Texas shall be exempt from all Assessments. Notwithstanding the foregoing, no land or improvements devoted to dwelling use on any of such properties shall be exempt from such Assessments.

Section 7.17 No Offsets. All Assessments shall be payable in the amounts specified in the levy thereof, and no offsets or reduction thereof shall be permitted by any reason including, without limitation, any claim that the Association or the Board of Directors is not properly exercising its duties and powers under this Declaration, or any claim by the Owner of non-use of the Association Properties or abandonment of his Lot, or any claim by any Owner of inconvenience or discomfort arising from the making of repairs or Improvements to Association Properties or Common Areas, or from any action taken to comply with any law or any determination of the Board of Directors or for any other reason.

Section 7.18 Notice of Transfer. In the event of any sale, gift, conveyance or other transfer of a Lot, the transferor and the transferee of the Lot which is the subject of any such sale, gift, conveyance or transfer shall notify the Association in writing of such sale, gift, conveyance or other transfer, stating the name and address of the transferor, the name and address of the transferee, the date of the sale, gift, conveyance or other transfer, and providing a legal description of the Lot which is the subject of such sale, gift, conveyance or other transfer, together with a legible copy of the written instrument of sale, gift, conveyance or other transfer, all within ten (10) calendar days after the date of any such sale, gift, conveyance or other transfer. No sale, gift, conveyance or other transfer shall be effective as to the Association to relieve the Owner (transferor) of the Lot of the duties, obligations, liens, charges, assessments and undertakings of such Owner by virtue of his ownership of a Lot accruing after any transfer as aforesaid, or portion thereof, until such notice has been provided to the Association.

Section 7.19 Limited Liability. It is understood that the judgment of the Association, its successors, legal representatives and assigns, in the allocation and expenditure of the Assessments shall be final so long as such judgment is exercised in good faith. Neither the Association, the Board of Directors, nor any Director, shall have any liability to any person or entity under any theory or circumstance for any error or judgment, action or inaction of the Association, the Board of Directors, or any Director. The enumeration of the services for which the Assessments may be expended carries no obligation to furnish any of such services except to the extent of funds actually received by the Association.

The Association, in furtherance of the provisions of this Section, shall have the right, at Association expense, to maintain policies of insurance on all of the Directors of the Board of Directors against any and all liability incurred by them in performance of their duties hereunder.

ARTICLE VIII **Architectural Review**

Section 8.1 Designation of Architectural Committee. The Association shall have an Architectural Review Committee (also sometimes called the "Architectural Committee") which shall consist of three (3) members who shall be natural persons, and who need not be Members of the Association, and who may be directors of the Association. The initial members of the Architectural Committee shall be appointed by Declarant, and shall be T.E. Brooker, Jerry Jones, and Robert B. Douglas, Jr., and shall serve until their death or resignation. In the event of death or resignation of any member of said committee, the remaining member(s) shall have full authority to appoint successor member(s), who shall thereupon succeed to the powers and authority of the Architectural Committee Member(s) so replaced. Powers and duties of the named committee and any designated representative or successor member thereof shall, on the first to occur of January 1, 2017 or one (1) year following the date upon which Declarant no longer owns any Lot or Declarant Owned Acreage, pass to a committee of three Owners of Lots in the Properties, which shall be elected by majority vote of Board of Directors; provided, however, that until such election or appointment, as the case may be, is made, the persons constituting said committee on said date shall continue to exercise such powers and duties until such time as their successors are elected or appointed, as the case may be.

Section 8.2 Architectural Committee Approval. No Improvement shall be erected, placed or altered on any Lot until the building plans and specifications and a plot plan showing the design, materials and locations of such proposed Improvement has been approved in writing, (including but not limited to approval as to conformity with all Architectural Control Guidelines, and as to

harmony of external design with any existing structures within the Properties and as to location with respect to topography and finished grade elevation), by the Architectural Committee or approved in writing as aforesaid by a representative designated by a majority of the members of said committee. In the event said committee or its designated representative fails to approve or disapprove such design, materials and location plan within sixty (60) days after plans and specifications complying with Section 8.4 hereof have been submitted to the Architectural Committee, such approval will be deemed, and this covenant will be deemed to have been fully complied with, PROVIDED THAT the Architectural Committee shall have no right or power, either by action or failure to act, to waive or grant any variance from the requirements of this Declaration or the Annexation Agreement applicable to a particular Lot except in accordance with Section 8.14 hereof. All decisions of such committee shall be final and binding and there shall be no revision of any action of such committee except by procedure for injunctive relief when such action is patently arbitrary and capricious. Members of said committee shall not be liable to any persons subject to, or possessing or claiming the benefits of, these restrictive covenants for any damage or injury to property or for any other loss arising out of their acts hereunder; it being understood and aggrieved party's remedies shall be restricted to injunctive relief and no other. The members of such committee shall not be entitled to any compensation exclusively for services performed pursuant to this article.

Section 8.3 Improvement to Property for Certain Purposes Defined. "Improvement to Property" for purposes of requiring approval of the Architectural Committee, shall, mean and include, without limitation: (i) the construction, installation, erection or expansion of any building, structure or other Improvement, including utility facilities; (ii) the demolition or destruction, by voluntary action, of any building, structure or other Improvements; (iii) the grading, excavation, filling or similar disturbance to the surface of the land in the Properties including, without limitation, change of grade, change of ground level, change of drainage pattern or change of stream bed; (iv) any change or alteration of any previously approved Improvement, including any change of exterior appearance, or the use of any color or texture not expressly permitted by the applicable Annexation Agreement or the Rules and Regulations, or the Architectural Control Guidelines; and (v) all "Improvements" as defined in Section 2.23 hereof.

Section 8.4 Content and Submission of Plans. (a) Prior to commencement of work to accomplish any proposed Improvement to Property, the Person proposing to make such Improvement to Property ("Applicant") shall submit to the Architectural Committee the written approval of the Owner of the Lot upon which the proposed Improvements are to be made (if the Applicant is not also the Owner), and one copy of such descriptions, surveys, plot plans,

drainage plans, elevation drawings, construction plans, specifications and samples of materials and colors as the Architectural Committee shall reasonably request showing the nature, kind, shape, height, width, color, materials, and location of the proposed Improvement. The plans and specifications required by the Architectural Committee to be submitted and approved may include, without limitation, the following:

- i. A plot plan showing the location of all improvements, structures, distances (with dimension lines) of residence and garage from front and rear building lines, building setbacks, easements and R.O.W., utility service locations including air conditioning units, walks, patios, driveways, fences and walls. Trees and finished grades shall be shown as well as slab elevations for the proposed improvements. Lot drainage provisions shall be indicated as well as cut and fill details if any applicable change in the Lot contours is contemplated.
- ii. Exterior elevations.
- iii. Exterior materials, colors, textures, and shapes.
- iv. Structural design.
- v. Landscaping plans.
- vi. Plans for walkways, fences and walls and elevation in both the front and back yards. Watering systems, vegetation and ground cover for front yard and back yards.
- vii. Parking area and driveway plan.

(b) The Applicant shall be entitled upon written request to receive a receipt for the same from the Architectural Committee or its authorized agent. The Architectural Committee may require submission of additional plans, specifications or other information prior to approving (or deemed approval) or disapproving the proposed Improvement to Property. Until receipt by the Architectural Committee of all required materials in connection with the proposed Improvement to Property, the Architectural Committee may postpone review of any materials submitted for approval.

Section 8.5 Criteria for Approval. The Architectural Committee shall approve any proposed Improvement to Property only if it deems in its sole discretion that the Improvement to Property in the location indicated will not be detrimental to the appearance

of the surrounding areas of the Properties as a whole; that the appearance of the proposed Improvement to Property will be in harmony with the surrounding areas of the Properties, including, without limitation, adequacy of site dimensions, structural design, quality of materials, location, relation of finished grades and elevations to neighboring sites, conformity with all applicable provisions of this Declaration and the applicable Annexation Agreement, and all Rules and Regulations and Architectural Control Guidelines, topography and finished grade elevation; that the Improvement to Property will comply with the provisions of this instrument, the applicable Annexation Agreement, the applicable Plat, all ordinances, governmental rules and regulations, and the Architectural Control Guidelines promulgated and amended from time to time by the Architectural Committee; that the Improvement to Property will not detract from the beauty, wholesomeness and attractiveness of the Properties or the enjoyment thereof by Owners; and that the upkeep and maintenance of the proposed Improvement to Property will not become an unreasonable burden on the Association. The Architectural Committee may condition its approval of any proposed Improvement to Property upon the making of such changes therein as the Architectural Committee may deem appropriate.

Section 8.6 Committee Guidelines or Rules. The Architectural Committee may issue guidelines or rules relating to the procedures, materials to be submitted and additional factors which will be taken into consideration in connection with the approval of any proposed Improvement to Property, such guidelines to be in addition to the Architectural Control Guidelines, and are incorporated herein by reference.

Section 8.7 Architectural Review Fee. The Architectural Committee may, in its guidelines or rules, or otherwise provide for the payment of a fee to accompany each request for approval of any proposed Improvement to Property. The Architectural Committee may provide that the amount of such fee shall be uniform for similar types of any proposed Improvement or that the fee shall be determined in any other reasonable manner, such as based upon the reasonable cost of the proposed Improvement.

Section 8.8 Decision of Committee. The Architectural Committee shall make a decision within sixty (60) days after receipt by the Architectural Committee of all materials required by the Architectural Committee. The decision shall be in writing and, if the decision is not to approve a proposed Improvement to Property, reasons therefor shall be stated. The decision of the Architectural Committee shall be promptly transmitted to the Applicant at the address furnished by the Applicant to the Architectural Committee.

Section 8.9 Prosecution of Work After Approval. After approval of any proposed Improvement to Property, the proposed Improvement to Property shall be accomplished as promptly and diligently as possible and in strict conformity with the description of the proposed Improvement to Property and any materials submitted to the Architectural Committee. Failure to complete the proposed Improvement to Property within one (1) year after the date of approval (or such later date as may be permitted in writing by the Architectural Committee or set forth in any deed of the Lot from Declarant to the Owner thereof, or in the Annexation respecting such Lot), subject to delays for non-financial condition-related causes beyond the reasonable control of the Owner (provided that the Owner takes reasonable steps to minimize the effects of any circumstance causing such delay ["force majeure delays"]), or to complete the Improvements to Property in strict conformity with the description and materials furnished to the Architectural Committee, shall operate automatically to revoke the approval of the proposed Improvement to Property.

Section 8.10 Inspection of Work. The Architectural Committee or its duly authorized representative shall have the right to inspect any Improvement prior to and/or after completion thereof.

Section 8.11 Notice of Non-compliance. If, as a result of inspections or otherwise, the Architectural Committee finds that any Improvement to Property has been done without obtaining the approval of the Architectural Committee or was not done in strict conformity with the plans, description and materials furnished by the Applicant to the Architectural Committee or was not completed within one (1) year after the date of approval by the Architectural Committee or such other period of time as provided for herein, the Architectural Committee shall notify the Applicant in writing of the noncompliance (the "Notice of Noncompliance"). The Notice of Noncompliance shall specify the particulars of the noncompliance and shall require the Applicant to take such action as stated by the Architectural Committee as being necessary to remedy the noncompliance.

Section 8.12 Correction of Non-compliance. If the Architectural Committee determines that a noncompliance exists, the Applicant shall remedy or remove the same within a period of not more than forty-five (45) days from the date of receipt by the Applicant of the Notice of Noncompliance. If the Applicant does not comply within such period, the Architectural Committee shall so notify the Board, and the Board may, at its option, record in the Office of the County Clerk of Galveston County, Texas, a Notice of Noncompliance against the real property on which the noncompliance exists, and may remove or cause the removal of the noncomplying Improvement to Property and/or may otherwise remedy the noncompliance, and the Applicant shall reimburse the Association

upon demand for all expenses incurred by the Association in connection therewith. If such expenses are not promptly repaid by the Applicant or Owner to the Association, the Board may levy a Reimbursement Assessment against the Owner of the Lot for such costs and expenses. The right of the Association to remedy or remove any noncompliance shall be in addition to all other rights and remedies which the Association may have at law, in equity, or under this Declaration.

Section 8.13 No Implied Waiver or Estoppel. No action or failure to act by the Architectural Committee or by the Board of Directors shall constitute a waiver or estoppel with respect to future action by the Architectural Committee or the Board of Directors with respect to any Improvement to Property. Specifically, the approval by the Architectural Committee of any Improvement shall not be deemed a waiver of any right or an estoppel to withhold approval or consent for any similar Improvement to Property or any similar proposals, plans, specifications or other materials submitted with respect to any other Improvement to Property by such Person or otherwise.

Section 8.14 Committee Power to Grant Variances. The Architectural Committee may authorize variances from compliance with restrictions upon height, size, floor area or placement of Improvements (subject to approval of the City of League City as to any set-back line variances) or the time for completion of construction of Improvement to Property, or any provision of the Architectural Control Guidelines, if any, when circumstances, including topography, natural obstructions, hardship, aesthetic or environmental considerations, may require. Such variances must be evidenced in writing and shall become effective when signed by at least a majority of the members of the Architectural Committee. If any such variance is granted, no violation of the provisions of this Declaration or any Annexation Agreement or the Architectural Control Guidelines shall be deemed to have occurred with respect to the matter for which the variance was granted; provided, however, that the granting of a variance shall not operate to waive any of the provisions of this Declaration or any Annexation Agreement or the Architectural Control Guidelines for any purpose except as to the particular property and particular provision thereof covered by the variance, nor shall the granting of any variance affect the jurisdiction of any committee having jurisdiction, nor shall the granting of a variance affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the property concerned, including, but not limited to, zoning ordinances or requirements imposed by any governmental authority having jurisdiction.

Section 8.15 Non-liability. Neither the Architectural Committee, the Association, the Board of Directors, Declarant, nor

any member, representative or counsel of any of same, shall be liable for any loss, damage or injury arising out of or in any way connected with the approval, disapproval, or failure to approve or disapprove of any plans or specifications or requests submitted or submittable under the terms hereof, or out of the performance or non-performance of the duties of the Architectural Committee, unless due to the willful misconduct or bad faith of the party to be held liable. In reviewing any matter, the Architectural Committee shall not be responsible for reviewing, nor shall its approval of an Improvement to Property be deemed approval of, the Improvement from the standpoint of safety, whether structural or otherwise, or conformance with building codes or other governmental laws or regulations. Every person who submits plans or specifications to the Architectural Committee for approval agrees by submission of such plans and specifications, and every Owner agrees, that he will not bring any action or suit for damages against Declarant, the Association, Board of Directors, the Architectural Committee, or any of the members thereof.

Section 8.16 Devices Regulated Under The Telecommunications Act of 1996. Notwithstanding anything in this Declaration to the contrary, no provision of this Declaration shall be applied to such television antennas, satellite dishes less than one meter in diameter, or multipoint distribution service antennas less than one meter in size (collectively, "Devices") as are protected under the Telecommunications Act of 1996 (as amended) (the "Act") or under the applicable regulations issued from time to time by the Federal Communications Commission ("FCC") pursuant to the Act ("Regulations") from unreasonable restrictions, as defined in the Regulations and all interpretive rulings thereunder ("Rulings"). Without limiting the generality of the foregoing, no restriction, covenant, condition or provision of this Declaration shall be applied to any of the Devices if such application would (a) impair reception of an acceptable quality signal to a Lot, (b) unreasonably prevent or delay installation, maintenance or use of a Device, or (c) unreasonably increase the cost of installing, maintaining or using a Device. Specifically, no prior approval, application or permit process shall be required of any Device, where such prior approval, application or permit process would be in violation of the Act, Regulations or Rulings from time to time in effect.

Section 8.17. Approved General Contractors. No construction of a building, structure, fence, wall, or other Improvement shall be commenced on any Lot until the general contractor to perform such construction shall have been approved in writing by the Architectural Committee, which approval shall not be unreasonably withheld. In the event the Committee fails to approve or disapprove a general contractor within fifteen (15) working days after his name is submitted to it, approval will not be required

and the provisions of this Section 8.17 will be deemed to have been fully satisfied.

Section 8.18. Rules and Regulations, Minimum Construction Standards. The Architectural Committee may from time to time, in its sole discretion, adopt, amend and repeal rules and regulations interpreting and implementing the provisions hereof. Likewise, the Architectural Committee may from time to time promulgate an outline of minimum acceptable construction standards by way of Architectural Control Guidelines; provided, however, that such outline shall serve only as a minimum guidelines and the Architectural Committee shall not be bound thereby or prohibited from proposing additional (even more stringent) requirements or adopting amendments to such minimum construction standards to relax, reduce or otherwise modify such standards from time to time.

Section 8.19. Remodeling, Renovation and Redecorating of Exterior Walls. No remodeling, renovation or redecoration of any exterior wall of any Dwelling Unit or other Improvement on a Lot which in any manner changes the visual appearance of such exterior wall or other surface (including, but not limited to, changing the color, appearance, texture or reflective character of any exterior surface; the addition or alteration of shutters, awnings or other window coverings; or the addition of wall applications) shall be allowed until the plans and specifications describing the work to be performed have been approved in writing by the Architectural Committee as provided in this Article VIII. Such remodeling, renovation or redecoration shall, for the purposes hereof, be deemed to constitute an alteration of the Improvements subject to the provisions of this Article VIII.

ARTICLE IX

Protective Covenants and Use Restrictions

All of the Properties shall be held, used and enjoyed subject to the covenants and restrictions in this Declaration (including, without limitation, the provisions relating to architectural approval of Improvements), as well as the following covenants, limitations and restrictions (all of which shall be deemed to run with the land), subject to the exemptions of Declarant expressly set forth in this Declaration.

Section 9.1 Residential Use. (a) Each Lot shall be used exclusively for single family residential use (subject to Section 9.23) and shall be improved as approved by the Architectural Committee with a Dwelling Unit and a garage approved in accordance with Article VIII hereof, and shall be used solely for one (1) Common Household Group for residential living purposes and such purposes as are customarily incident thereto; but shall not be used at any time for business, commercial, educational, church or

professional activities; provided, however, an Owner of a Lot may use his or her Dwelling Unit for 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 is no external evidence thereof (such as signs advertising a business or consultation in person with clients or customers at the Lot) and no unreasonable inconvenience to such Owner's neighbors is created. It is provided further, however, that a Builder who owns a Lot and who has constructed thereon a Dwelling Unit as permitted under this Declaration may, for a period not in excess of sixty (60) months from the date of such Builder's acquisition of such Lot, cause the Dwelling Unit constructed thereon to be used as a model home or similar sales site for other Dwelling Units built or to be built by such Builder on other Lots owned or to be acquired by such Builder within the Properties, but such use shall be subject to such rules and regulations therefor as established from time to time by the Board of Directors of the Association.

(b) No commercial or multifamily use, nor any multifamily Dwelling Unit, nor any Improvement designed for or used for any commercial purpose, shall be permitted on any Lot, or on any real property with the Association Area.

Section 9.2 No Hanging Articles. No clotheslines and no clothing or household fabrics or other articles shall be hung, dried or aired on any Lot in such a way as to be visible from other Lots or from any streets, roads or Common Area.

Section 9.3 No Further Subdivision. No Lot or Dwelling Unit or garage thereon may be further subdivided nor may any easement or other interest therein less than the whole (including any timeshare estate) be conveyed by the Owner thereof (including the Association but excluding Declarant), without the prior written approval of the Architectural Committee. Nothing in this Section 9.3 shall be deemed to prevent an Owner from, or require the approval of the Architectural Committee for, (a) selling or leasing of an entire Lot together with all Improvements thereon, or (b) transferring or selling any entire Lot together with all Improvements thereon to more than one Person to be held by them as tenants in common, joint tenants or tenants by the entirety.

Section 9.4 View Restrictions. No vegetation, landscaping or other Improvements shall be planted, constructed or maintained upon any Lot in such location or of such heights as to unreasonably obstruct the view from any other Lot or any Common Area in the vicinity thereof, or to create a condition deemed by the Board to be hazardous for the users of the sidewalks or streets within the Properties. In the event of a dispute between Owners as to the obstruction of a view from a Lot, street, sidewalk or Common Area,

or the creation of a hazardous condition, such dispute shall be submitted to the Board, whose decision in such matters shall be final and binding and not subject to appeal of any kind. The Board may request an Owner to remove or otherwise alter any obstruction to the view from the Lot, street, sidewalk or Common Area, or any hazardous condition. Any such obstruction or hazardous condition shall, upon request of the Board, be removed or otherwise altered to the satisfaction of the Board, by the Owner of the Lot upon which said obstruction is located, at Owner's sole cost; provided, however, in the event the Owner fails to promptly remove or otherwise alter such obstruction or hazardous condition, the Association shall have the right to remove such obstruction or hazardous condition, charging the entire cost thereof to the Owner. Such costs shall be a Reimbursement Assessment and shall create a lien and personal obligation enforceable in the manner set forth in this Declaration.

Section 9.5 Landscaping. (a) No plant or vegetation may be installed on any Lot except in accordance with a plan for the landscaping for such Lot approved by the Architectural Committee. Within sixty (60) days after recordation of a deed of a Lot to an Owner, such Owner shall install and shall thereafter maintain the landscaping on such Lot in a neat and attractive condition, including all landscaping and gardening necessary to properly maintain (including periodically replacing when necessary) any trees, plants, grass and other vegetation which may be originally placed on such Lot by Declarant or a Builder, or otherwise required by the Architectural Committee, Architectural Control Guidelines, or the Rules and Regulations.

(b) Without in any way limiting the generality of the foregoing, trees which are planted in satisfaction of the requirements of the Architectural Committee, Architectural Control Guidelines or the Rules and Regulations, and which tree or trees subsequently die or are uprooted for any reason, must be replaced by a tree of like type and of a size not less than that originally planted in compliance with the aforesaid requirements, within thirty (30) days after the occurrence of any such death or uprooting. In the event that any Owner shall fail to install and/or maintain landscaping in conformance with such rules and regulations promulgated by the Architectural Committee to regulate landscaping permitted and required on Lots, or other requirements of the Architectural Committee, or shall allow his landscaping to deteriorate to a condition which is, in the opinion of the Board or Architectural Committee, dangerous, unsafe, unsightly or unattractive, the Board, upon thirty (30) days prior written notice to such Owner, shall have the rights as hereinafter described; provided, however, in the event that any Owner shall fail to mow and keep trimmed and neat the lawn and grass areas on his Lot or otherwise permit any of said lawn and grass area to deteriorate to a condition deemed by the Board to be unsightly or unattractive,

the Board upon ten (10) days prior written notice to such Owner, shall have the rights as hereinafter described. The Board shall have the right, upon the appropriate above-described written notice to an Owner, either (i) to seek any remedies at law or in equity which it may have to correct such conditions, or (ii) after ten (10) days written Notice to such Owner and an opportunity for Hearing in front of the Board (herein, "Notice and Hearing"), to enter upon such Owner's Lot for the purpose of correcting such condition, and such Owner shall promptly reimburse the Association for the costs thereof, or (iii) impose such fines and penalties as exist under this Declaration, the Bylaws, or the Rules and Regulations or the Association, and/or (iv) any combination of the foregoing. Such cost, as described in (ii) above, shall be a Reimbursement Assessment and shall create a lien and personal obligation enforceable in the manner set forth in this Declaration.

Section 9.6 Vehicle Restriction. No recreation vehicle, camper, camper not on a truck, boat, personal watercraft, mobile home, horse trailer, or other trailer, tractor, motor home or truck (other than a pickup truck or van) shall be stored or shall be parked for longer than twelve (12) hours on or about any Lot or Common Area, (including driveways) or on any public or private road or street in such a manner as to be visible from any other Lot or from any portion of the Common Area. Any such vehicle may be kept only within a garage, an enclosed or partially enclosed structure approved by the Architectural Committee or within a parking area designated by the Association for the storage and parking of such vehicles. No inoperable vehicle or vehicle kept stationary for a period in excess of forty-eight (48) hours shall be allowed to remain on any portion of the Properties or on any Lot, street or road in such a manner as to be visible from any Lot (other than the Lot on which such vehicle is located), or from any street or portion of the Common Area. No vehicle, including, but not limited to, motorcycles, motorbikes, bicycles, automobiles, trucks, boats, personal watercrafts and trailers, may be kept or used anywhere within the Properties in violation of any applicable Rules and Regulations. Such Rules and Regulations, among other things, may prohibit the keeping or use of motorcycles, motorbikes, dune buggies, golf carts or other vehicles, or may limit their use, and may regulate places of parking of vehicles. Any vehicle found to be in violation of any of the provisions of this section 6.6 may be towed away by or on behalf of the Association at the expense of the owner of such vehicle or of the Owner of the Lot, if any, at which such vehicle is located. Such cost shall be a Reimbursement Assessment and shall create a lien and personal obligation enforceable in the manner set forth in this Declaration.

Section 9.7 Animals. No animals of any kind shall be raised, bred or kept in the Properties except as hereinafter provided. A reasonable number of dogs, cats or other common household pets may be kept on a Lot, provided that (a) they are not

kept, bred or maintained for commercial purposes, (b) they do not make objectionable noises, create any odor, or otherwise constitute a nuisance to other Owners, (c) they are kept within an enclosed yard on the Lot occupied by the Owner of such pets or on a leash being held by a Person capable of controlling the animal, and (d) they are not in violation of any municipal code or ordinance or of any other provision of this Declaration or such limitations as may be set forth in the Rules and Regulations. A "reasonable number" as used in this Section 9.7 shall ordinarily mean no more than two (2) pets per Lot; provided, however, that the Board of Directors (or the Architectural Committee or such other Person as the Board may from time to time designate) may from time to time determine that a reasonable number in any instance may be more or less than two (2). The Association, acting through the Board, shall have the right to prohibit the keeping of any animal which, in the sole opinion of the Board, is not being maintained in accordance with the foregoing restrictions or any applicable Rules and Regulations.

Each Owner and/or Related User maintaining any animal shall be liable in accordance with the laws of the State of Texas to each and all remaining Owners and Related Users of such Owners for any damage to person or property caused by any such animal; and it shall be the absolute duty and responsibility of each such Owner or Related User to clean up after such animals to the extent they have used any portion of any Lot, street, or any Common Areas. If any such Owner or Related User fails to so do, the Association shall have the right to perform such duty on such Owner's behalf, and such Owner shall promptly reimburse the Association for the costs thereof (in addition to other rights and remedies of the Association). Such cost shall be a Reimbursement Assessment following Notice and Hearing, and shall thus become a lien and personal obligation enforceable in the manner set forth in this Declaration.

Section 9.8 Restriction on Exterior Lighting. Except as may be approved in advance in writing by the Architectural Committee, no exterior lighting shall be permitted on any Lot or otherwise anywhere within the Properties, including lighting to accent landscaping features, lights at entrance doors to structures, lights at entrances to any Lot, lights along paths or driveways and lights to illuminate permitted signs. Approval shall be given only if such lights shall be of attractive design and shall be as small in size as is reasonably practical and shall be placed or located as directed or approved in writing by the Architectural Committee, and shall not allow light reflection or glare to be discernible at an unreasonable level from any place off the Lot where such lighting exists.

Section 9.9 Casualty Insurance for Improvements. Each Owner of a Lot shall be obligated to obtain and keep in full force and effect at all times casualty insurance with respect to all insurable Improvements on the Lot for the full replacement value

thereof, including coverage for fire and extended coverage, vandalism and malicious mischief and, if reasonably available and if deemed appropriate by the Association as evidenced by resolution of the Board of Directors, flood, windstorm, fire, earthquake or war risk coverage. In the event of damage or destruction to any Improvements, within thirty (30) days of such occurrence, either: (a) the proceeds of such insurance shall be applied by the Owner thereof, to the extent necessary, to cause the damaged or destroyed Improvement to be restored or replaced to its original condition or such other condition as may be approved in writing by the Architectural Committee, or (b) the Owner shall cause the damaged or destroyed Improvement to be demolished and the Lot to be suitably landscaped, as approved by the Architectural Committee, so as to present a pleasing and attractive appearance, and thereafter, shall cause the Lot to be well maintained, mowed, and edged to conform to occupied Lots in the immediate vicinity.

Section 9.10 Solar Energy Installations. The Architectural Committee shall have the right of prior approval of the plans and specifications for the installation of all residential solar systems. Such plans and specifications shall demonstrate the exercise of reasonable measures to minimize the potential adverse aesthetic impact of the installation of such Improvements on other portions of the Properties. Any such Architectural Committee approval shall have no effect upon the enforceability of any other use restriction in this Declaration. The Architectural Committee shall have the right to promulgate reasonable standards and guidelines against which to examine any such plans and specifications.

Section 9.11 Drilling or Mining. No mineral drilling, development, refining or mining operations of any kind shall be permitted upon any Lot, street or Common Area within the Properties, nor shall any wells, tanks, tunnels, mineral excavations or shafts be permitted upon any Lot, street or Common Area within the Properties. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted on any Lot, street or Common Area within the Properties.

Section 9.12 Character of Improvements. Each Lot shall be improved with one Dwelling Unit together with a private garage approved by the Architectural Committee, which garage and Dwelling Unit shall, among such other requirements as may be established therefor in accordance with this Declaration and/or any Annexation Agreement or the Architectural Control Guidelines, be situated within exterior boundary of the Lot, inclusive of setbacks, and shall not exceed the permitted height of the Dwelling Unit.

Section 9.13 Masonry and Roof Requirements. Except as may be otherwise approved in advance in writing by the Architectural

Committee, the exterior finish of each Dwelling Unit shall be at least fifty-one percent (51%) brick, stone or other masonry, however, in computing such percentage, the garage shall be excluded. All Dwelling Units and their associated garages shall be roofed with tile roof, composition shingles or built-up roof, and no roof shall be composed of wooden shingles. The color and quality of such roof materials shall be subject to the approval of the Architectural Committee, and shall not be permitted unless the color and quality of such roof materials comply with the terms of any applicable Architectural Control Guidelines or otherwise receive the approval of the Architectural Committee.

Section 9.14 Building Set-Back Lines. (a) No Improvements shall be located on any Lot nearer to the front property line of such Lot than the building set back lines shown on the recorded Plat for such Lot. No Improvement shall be located nearer than ten (10) feet to the rear property line of such Lot or such greater distance as shown on the recorded Plat or Annexation Agreement applicable to such Lot. No Improvement shall be located nearer to any street side property line than the setback line therefor shown on the recorded plat for such Lot. For purposes of this Section 9.14 and other provisions of this Declaration, the "front property line" is the common boundary of any Lot with a street, and in the case of a corner lot (with a common boundary on two streets or one street and a cul-de-sac) the boundary from which the Improvement set-back distance is larger. All Dwelling Units shall face the front line of the Lot on which each such Dwelling Unit is built, unless a deviation from this provision is approved in advance in writing by the Architectural Committee. The term "Improvements" solely as used in this Section 9.14 shall not include concrete drives, walks, landscaping, air conditioning units, fences, eaves, ducts, Bulkhead, and unroofed terraces; provided, however, in no event shall any portion of any Improvements on a Lot, including those excluded for the limited purpose set forth in this Section 9.14, encroach upon another Lot.

(b) The Architectural Committee shall have the right to grant exceptions or variances to the building set-back lines provided herein or shown on any Plat or Annexation Agreement, or from any other construction related restriction, when doing so will not be inconsistent with the overall plans for development of the Properties, and such exceptions or variances are not prohibited by law.

Section 9.15 Visual Obstruction at the Intersections of Streets. No object or thing which obstructs sight lines at elevations between two (2) feet and six (6) feet above the streets within the triangular area formed by the intersecting street property lines and the line connecting them at points twenty-five (25) feet from the intersection of the street lines (or extensions

thereof) shall be placed, planted or permitted to remain on corner lots.

Section 9.16 Walls and Fences. No fence or wall may be built on any Lot except as may be expressly required by, or permitted from time to time by written approval of, the Architectural Committee with any approval to be at its sole and absolute discretion. Provided, however, the Architectural Committee shall not permit nor approve (i) any fence or wall constructed of chain link or any other material which is not, in the sole opinion of the Architectural Committee, aesthetically compatible with structures, fences or walls located on or adjacent to or visible from the particular Lot; nor (ii) any fence or wall to be located nearer to the front property line than the front building set back line; nor (iii) any fence or wall which, in the sole opinion of the Architectural Committee, is, by design or construction, aesthetically or architecturally incompatible with any fence, wall or structure located on adjoining lots or visible from the particular Lot. No Owner shall construct a fence so as to enclose any portion of any Platted Reserve as shown on any Plat. Authorization of the construction of any one or more fences or walls pursuant to this section shall not in any way obligate the Architectural Committee to authorize the construction of any other fence or wall. The Architectural Committee is hereby authorized to draft, publish and amend, from time to time, at its sole and absolute discretion, fence and wall requirements for Lots.

Section 9.17 Required Fencing and Fence Easement. In addition to, and without limiting the generality of Section 9.16 above, Owners of Lots may be required by the Architectural Committee to construct, at the time of construction of the Dwelling Unit on such Lot, and thereafter to repair and maintain in good condition, a fence along designated property lines. Such fence shall be of such type, style, size, design, materials and construction as required by the Architectural Committee. As to all Lots where fences are so required, there is reserved to the Association a fence easement five (5) feet wide on the Lot along the applicable property line for the purpose of constructing, repairing and maintaining a fence system along and over such easements, if the Association should so elect, in the event any Owner of any such Lot should be required but fails so to do. The Association shall further have a reasonable right of ingress and egress across each Lot adjacent to any fence easement and all fence easements shown on any Plat or referred to herein or in any annexation agreement, for the purposes of installing, maintaining, constructing and repairing any fence in the fence easement where the Owner of the particular Lot is required, but fails to so do. Neither the Declarant nor the Association or their successors or assigns shall be liable to the Owners for any damage done to any shrubbery, trees, flowers or other property of any such Owner

situated on any portion of a Lot covered by any fence or access easement.

Section 9.18 Additional Requirements During Construction.

During the construction, repair and/or restoration of Improvements, each Owner or party constructing Improvements for an Owner ("Contractor") shall remove and haul from the Lots all tree stumps, trees, limbs, branches, underbrush and all other trash or rubbish cleared from the Lot to permit construction of the Improvements, including landscaping. No burning of trash or other debris is permitted on any Lot, and no materials or trash hauled from any Lot may be placed elsewhere within the Properties, unless approved in writing by the Architectural Committee. Additionally, each Owner or Contractor, during construction of Improvements, shall continuously keep the Lot and adjacent street frontage in a reasonably clean and organized condition. Papers, rubbish, trash, scrap and unusable building materials are to be kept, picked up and hauled from the Lot on a regular basis. Other useable building materials are to be kept stacked and organized in a reasonable manner. No trash, materials or dirt shall be placed in any street.

Any such trash, materials or dirt inadvertently spilling or getting into the street or street gutter shall be removed, without delay, not less frequently than daily. Owners will erect, and maintain at all times during the construction process, protective attractive visual barriers, at least six (6) feet high, as approved by the Architectural Committee, between the building site, on the one hand, the Common Area, and Streets, on the other hand. Owners will erect and maintain at all times during the construction process erosion barriers between their Lots, on the one hand, and other adjacent lots, the Common Area, Streets, Drainage Easements and the Detention Basins, on the other hand. All construction vehicles must be parked in designated areas only, as established by the Architectural Committee. Vehicles which do not conform to this rule will not be allowed again into the Properties and are subject to being towed at the direction of the Architectural Committee at the expense of the Owner of the Lot. Each Lot Owner shall apply for and receive from all required governmental authorities a proper Building Permit before any construction is commenced. All applicable codes, laws and regulations will be complied with, and proof of such compliance will be provided to the Architectural Committee when requested by that committee. Construction shall halt when any regulation, code or law is violated, and shall not recommence until all required governmental approvals are secured. Foundation plans for Dwelling Units near any Detention Basin or Drainage Easement must have affixed a certificate of a Texas licensed engineer stating that the procedures outlined by the Architectural Committee have been followed and the foundation designed accordingly. All yards must slope down away from all Dwelling Units and other buildings so as to prevent water seepage under foundations.

Section 9.19 Access Easement for Owners. A non-exclusive easement is hereby granted to each Owner in and to all Lots adjacent or contiguous with such Owner's Lot ("adjacent Lot") for the purpose of reasonable and necessary access to such Owner's Lot for construction, maintenance and repair of Improvements thereon, provided that the Owner using an adjacent Lot for access purposes (the "Easement Site") shall keep such Easement Site free of any trash, rubbish and/or any other materials at all times during and after construction on the Owner's Lot. Prior to any exercise of the access easement granted in this Section 9.19, the Owner or Contractor of the Lot intending to exercise such easement upon, over or across the Easement Site shall give notice of such intent to the Owner (or occupant) of the adjacent Lot. Unless otherwise authorized in writing by the Owner of the adjacent Lot, such access easement may be utilized only between the hours, local time, of 7:00 a.m. to 7:00 p.m., Monday through Friday, and 8:00 a.m. to 7:00 p.m., Saturday, (subject to the League City noise ordinance), and may be utilized only if the Owner intending to use such access easement gives at least twenty-four (24) hours notice (oral or written) to the Owner (or occupant) of the adjacent Lot (except in the case of an emergency or in the event that no Improvements have been constructed on the adjacent Lot, in which case no notice need be given). In all events, the use of the Easement Site shall be exercised in such manner as to avoid any unreasonable or unnecessary interference with the possession, use or enjoyment of the Easement Site by the Owner (or occupant) of the adjacent Lot. The user of such Easement Site shall immediately repair all damage done to the Easement Site and all Improvements thereon to the condition in which it existed before such use of the Easement Site.

Section 9.20 Utility Easements. Easements for installation and maintenance of utilities and drainage facilities shall be as reserved as shown on the Plats recorded from time to time in the Office of the County Clerk of Galveston County, Texas affecting the Properties, and/or as created in any other instrument filed in the real property records of Galveston County, Texas. Neither Declarant nor any utility company using the easements herein referred to shall be liable for any damage done by them or their assigns, their agents, employees or servants, to shrubbery, trees or flowers or other property of the Owners situated on any land covered by said easements. No Improvements shall be constructed over any such easement without prior approval of the Architectural Committee.

Section 9.21 Nuisances. No noxious or offensive activity shall be carried on upon any Lot, nor shall anything be stored or done thereon which may be or may become an annoyance or nuisance to any of the Properties. No repair work, dismantling or assembling of motor vehicles, boats, trailers or any other machinery or equipment shall be permitted in any street, or in any driveway or yard of any Lot adjacent to any street within the Properties.

Section 9.22 Other Structures. (a) No structure of a temporary character shall be permitted to be erected or remain on any Lot, except solely pursuant to Section 9.22(b) below. No trailer, tent, shack, shed, barn, nor any other outbuilding or storage facility shall be placed on any Lot at any time, either temporarily or permanently except such pool cabana associated with a built-in swimming pool on the Lot in question, constructed from the same materials as used for the exterior of the Dwelling Unit on such Lot, or a gazebo either custom built on a Lot or pre-manufactured and professionally installed on a Lot, which pool cabana or gazebo has received Architectural Committee prior written approval as to design, location, height, size, color, character and materials, and otherwise is in compliance with this Declaration, inclusive of Article VIII hereof, and all Architectural Control Guidelines and the applicable Annexation Agreement. If at any time any Owner or Related User shall require space for storage other than that provided by such Owner's Dwelling Unit or related garage, no separate structure of any kind shall be permitted on any Lot, but such Owner shall be permitted to apply for approval, in accordance with this Declaration, of an expansion of the existing garage on such Lot, provided that, in addition to the requirements of Architectural Control Guidelines, the applicable Annexation Agreement, and this Declaration, such expansion shall be on a concrete slab tied into that of such existing garage and shall be of the same roof pitch and building materials as such garage.

(b) Temporary structures used as building offices and for other related purposes by a Builder during the construction period for the Dwelling Unit on a Lot must be inconspicuous and slightly, and there is hereby granted unto the Architectural Committee the sole power to determine what is inconspicuous and slightly in connection with such temporary construction structures. Builders in the Properties may use garages as sales offices for the time during which such builders are marketing houses within the Properties subject to the provisions of this Declaration. At the time of the closing of the sale of a residence by a Builder, any garage appurtenant to such residence used for sales or other purposes must have been reconverted to a garage.

Section 9.23 Domestic Quarters. No garage apartment or other facility for rental purposes shall be permitted on any Lot. Living quarters, other than living quarters in the Dwelling Unit on any Lot may be used solely for non-rent paying members of the Owner's immediate family and bona fide servants employed exclusively by and for the Owner of such Lot or by such Owner's Related Users.

Section 9.24 Gas Service, Non-Utilization Fee. Reliant Energy Entex, (formerly known as Entex, Inc.) has agreed to provide natural gas service to all Lots, provided certain minimum usage is made of such service. Pursuant to the contract providing such service, all Lots shall have a minimum of gas water heating and gas central comfort heating, or pay a non-utilization fee. If, however, any Lot does not utilize both gas water heating and gas central comfort heating appliances, then the Owner of such Lot at the time of constructing Improvements on such Lot shall pay to Entex, Inc. the non-utilization of gas facilities charge set by Entex, Inc. for such Lot. This non-utilization charge shall be due thirty (30) days from completion of such Improvements. In the event this non-utilizing charge is not timely paid by the Owner of the non-utilizing Lot, after demand is made for such payment, the Declarant or the Association may, at its option, pay such charge, and the payment so made, if any, shall subject such Lot to an assessment to reimburse for such payment.

Section 9.25 Signs. No sign of any kind shall be displayed by any Owner (excluding Declarant) to the public view on any Lot without the prior approval from the Architectural Committee, and any such approval which is granted may be withdrawn by the Architectural Committee at any time, in which event, the parties granted such permission shall immediately remove such structures. Notwithstanding the foregoing, (i) unless otherwise directed in writing by the Architectural Committee, during the initial construction or any sales period, the Owner may place signs on such Lot to advertise the merits of the Lot for sale or rent, provided that prior approval from the Architectural Committee as to the size, wording, style and materials of any such sign shall be required for any such sign (except for signage erected by Declarant) to be placed or maintained on any Lot, and (ii) political signs meeting the requirements of the laws of the State of Texas and the ordinances of the City of League City, each of a size not greater than 24 inches by 24 inches, and no more than one (1) in number per political office seeker or political issue, may be placed by an Owner on his Lot during a period of time commencing fourteen (14) days prior to the election for which the sign is intended, and must be removed within two (2) days following such election, but no political sign of a slanderous nature shall be permitted, and all political signs in violation hereof may be removed without notice or compensation to the Owner of a Lot or any other person, by the Association or any agent or designee of the Association, without such person being deemed to be in trespass on any Lot for such purpose. Except for signage erected by Declarant, no signage whatsoever shall be permitted in any Common Area or Reserve, without prior written approval of the Architectural Committee. Declarant or the Association shall have the right to remove any such sign in contravention hereof and in so doing shall not be subject to any liability of trespass or other sort in connection therewith or arising from such removal.

Section 9.26 Restrictions on Antennae, Pipes and Utility Lines. Pipes for water, gas, sewer, drainage or other purposes and wires, poles, antennae and other facilities for the transmission or reception of audio or visual signals or electricity, and utility meters or other utility facilities shall be kept and maintained, to the extent reasonably possible, underground or within an enclosed structure. No exterior radio antenna, television antenna, or other antennae of any type shall be erected or maintained in the Properties unless the Architectural Committee gives its consent to the erection of such antenna in accordance with the provisions of this Declaration.

Section 9.27 Sewage, Garbage and Refuse Disposal. No Lot or Common Area shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall be kept in sanitary containers. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition. No private sewage treatment or septic tank shall be permitted on any Lot or Common Area.

Section 9.28 Infringement. An Owner shall do no act nor do any work that will impair the structural soundness or integrity of another Lot or Common Area or any Improvements located thereon, or impair any easement or hereditament, nor do any act nor allow any condition to exist which will adversely affect any Common Area, other Lot, Improvements thereon, the Association, or other Owners.

Section 9.29 Composite Lots. In the event that the Architectural Committee approves in writing, in its sole discretion, the consolidation of one (1) or more adjoining Lots into one Lot, the placing or constructing of one (1) Dwelling Unit on such resulting Lot may be permitted, at which time the side set-back lines for such resulting Lot shall be measured from the resulting side property line of such resulting Lot rather than from the set-back line indicated on the Plat or described in this Declaration or the applicable Annexation Agreement for the component Lots. The required building set-back line for the front property lines of such composite resulting Lot shall be the greater of the front property line set back lines as shown on the Plat or Annexation Agreement for the Lots to be consolidated. Upon receipt of written approval of the Architectural Committee to consolidate one (1) or more full Lots into one (1) composite Lot, such composite Lot shall thereupon be regarded as one (1) Lot for all purposes under this Declaration.

Section 9.30 Lot Drainage. All drainage of water from any Lot and the Improvements thereof shall drain or flow as set forth below:

(a) Any such water shall drain or flow from the rear Lot line to the front Lot line into adjacent streets, and shall not be

allowed to drain or flow upon adjoining lots or Common Areas unless an easement for such purpose is expressly granted by the Association in writing. The Owner shall provide drains or swales to effect such drainage upon construction of the Dwelling Unit and garage on the Lot.

(b) All slopes or terraces on any Lot shall be maintained so as to prevent any erosion thereof upon adjacent streets or adjoining Lots, Common Area or other property including the Detention Basins and Drainage Easements.

(c) No structure, planting or other material shall be placed or permitted to remain, or other activities undertaken, on any Lot within the Properties or any portion thereof which might damage or interfere with established slope ratios or interfere with established drainage functions or facilities on any other Lot, Common Area, street, Detention Basin or Drainage Easement.

Section 9.31 Maintenance of Property.

(a) No real property or Improvements within the Properties shall be permitted to fall into disrepair, and all real property and Improvements within the Properties, including any Improvements and landscaping thereon, shall be kept and maintained in a clean, safe, attractive and sightly condition and in good repair.

(b) Maintenance, repair and upkeep of all Association Properties, Detention Basins, Drainage Easement, and Common Area shall be the responsibility of the Association.

(c) Maintenance, repair and upkeep of each Lot and its Improvements and landscaping shall be the responsibility of the Owner of the Lot. Each Owner shall maintain and keep in good order and repair and in neat and attractive condition the following improvements, equipment and other items located upon such Owner's Lot: (i) the exterior of each Lot and the Improvements thereon, including without limitation paint, repair, replace (even in the event of a windstorm, fire or other casualty loss) and care for roofs, gutters and downspouts, exterior building and other Improvement surfaces, fences, walkways, driveways, mailboxes and other improvements, and trim, prune, mow, water and care for trees, shrubs, and grass, and (ii) air conditioning compressors, condensers, including pipes and electrical lines connecting same to the Dwelling Unit, sanitary sewer lines connecting the Dwelling Unit to the sanitary sewer collection system, electric power service conductors from the exterior of the building to the point of connecting to the electric utility company's junction box or transformer, electric circuit breakers, any portion of natural gas, cable television and/or telephone service lines located on the Lot but not maintained by the gas, cable television and/or telephone

companies, and water service lines from connection at the community line to and throughout the Dwelling Unit.

(d) In the event of the failure of any Owner to observe its obligations imposed under this Section, then the Association shall send written notice to such Owner setting out the particular failure or failures of the Owner to maintain the property as herein required, and the Owner shall have thirty (30) days after receipt of such notice within which to remedy and cure its breach thereunder. If the Owner has not, within such thirty (30) day period, cured the default in full, then the Association shall have the right to perform the maintenance work for the Owner's behalf, and any sums expended by the Association in this regard shall be due and payable by such Owner to the Association upon demand, and if not paid when due, such sums shall be a charge under this Declaration as a Reimbursement Assessment, secured by a lien on the Lot of the Owner and any improvements thereon, and shall bear interest and be enforceable, all as provided for in this Declaration.

(e) The Association shall have a non-exclusive right and easement of access to each Owner's Lot and Improvements thereon at all reasonable times for the purposes of determining whether or not such Owner is in compliance with this Declaration, including without limitation the maintenance obligations imposed in this Section, and if such Owner is not in compliance, to perform the required maintenance or otherwise cure the Owner's non-compliance, on the Owner's behalf. Violation of these provisions by an Owner (or any Person occupying such Lot through such Owner) shall permit the Association to enter onto the Lot of the Owner and cure the violation or cause compliance with this provision and to levy and collect a Reimbursement Assessment for the costs and expenses of the Association in so doing; provided, however, that there shall be no entry into the interior of an Improvement intended for human occupancy without the consent of the Owner or occupant thereof unless a clear emergency exists.

Section 9.32 Annoying Sounds or Odors. No sound or odor shall be emitted from any property within the Properties which is noxious or unreasonably offensive to others. Without limiting the generality of the foregoing, no horns, whistles, bells or other sound devices, (other than security devices used exclusively for security purposes, and intercoms), shall be located or used on any Lot except with the prior written approval of the Architectural Committee or as permitted by the Rules and Regulations.

Section 9.33 No Unsightliness. No unsightliness shall be permitted on any Lot which is visible from any other Lot or from any of the Common Areas. Without limiting the generality of the foregoing, all unsightly conditions, structures, facilities, equipment, and objects and conditions (including but not limited to

garden or maintenance equipment except when in actual use) shall be enclosed with a structure. Determinations of unsightliness shall be made at the sole discretion of the Architectural Committee.

Section 9.34 Exterior Materials. No exterior materials (including but not limited to paint) of any Improvement may be used or altered or replaced unless approved by the Architectural Committee. The Architectural Committee has the sole authority to approve color, texture, size, appearance, etc., of all exterior materials. The Architectural Committee has the sole authority to designate certain materials to be used exclusively in all or certain groups of Dwelling Units or other improvements. A range of exterior material color selection may be approved by the Architectural Committee so that compatible variety is attained. All structures, improvements, landscaping, fountains, stationary mailboxes, house numbers, sidewalks, lighting, or other improvements on any Lot which are not concealed from view from the Common Area and Streets, must be harmonious and in keeping with the overall character and aesthetics of the Properties and must be of high quality workmanship and materials, as determined in the sole discretion of the Architectural Committee.

ARTICLE X

Declarant's Additional Special Rights

Section 10.1 Period of Declarant's Rights and Reservations. Declarant shall have, retain and reserve certain rights as hereinafter set forth with respect to the Association, Properties, Common Area and Detention Basins. The rights and reservations hereinafter set forth shall be deemed excepted and reserved in each conveyance of property by Declarant whether or not specifically stated therein and in each deed or other instrument by which any property within the Properties is conveyed by Declarant. The rights, reservations and easements hereinafter set forth shall be prior and superior to any other provisions of this Declaration and may not, without Declarant's prior written consent, be modified, amended, rescinded or affected by any amendment of this Declaration. Declarant's consent to any one such amendment shall not be construed as consent to any other or subsequent amendment.

Section 10.2 Right to Construct Additional Improvements. Declarant shall have and hereby reserves the right (without the consent of any other Owner), but shall not be obligated, to construct additional Improvements on Common Areas, Drainage Easement, and Detention Basins at any time and from time to time in accordance with this Declaration for the improvement and enhancement thereof. Declarant shall convey or transfer such Improvements to the Association and the Association shall be obligated to accept title to, care for and maintain the same, all as elsewhere provided in this Declaration.

Section 10.3 Declarant's Rights to Use Common Areas, Drainage Easement, and Detention Basins in Promotion and Marketing of Properties. In addition to the rights reserved under Section 4.6 hereof, Declarant shall have and hereby reserves the right to reasonable use of Common Areas, Drainage Easement, and Detention Basins and of services offered by the Association in connection with the promotion and marketing of property within the boundaries of the Properties. Without limiting the generality of the foregoing, Declarant may erect and maintain on any part of the Common Areas and Detention Basins, such signs, temporary buildings and other structures as Declarant may reasonably deem necessary or proper in connection with the promotion, development and marketing of real property within the Properties; may use vehicles and equipment on Properties, Common Areas and Detention Basins for promotional purposes; and may permit prospective purchasers of property within the boundaries of the Properties, who are not Owners or Members of the Association, to use Common Areas at reasonable times and in reasonable numbers; and may refer to the Detention Basins, the Association and to the Common Areas and services offered by the Association in connection with the development, promotion and marketing of property within the boundaries of the Annexable Area.

Section 10.4 Declarant's Rights to Grant and Create Easements. Declarant shall have and hereby reserves the right, without the consent of any other Owner, to grant or create temporary or permanent easements, for access, utilities, drainage, water and other purposes incident to development, sale, operation and maintenance of the Properties, located in, on, under, over and across (i) properties owned by Declarant and (ii) the Properties.

Section 10.5 Declarant's Rights to Convey Additional Property to Association. Declarant shall have and hereby reserves the right, but shall not be obligated to, convey additional real property and Improvements thereon to the Association at any time and from time to time in accordance with this Declaration, without the consent of the Association any other Owner, so long as any conveyance does not directly result in an increase in the then current and applicable Assessments by more than twenty percent (20%); provided, however, if Declarant agrees, in writing, at the time such additional real property and Improvements thereon are conveyed to the Association, to contribute to the Association the amount of money in excess of such twenty percent (20%) increase in the Assessments for the current calendar year and one (1) additional calendar year, then Declarant shall have the right, without the consent of any other Owner, to convey such additional real property and Improvements thereon to the Association which would otherwise be prohibited by this sentence. Thereafter, Declarant shall not be obligated to continue to make any contributions therefor to the Association.

Section 10.6 Declarant's Reservation. It is expressly agreed and understood that the title conveyed by Declarant to any Lot or Common Area by contract, deed or other conveyance shall not be held or construed in any event to include the title to any roadways or any drainage, water, gas, sewer, storm sewer, electric light, electric power, telegraph or telephone way or any pipes, lines, poles or conduits on or in any utility facility or appurtenances thereto constructed by or under Declarant or its agents through, along or upon the Lot or any part thereof to serve said Lot, and 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 is hereby expressly reserved in Declarant.

ARTICLE XI
Initial Property

The provisions of this Article XI shall be applicable only to the Initial Property as and to the extent provided herein.

Section 11.1 The following shall apply to the Initial Property, platted as SF 70-1, otherwise known as the Waterside Subdivision ("Waterside Lots"):

a. Height of Improvements. The first floor or level of all Dwelling Units on a Waterside Lot shall be situated no higher than twenty-four inches (24") above the highest finished grade of such Lot as established by the paving and lot grading engineer approved by the Architectural Committee ("Lot Engineer"). No Improvement on any such Lot shall exceed the lesser of three (3) stories or fifty-five (55) feet in height, measured from the finished grade of the Lot to the peak of the roof of the Improvement, all as established by the Lot Engineer.

b. Square Footage: The area of the main residential structure of the Dwelling Unit, exclusive of porches or patios (whether open or screened), and the garage, terraces and driveways, on a Waterside Lot shall not be less than one thousand nine hundred (1900) square feet. Measurements by which square footage is calculated shall be to the face of the outside walls of such main residential structure.

Section 11.2 Certain Initial Property Fencing. Declarant shall construct, and the Association shall thereafter own and maintain, concrete fencing, determined as to size and style by Declarant, along the side lot line of Lot 12, Block 5 and Lot 10, Block 6 of the Initial Property, adjacent to Restricted Reserve "B" of the Model Lot Plat, as recorded in Plat Record 18, Map No. 1139, along the rear lot lines of Lots 4, 5, 7, 8, 9 and 10 of Block 6 of the Initial Property, and adjacent to Restricted Reserve "A" of the

Initial Property, as recorded in Plat Record 18, Map No. 1143 of the Galveston County Map Records.

ARTICLE XII
General Provisions

Section 12.1 Enforcement. The Association, Declarant and/or any Owner shall have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration or any amendment hereto. Failure by the Association, or by any Owner or Declarant to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 12.2 Severability. Invalidation of all or part of any one or more of these covenants or restrictions by judgment or court order shall in no way affect any other provisions or portions thereof, which shall remain in full force and effect.

Section 12.3 Duration and Amendment. The covenants and restrictions of this Declaration shall run with and bind the land comprising the Properties, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall automatically be extended for successive periods of ten (10) years. This Declaration may be amended solely by Declarant prior to Declarant's conveyance of the first Lot to an Owner, and thereafter during the next seven (7) years following the date of such conveyance, by majority vote of Declarant and the Board of Directors. Thereafter, this Declaration may be amended by an instrument signed by not less than sixty-seven percent (67%) of the Members, inclusive of Declarant. Any amendment referred to above must be recorded in the Real Property Records of Galveston County, Texas.

Section 12.4 Required Consent of Declarant to Amendment. Notwithstanding any other provision in this Declaration to the contrary, any proposed amendment or repeal of any provision of Sections 4.6, 5.3, 5.4, 7.5, 7.8, 8.1, Article X, or Sections 12.3 or 12.4 of this Declaration shall not be effective unless Declarant has given its written consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant of any certificate of amendment or repeal. The foregoing requirement for consent of Declarant to any amendment or repeal shall terminate upon the earlier to occur of the time that the last Lot within the Properties has been sold and conveyed by Declarant and Declarant owns no Declarant Owned Acreage, or Declarant's waiver of such right by delivery of written notice thereof to the Association.

Section 12.5 Vacating of Plat or Correction of Plat By Declarant and Owners. No provision of this Declaration shall preclude the Declarant and/or Owners of Lots from filing a replat, amending plat or correction plat to correct any error in the original platting or replatting of such Lots, provided that such replat, amending plat or correction plat is done in accordance with Texas Local Government Code, Chapter 212, or any successor statute.

Section 12.6 Restrictions Construed Together. All of the provisions of this Declaration shall be liberally construed to promote and effectuate the fundamental concepts of the Association.

Section 12.7 Number and Gender. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

Section 12.8 Captions for Convenience. The titles, headings and captions used in this Declaration are intended solely for convenience of reference and shall not be considered in construing any of the provisions of this Declaration.

Section 12.9 Delay in Enforcement. No delay in enforcing the provisions of this Declaration as to any breach or violation thereof shall impair, damage or waive the right of any party entitled to enforce the same to obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at and later time or times.

Section 12.10 Universal Common Areas. It is understood that the Properties and the Association, along with other owner's associations and the properties within the jurisdiction of such other associations, will benefit from the construction and maintenance of landscape areas, set back areas, esplanades, and fencing and paving along or about the Universal Common Areas. Notwithstanding any provision to the contrary herein contained, it is provided that the Board shall have the right to pay out of annual or special assessments for a proportionate share of the maintenance of such Universal Common Areas, and to pay for such landscaping and other improvements as the Board may deem appropriate, and to enter into contracts and agreements with other entities and associations pertaining to such Universal Common Areas.

Section 12.11 Association's Right to Mortgage Information. Each Owner hereby authorizes any First Mortgagee holding a Mortgage on such Owner's Lot to furnish information to the Association concerning the status of such First Mortgage and the loan which it secures.

Section 12.12 Notices. Any notice permitted or required to be given under this Declaration shall be in writing and may be given either personally or by mail, telephone or telegraph. If served by mail, each notice shall be sent postage prepaid, addressed to any Person at the address given by such Person to the Association for the purpose of service of such notice, or to the Lot of such Person if no address has been given to the Association and shall be deemed given, if not actually received earlier, at 5:00 p.m. on the second business day after it is deposited in a regular depository of the United States Postal Service. Such address may be changed from time to time by prior notice in writing received by the Association.

Section 12.13 Persons Entitled to Enforce Declaration. The Association, acting by authority of the Board, and any Member of the Association and Declarant shall each have the right to enforce any or all of the provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration against any property within the Properties and the Owner thereof. The right of enforcement shall include the right to bring an action for damages as well as an action to enjoin any violation of any provision of this Declaration.

Section 12.14 Violations Constitute a Nuisance. Any violation of any provision, covenant, condition, restriction or equitable servitude contained in this Declaration, whether by act or omission, is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by any Persons entitled to enforce the provisions of this Declaration.

Section 12.15 Enforcement by Self Help. Declarant or the Association, or any authorized agent of either of them, may enforce, by self help, any of the provisions, covenants, conditions, restrictions or equitable servitudes contained in this Declaration.

Section 12.16 Violations of Law. Any violation of any federal, state, municipal or local law, ordinance, rule or regulation, pertaining to the ownership, occupation or use of any property within the Properties is hereby declared to be a violation of this Declaration and shall be subject to any and all of the enforcement procedures set forth in this Declaration.

Section 12.17 Limitation on Liability. The Association, the Board of Directors, the Architectural Committee, Declarant, or any agent or employee of any of the same acting within the scope of his, her, or its duties described in this Declaration shall not be liable to any Person for any action or for any failure to act if the action or failure to act was not in bad faith and was without malice.

Section 12.18 No Representations or Warranties. No representations or warranties of any kind, express or implied, shall be deemed to have been given or made by Declarant or its agents or employees in connection with any portion of the Properties, or any Improvement thereon, its or their physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof, unless and except as shall be specifically set forth in writing executed by Declarant.

Section 12.19 Liberal Interpretation. The provisions of this Declaration shall be liberally construed as a whole to effectuate the purposes of this Declaration.

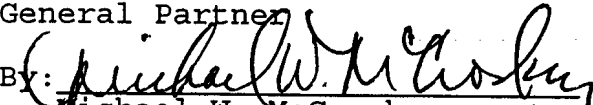
Section 12.20 Governing Law. This Declaration shall be construed and governed under the laws of the State of Texas, enforceable in Galveston County, Texas.

Section 12.21 Severability. Each of the provisions of this Declaration shall be deemed independent and severable and the invalidity or unenforceability or partial invalidity or partial enforceability or any provision or portion thereof shall not affect the validity or enforceability of any other provision. Any provision hereof which defeats the validity or enforceability of any other provision(s) hereof shall, solely for such purposes, be deemed not to be a part hereof.

IN WITNESS WHEREOF, the Declarant has hereunto set its hand this the 15th day of January, 2002.

**SOUTH SHORE HARBOUR DEVELOPMENT,
LIMITED, a Texas limited partnership**

By: ANREM Corporation,
General Partner

By: 
Michael W. McCroskey
President
1/15/02

"DECLARANT"

016-47-0484

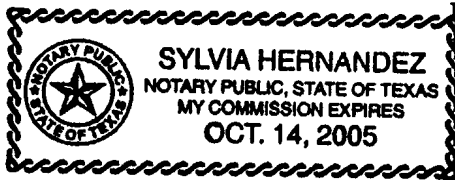
STATE OF TEXAS §

COUNTY OF GALVESTON §

BEFORE me Sylvia Hernandez, on this day personally appeared Michael W. McCroskey of ANREM Corporation, General Partner of South Shore Harbour Development, Limited, a Texas limited partnership, on behalf of said corporation, known to me (or proved to me on the oath of _____ or through _____), to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 15th day of January, 2002.

Sylvia Hernandez
NOTARY PUBLIC in and for
the State of Texas



AFTER RECORDING RETURN TO:

Debra G. James
Greer, Herz & Adams, LLP
One Moody Plaza, 18th Floor
Galveston, Texas 77550

PAID