

AFTER RECORDING RETURN TO:

**Richard C. Jennings
Dunrich Holding Company, LLC
6000 Greenwood Plaza Blvd., Suite 120
Greenwood Village, CO 80111**

WILDWOOD SHORES SUBDIVISION

**DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS AND
RESTRICTIONS**

SECTION XI

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I HEREBY CERTIFY, JAMES D. PATTON
COUNTY CLERK WALKER COUNTY
BY *Doey* DEPUTY

WILDWOOD SHORES SUBDIVISION

DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS AND RESTRICTIONS

SECTION XI

This Declaration of Covenants, Conditions and Easements (the "Declaration") is made by **DUNRICH HOLDING COMPANY, L.P.**, a Texas limited partnership (the "Declarant"), and is as follows:

RECITALS

A. The Declarant is the owner of is the owner of all Lots located within Wildwood Shores, Section XI, a subdivision located in Walker County, Texas, according to the map or plat, recorded October ____, 2004 in Cabinet ____, Sheet ____ in the Plat Records of Walker County (collectively the "Property").

B. Declarant desires to develop (or cause to be developed) all or portions of the Property as a residential community.

C. By the filing of this Declaration, Declarant serves notice that the Property shall be subjected to the terms and provisions of this Declaration.

NOW, THEREFORE, it is hereby declared: (i) that all of the Property shall be held, sold, conveyed, and occupied subject to the following covenants, conditions and restrictions which shall run with the Property and shall be binding upon all parties having any right, title, or interest in or to the Property or any part thereof, their heirs, successors, and assigns and shall inure to the benefit of each Owner thereof and to Declarant and any assignee of Declarant's rights; and (ii) that each contract or deed which hereafter may be executed with regard to the Property, or any portion thereof, shall conclusively be deemed to have been executed, delivered, and accepted subject to the following covenants, conditions and restrictions, regardless of whether or not the same are set out in full or by reference in said contract or deed.

ARTICLE I
DEFINITIONS

Unless the context specifies or requires otherwise, the following words and phrases when used in this Declaration shall have the meanings hereinafter specified:

"Architectural Guidelines" shall mean the standards for design, construction, landscaping, and exterior items, if any, placed on any Lot adopted pursuant to Article 6.02(iii), as amended.

"Articles" shall mean and refer to the Articles of Incorporation of the Association, filed in the Office of the Secretary of State of Texas, as the same may be amended from time to time.

"Assessment" or "Assessments" shall mean assessments imposed by the Association under this Declaration.

"Assessment Unit" shall have the meaning set forth in Section 5.05.

"Association" shall mean and refer to the Wildwood Shores Property Owners Association, Inc., a Texas non-profit corporation, and its successors and assigns. Declarant will have the right to create a new association which will assume all of the rights and obligations of the Wildwood Shores Property Owners Association, Inc. (but only as such rights and obligations pertain to the Property) under the terms and provisions of this Declaration for so long as Declarant owns all or any portion of a Lot. In the event Declarant elects to create such an association, Declarant will file a notice in the Official Records of Walker County, Texas identifying the association and the effective date of its creation.

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"Board" shall mean the Board of Directors of the Association.

"Bulk Rate Contract" or "Bulk Rate Contracts" shall mean and refer to one or more contracts which are entered into by the Association for the provision of utility services or other services of any kind or nature to the Lots. The services provided under Bulk Rate Contracts may include, without limitation, cable television services, telecommunications services, internet access services, "broadband" services, security services, trash pick up services, propane service, natural gas service, lawn maintenance services and any other services of any kind or nature which are considered by the Board to be beneficial.

"Bylaws" shall mean and refer to the Bylaws of the Association as adopted and amended from time to time.

"Common Area" shall mean and refer to all real property and any interest therein, including Improvements located thereon, which is designated by Declarant as common area which benefits the Property, and is conveyed to the Association or is otherwise held by Declarant for the benefit of the Owners. The Common Area shall include all areas that shall be or have been dedicated to all public authorities but not yet accepted by such authorities. The Common Area shall be for the common use and enjoyment of the Owners. Common Area may be designated by Declarant from time to time and at any time.

"Declarant" shall mean and refer to Dunrich Holding Company, L.P., a Texas limited partnership, its successors or assigns; provided that any assignment(s) of the rights of Dunrich Holding Company, L.P., as Declarant, must be expressly set forth in writing and the mere conveyance of a portion of the Property without written assignment of the rights of Declarant shall not be sufficient to constitute an assignment of the rights of Declarant hereunder. Declarant will be entitled to assign, in whole or in part, any of its rights under this Declaration to a third party by written instrument recorded in the Official Public Records of Walker County, Texas.

"Improvement" shall mean every structure and all appurtenances of every type, whether temporary or permanent, including but not limited to buildings, outbuildings, sheds, patios, tennis courts, swimming pools, playscapes, recreational courts, garages, driveways, storage buildings, sidewalks, gazebos, signs, fences, gates, screening walls, retaining walls, stairs, decks, landscaping, landscape improvements, poles, mailboxes, signs, antennae, exterior air conditioning equipment or fixtures, exterior lighting fixtures, water softener fixtures or equipment, playground equipment, and poles, pumps, wells, tanks, reservoirs, pipes, lines, meters, antennae, towers, and other facilities used in connection with water, sewer, gas, electric, telephone, regular, satellite or cable television, other utilities, or otherwise.

"Lot" shall mean and refer to a portion of the Property shown as a subdivided lot on a Plat other than Common Area or Special Common Area.

"Manager" shall have the meaning ascribed thereto in Section 3.04(iv).

"Members" shall mean and refer to every person or entity who holds membership privileges in the Association.

"Mortgage" or "Mortgages" shall mean any mortgage(s) or deed(s) of trust securing indebtedness and covering any Lot.

"Mortgagee" or "Mortgagees" shall mean the holder(s) of any Mortgage(s).


"Owner" shall mean the person(s), entity or entities, including Declarant, holding all or a portion of the fee simple interest in any Lot, but shall not include the Mortgagee under a Mortgage prior to its acquisition of fee simple interest in such Lot pursuant to foreclosure of the lien of its Mortgage.

"Person" shall mean a natural person, corporation, partnership, limited liability company, trust, or any other legal entity.

"Plat" shall mean a subdivision plat of any portion of the Property as recorded in the Plat Records of Walker County, Texas, and any amendments thereto.

"Property" shall mean all Lots located within Wildwood Shores, Section XI, a subdivision located in Walker County, Texas, according to the map or plat, recorded October ____, 2004 in Cabinet ____, Sheet ____ in the Plat Records of Walker County.

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"Section XI Architectural Control Committee" shall mean the committee created by the Declarant to review and approve plans for the construction, placement, modification, alteration or remodeling of any Improvements on any Lot.

"Single Family Residential Use" shall mean and refer to single family residential use in which the individual residences are detached. No rule shall interfere with the freedom of Owners to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each residence on the basis of the size of the residence and its fair use of the Common Area and Special Common Area.

"Special Common Area" shall mean and refer to any interest, easement or license in real property or improvements which is designated by Declarant in a separate notice recorded in the Official Public Records of Walker County, Texas (which designation shall be made in the sole and absolute discretion of the Declarant) as common area which benefits one or more, but less than all of the Lots or Owners, and is or will be conveyed to the Association, or otherwise held by Declarant for the benefit of the Owners of property to which such Special Common Area benefits. The notice shall identify the Lots and/or Owners benefited by such Special Common Area.

ARTICLE II GENERAL RESTRICTIONS

All of the Property shall be owned, held, encumbered, leased, used, occupied, and enjoyed subject to the following limitations and restrictions:

2.01. Use Restrictions and Construction Related Restrictions.

(a) Before commencement of construction of a residence on any Lot, a building permit from Walker County must be submitted to the Section XI Architectural Control Committee. The Property may be used only for Single Family Residential Use (which will expressly include any residential use within a condominium regime). Unless otherwise provided in this Section 2.01(a), only one (1) residence may be constructed on a Lot. In addition, Declarant may unilaterally designate, by an amendment to this Declaration, additional Lots within the Property on which there may be constructed more than one (1) residence. No residence or Improvement may be constructed on any Lot unless the plans and specifications for such residence and/or Improvements have been approved in advance by the Section XI Architectural Control Committee.

(b) No Lot within the Property may be re-subdivided without the prior written consent of Declarant, which consent may be withheld or conditioned by Declarant, in Declarant's sole and absolute discretion.


(c) Roofing material will consist of metal roofing, wood shingles or composition shingles in dark green or earthtone shades approved in advance by the Section XI Architectural Control Committee. Roof pitch must be reviewed and approved in advance by the Section XI Architectural Control Committee.

(d) Any residence constructed on any Lot must have a floor area of not less than 1,200 square feet, exclusive of open or screened porches, terraces, patios, driveways, carports and garages. Driveways shall be concrete, crushed limestone, or other similar compacted material, at least 4 inches thick and must be completed concurrently with construction of the residence.

(e) Unless otherwise approved in advance by the Section XI Architectural Control Committee: (i) each residence must incorporate, at a minimum, standard frame construction; and (ii) if any residence or Improvement is set on blocks or piers, the residence or Improvement must incorporate an outside or perimeter beam or skirting of stone, natural rock, brick, treated lumber or concrete on all sides of the residence or Improvement.

(f) The construction of any single-family residence on a Lot shall be completed within six (6) months of the date that construction of a single-family residence is commenced on the Lot. Commencement for the purposes of the foregoing sentence, shall mean the date a foundation of the residence is poured or constructed on the Lot.

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(g) Each single-family residence constructed on a Lot must have exterior walls comprised of: (i) cedar, redwood, pine or other natural wood boards or logs and must be stained and/or sealed for preservation and not painted; (ii) logs or natural wood cut to simulate logs, (iii) all or part natural rock, brick or stone, or upon proof of quality and permanence to the Section XI Architectural Control Committee artificial stone may be allowed, or (iv) a combination of brick, stone, or natural rock and wood siding, such as Hardi-plank or other similar siding, painted and/or treated in earthtone or neutral colors approved by the Section XI Architectural Control Committee. The purpose of this provision is to maintain a natural and rural effect within the Property; therefore, any re-finishing or repair of the exterior of any residence of Improvement must conform to the requirements of this subsection. Each Owner will be required to refinish, reseal, or restrain the exterior of such Owner's residence or any Improvement once each two (2) year period unless otherwise approved in advance by the Section XI Architectural Control Committee. All stains, finishes, and sealers must be submitted in advance of application to the Section XI Architectural Control Committee for review and approval.

(h) The location of all buildings and Improvements shall comply with the minimum setbacks shown on the Plat. Notwithstanding the foregoing provision, no residence or Improvement will be placed: (i) within twenty (20) feet of any streets, roads, canals, lakes or waterways or unimproved right-of-ways; (ii) within five (5) feet of the side boundary line of any Lot. No shed, outbuilding or similar structure (as determined in the sole and absolute discretion of the Section XI Architectural Control Committee) will be placed: (a) within thirty (30) feet from the front boundary line of a Lot; (b) within thirty (30) feet from any boundary line of the Lot which adjoins any Common Area or Special Common Area; or (iii) within ten (10) feet from any other boundary line of the Lot. In no circumstance or event will any shed, outbuilding or similar structure be placed in the front yard of any Lot, being the portion of a Lot from the front boundary line of said Lot to the a line ten (10) feet posterior to the front elevation of any single family residence constructed on a Lot. No shed, outbuilding or similar structure will be permitted on a Lot unless a single-family residence has been constructed on the Lot. The Section XI Architectural Control Committee must approve the plans, specifications, materials and placement of all sheds, outbuildings and/or similar structures in advance of construction. For the purpose of this restriction, eaves, steps, and open porches shall not be considered as part of a residence or Improvement (but will be considered part of any shed, outbuilding, or similar structure); provided, however, that this sentence shall not be construed to permit any portion of any residence or Improvement on any Lot to encroach upon another Lot or property. Notwithstanding any provision in this Declaration to the contrary, in no circumstance or event may any sheds, outbuildings and/or similar structures be used for habitation.

(i) No professional, business, or commercial activity to which the general public is invited shall be conducted on any Lot, except an Owner or occupant of a residence may conduct business activities within a residence so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the residence; (b) the business activity conforms to all zoning and governmental requirements for the Property; (c) the business activity does not involve door-to-door solicitation of residents of the Property or any Member of the Association; (d) the business does not, in the Declarant's judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles parked within the Property which is noticeably greater than that which is typical of residences in which no business activity is being conducted; and (e) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Property as may be determined in the sole discretion of the Declarant. The terms "business" and "trade", as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (x) such activity is engaged in full or part-time; (y) such activity is intended to or does generate a profit; or (z) a license is required.

Leasing of a residence shall not be considered a business or trade within the meaning of this subsection. This subsection shall not apply to any activity conducted by the Declarant or an Owner engaged in the business of constructing homes for resale who acquires a Lot for the purpose of constructing a residence thereon for resale to a third party. Declarant or its licensees, in connection with its development of the Property and sale of Lots, shall have the right to maintain on any Lot or Lot(s) model homes, temporary or permanent sales and marketing centers and

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Jacinto River Authority. The plans and specifications for all boat docks and accessory structures must be submitted in advance to the Section XI Architectural Committee for review and approval. Piers: (a) may not extend more than 6 feet into Lake Conroe or its tributaries or channels (the "Lake"); (b) may not be greater than twenty (20) feet in length; (c) may not be installed within twenty (20) feet of the side boundary line of a Lot; (d) must be constructed of Penta Treat, wolmanized wood or wood treated with a comparable preservative, or concrete. Floatation devices may be incorporated into piers and docks if approved by the San Jacinto River Authority, Declarant and the Association. In addition, the following regulations will apply:

- (i) Boat docks and piers may not exceed an elevation of three (3) feet above the mean Lake level of 201 feet;
- (ii) Boat sheds may not extend more than four (4) feet above the mean Lake level of 201 feet;
- (iii) Decks and walks may not be more than eighteen (18) inches above natural grade (as determined by the Declarant, in Declarant's sole and absolute discretion) within fifteen (15) feet of the common boundary line of the Lot and the Lake, and no greater than thirty-six (36) inches above natural grade (as determined by the Declarant, in Declarant's sole and absolute discretion) within thirty (30) feet of the common boundary line of the Lot and the Lake;
- (iv) Boat lifts must be submerged so as not to have any mechanical portion exposed above the mean Lake level of 201 feet, and no lift will be operated to expose a boat or watercraft more than two (2) feet above the mean Lake level of 201 feet or the then existing water level of the Lake.
- (v) Boat slips or boat docks must not be constructed so as to project out from the shoreline into the Lake. Boat slips will be installed below the natural grade of the Lot to a sufficient depth to allow no more than six (6) feet of the boat, watercraft, or slip to project into the Lake as measured from exposed common boundary line of the Lot and the Lake. No boat slip will be constructed within twenty (20) feet of the side boundary line of a Lot.
- (vi) Bulkheads constructed along the Lot shoreline are prohibited without the prior written consent of Declarant; provided, however, bulkheads will be required to be installed within any excavation of the Lot required to install the boat slip. Bulkheads will be permitted along the shoreline adjacent to a pier between the pier and the shoreline.
- (vii) The shoreline of each lakefront Lot must be sloped into the Lake and grasses will be required to be installed to prevent erosion.

The Declarant and the Association shall at all times retain the right to install bulkheads, to install equipment, or to make any modifications to the Lot as necessary or required, in Declarant or the Board's sole and absolute discretion, to secure all bulkheads. Declarant hereby retains an easement for itself and the Association over and across all Lots which share a common boundary with the Lake to dredge, clean or otherwise maintain the Lake or any shoreline thereof. The Declarant and the Board will have the authority from time to time to adopt rules and regulations governing watercraft and use of the Lake

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2.04. **Insurance Rates.** Nothing shall be done or kept on a Lot that would increase the rate of casualty or liability insurance or cause the cancellation of any such insurance on the Common Area, or Special Common Area, or the improvements located thereon, without the prior written approval of the Board.

2.05. **Subdividing and Easements.** No Lot shall be further divided or subdivided, nor may any easements or other interests therein covering less than the whole Lot be conveyed by the Owner thereof without the prior express written approval of the Declarant. Easements for the installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. No shrubbery, fence or other obstruction shall be placed in any easement. No utility company, water district, political subdivision, or other authorized entity using the easements herein referred to shall be liable for any damage done by them or their assigns, agents, employees, or servants, to shrubbery, trees, or flowers, or any other landscaping or Improvements or to other property of the Owner situated within any such easement.

2.06. **Signs.** No sign of any kind, including, without limitation, signs advertising property for sale or lease, shall be displayed to the public view without the express prior written approval of the Declarant, except for signs that are part of Declarant's marketing plan for the Property or any part thereof. The Declarant may permit or prohibit signs of any type advertising a portion of the Property for sale or lease, as it elects, in its sole and absolute discretion.

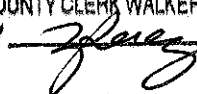
2.07. **Rubbish and Debris.** No rubbish or debris of any kind shall be placed or permitted to accumulate upon any Lot, and no odors shall be permitted to arise therefrom so as to render the Lot, or any portion thereof, unsanitary, unsightly, offensive, or detrimental to any other property or to its occupants. Refuse, garbage, and trash shall be kept at all times in covered containers, and such containers shall be kept within enclosed structures or otherwise appropriately screened from view from any portion of the Property, other than the Lot on which such containers are properly located.

2.08. **Noise.** No exterior speakers, horns, whistles, bells, or other sound devices (other than security devices used exclusively for security purposes) shall be located, used, or placed on any Lot. No noise or other nuisance (which may include, but not be limited to barking dogs) shall be permitted to exist or operate upon any portion of a Lot so as to be offensive or detrimental to any other portion of the Property or to its occupants. Without limiting the generality of the foregoing, if any noise or nuisance emanates from any Improvement on any Lot, the Declarant or the Association may (but shall not be obligated to) enter any such Improvement and take such reasonable actions necessary to terminate such noise (including silencing any burglar or break-in alarm).

2.09. **Repair and Maintenance.** The Owners of each Lot shall jointly and severally have the duty and responsibility, at their sole cost and expense, to keep their Lot and all Improvements thereon in good condition and repair and in a well-maintained, safe, clean and attractive condition at all times. The Declarant or the Section XI Architectural Control Committee, in its sole discretion, shall determine whether a violation of the maintenance obligations set forth in this Section 2.09 has occurred. Such maintenance includes, but is not limited to the following, which shall be performed in a timely manner, as determined by the Section XI Architectural Control Committee, in its sole discretion:

- (i) Prompt removal of all litter, trash, refuse, and wastes.
- (ii) Lawn mowing.
- (iii) Tree and shrub pruning.
- (iv) Watering.
- (v) Keeping exterior lighting and mechanical facilities in working order.
- (vi) Keeping lawn and garden areas alive, free of weeds, and attractive.

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- (vii) Keeping sidewalks, driveways, and private roads in good repair.
- (viii) Complying with all government, health and police requirements.
- (XI) Repainting or restaining of Improvements.
- (x) Repair of exterior damage, and wear and tear to Improvements.

2.10. Alteration or Removal of Improvements. Any alteration, remodeling, or construction that in any way alters or modifies the exterior appearance of any Improvements, or the removal of any Improvements from a Lot, shall be performed only with the prior written approval of the Section XI Architectural Control Committee. Unless otherwise approved in writing by the Section XI Architectural Control Committee, any alteration, remodeling, alteration or modification of any single-family residence on a Lot shall be completed within six (6) months of the date that construction is commenced on the Lot.

2.11. Drainage. There shall be no interference with the established drainage patterns over any of the Property, except by Declarant, unless adequate provision is made for proper drainage and approved in writing by the Section XI Architectural Control Committee.

2.12. Hazardous Activities. No activities may be conducted on the Property and no Improvements constructed on the Property that are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms, pneumatic or projectile weapons or fireworks shall be discharged upon the Property, and no open fires shall be lighted or permitted except within safe and well-designed interior fireplaces or in contained barbecue units which are attended while in use for used and cooking purposes only. No barbecue unit shall be located on any Lot so as to be visible from any public or private thoroughfares. No hunting or trapping is permitted on any portion of the Property.

2.13. Temporary Structures. No tent, shack, or other temporary building, improvement, or structure shall be placed upon a Lot without the written approval of the Section XI Architectural Control Committee; provided, however, that temporary structures necessary for storage of tools and equipment and for office space for architects, builders, and foreman during actual construction may be maintained with the prior written approval of Section XI Architectural Control Committee, such approval to include the nature, size, duration, and location of such structure.

2.14. Mining and Drilling. No portion of the Property shall be used for the purpose of mining, quarrying, drilling, boring, or exploring for or removing water, oil, gas, or other hydrocarbons, minerals of any kind, rocks, stones, sand, gravel, aggregate, or earth.

2.15. Unightly Articles: Vehicles. No article deemed to be unsightly by the Declarant or the Section XI Architectural Control Committee shall be permitted to remain on any Lot so as to be visible from adjoining property or public or private thoroughfares. Without limiting the generality of the foregoing, trailers, graders, trucks larger than a 3/4 ton pickup, boats, tractors, semi-trailers, campers, wagons, buses, motorcycles, motor scooters, machinery, garden maintenance equipment and inoperable vehicles shall be kept at all times, except when in actual use, in enclosed structures or screened from view, and no repair or maintenance work shall be done on any of the foregoing or on any automobile (other than minor emergency repairs) except in enclosed garages or other structures. Compost piles, and facilities for hanging, drying, or airing clothing or household fabrics (including, without limitation, clothes lines) shall be screened from view from any portion of the Property other than the Lot on which such areas, piles and facilities are properly located. No lumber, grass, plant waste, shrub or tree clippings, metals, bulk materials, scraps, refuse, or trash of any kind shall be kept, stored, or allowed to accumulate on any portion of a Lot except within enclosed structures or appropriately screened from view from any portion of the Property other than the Lot on which such materials are properly located.

Parking of any vehicles on public or private streets or thoroughfares; and parking of commercial vehicles or equipment, mobile homes, recreational vehicles, boats and other watercraft, trailers, stored vehicles or inoperable

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vehicles in places other than enclosed garages is prohibited; provided, construction, service and delivery vehicles shall be exempt from this provision for such period of time as is reasonably necessary to provide service or to make a delivery to a residence.

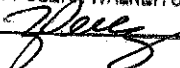
Notwithstanding any provision in this Declaration to the contrary, the Declarant may permit an Owner to temporarily inhabit a recreational vehicle on such Owner's Lot during active construction of a residence thereon. In the event Declarant permits temporary habitation of a recreational vehicle, the Declarant may require that the Owner comply with restrictions governing placement of the recreational vehicle and such other restrictions and rules which may be desirable by Declarant. It is anticipated that Declarant's consent will only be granted in cases of hardship or unusual circumstances, which determination will be made by Declarant, in Declarant's sole and absolute discretion.

2.16. Animals. No kennel or other facility for raising or boarding dogs or other animals for commercial purposes shall be kept on any Lot. The keeping of ordinary household pets, not to exceed two (2) in number, such as dogs and cats is allowed, and the pups, kittens, or offspring of any such permitted household pets may be kept for a period not in excess of twelve (12) weeks; provided, however, that no breeding, raising, or boarding of such pets for commercial purposes is permitted on such sites. No poultry, livestock or exotic animal, including birds, may be kept on any Lot. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the residence. Pets shall be registered, licensed and inoculated as required by law.

2.17. Travel Trailers and Recreational Vehicles. No travel trailers or recreational vehicles shall be parked in any street or on or near any Lot. No golf cart or go-cart shall be permitted within the Property.

2.18. Owner's Responsibility for Maintenance. Each Owner shall maintain and keep in a good state of repair the interior and exterior of all buildings, structures, and other Improvements of any kind or nature that are located upon such Owner's Lot. An Owner, when exercising the right and responsibility of repair, maintenance, replacement, or remodeling, as herein defined, shall never alter in any manner whatsoever the color and exterior appearance of the Improvements located on such Owner's Lot, except by written consent of the Section XI Architectural Control Committee. Each Owner shall, however, have the exclusive right to paint, plaster, panel, tile, wax, paper, or otherwise refinish and decorate the inner surface of the walls, ceilings, floors, windows, and doors within such Owner's structure. In the event an Owner fails to maintain the Improvements located on such Owner's Lot as provided herein in a manner that the Declarant or the Section XI Architectural Control Committee deem necessary to preserve the appearance and value of the Property, the Declarant or the Section XI Architectural Control Committee may notify such Owner of the work required and request that it be done within thirty (30) days from the giving of such notice. In the event such Owner fails to complete such work or maintenance within said period, the Declarant or the Section XI Architectural Control Committee shall so notify the Board, and the Board may (but shall not be obligated to) cause such work to be done and the Owner shall be personally liable to the Association, as the case may be, for the cost of such work. If the Owner fails to pay such cost upon demand, such cost (plus interest from the date of demand until paid at the maximum lawful rate, or if there is no such maximum lawful rate, at the rate of one and one-half percent (1-1/2%) per month) shall be added to the Assessment chargeable to the Owner's Lot(s). Any such amounts added to the Assessments chargeable against a Lot shall be secured by the liens reserved in this Declaration for assessments and may be collected by any means provided in this Declaration for the collection of such assessments, including, but not limited to, foreclosure of such liens against the Owner's Lot(s). EACH SUCH OWNER SHALL INDEMNIFY AND HOLD HARMLESS THE DECLARANT AND THE ASSOCIATION AND THEIR OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION INCURRED OR THAT MAY ARISE BY REASON OF THE DECLARANT OR THE ASSOCIATION'S ACTS OR ACTIVITIES UNDER THIS SECTION 2.18 (INCLUDING ANY COST, FEES, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING OUT OF THE DECLARANT OR THE ASSOCIATION'S NEGLIGENCE IN CONNECTION THEREWITH), EXCEPT FOR SUCH COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING BY REASON OF THE DECLARANT OR THE ASSOCIATION'S GROSS NEGLIGENCE OR WILFUL MISCONDUCT. "GROSS NEGLIGENCE" AS USED HEREIN DOES NOT INCLUDE SIMPLE NEGLIGENCE, CONTRIBUTORY NEGLIGENCE OR SIMILAR NEGLIGENCE SHORT OF ACTUAL GROSS NEGLIGENCE.

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2.19. Liability of Owners for Damage to Common Area or Special Common Area. No Owner shall in any way alter, modify, add to, or otherwise perform any work whatsoever upon the Common Area or the Special Common Area. The Owner of each Lot shall be liable to the Association (or the Declarant is Declarant is holding title to the Common Area or Special Common Area on behalf of the Association) for all damages to: (i) the Common Area, Special Common Area, or any Improvements constructed thereon; or (ii) to any Improvements constructed upon any Lot, the maintenance of which has been assumed by the Association; which damage is caused by the neglect, misuse or negligence of such Owner or any tenant or other occupant of such Owner's Lot or such Owner's guest or invitee. The full cost of all repairs of such damage shall be an assessment against the Owner's Lot, secured by a lien against the Owner's Lot and collectible in the same manner as provided in this Declaration for the collection of assessments.

2.20. Compliance with the Association Restrictions. Each Owner shall comply strictly with the provisions of the Association Restrictions, as the same may be amended from time to time. Failure to comply with any of the Association Restrictions shall constitute a violation of the Association Restrictions and shall give rise to a cause of action to recover sums due for damages or injunctive relief, or both, maintainable by the Declarant, the Manager or Board on behalf of the Association, or by the Section XI Architectural Control Committee. Without limiting any rights or powers of the Association set out in this Declaration, the Board may (but shall not be obligated to) remedy or attempt to remedy any violation of any of the provisions of the Association Restrictions, and the Owner whose violation has been so remedied shall be personally liable to the Association for all costs and expenses of effecting (or attempting to effect) such remedy. If such Owner fails to pay such costs and expenses upon demand by the Association, such costs and expenses (plus interest from the date of demand until paid at the maximum lawful rate, or if there is no such maximum lawful rate, at the rate of one and one-half percent (1-1/2%) per month) shall be added to the assessment chargeable to the Owner's Lot(s). Any such amounts added to the assessments chargeable against a Lot shall be secured by the liens reserved in this Declaration for assessments and may be collected by any means provided in this Declaration for the collection of assessments, including, but not limited to, foreclosure of such liens against the Owner's Lot(s). Each such Owner shall indemnify and hold harmless the Association and its officers, directors, employees and agents from any cost, loss, damage, expense, liability, claim or cause of action incurred or that may arise by reason of the Association's acts or activities under this Section 2.20 (including any cost, loss, damage, expense, liability, claim or cause of action arising out of the Association's negligence in connection therewith), except for such cost, loss, damage, expense, liability, claim or cause of action arising by reason of the Association's gross negligence or willful misconduct. "Gross negligence" as used herein does not include simple negligence, contributory negligence or similar negligence short of actual gross negligence.


2.21. Butane and Fuel Tanks. No butane or fuel tank or other structure or facility for the storage of combustible fuel (other than gas grills) shall be placed or maintained on any Lot unless approved in writing by the Section XI Architectural Control Committee.

2.22. No Warranty of Enforceability. Declarant makes no warranty or representation as to the present or future validity or enforceability of any restrictive covenants, terms, or provisions contained in this Declaration. Any Owner acquiring a Lot in reliance on one or more of such restrictive covenants, terms, or provisions shall assume all risks of the validity and enforceability thereof and, by acquiring the Lot, agrees to hold Declarant harmless therefrom.

2.23. Swimming Pools. The Section XI Architectural Control Committee may prohibit the installation of a swimming pool on any Lot. Any swimming pool approved by the Section XI Architectural Control Committee must be enclosed with a fence or other enclosure device completely surrounding the swimming pool which, at a minimum, satisfies all applicable governmental requirements. Nothing in this Section 2.23 is intended or shall be construed to limit or affect an Owner's obligation to comply with any applicable governmental regulations concerning swimming pool enclosure requirements. Above-ground or temporary swimming pools are expressly prohibited.

2.24. No Tennis or Recreational Courts; Playscapes; Basketball Goals. No tennis, recreational or sport courts shall be constructed on any Lot unless expressly approved by the Section XI Architectural Control Committee. The Section XI Architectural Control Committee may prohibit the installation of a tennis, recreational

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or sport court on any Lot. Playscapes or any similar recreational facilities may not be constructed on any Lot without the advance written approval of the Section XI Architectural Control Committee. The Section XI Architectural Control Committee may prohibit the installation of playscapes or similar recreational facilities on any Lot. Permanent basketball goals are permitted between the street right-of-way and the front of the residence on a Lot provided the basketball goal is located a minimum of twenty feet (20') from the street curb. The basketball goal backboard must be perpendicular to the street and mounted on a black metal pole permanently installed in the ground. Portable basketball goals are only allowed in the rear of the Lots and shall not be placed, at any time: (i) in or adjacent to any street or right of way located within the subdivision; or (ii) between the street right-of-way and the front of the residence on any Lot in the subdivision. Basketball goals must be properly maintained and painted, with the net in good repair. All basketball goals, whether permanent or portable, must be approved by the Section XI Architectural Control Committee prior to being placed on any Lot.

2.25. Exterior Lighting. All exterior illumination shall be subject to approval of the Section XI Architectural Control Committee. Exterior lighting installed on any Lot shall be limited to lighting which will not cause unnecessary light spill distraction as determined by the Section XI Architectural Control Committee.

2.26. Utility Lines. Unless otherwise approved by the Declarant, no sewer, drainage or utility lines or wires or other devices for the communication or transmission of electric current, power, or signals including telephone, television, microwave or radio signals, shall be constructed, placed or maintained anywhere in or upon any portion of the Property other than within buildings or structures unless the same shall be contained in conduits or cables constructed, placed or maintained underground or concealed in or under buildings or other structures.

2.27. Violation of Association Restrictions. In the event the Association Restrictions are violated by any Owner, its employees, lessees, invitees or licensees, the Declarant, the Section XI Architectural Control Committee, the Board may seek any one or more of the following remedies, in addition to any other remedy or right provided in the Association Restrictions:

(i) The suspension of an Owner's right to vote in matters pertaining to the Association and to suspend such Owner's right to use any Common Area or Special Common Area;

(ii) The right to enforce the Association Restrictions (and in connection therewith, to enter upon any Lot or any Improvements constructed thereon or therein, if necessary), and levy an assessment against the Lot for any expense occasioned by such violation;

(iii) The right to levy fines as a result of such violation as provided in Section 5.10 of this Declaration;

(iv) The right to seek injunctive or any other relief provided or allowed by law against such violation and to recover from such Owner all its expenses and costs in connection therewith, including, but not limited to, attorneys' fees and court costs. Each day a violation continues shall be deemed a separate violation.

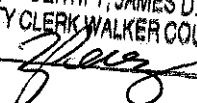
2.28. Construction Standards.

(i) Once commenced, construction shall be diligently pursued to the end that it may not be left in a partly finished condition any longer than reasonably necessary.

(ii) Any and all debris due to construction including but not limited to dirt or trash, which is deposited on any roadway, shall be removed daily. No construction equipment or vehicles shall be parked on roadway within the Property without prior written approval of the Section XI Architectural Control Committee.

(iii) All temporary utilities on any Lot during the construction of Improvements thereon shall be contained in unobtrusive areas to be approved in writing by the Section XI Architectural Control Committee. To the extent reasonably practicable, equipment and materials shall be stored at a location that is visibly unobtrusive

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from any roadway and from any adjacent property. To the extent reasonably practicable, construction debris shall be concealed from any roadway and from adjacent property, by the use of visual screening, and such debris shall be removed promptly and on a regular basis. Burning of debris shall not be permitted. Upon completion of construction upon any portion of a Lot, all trash, debris, surplus materials, temporary screening barriers, and equipment shall be removed promptly.

2.29. Fences. The materials, design and placement of all fences constructed by an Owner other than the Declarant must be approved in advance of construction by Section XI Architectural Control Committee.

2.30. Landscaping. The Section XI Architectural Control Committee shall be authorized to promulgate rules for the installation of landscaping on any Lot. The Section XI Architectural Control Committee or its assigns shall be entitled to make recommendations with respect to tree disease control, whereupon the Owner or Owners to whom such recommendations are directed shall be obligated to comply with such recommendations, which may include, but not be limited to tree removal and replacement.


ARTICLE III
ASSOCIATION

3.01. Organization. The Association has been created to administer the affairs of its Members related to use and enjoyment of the Property, the Common Area, and the Special Common Area. The Association is vested with the powers prescribed by law or set forth in its articles and bylaws or in this Declaration. Declarant shall be under no obligation to administer or finance the Association.

3.02. Membership.

- (i) Any person or entity, upon becoming an Owner, shall automatically become a Member of the Association. Membership shall be appurtenant to and shall run with the ownership of the Lot that qualifies the Owner thereof for membership. Membership in the Association may not be severed from the ownership of a Lot, or in any way transferred, pledged, mortgaged, or alienated, except together with the title to the said Lot.
- (ii) Every Member shall have a right and easement of enjoyment in and to the Common Area and Special Common Area which shall be appurtenant to and shall pass with the title to such Member's Lot, subject to the following restrictions and reservations:
 - (a) the right of the Board to suspend the Member's voting rights and right to use the Common Area or Special Common Area for any period during which any Assessment against such Member's Lot(s) remains past due, and for any period during which a Member is in violation of the Association Restrictions;
 - (b) the right of the Board to dedicate or transfer all or any part of the Common Area or the Special Common Area to any public agency, authority, or utility;
 - (c) the right of the Board to borrow money for the purpose of improving or maintaining the Common Area and the Special Common Area, in aid thereof, to mortgage said Common Area and Special Common Area;
 - (d) the right of the Board to make reasonable rules and regulations (which may include the right to levy fines for the breach thereof) regarding the use of the Common Area, Special Common Area, and the facilities located thereon by the Members and other persons entitled to such use; and

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- (e) the right of the Board to contract for services with third parties on such terms as the Board may determine to be in the best interest of the Association.

Rules and regulations adopted by the Board pursuant to 3.02(ii)(d) above, may be amended from time to time.


3.03. Voting Rights. The right to cast votes and the number of votes which may be cast for election of members of the Board and on all other matters to be voted on by the Members shall be calculated as follows:

- (i) The Owner of each Lot shall have one (1) vote for each Lot so owned. In no event, except as set forth in Section 3.03(ii) below, shall any Lot be entitled to more than one (1) vote; provided, however, that in the event of the resubdivision of any Lot into two or more Lots, the number of votes to which such Lot is entitled shall be increased as necessary to retain the ratio of one (1) vote for each Lot resulting from such resubdivision. No resubdivision shall be effective, for purposes of the Association Restrictions, unless the same is approved by the appropriate governmental entity in accordance with the requirements of Chapter 212 of the Texas Local Government Code then in effect (or its successor statute), and duly recorded in the Official Public Records of Walker County, Texas. In the event of the consolidation of two (2) or more Lots for purposes of construction of a single residence thereon, voting rights and assessments shall continue to be determined according to the number of original Lots contained in such consolidated Lot. Nothing herein shall be construed as authorization for any resubdivision or consolidation of Lots; such actions are subject to and require the prior approval of the Section XI Architectural Control Committee pursuant to other provisions of this Declaration.
- (ii) In addition to the votes to which Declarant is entitled by reason of Section 3.03(i), for every one (1) vote outstanding in favor of any other person or entity, Declarant shall have four (4) additional votes until such time as Declarant no longer owns any of the Lots.
- (iii) The right of any Owner to vote may be suspended by the Association, acting through the Board, for any period during which any assessment against such Owner's Lot(s) remains past due, or for any period during which such Owner or such Owner's Lot(s) is in violation of the Association Restrictions.

3.04. Powers and Authority of the Association. The Association has the powers of a Texas non-profit corporation subject only to the limitations upon the exercise of such power as are expressly set forth in this Declaration, the Articles and the Bylaws. It shall further have the power to do and perform any and all acts that may be necessary or proper for, or incidental to, the exercise of any of the express powers granted to it by the laws of Texas or by this Declaration. Without in any way limiting the generality of the two preceding sentences, the Association and the Board, acting on behalf of the Association, shall have the power and authority at all times as follows:

- (i) **Assessments.** To levy assessments as provided herein.
- (ii) **Right of Entry and Enforcement.** To enter at any time in an emergency without notice, or in a non-emergency after twenty-four (24) hours written notice, without being liable to any Owner or any other person or entity, upon any Lot or into any Improvement thereon, or to enter at any time without notice onto any Common Area or Special Common Area, for the purpose of enforcing the Association Restrictions or for the purpose of maintaining or repairing any area, Improvement, or other facility to conform to the Association Restrictions. The expense incurred by the Association in connection with the entry upon any Lot and the maintenance and repair work conducted thereon shall be a personal obligation of the Owner of the Lot entered upon, shall be deemed a special

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Assessment against such Lot, shall be a lien upon the Lot entered upon and Improvements thereon, and shall be enforced in the same manner and to the same extent as provided in Article V hereof for regular and special Assessments. The Association, acting through the Board, shall have the power and authority from time to time, in its own name and on its own behalf, or in the name of and on behalf of any Owner who consents thereto, to commence and maintain actions and suits to enforce, by mandatory injunction or otherwise, or to restrain and enjoin any breach or threatened breach of the Association Restrictions. The Association, acting through the Board, is also authorized to settle claims, enforce liens, and take all such action as it may deem necessary or expedient to enforce the Association Restrictions; provided, however, that the Board shall never be authorized to expend any Association funds for the purpose of bringing suit against Declarant, its successors or assigns. Notwithstanding any provision herein to the contrary, the Association may not alter or demolish any Improvements on any Lot other than Common Area or Special Common Area in enforcing the Association Restrictions before judicial proceedings are instituted by the Association or the written consent of the Owner(s) of the affect Lot(s) has been obtained. Each such Owner shall indemnify and hold harmless the Association, its officers, directors, employees and agents from any cost, loss, damage, expense, liability, claim or cause of action incurred or that may arise by reason of the Association's acts or activities under this Section 3.04(ii) (INCLUDING ANY COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING OUT OF THE ASSOCIATION'S NEGLIGENCE IN CONNECTION THEREWITH), except for such cost, loss, damage, expense, liability, claim or cause of action arising by reason of the Association's gross negligence or willful misconduct. "Gross negligence" as used herein does not include simple negligence, contributory negligence or similar negligence short of actual gross negligence.


(iii) Conveyances. To grant and convey to any person or entity any real property and/or other interest, including fee title, leasehold estates, easements, rights-of-way, or Mortgages, out of, in, on, over, or under any Common Area and Special Common Area for the purpose of constructing, erecting, operating, or maintaining thereon, therein, or thereunder:

- (a) Roads, streets, walks, street lights, driveways, parking lots, trails, paths and fences;
- (b) Lines, cables, wires, conduits, pipelines, or other devices for utility purposes;
- (c) Sewers, water systems, storm water drainage systems, sprinkler systems, and pipelines, or any other water quality features or improvements; or
- (d) Any similar improvements or facilities.

Nothing set forth above, however, shall be construed to permit the use or occupancy of any improvement or other facility in any way that would violate applicable use and occupancy restrictions imposed thereon by the Association Restrictions, or by any governmental authority.

(iv) Manager. To retain and pay for the services of a Manager to manage and operate the Association to the extent deemed advisable by the Board. Additional personnel may be employed directly by the Association or may be furnished by the Manager. To the extent permitted by law, the Association and the Board may delegate any duties, powers, and functions to the Manager. The Members of the Association hereby release the Association and the members of the Board from liability for any omission or improper exercise by the Manager of any such duty, power, or function so delegated.

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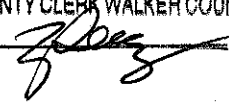
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- (v) Legal and Accounting Services. To retain and pay for legal and accounting services necessary or proper in the operation of the Association.
- (vi) Common Area and Special Common Area Services. To pay for water, sewer, garbage removal, landscaping, gardening, and all other utilities or services to, and all maintenance of the Common Area or Special Common Area, including, but not limited to, any recreational facilities; to maintain and repair any recreational facilities, easements, roads, roadways, rights-of-way, parkways, median strips, sidewalks, paths, trails, fences, ponds, lakes located within or upon the Common Area or Special Common Area, and to maintain and repair other portions of the Common Area or Special Common Area.
- (vii) Other Services and Properties. To obtain and pay for any other property and services, and to pay any other taxes or Assessments that the Association or the Board is required or permitted to secure or to pay for pursuant to applicable law or under the terms of the Association Restrictions. The Association will have the express authority to enter into a contract with a third party vendor for the provision of routine curbside trash removal at each Lot. The costs incurred by the Association pursuant to such contract will be levied against each Lot and included in the regular Assessments chargeable to such Lot at a rate established by the Board. In addition, the Association is also authorized to enter into contracts for the maintenance of the Lake and the cost of such maintenance will be levied against each Lot and included in the regular Assessments chargeable to such Lot at a rate established by the Board.
- (viii) Construction. To construct new Improvements on or additions to Common Area or the Special Common Area.
- (ix) Contracts: Property Ownership. To enter into contracts with Declarant and with other persons or entities on such terms and provisions as the Board shall determine, and to acquire, own, and dispose of all manner of real and personal property, whether by grant, lease, gift, or otherwise.

3.05. Indemnification. To the fullest extent permitted by applicable law, but without duplication of (and subject to) any rights or benefits arising under the articles or bylaws of the Association, the Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that such person is or was a director, officer, committee member, employee, servant, or agent of the Association against expenses (including attorney's fees, judgments, fines, and amounts paid in settlement) actually and reasonably incurred by such person in connection with such action, suit or proceeding if it is found and determined by the Board or a court that such person: (i) acted in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Association; or (ii) with respect to any criminal action or proceeding, had no reasonable cause to believe such conduct was unlawful. The termination of any action, suit, or proceeding by settlement, or upon a plea of Nolo Contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith or in a manner reasonably believed to be in, or not opposed to, the best interests of the Association, or, with respect to any criminal action or proceeding, had reasonable cause to believe that such conduct was unlawful. The Board may purchase and maintain insurance on behalf of any person who is or was a director, officer, committee member, employee, servant, or agent of the Association, against any liability asserted against such person or incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Association would have the power to indemnify such person against such liability hereunder or otherwise.

3.06. Bulk Rate Contracts. Without limitation on the generality of the Association powers set out in Section 3.04 above, the Association shall have the power to enter into Bulk Rate Contracts at any time and from time to time. The Association may enter into Bulk Rate Contracts with any service providers chosen by the Board

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(including Declarant and/or any entities in which Declarant or the owners or partners of Declarant are owners or participants, directly or indirectly). The Bulk Rate Contracts may be entered into on such terms and provisions as the Board may determine in its sole and absolute discretion. If any Owner fails to pay any charges due by such Owner under the terms of any Bulk Rate Contract, then the Association shall be entitled to collect such charges by exercising the same rights and remedies it would be entitled to exercise under this Declaration with respect to the failure by such Owner to pay Assessments, including without limitation the right to foreclose the lien against such Owner's Lot which is reserved under the terms and provisions of this Declaration. In addition, in the event of nonpayment by any Owner of any charges due under any Bulk Rate Contract and after the lapse of at least twelve (12) days since such charges were due, the Association may, upon five (5) days' prior written notice to such Owner (which may run concurrently with such 12 day period), in addition to all other rights and remedies available at law, equity or otherwise, terminate, in such manner as the Board deems appropriate, any utility service or other service provided at the cost of the Association and not paid for by such Owner (or the occupant of such Owner's) directly to the applicable service or utility provider. Such notice shall consist of a separate mailing or hand delivery at least five (5) days prior to a stated date of termination, with the title "termination notice" or similar language prominently displayed on the notice. The notice shall include the office or street address where the Owner (or the occupant of such Owner's Lot) can make arrangements for payment of the bill and for re-connection or re-institution of service. No utility or cable television service shall be disconnected on a day, or immediately preceding a day, when personnel are not available for the purpose of collection and reconnecting such services.

ARTICLE IV
INSURANCE

Each Owner shall be required to purchase and maintain insurance on the Improvements located upon such Owner's Lot.

ARTICLE V
COVENANT FOR ASSESSMENTS


5.01. Assessments.

- (i) Assessments established by the Board pursuant to the provisions of this Article V shall be levied against each Lot in amounts determined pursuant to Section 5.05 below. The total amount of Assessments shall be determined by the Board pursuant to Section 5.03, 5.03A, and/or 5.04 hereof.
- (ii) Each Assessment together with such interest thereon and costs of collection thereof as hereinafter provided, shall be the personal obligation of the Owner of the Lot against which the Assessment is levied and shall be secured by a lien hereby granted and conveyed by the Declarant to the Association against each such Lot, and all Improvements thereon (such lien, with respect to any Lot not in existence on the date hereof, shall be deemed granted and conveyed at the time that such Lot is created). The Association may enforce payment of such Assessments in accordance with the provisions of this Article.

5.02. Maintenance Fund. The Board shall establish a maintenance fund into which shall be deposited all monies paid to the Association and from which disbursements shall be made in performing the functions of the Association under this Declaration. The funds of the Association must be used solely for purposes authorized by this Declaration, as it may from time to time be amended.

5.03. Regular Annual Assessments. Prior to the beginning of each fiscal year, the Board shall estimate the expenses to be incurred by the Association during such year in exercising its powers as set forth in this Declaration, Articles, or Bylaws, including, but not limited to, the cost of all maintenance, the cost of administering

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and enforcing the covenants and restrictions contained herein, and shall estimate the amount needed to maintain a reasonable provision for contingencies and an appropriate replacement reserve, and shall give due consideration to any expected income and any surplus from the prior year's fund. Assessments sufficient to pay such estimated net expenses shall then be levied as herein provided at the level of Assessments set by the Board in its sole and absolute discretion, and the Board's determination shall be final and binding so long as it is made in good faith. If the sums collected prove inadequate for any reason, including nonpayment of any individual Assessment, the Association may at any time, and from time to time, levy further Assessments in the same manner as aforesaid. All such regular Assessments shall be due and payable to the Association at the beginning of the fiscal year or during the fiscal year in equal monthly installments on or before the first day of each month, or in such other manner as the Board may designate in its sole and absolute discretion.

5.03A Special Common Area Assessments. Prior to the beginning of each fiscal year, the Board shall prepare a separate budget covering the estimated expenses to be incurred by the Association to maintain, repair, or manage any Special Common Area, and shall estimate the amount needed to maintain reasonable provision for contingencies and an appropriate replacement reserve, and shall give due consideration to any expected income and surplus from the prior year's fund. Special Common Area Assessments sufficient to pay such estimated net expenses shall then be levied as herein provided at the level of Special Common Area Assessments set by the Board in its sole and absolute discretion, and the Board's determination shall be final and binding so long as it is made in good faith. If the sums collected prove inadequate for any reason, including non-payment of any individual Special Common Area Assessment, the Association may at any time, and from time to time, levy further Special Common Area Assessments in the same manner as aforesaid. All such Special Common Area Assessments shall be due and payable to the Association at the beginning of the fiscal year or during the fiscal year in equal monthly installments on or before the first day of each month, or in such other manner as the Board may designate in its sole and absolute discretion.

5.04. Special Assessments. In addition to the regular annual Assessments provided for above, the Board may levy special Assessments whenever in the Board's opinion such special Assessments are necessary to enable the Board to carry out the functions of the Association under this Declaration. The amount of any special Assessments shall be at the reasonable discretion of the Board. In addition to the special Assessments authorized above, the Association may, in any fiscal year, levy a special Assessment applicable to that fiscal year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area or Special Common Area. Any special Assessment levied by the Association for the purpose of defraying, in whole or in part, costs of any construction, reconstruction, repair or replacement of capital improvement upon the Common Area shall be levied against all Owners based on Assessment Units. Any special Assessments levied by the Association for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon any Special Common Area shall be levied against all Owners who have been designated as a beneficiary of such Special Common Area and shall be allocated uniformly among such Owners based on Assessment Units.

5.05. Amount of Assessment.

- (i) The Board shall levy Assessments against each "Assessment Unit" (as defined in Section 5.05(ii) below). Assessments levied pursuant to Section 5.03 and 5.04 shall be levied uniformly against each Assessment Unit. Special Common Area Assessments levied pursuant to 5.03A shall be levied uniformly against each Assessment Unit, which has been designated as a beneficiary of the Special Common Area to which such Special Common Area Assessment relates.
- (ii) Each Residential Lot shall constitute one (1) "Assessment Unit."
- (iii) Notwithstanding anything in this Declaration to the contrary, no Assessments shall be levied upon Lots owned by Declarant.

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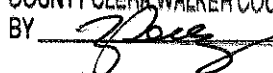
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BY John DEPUTY

5.06. Late Charges. If any Assessment, whether regular or special, is not paid by the due date applicable thereto, the Owner responsible for the payment thereof may be required by the Board, at the Board's election at any time and from time to time, to pay a late charge in such amount as the Board may designate from time to time, and the late charge (and any reasonable handling costs therefor) shall be a charge upon the Lot(s) owned by such Owner, collectible in the manner as herein provided for collection of Assessments, including foreclosure of the lien against such Lot(s) hereinabove granted; provided, however, such charge shall never exceed the maximum charge permitted under applicable law.

5.07. Owner's Personal Obligation for Payment of Assessments. Assessments levied as provided for herein shall be the personal and individual debt of the Owner of the Lot against which are levied such Assessments. No Owner may exempt himself from liability for such Assessments. In the event of default in the payment of any such Assessment, the Owner of the Lot shall be obligated to pay interest on the amount of the Assessment at the highest rate allowed by applicable usury laws then in effect on the amount of the Assessment from the due date therefor (or if there is no such highest rate, then at the rate of 1 and 1/2% per month), together with all costs and expenses of collection, including reasonable attorneys fees.

5.08. Assessment Lien and Foreclosure. The payment of all sums assessed in the manner provided in this Article is, together with interest as provided in Section 5.07 hereof and all costs of collection, including attorney's fees as herein provided, secured by the continuing Assessment lien granted to the Association pursuant to Section 5.01(ii) above, and shall bind each Lot in the hands of the Owner thereof, and such Owner's heirs, devisees, personal representatives, successors or assigns. The aforesaid lien shall be superior to all other liens and charges against such Lot, except only for tax liens and all sums secured by a first mortgage lien or first deed of trust lien of record, to the extent such lien secures sums borrowed for the acquisition or improvement of the Lot in question, provided such Mortgage was recorded in the Official Public Records of Walker County, Texas before the delinquent Assessment was due. The Association shall have the power to subordinate the aforesaid Assessment lien to any other lien. Such power shall be entirely discretionary with the Board, and such subordination may be signed by an officer of the Association. The Association may, at its option and without prejudice to the priority or enforceability of the Assessment lien granted hereunder, prepare a written notice of Assessment lien setting forth the amount of the unpaid indebtedness, the name of the Owner of the Lot covered by such lien and a description of the Lot. Such notice may be signed by one of the officers of the Association and shall be recorded in the Official Public Records of Walker County, Texas. Each Owner, by accepting a deed or ownership interest to a Lot subject to this Declaration shall be deemed conclusively to have granted a power of sale to the Association to secure and enforce the Assessment lien granted hereunder. Such lien for payment of Assessments may be enforced by the non-judicial foreclosure of the defaulting Owner's Lot by the Association in like manner as a real property mortgage with power of sale under Tex. Pro. Code § 51.002. (For such purpose, Robert D. Burton of Travis County, Texas, is hereby designated as trustee for the benefit of the Association, with the Association retaining the power to remove any trustee with or without cause and to appoint a successor trustee without the consent or joinder of any other person.) The Assessment liens and rights to foreclosure thereof shall be in addition to and not in substitution of any other rights and remedies the Association may have by law and under this Declaration, including the rights of the Association to institute suit against such Owner personally obligated to pay the Assessment and/or for foreclosure of the aforesaid lien judicially. In any foreclosure proceeding, whether judicial or non-judicial, such Owner shall be required to pay the costs, expenses and reasonable attorney's fees incurred. The Association shall have the power to bid (in cash or by credit against the amount secured by the lien) on the property at foreclosure or other legal sale and to acquire, hold, lease, mortgage, convey or otherwise deal with the same. Upon the written request of any Mortgagee, the Association shall report to said Mortgagee any unpaid Assessments remaining unpaid for longer than thirty (30) days after the same are due. The lien hereunder shall not be affected by the sale or transfer of any Lot; except, however, that in the event of foreclosure of any first-lien Mortgage securing indebtedness incurred to acquire such Lot, the lien for any Assessments that were due and payable before the foreclosure sale will be extinguished, provided that past-due Assessments shall be paid out of the proceeds of such foreclosure sale only to the extent that funds are available after the satisfaction of the indebtedness secured by the first lien Mortgage. The provisions of the preceding sentence will not, however, relieve any subsequent Owner (including any Mortgagee or other purchaser at a foreclosure sale) from paying Assessments becoming due and payable after the foreclosure sale. Upon payment of all sums secured by a lien of the type described in this Section 5.08, the Association shall upon the request of the Owner execute a release of lien relating to any lien for which written notice has been filed as provided

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above, except in circumstances in which the Association has already foreclosed such lien. Such release shall be signed by an officer of the Association. NOTWITHSTANDING ANY PROVISION IN THIS SECTION 5.08 TO THE CONTRARY, THE ASSOCIATION SHALL NOT HAVE THE AUTHORITY TO FORECLOSE ON A LOT FOR NON-PAYMENT OF ASSESSMENTS IF THE ASSESSMENTS CONSIST SOLELY OF FINES.

5.09. Exempt Property. The following area within the Property shall be exempt from the Assessments provided for in this Article:

- (i) All area dedicated and accepted by public authority, by the recordation of an appropriate document in the Official Public Records of Walker County, Texas; and
- (ii) The Common Area and the Special Common Area; and
- (iii) Any Property owned by the Declarant.

5.10. Fines and Damages Assessment. The Board may assess fines against an Owner for violations of any restriction set forth in this Declaration, or any rules adopted by the Section XI Architectural Control Committee pursuant to this Declaration, which have been committed by an Owner, an occupant of the Owner's, or the Owner or occupant's family, guests, employees, contractors, agents or invitees. Any fine and/or charge for damage levied in accordance with this Section 5.10 shall be considered an Assessment pursuant to this Declaration. Each day of violation may be considered a separate violation if the violation continues after written notice to the Owner. The Board may assess damage charges against an Owner for pecuniary loss to the Association from property damage or destruction of Common Area or Special Common Area or any facilities located thereon by the Owner or the Owner's family, guests, agents, occupants, or tenants. The Association manager shall have authority to send notices to alleged violators, informing them of their violations and asking them to comply with the rules and/or informing them of potential or probable fines or damage assessments. The Board may from time to time adopt a schedule of fines.


The procedure for assessment of fines and damage charges shall be as follows:

- (i) the Association, acting through an officer, Board member or managing agent, must give the Owner notice of the fine or damage charge not later than thirty (30) days after the assessment of the fine or damage charge by the Board;
- (ii) the notice of the fine or damage charge must describe the violation or damage;
- (iii) the notice of the fine or damage charge must state the amount of the fine or damage charge;
- (iv) the notice of a fine or damage charge must state that the Owner may, not later than thirty (30) days after the date of the notice, request a hearing before the Board to contest the fine or damage charge; and
- (v) the notice of a fine must allow the Owner a reasonable time, by a specified date, to cure the violation and avoid the fine unless the Owner was given notice and a reasonable opportunity to cure a similar violation within the preceding sXI (6) months.

Fine and/or damage charges are due immediately after the expiration of the thirty (30) day period for requesting a hearing. If a hearing is requested, such fines or damage charges shall be due immediately after the Board's decision at such hearing, assuming that a fine or damage charge of some amount is confirmed by the Board at such hearing.

The payment of each fine and/or damage charge levied by the Board against the Owner of a Lot is, together with interest as provided in Section 5.07 hereof and all costs of collection, including attorney's fees as herein provided, secured by the lien granted to the Association pursuant to Section 5.01(ii) of this Declaration. Unless otherwise provided in this Section 5.10, the fine and/or damage charge shall be considered an assessment for the purpose of

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this Article, and shall be enforced in accordance with the terms and provisions governing the enforcement of assessments pursuant to this Article V.

ARTICLE VI
SECTION XI ARCHITECTURAL CONTROL COMMITTEE


Each Owner acknowledges that Declarant has a substantial interest in ensuring that improvements within the Property maintain and enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market and sell all or any portion of the Property. Until Declarant has delegated its right to appoint and remove all members of the Section XI Architectural Control Committees to the Board as provided in Section 6.02(i) below, the Section XI Architectural Control Committee shall be acting solely in Declarant's interest and shall owe no duty to any other Owner or the Association.

6.01. Construction of Improvements. No Improvement may be erected, placed, constructed, painted, altered, modified or remodeled on any Lot, and no Lot may be re-subdivided or consolidated with other Lots or Property, by anyone other than the Declarant without the prior written approval of the Section XI Architectural Control Committee. No approval from the Section XI Architectural Control Committee shall be required to repaint or restrain the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications.

6.02. Section XI Architectural Control Committee.

- (i) **Composition.** The Section XI Architectural Control Committee shall be composed of three (3) persons (who need not be Members or Owners) appointed as provided below, who shall review Improvements proposed to be made by any Owner other than Declarant. Declarant shall have the right to appoint and remove (with or without cause) all members of the Section XI Architectural Control Committee. Declarant may delegate this right to the Board by written instrument, and thereafter, the Board shall have the right to appoint and remove all members of the Section XI Architectural Control Committee. At the first time at which Declarant owns no Property, the power to appoint and remove members of the Section XI Architectural Control Committee shall automatically be vested in the Board.
- (ii) **Submission and Approval of Plans and Specifications.** Two (2) copies of the construction plans and specifications (including but not limited to exterior views, exterior materials, colors and elevation, a drainage plan, a site plan showing the location of any proposed structure or improvement, a utility plan, a landscaping plan, and a driveway construction plan) or, when an Owner desires solely to re-subdivide or consolidate Lots, a proposal in the form required by the Section XI Architectural Control Committee, and any other information or documents that may be required by the Section XI Architectural Control Committee, shall be delivered, together with any review fee which is imposed by the Section XI Architectural Control Committee in accordance with Section 6.02(iii) to the Section XI Architectural Control Committee at the offices of Declarant, at 6000 Greenwood Plaza Blvd., Suite 120, Greenwood Village, CO 80111, attn: Richard C. Jennings, or such other address as may hereafter be designated in writing from time to time, not less than thirty (30) days prior to the date on which the Owner proposes to commence construction or re-subdivision/consolidation. No re-subdivision or consolidation shall be made, nor any Improvement placed or allowed on any Lot, until the plans and specifications therefor and the builder which the Owner intends to use to construct the proposed structure or Improvement have been approved in writing by a majority of the members of the Section XI Architectural Control Committee. The Section XI Architectural Control Committee may, in reviewing such plans and specifications consider any information that it deems proper; including, without limitation, any permits, environmental impact statements or percolation tests that may be required by the Section

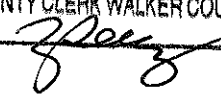
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XI Architectural Control Committee or any other entity; information relating to the question of whether any proposed Improvement would unreasonably obstruct the view from neighboring Lots; and harmony of external design and location in relation to surrounding structures, topography, vegetation, and finished grade elevation. The Section XI Architectural Control Committee may postpone its review of any plans and specifications submitted for approval pending receipt of any information or material which the Section XI Architectural Control Committee, in its sole discretion, may require. Site plans must be approved by the Section XI Architectural Control Committee prior to the clearing of any Lot, or the construction of any Improvements thereon. The Section XI Architectural Control Committee may refuse to approve plans and specifications for proposed Improvements, or for the re-subdivision or consolidation of any Lot on any grounds that, in the sole and absolute discretion of the Section XI Architectural Control Committee, are deemed sufficient, including, but not limited to, purely aesthetic grounds.

- (iii) Adoption of Rules and Regulations. The Section XI Architectural Control Committee shall have the authority to adopt such procedural and substantive rules and guidelines (including, without limitation, the imposition of any requirements for certificates of compliance or completion relating to any Improvement), not in conflict with this Declaration, as it may deem necessary or appropriate in connection with the performance of its duties hereunder, including rules and guidelines establishing and describing its review procedures, and principles and criteria used in its review. The Section XI Architectural Control Committee may amend or modify or supplement its rules and guidelines from time to time as the Section XI Architectural Control Committee deems advisable. In addition, the Section XI Architectural Control Committee shall have the power and authority to impose fees for the review of plans, specifications and other documents and information submitted to it pursuant to the terms of this Declaration. Such fees shall be held by the Section XI Architectural Control Committee and used to defray the administrative expenses incurred by the Section XI Architectural Control Committee in performing its duties hereunder, provided, however, that any excess funds held by the Section XI Architectural Control Committee shall be distributed to the Association at the end of each calendar year.
- (iv) Actions of the Section XI Architectural Control Committee. The Section XI Architectural Control Committee may, by resolution unanimously adopted in writing, designate one or two of its members, or an agent acting on its behalf, to take any action or perform any duties for and on behalf of the Section XI Architectural Control Committee, except the granting of variances as hereinafter provided. In the absence of such designation, the vote of a majority of all of the members of the Section XI Architectural Control Committee taken at a duly constituted meeting shall constitute an act of the Section XI Architectural Control Committee.
- (v) Failure to Act. In the event that any plans and specifications are submitted to the Section XI Architectural Control Committee as provided herein, and the Section XI Architectural Control Committee shall fail either to approve or reject such plans and specifications for a period of ninety (90) days following such submission, no approval by the Section XI Architectural Control Committee shall be required, and approval of such plans and specifications shall be presumed; provided, however, that such ninety (90) day period shall not begin to run until all information required to be submitted by the Section XI Architectural Control Committee to assist in its review of any plans or specifications has been received by the Section XI Architectural Control Committee. Any failure of the Section XI Architectural Control Committee to act upon a request for a variance hereunder shall not be deemed a consent to such variance, and the Section XI Architectural Control Committee's written approval of all requests for variances shall be expressly required.

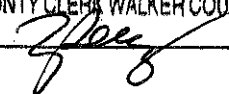
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- (vi) Variations. The Section XI Architectural Control Committee may grant variances from compliance with any of the provisions of this Declaration, including, but not limited to, restrictions upon height, size, shape, floor areas, land area, placement of structures, setbacks, building envelopes, colors, materials, or land use, when, in the opinion of the Section XI Architectural Control Committee, in its sole and absolute discretion, such variance is justified due to visual or aesthetic considerations or unusual circumstances. All variances must be evidenced in writing and must be signed by at least a majority of the members of the Section XI Architectural Control Committee and the Declarant. If a variance is granted, no violation of the covenants, conditions, or restrictions contained in this Declaration or any supplemental declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such variance shall not operate to waive or amend any of the terms and provisions of this Declaration, or any supplemental declaration, for any purpose except as to the particular property and in the particular instance covered by the variance, and such variance shall not be considered to establish a precedent for any future waiver, modification, or amendment of the terms and provisions hereof.
- (vii) Duration of Approval. The approval of the Section XI Architectural Control Committee of any plans and specifications, whether by action or inaction, and any variances granted by the Section XI Architectural Control Committee shall be valid for a period of ninety (90) days only. If construction in accordance with such plans and specifications or variance is not commenced within such ninety (90)-day period and diligently prosecuted to completion thereafter, the Owner shall be required to resubmit such plans and specifications or request for a variance to the Section XI Architectural Control Committee, and the Section XI Architectural Control Committee shall have the authority to re-evaluate such plans and specifications in accordance with this Section and may, in addition, consider any change in circumstances which may have occurred since the time of the original approval thereof.
- (viii) No Waiver of Future Approvals. The approval of the Section XI Architectural Control Committee to any plans or specifications for any work done or proposed in connection with any matter requiring the approval or consent of the Section XI Architectural Control Committee shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any plans and specifications on any other matter, subsequently or additionally submitted for approval by the same or a different person, nor shall such approval or consent be deemed to establish a precedent for future approvals by the Section XI Architectural Control Committee.
- (ix) Non-liability of Committee Members. The review and approval of any plans and specifications pursuant to this Article VI may be made on the basis of aesthetic considerations only. The Declarant, Association, the Board or any committee, or member of any of the foregoing, shall bear no responsibility for ensuring: (i) the structural integrity or soundness of any Improvements; (ii) compliance with building codes and other governmental requirements; (iii) that structures are fit for their intended purpose; (iv) that all residences or other structures, including but not limited to multi-family, retail and other commercial structures are of comparable quality, value or size, of similar design, or aesthetically pleasing or otherwise acceptable to the Owners.

Declarant, the Association, the Board, any committee, or any member of the foregoing shall not be held liable for: (i) soil conditions, view preservation, drainage or other general site work; (ii) defects in plans revised or approved by the Section XI Architectural Control Committee; or (iii) any loss or damage arising out of the action, inaction, integrity, financial condition or quality of work of any contractor or its subcontractors, employees or agents, whether or not the Section XI Architectural Control Committee or Declarant has approved or featured such contractor as a builder within the Property.

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ARTICLE VII
MORTGAGE PROVISIONS

7.01. **Examination of Books.** The Association shall permit Mortgagees to examine the books and records of the Association upon written request during normal business hours.

7.02. **Taxes, Assessments and Charges.** All taxes, assessments and charges that may become liens prior to first lien mortgages under applicable law shall relate only to the individual Lots and not to any other portion of the Property.

ARTICLE VIII
GENERAL PROVISIONS


8.01. **Term.** The terms, covenants, conditions, restrictions, easements, charges, and liens set out in this Declaration shall run with and bind the portion of the Property described in such notice, and shall inure to the benefit of and be enforceable by the Association, and every Owner, including Declarant, and their respective legal representatives, heirs, successors, and assigns, for a term beginning on the date this Declaration is recorded in the Official Public Records of Walker County, Texas, and continuing through and including January 1, 2075, after which time this Declaration shall be automatically extended for successive periods of five (5) years unless a change (the word "change" meaning a termination, or change of term or renewal term) is approved in a resolution adopted by Members who own Lots within the Property entitled to cast at least seventy-five percent (75%) of the total number of votes of the Association, voting in person or by proxy at a meeting duly called for such purpose, written notice of which shall be given to all such Members at least thirty (30) days in advance and shall set forth the purpose of such meeting; provided, however, that such change shall be effective only upon the recording of a certified copy of such resolution in the Official Public Records of Walker County, Texas.

8.02. **Eminent Domain.** In the event it shall become necessary for any public authority to acquire all or any part of the Common Area or Special Common Area for any public purpose during the period this Declaration is in effect, the Board is hereby authorized to negotiate with such public authority for such acquisition and to execute instruments necessary for that purpose. Should acquisitions by eminent domain become necessary, only the Board need be made a party, and in any event the proceeds received shall be held by the Association for the benefit of the Owners. In the event any proceeds attributable to acquisition of Common Area are paid to Owners, such payments shall be allocated on the basis of Assessment Units and paid jointly to the Owners and the holders of first Mortgages or deeds of trust on the respective Lots. In the event any proceeds attributable to acquisition of Special Common Area are paid to Owners who have been designated as a beneficiary of such Special Common Area, such payment shall be allocated on the basis of Assessment Units and paid jointly to such Owners and the holders of first Mortgages or deeds of trust on the respective Lots.

8.03. **Amendment.**

- (i) **By Declarant.** For so long as Declarant owns any portion of the Property, Declarant may unilaterally amend this Declaration for any purpose. At such time as Declarant no longer owns any portion of the Property, Declarant may unilaterally amend this Declaration if such amendment is necessary: (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Lots; or (d) to satisfy the requirements of any local, state or federal governmental agency. However, any unilateral amendment by Declarant pursuant to this Section shall not materially adversely affect the title to any Lot unless the Owner of such Lot shall consent in writing to the amendment.

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- (ii) **By Members.** Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof of: (a) Members who own Lots within the Property, other than Declarant, holding 75% of the total votes the Association; and (b) Declarant, so long Declarant owns any portion of the Property.

8.04. Roadway and Utility Easements. Declarant reserves the right to locate, relocate, construct, erect, and maintain or cause to be located, relocated, constructed, erected, and maintained in and on any streets maintained by the Association, or areas conveyed to the Association, or areas reserved or held as Common Area or Special Common Area, roadways, sewer lines, water lines, electrical lines and conduits, and other pipelines, conduits, wires, and any public utility function beneath or above the surface of the ground with the right of access to the same at any time for the purposes of repair and maintenance.

8.05. Enforcement. The Association or the Declarant shall have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, charges and other terms now or hereafter imposed by the provisions of this Declaration. Failure to enforce any right, provision, covenant, or condition granted by this Declaration shall not constitute a waiver of the right to enforce such right, provision, covenants or condition in the future.

8.06. Severability. If any provision of this Declaration is held to be invalid by any court of competent jurisdiction, such invalidity shall not affect the validity of any other provision of this Declaration, or, to the extent permitted by applicable law, the validity of such provision as applied to any other person or entity.

8.07. Conflicts. If there is any conflict between the provisions of this Declaration, the Articles of Incorporation, the Bylaws, or any rules and regulations adopted pursuant to the terms of such documents, the provisions of this Declaration shall govern.

8.08. Gender. Whenever the context shall so require, all words herein in the male gender shall be deemed to include the female or neuter gender, all singular words shall include the plural, and all plural words shall include the singular.

8.09. Acceptance by Grantees. Each grantee of Declarant of a Lot or other real property interest within the Property, by the acceptance of a deed of conveyance, or each subsequent purchaser, accepts the same subject to all terms, restrictions, conditions, covenants, reservations, easements, liens and charges, and the jurisdiction rights and powers created or reserved by this Declaration or to whom this Declaration is subject, and all rights, benefits and privileges of every character hereby granted, created, reserved or declared. All impositions and obligations hereby imposed shall constitute covenants running with the land within the Property, and shall bind any person having at any time any interest or estate in the Property, and shall inure to the benefit of each Owner in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance.


8.10. Damage and Destruction.

- (i) Promptly after damage or destruction by fire or other casualty to all or any part of the Common Area or Special Common Area covered by insurance, the Board, or its duly authorized agent, shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair of the damage. Repair, as used in this Section 8.10(i), means repairing or restoring the Common Area or Special Common Area to substantially the same condition as existed prior to the fire or other casualty.
- (ii) Any damage to or destruction of the Common Area or Special Common Area shall be repaired unless a majority of the Board shall decide within sixty (60) days after the casualty not to repair. If for any reason either the amount of the insurance proceeds to be

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paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made available.


- (iii) In the event that it should be determined by the Board that the damage or destruction of the Common Area or Special Common Area shall not be repaired and no alternative Improvements are authorized, then the affected portion of the Common Area or Special Common Area shall be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Association in a neat and attractive condition.
- (iv) If insurance proceeds are paid to restore or repair any damaged or destroyed Common Area, and such proceeds are not sufficient to defray the cost of such repair or restoration, the Board shall levy a special Assessment, as provided in Article V, against all Owners. Additional Assessments may be made in like manner at any time during or following the completion of any repair.
- (v) If insurance proceeds are paid to restore or repair any damaged or destroyed Special Common Area, and such proceeds are not sufficient to defray the cost of such repair or restoration, the Board shall levy a special Assessment, as provided in Article V, against all Owners designated as a beneficiary of such Special Common Area. Additional Assessments may be made in like manner at any time during or following the completion of any repair.
- (vi) In the event that any proceeds of insurance policies are paid to Owners as a result of any damage or destruction to any Common Area, such payments shall be allocated based on Assessment Units and paid jointly to the Owners and the holders of first Mortgages or deeds of trust on their Lots.
- (vii) In the event that any proceeds of insurance policies are paid to Owners as a result of any damage or destruction to Special Common Area, such payments shall be allocated based on Assessment Units and shall be paid jointly to the Owners who have been designated as a beneficiary of such Special Common Area and the holders of first Mortgages or deeds of trust on their Lots.
- (viii) In the event that any proceeds of insurance policies are paid to Owners, such payments shall be allocated based on Assessment Units and shall be paid jointly to the Owners and the holders of first Mortgages or deeds of trust on their Lots.

8.11. No Partition. Except as may be permitted in this Declaration or amendments thereto, no physical partition of the Common Area or Special Common Area or any part thereof shall be permitted, nor shall any person acquiring any interest in the Development or any part thereof seek any such judicial partition unless the Development in question has been removed from the provisions of this Declaration pursuant to Section 11.04 below. This Section 8.11 shall not be construed to prohibit the Board from acquiring and disposing of tangible personal property or from acquiring title to real property that may or may not be subject to this Declaration.

8.12. Notices. Any notice permitted or required to be given to any person by this Declaration shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered on the third (3rd) day (other than a Sunday or legal holiday) after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the person at the address given by such person to the Association for the purpose of service of notices. Such address may be changed from time to time by notice in writing given by such person to the Association.

ARTICLE IX
EASEMENTS

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9.01. Right of Ingress and Egress. Declarant, its agents and employees, shall have a right of ingress and egress over and the right of access to the Common Area or Special Common Area to the extent necessary to use the Common Area or Special Common Area and the right to such other temporary uses of the Common Area or Special Common Area as may be required or reasonably desirable (as determined by Declarant in its sole discretion) in connection with the construction and development of the Property. In addition, Declarant reserves an easement for the benefit of itself and its successors or assigns, over and across all streets, alleys and roadways within the Property for the purpose of providing ingress and egress to any other property owned by Declarant. The easement reserved in the foregoing sentence may be assigned, in whole or in part, by Declarant to any party.

9.02. Utility Easements. Declarant hereby reserves unto itself and Declarant's successors and assigns a perpetual non-exclusive easement over and across the Property for: (i) the installation, operation and maintenance of above-ground or below-ground utilities and associated infrastructure to serve the Property and any other property owned by Declarant; (ii) the installation, operation and maintenance of above-ground or below-ground cable lines and associated infrastructure for sending and receiving data and/or other electronic signals, security and similar services to serve the Property and any other property owned by Declarant; and (iii) the installation, operation and maintenance of, walkways, pathways and trails, drainage systems, street lights and signage to serve the Property and any other property owned by Declarant. Declarant shall be entitled to unilaterally assign the easements reserved hereunder to any third party who owns, operates or maintains the facilities and improvements described in (i) through (iii) of this Section 9.02. The exercise of the easement reserved herein shall not: (i) extend to permitting entry into any residence; (ii) unreasonably interfere with the use of any Lot or residence constructed thereon; or (iii) encroach on any residence or Improvement approved by the Section XI Architectural Control Committee.

9.03. Reserved Easements. All dedications, limitations, restrictions and reservations shown on any Plat and all grants and dedications of easements, rights-of-way, restrictions and related rights made by Declarant prior to the Property becoming subject to this Declaration are incorporated herein by reference and made a part of this Declaration for all purposes as if fully set forth herein, and shall be construed as being adopted in each and every contract, deed or conveyance executed or to be executed by or on behalf of Declarant conveying any part of the Property. Declarant reserves the right to relocate, make changes in, and additions to said easements, rights-of-way, dedications, limitations, reservations and grants for the purpose of most efficiently and economically developing the Property.

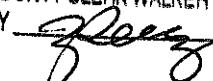
ARTICLE X **GENERAL DISCLOSURES AND NOTICES**

10.01. The Conceptual Plans. All master plans, site plans, brochures, illustrations, information and marketing materials relating to the Property (collectively, the "Conceptual Plans") are conceptual in nature and are intended to be used for illustrative purposes only. The land uses reflected on the Conceptual Plans are subject to change at any time and from time to time without notice to the Owners, and it is expressly agreed and understood that land uses within the Property may include uses which are not shown on the Conceptual Plans. Neither Declarant nor any homebuilder or other developer of any portion of the Property makes any representation or warranty concerning such land uses and it is expressly agreed and understood that no Owner shall be entitled to rely upon the Conceptual Plans in making the decision to purchase any land or Improvements within the Property.

10.02. Differing Restrictions. Improvements constructed within various portions of the Property may be subject to different restrictions. Accordingly, requirements concerning exterior walls, roofing materials, fencing, landscaping, setbacks and other Improvements may differ among separate portions of the Property.

10.03. Construction Matters. Land development activities and construction activities will occur within and around the Property and such activities will create noise, dust, traffic disruption and general inconvenience to the residents within the Property.

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10.04. Views. Views within the Property are not protected. No warranty, representation or guaranty is made to any Owner by Declarant or by any homebuilder or developer of any portion of the Property, that any views from any portion of the Property will be protected or remain the same.

10.05. Warranties and Representations Regarding Improvements. Declarant is not responsible for, nor does it assume or warrant as true, any representation or warranty made by any person who may be associated with the marketing and sale of any residences or other Improvements within the Property. Declarant is not responsible for, nor does it assume or warrant, the quality of construction of any home, building or other Improvements, which are not constructed by Declarant. Each Owner has selected or will select a builder to construct such owner's home or other building, and no Owner will be entitled to look to Declarant with respect to any disputed contractual or construction warranty issues which may arise between any Owner and any contractor or contractors constructing a home or building upon such Owner's Lot.

10.06. Spray Effluent. Each Owner understands and hereby acknowledges that treated wastewater effluent may be disposed of by spray irrigation and other disposal methods upon the Common Areas, Special Common Areas and the rights of way within the Property. Declarant will have no liability or obligations with respect to such disposal activities and Declarant is not responsible for, nor does it assume or warrant, any activities related to such disposal activities.

10.07. Storm Water Drainage. Each Owner is responsible for complying with all governmental and/or regulatory requirements which may apply with respect to the drainage or detention of storm water within such Owner's Lot. Declarant expressly disclaims any responsibility, representation or warranty with respect to the drainage and/or detention of storm water within any Lot.


10.08. Wildlife. Deer and other wildlife are present within the Property. Accordingly, caution should be used when driving, walking or biking on all roadways, sidewalks and/or trails within the Property so as to avoid encounters with such wildlife.

10.09. Undeveloped Areas of the Property. Except for the use of trails permitted by Declarant, access to, or use of, all areas outside of developed portions of the Property is strictly prohibited.

10.10. High Voltage Power Lines; Radio and Telecommunication Towers. Each Owner is hereby advised that there are high voltage power transmission lines and radio towers located within or in the vicinity of the Property. Neither Declarant, the Association, nor the members, partners, affiliates, officers, directors, agents or employees of any of the foregoing, shall be liable for any damage or injury to any Person or any property arising out of or related to proximity to high voltage power transmission lines and/or radio towers. Each Owner is further advised that telecommunication towers and related equipment may also be built within or in the vicinity of the Property. Neither Declarant, the Association, nor the members, partners, affiliates, officers, directors, agents or employees of any of the foregoing shall be liable for any damage or injury to any Person or any property arising out of or related to the construction, installation, maintenance and operation of any such towers that may now or hereafter be located in or in the vicinity of the Property.

10.11. Resale and Compliance Certificate. No Owner shall transfer title to a Lot unless and until the Owner has obtained: (i) a resale certificate signed by a representative of the Association pursuant to Section 207.03(b) of the Texas Property Code; and (ii) a certificate of compliance in recordable form, dated within thirty (30) days of the date of transfer, and signed on behalf of the Association certifying that, as of the date of such certificate: (A) all assessments (or installments thereof) and other charges against the Lot due and payable through the date of the certificate have been paid; and (B) the exterior portions of the Lot has been inspected for compliance with the Declaration, any applicable architectural guidelines, and any rules and regulations adopted by the Association, and that no violations of the were noted that have not either been cured or waived in writing by the Association ("Compliance Certificate"). Within ten (10) days after the Association has received a written request from an Owner or prospective purchaser of a Lot for a Compliance Certificate, accompanied by an inspection fee in such amount as the Board may reasonably establish, the Association shall cause an inspection of the exterior portions of the residential improvements to be conducted and shall issue to the requesting Party either: (i) a Compliance

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Certificate as described above, or (ii) a written notice of noncompliance specifying the amount of any past due assessments or other charges against the Lot and a description of the reasons why such improvements were found not to be in compliance with the Declaration, any applicable architectural guidelines, and any rules and regulations adopted by the Association. Upon acceptance of title to a Lot, the Owner of the Lot shall pay to the Association an "Administrative Transfer Fee" to cover the administrative expenses associated with updating the Association's records. Such Administrative Transfer Fee shall be reasonably determined by the Board to cover its costs, including, but not limited to, any fees charged for updating records by a management company retained by the Association. Unless otherwise required by law, this Section 10.11 shall not apply to any transfer of title between Declarant and a third party.

10.12. Construction. The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion hereof shall not affect the validity or enforceability of any other provision. 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. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit, or otherwise affect that which is set forth in any of the paragraphs, sections, or articles hereof. Venue shall be in a court of appropriate jurisdiction in Walker County, Texas.

10.13. Sam Houston Forest Estates. Declarant or the Association have entered into an agreement with the Sam Houston Forest Estates Homeowners Association ("Sam Houston HOA") to permit Owners to use certain facilities administered by the Sam Houston HOA. Use is subject to the rules and regulations adopted by the Sam Houston HOA the payment by the Owner of certain fees associated with such use.

10.14. Flooding. Each Owner is hereby advised that the Lake may flood. No Improvement may be constructed on any Lot which shares a common boundary line with the Lake below a mean elevation of 208 feet. Piers, boat docks, decks, other similar structures may be constructed on a Lot which shares a common boundary line with the Lake below a mean elevation of 208 feet with the advance written approval of the Section V Architectural Committee; provided, however, that neither Declarant, the Association, the Section V Architectural Committee, nor the members, partners, affiliates, officers, directors, agents or employees of any of the foregoing, shall be liable for any damage or injury to any person or any property as a result of flooding. Each Owner is hereby notified that the San Jacinto River Authority has an inundation easement for the Lake over and across certain Lots within the Property.


10.15. Marina. Declarant reserves the exclusive right to maintain and operate, or to contract for, the maintenance and operation of a marina, both public and private; to rent boat stalls, boat slips and other space to Owners herein and guests; to sell boating and fishing equipment and supplies, as well as other items, including food and beverages.

ARTICLE XI **DEVELOPMENT RIGHTS**

11.01. Development by Declarant. It is contemplated that the Property will be developed pursuant to a coordinated plan, which may, from time to time, be amended or modified. Declarant reserves the right, but shall not be obligated, to create and/or designate Lots, Special Common Areas and Common Areas and to subdivide with respect to any of the Property pursuant to the terms of this Section 11.01, subject to any limitations imposed on portions of the Property by any applicable Plats. These rights may be exercised with respect to any portions of the Property at any time and from time to time.

11.02. Special Declarant Rights. Notwithstanding any provision of this Declaration to the contrary, at all times and from time to time, during the time that Declarant owns any Property, Declarant shall have the right and privilege: (i) to erect and maintain advertising signs (illuminated or non-illuminated), sales flags, other sales devices and banners for the purpose of aiding the sale of Lots; (ii) to maintain Improvements upon Lots as sales, model,

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management, business and construction offices; and (iii) to maintain and locate construction trailers and construction tools and equipment within the Property. The construction placement or maintenance of Improvements by Declarant shall not be considered a nuisance and Declarant hereby reserves the right and privilege for itself to conduct the activities enumerated in this Section 11.02 until Declarant no longer owns any portion of the Property.

11.03. Addition of Land. Declarant may, at any time and from time to time, add additional lands to the Property and, upon the filing of a notice of addition of land as hereinafter described, such land shall be considered part of the Property for purposes of this Declaration and such added lands shall be subject to the terms, covenants, conditions, restrictions and obligations set forth in this Declaration, and the rights, privileges, duties and liabilities of the persons subject to this Declaration shall be the same with respect to such added land as with respect to the lands originally covered by this Declaration. To add lands to the Property hereunder, Declarant shall be required only to record in the Official Public Records of Walker County, Texas, a notice of addition of land containing the following provisions:

- (i) A reference to this Declaration, which reference shall state the Document number of the Walker County, Texas Official Public Records wherein this Declaration is recorded;
- (ii) A statement that such land shall be considered Property for purposes of this Declaration, and that all of the terms, covenants, conditions, restrictions and obligations of this Declaration shall apply to the added land; and
- (iii) A legal description of the added land.

11.04. Withdrawal of Land. Declarant may, at any time and from time to time, reduce or withdraw from the Property, and remove and exclude from the burden of this Declaration and the jurisdiction of the Association: (i) any portions of the Property which have not been included in a Plat; (ii) any portion of the Property included in a Plat if Declarant owns the Lots or portions of the Property to be withdrawn; and (iii) any portions of the Property included in a Plat even if Declarant does not own the Lots or portion of the Property to be withdrawn, provided that Declarant obtains the written consent of all other Owners of Lot(s) or Property. Upon any such withdrawal and renewal this Declaration and the covenants conditions, restrictions and obligations set forth herein shall no longer apply to the portion of the Property withdrawn. To withdraw lands from the Property hereunder, Declarant shall be required only to record in the Official Public Records of Walker County, Texas, a notice of withdrawal of land containing the following provisions:


- (i) A reference to this Declaration, which reference shall state the Document number of the Walker County Official Public Records wherein this Declaration is recorded;
- (ii) A statement that the provisions of this Declaration shall no longer apply to the withdrawn land; and
- (iii) A legal description of the withdrawn land.

ARTICLE XII **DISPUTE RESOLUTION**

12.01. Agreement to Encourage Resolution of Disputes Without Litigation.

- (i) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Property without the emotional and financial costs of litigation. Accordingly, each Bound

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Party agrees not to file suit in any court with respect to a Claim described in subsection (ii), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 12.02 in a good faith effort to resolve such Claim.

- (ii) As used in this Article, the term "Claim" shall refer to any claim, grievance or dispute arising out of or relating to
 - (a) the interpretation, application, or enforcement of the Declaration, any architectural guidelines, the Articles, Bylaws, and rules and regulations adopted by the Board; or
 - (b) the rights, obligations, and duties of any Bound Party under the Declaration, any architectural guidelines, the Articles, Bylaws, and rules and regulations adopted by the Board; or
 - (c) the design or construction of improvements within the Property, other than matters of aesthetic judgment under Article IV, which shall not be subject to review.

The following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 12.02:

- (iii) any suit by the Association to collect assessments or other amounts due from any Owner; and
- (iv) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of this Declaration; and
- (v) any suit which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Declaration, any architectural guidelines, the Articles, Bylaws, and rules and regulations adopted by the Board; and
- (vi) any suit in which any indispensable party is not a Bound Party; and
- (vii) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 12.02 (i), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

12.02. Dispute Resolution Procedures.

- (i) **Notice.** The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice to each Respondent and to the Board stating plainly and concisely:
 - (a) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim; and
 - (b) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises); and

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- (c) the Claimant's proposed resolution or remedy; and
 - (d) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.
- (ii) **Negotiation.** The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.
- (iii) **Mediation.** If the parties have not resolved the Claim through negotiation within thirty (30) days of the date of the notice described in Section 12.02(i) (or within such other period as the parties may agree upon), the Claimant shall have thirty (30) additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in Walker County, Texas.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within thirty (30) days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.


Each Party shall bear its own costs of the mediation, including attorneys fees, and each Party shall share equally all fees charged by the mediator.

- (iv) **Settlement.** Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one noncomplying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

12.03. Initiation of Litigation by Association. In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of the Members who own Lots entitled to cast seventy-five percent (75%) of the votes in the Association, excluding the votes held by the Declarant, except that no such approval shall be required for actions or proceedings:

- (i) initiated while Declarant or any Grantor owns any portion of the Property; or
- (ii) initiated to enforce the provisions of the Declaration, any Development Area Declaration, any architectural guidelines, the Articles, Bylaws, and rules and regulations adopted by the Board, including collection of assessments and foreclosure of liens; or

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- (iii) initiated to challenge *ad valorem* taxation or condemnation proceedings; or
- (iv) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or
- (v) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings except any such amendment shall also be approved by the Declarant for so long as Declarant owns any portion of the Property.

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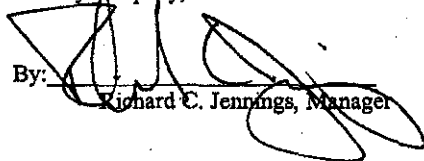
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EXECUTED THIS 8th day of October, 2004.

Dunrich Holding Company, L.P.
a Texas limited partnership

By: Raincrest Associates, LLC, a Colorado limited liability company, General Partner

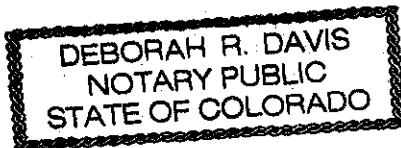
By: 
Richard C. Jennings, Manager

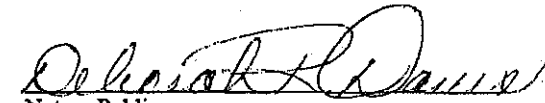
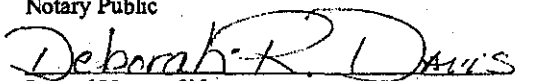
ACKNOWLEDGMENT

STATE OF COLORADO §
COUNTY OF ARAPAHOE §


This instrument was acknowledged before me on the 8th day of October, 2004 by Richard C. Jennings, Manager of Raincrest Associates, a limited liability company, a Colorado limited liability company, as General Partner of Dunrich Holding Company, L.P., a Texas limited partnership, on behalf of limited liability company and limited partnership

My Commission Expires: 6-10-06




Notary Public

Printed Name of Notary

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Filed for Record in:
Walker County

On: Oct 12, 2004 at 03:48P

As a
Recording

Document Number: 00008800

Amount: 75.00

Receipt Number - 2616

By:
Jeana Doan

I

STATE OF TEXAS. COUNTY OF WALKER
I hereby certify that this instrument was
filed on the date and time stamped hereon by me
and was duly recorded in the volume and page
of the named records of:
Walker County
as stamped hereon by me.

Oct 12, 2004

James D Patton, County Clerk
Walker County

STATE OF TEXAS
COUNTY OF WALKER

I, James D. Patton, County Clerk of Walker County Texas,
do hereby certify that the foregoing is a true and correct
copy of the original record and as same appears on record
in Vol. 654 Page 760-794
of the OPIC records of Walker County, Texas
Given under my hand and seal of office this the 14th
day of February, 20, 09

James D. Patton, County Clerk
Walker County, Texas

By [Signature]