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DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
WEST TWIN VILLA NEIGHBORHOODS

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**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
WEST TWIN VILLA NEIGHBORHOODS**

THIS DECLARATION is made on the date hereinafter set forth by LENNAR HOMES OF TEXAS LAND AND CONSTRUCTION, LTD., a Texas limited partnership, (hereinafter sometimes called "Declarant"):

WITNESSETH:

WHEREAS, Declarant is the owner of a portion of the real property described in Article II, Section 1, of this Declaration and described on Exhibit "A" to this Declaration; and

WHEREAS, The Woodlands Land Development Company, L.P. ("The Woodlands") is the owner of the balance of the real property described in Article II, Section 1, of this Declaration, which real property Declarant will be acquiring; and

WHEREAS, for purposes of this Declaration, it shall be deemed as if the Declarant is the owner of all of the real property described in Article II, Section 1 hereof, The Woodlands joining herein to subject all of such real property to the terms of this Declaration: and

WHEREAS, the real property so described is subject to the Covenants, Restrictions, Easements, Charges and Liens of The Woodlands dated September 1, 1993 and recorded in the Official Public Records of Real Property Montgomery County, Texas under File No. 9348561 (the "Woodlands CCR's"); having been annexed thereto by Annexation Agreement dated as of February 20, 2008 and recorded in the Official Public Records of Real Property of Montgomery County, Texas under File No. 2008-018433;

WHEREAS, in addition to the Woodlands CCR's, Declarant desires to subject the real property described in Article II, Section 1, hereof to the provisions of this Declaration to create a residential community of single-family attached housing; and

WHEREAS, Declarant envisions subjecting additional parcels of real property, each containing a residential community of single-family attached housing, to the provisions of this Declaration, to create a community of multiple residential single-family attached housing developments, by annexing such parcels into the Association and subject to the terms of this Declaration, subsequent to the date hereof;

NOW, THEREFORE, Declarant (and The Woodlands hereby joining to subject their respective portion of the real property, but not as declarant) hereby declares that the real property described in Article II, Section 1, of this Declaration, including the improvements constructed or to be constructed thereon, and any other real property annexed herein subsequent to the date hereof, is hereby subjected to the provisions of this Declaration and shall be held, sold, transferred, conveyed, used, occupied, and mortgaged or otherwise encumbered subject to the

covenants, conditions, restrictions, easements, assessments, and liens, hereinafter set forth, which are for the purpose of protecting the value and desirability of, and which shall run with the title to, the real property hereby or hereafter made subject hereto, and shall be binding on all persons having any right, title, or interest in all or any portion of the real property now or hereafter made subject hereto, their respective heirs, legal representatives, successors, successors-in-title, and assigns and shall inure to the benefit of each and every owner of all or any portion thereof.

ARTICLE I.
Definitions

Unless the context shall prohibit, certain words used in this Declaration shall have the definitional meaning set forth below:

a) "Architectural Review Committee" or "ARC" shall mean and refer to the Architectural Review Committee of three (3) members appointed by the Board, which members may, but do not have to be, members of the Association. Members of the ARC may be removed at any time, and vacancies filled, by the Board, however as long as Declarant owns at least one (1) Unit (including Units by annexation), Declarant's approval is needed to appoint/remove members of the ARC.

b) "Association" shall mean and refer to West Twin Villa Neighborhoods Association, Inc., a nonprofit Texas corporation, its successors and assigns.

c) "Board" or "Board of Directors" shall mean and refer to the Board of Directors of the Association.

d) "By-Laws" shall refer to the By-Laws of West Twin Villa Neighborhoods Association, Inc.

e) "Common Property" shall mean any and all real and personal property and easements and other interests therein, together with the facilities and improvements located thereon, now or hereafter owned by the Association for the common use and enjoyment of the Owners.

f) "Community" shall mean and refer to that certain real property and interests therein described in Exhibit "A", attached hereto, and any and all real property and interests therein added to the Community subsequent to the date hereof by annexation pursuant to Article XI, hereof.

g) "Community-Wide Standard" shall mean the standard of conduct, maintenance, or other activity generally prevailing in the Community. Such standard may be more specifically determined by the Board of Directors of the Association.

h) "Declarant" shall mean and refer to Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, provided any such successor-in-title or assign shall acquire for

the purpose of development or sale all or any portion of the remaining undeveloped or unsold portions of the real property described in Exhibit "A", attached hereto (or subsequently annexed herein and made a part hereof), and provided further, in the instrument of conveyance to any such successor-in-title or assign, such successor-in-title or assign is designated as the "Declarant" hereunder by the grantor of such conveyance, which grantor shall be the "Declarant" hereunder at the time of such conveyance; provided, further, upon such designation of such successor Declarant, all rights of the former Declarant in and to such status as "Declarant" hereunder shall cease, it being understood that as to all of the property described in Exhibit "A", attached hereto, (and subsequently annexed hereto and made a part hereof) which is hereafter subjected to this Declaration, there shall be only one person or legal entity entitled to exercise the rights and powers of the "Declarant" hereunder at any one point in time.

i) "Majority" means those eligible votes, Owners, or other group as the context may indicate totaling more than fifty percent (50%) of the total eligible number.

j) "Mortgage" means any mortgage, deed to secure debt, and any and all other similar instruments used for the purpose of conveying or encumbering real property as security for the payment or satisfaction of an obligation.

k) "Mortgagee" shall mean the holder of a Mortgage.

l) "Owner" shall mean and refer to the record owner, whether one or more Persons, of the fee simple title to any Unit located within the Community, excluding, however, any Person holding such interest merely as security for the performance or satisfaction of any obligation.

m) "Person" means any natural person, as well as a corporation, joint venture, partnership (general or limited), association, trust, or other legal entity.

n) "Rules" means such rules, regulations, use restrictions and/or architectural and design guidelines promulgated from time to time by Declarant and/or the Board of Directors which are applicable to the Units and the Common Property.

o) "Unit" shall mean a portion of the Community intended for ownership and use as an individual duplex (both the real property and the improvements located thereon) and as permitted in this Declaration and as shown on the plats for Section 88, Village of Sterling Ridge, or amendments thereto, recorded in the Official Public Records of Real Property of Montgomery County, Texas, for the real property described on Exhibit "A" attached hereto, and any such other portion of the Community on any plat or plats recorded in the Official Public Records of Real Property of Montgomery County, Texas, when annexed into the Association and made subject to this Declaration. The ownership of each Unit shall include, and there shall pass with each Unit as an appurtenance thereto, whether or not separately described, all of the right, title, and interest of an Owner in the Common Property, which shall include, without limitation, membership in the Association. Each Unit shall for all purposes constitute real property which may be owned in fee simple and which may be conveyed, transferred, or encumbered in the same

manner as any other real property. Each Owner shall be entitled to the exclusive ownership and possession of his or her Unit, subject to this Declaration. All air conditioning apparatus serving only one Unit shall be a part of the Unit so served. Each Owner shall have the right to lateral and subjacent support for his or her Unit, and such right shall pass with the Unit.

ARTICLE II.

Property Subject to This Declaration; Prior Covenants

Section 1. Property Hereby Subjected to This Declaration. The real property which is, by the recording of this Declaration, subject to the covenants and restrictions hereafter set forth and which, by virtue of the recording of this Declaration, shall be held, transferred, sold, conveyed, used, occupied, and mortgaged or otherwise encumbered subject to this Declaration is the real property described in Exhibit "A", attached hereto and by reference made a part hereof, and any additional real property annexed into the Association and made subject to the terms of this Declaration.

Section 2. Prior Covenants. This Declaration is expressly made subject to the Woodlands CCR's. In the event of any conflict between the provisions hereof and the Woodlands CCR's, the Woodlands CCR's shall control. Specifically, but not by way of limitation, the rights herein established, imposed and created shall in all respects be inferior and subordinate to the easements and rights-of-way granted and/or reserved to the Woodlands Corporation, its designees, successors and assigns, under and by virtue of Article XI of the Woodlands CCR's, and no use or operation shall be conducted within the Common Property that would in any manner interfere with, obstruct, alter, affect or diminish the rights of the Woodlands Corporation, its designees, successors and assigns, pursuant to Article XI of the Woodlands CCR's.

ARTICLE III.

Association Membership and Voting Rights

Section 1. Membership. The Declarant and every person who is the record owner of a fee or undivided fee interest in any Unit that is subject to this Declaration shall be deemed to have a membership in the Association. The foregoing is not intended to include Persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest shall not terminate the Owner's membership. No Owner, whether one or more Persons, shall have more than one (1) membership per Unit. In the event of multiple Owners of a Unit, votes and rights of use and enjoyment shall be as provided in this Declaration and in the By-Laws. Membership shall be appurtenant to and may not be separated from ownership of any Unit. The rights and privileges of membership, including the right to vote and to hold office, may be exercised by a member or the member's spouse, but in no event shall more than one (1) vote be cast nor office held for each Unit owned. No member or spouse of any member shall be entitled to vote or exercise any other right or privilege of membership if such member is delinquent with respect to any assessments due hereunder.

Section 2. Voting. The Association shall have two (2) classes of membership, Class "A" and Class "B", as follows:

- a) Class "A". Class "A" members shall be all Owners, with the exception of the Declarant, whether such Owner owns a Unit located in the real property described on Exhibit "A" attached hereto or whether such Owner owns a Unit located in other parcels of real property which is (or are) subsequently annexed into and is made subject to the terms of this Declaration. Class "A" members shall be entitled to one (1) vote for each Unit owned, regardless of where such Unit is located. When more than one Person holds an ownership interest in any Unit, the vote for such Unit shall be exercised as those Owners themselves determine and advise the Secretary prior to any meeting. In the absence of such advice, the Unit's vote shall be suspended in the event more than one Person seeks to exercise it.
- b) Class "B". The Class "B" member shall be the Declarant. The Class "B" member shall be entitled to five (5) votes for each Unit owned. The Class "B" membership shall terminate and become converted to Class "A" membership upon the happening of the earlier of the following:
 - i. when 75% of the Units have been sold to and occupied by Class "A" members;
 - ii. October 1, 2028; or
 - iii. when, in its discretion, the Declarant so determines.

From and after the happening of these events, whichever occurs earlier, the Class "B" member shall be deemed to be a Class "A" member entitled to one (1) vote for each Unit it owns.

- c) At such time that additional property is annexed into the Association, the Class B Membership of the Declarant, shall, if it had previously ceased due to one of the conditions listed above in (i), (ii) or (iii) be reinstated and shall apply to all Lots owned by Declarant in the newly annexed portion of the Community, as well as to all Lots owned by Declarant in all other areas of the Community. Such reinstatement is subject to further cessation in accordance with the limitation set forth in the preceding paragraphs (i), (ii) and (iii) of this Article, whichever occurs first. However, upon reinstatement due to annexation of additional property into the Community, the period of time set forth in the preceding paragraph (ii) of this Article shall be extended to the extent necessary such that in all circumstances it extends for a period no shorter than ten (10) years from the date of each such recorded annexation (i.e. Supplemental Declaration).

Section 3. Management. The Association shall be incorporated as a nonprofit corporation. The Association shall be managed by the Board of Directors pursuant to the

procedures set forth in the Certificate of Formation and Bylaws of the Association, subject to this Declaration.

Section 4. Duties and Powers of the Board. Through the Board, the Association shall have the following powers and duties:

- (a) To adopt Rules and regulations to implement this Declaration and the By-Laws.
- (b) To enforce this Declaration, the By-Laws, its Rules and regulations.
- (c) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors or such Board member is delinquent in the payment of an assessment for more than twenty (20) days, as set forth in the By-Laws.
- (d) Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.
- (e) Delegate responsibility to, and contract with, a management company, for collection of the assessments and enforcement of this Declaration, the Bylaws and the Rules and regulations of the Association.
- (f) Delegate responsibility to, and contract with, a management company for the operation, management and maintenance of the Common Property and the Association from time to time, if the Board so elects.
- (g) Delegate responsibility to, and contract with, a management company for whatever maintenance and other obligations, if any, that the Association from time to time undertakes.
- (h) To enter into such contracts and agreements concerning the Property as the Board deems reasonably necessary or appropriate to maintain and operate the Property in accordance with the Declaration, and to assume any contracts and agreements concerning the Property entered into by the Declarant, including without limitation, the right to enter into agreements with adjoining or nearby landowners or governmental entities on matters of maintenance, trash pick-up, repair, administration, traffic, streets or other matters of mutual interest.
- (i) To take any and all actions, and to cause to be taken any and all actions which are the responsibility of the Association and the Board pursuant

to this Declaration and the By-Laws, including but not limited to duties relating to electing Directors, creating budgets, delegating power, establishing and collecting assessments, the enforcement of all of the obligations of the Owners, to receive complaints and make determinations about violations of this Declaration, the By-Laws, the rules and regulations, the holding of annual and special meetings, the management and maintenance of Common Property, the performance of all maintenance obligations of the Association hereunder and the payment of all costs and expenses to be paid by the Association hereunder.

ARTICLE IV Assessments

Section 1. Purpose of Assessments. The assessments provided for herein shall be used for the general purpose of promoting the recreation, common benefit, and enjoyment of all of the Owners and occupants of Units, including the maintenance of real and personal property, all as may be more specifically authorized from time to time by the Board of Directors. The judgment of the Board of Directors as to expenditures of assessments shall be final and conclusive so long as its judgment is exercised in good faith.

Section 2. Creation of the Lien and Personal Obligation for Assessments. Each Owner of any Unit, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association: (a) annual assessments or charges assessed against said Unit; (b) special assessments, such assessments to be established and collected as hereinafter provided; and (c) specific assessments against any particular Unit (including, but not limited to reimbursement assessments) which are established pursuant to the terms of this Declaration, including, but not limited to, reasonable fines as may be imposed in accordance with the terms of this Declaration. All such assessments, together with late charges, fines, interest (not to exceed the maximum legal rate), costs and reasonable attorney's fees actually incurred, shall be a charge on the land and shall be a continuing vendor's lien upon the Unit against which each assessment is made, for the benefit of Declarant and/or the Association, and the owner of each Unit hereby covenants and agrees to grant and does hereby grant to an officer of the Association or other appointee as Trustee, the continuing vendor's lien and power of sale on each Unit to secure all such sums set forth herein. Declarant and/or the Association, shall have the right to appoint one or more successor or substitute trustees to act instead of the trustee named herein without other formality than the recordation in the Official Public Records Real Property of Montgomery County, Texas of a written designation of such trustee. Such substitute or successor trustee shall have all authority hereby conferred on the Trustee herein named. Each such assessment, together with late charges, fines, interest, costs, and reasonable attorney's fees actually incurred, shall also be the personal obligation of the person who was the Owner of such Unit at the time the assessment fell due. Each Owner shall be personally liable for his or her portion of each assessment coming due while he or she is the Owner of a Unit, and his or her grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance; provided, however, the liability of a grantee for the unpaid assessments

of its grantor shall not apply to any first Mortgage holder taking title through foreclosure proceedings or deed in lieu of foreclosure.

Assessments shall be paid at a uniform rate per Unit, regardless of where such Unit is located, in such manner and on such dates as may be fixed by the Board of Directors, which may include, without limitation, acceleration, upon ten (10) days' written notice, of the annual assessment for delinquents. Unless otherwise provided by the Board, the assessment shall be paid in monthly installments.

Common Property shall be exempt from assessments.

Section 3. Computation. It shall be the duty of the Board to prepare a budget covering the estimated costs of operating the Association during the coming year, which may provide for an increase over the previous year's budget and which shall include a capital contribution or reserve in accordance with a capital budget separately prepared. Such budget may also take into account annexations which the Board reasonably believes may occur in the coming year. The Board shall cause the budget and the assessments to be levied against each Unit for the following year to be delivered to each member at least thirty (30) days prior to the end of the current fiscal year. The budget and the assessment shall become effective unless disapproved at a meeting by 2/3 of the total eligible vote of the Owners. Notwithstanding the foregoing, however, in the event the membership disapproves the proposed budget or the Board fails for any reason so to determine the budget for the succeeding year, then and until such time as a budget shall have been determined, as provided herein, the budget in effect for the then current year shall continue for the succeeding year.

Section 4A. Special Assessments; Capitalization Fee. In addition to the other assessments authorized herein, the Association may levy special assessments in any year. So long as the total amount of special assessments allocable to each Unit does not exceed Three Hundred (\$300.00) Dollars in any one fiscal year, the Board may impose the special assessment. Any special assessment which would cause the amount of special assessments allocable to any Unit to exceed this limitation after the expiration of the Class "B" membership shall be effective only if approved by 2/3 of the Class "A" members present in person or by proxy at a meeting of the members called for this purpose. Prior to the expiration of the Class "B" membership, no such approval shall be needed even if such special assessment were to exceed the limitation. Special assessments shall be paid as determined by the Board, and the Board may permit special assessments to be paid in installments extending beyond the fiscal year in which the special assessment is imposed. The proper purpose of a special assessment hereunder shall be any purpose determined by the Board of Directors to be in the best interests of the Association.

Each Owner of a Unit other than Declarant (whether one or more Persons and regardless of whether such Owner holds the fee interest singly or jointly), at the time it purchases a Unit from the previous owner (i.e. at every purchase and sale beginning with the first Class A Owner to purchase a Unit from Declarant), shall be obligated to pay a capitalization fee in the amount of three (3) months of the then monthly assessment to the Association, which funds shall be used to

defray operating costs and other expenses of the Association and to keep the Association well capitalized, as the Board shall determine in its sole discretion. This amount may be changed prospectively by Board action, but not retroactively, if the Board determines it to be in the best interest of the Association. This capitalization fee is not a prepayment of any assessments due hereunder.

Section 4B. Reimbursement Assessments. The Board subject to the provisions hereof, may levy a reimbursement assessment against any Owner (or Unit) if the failure of the Owner (or Unit), or of the Owner's family, guests or tenants to comply with this Deed, the By-laws, or any Rules applicable to such Owner and Unit shall have resulted in the expenditure of funds or the determination that funds will be expended by the Association to cause such compliance. The amount of such reimbursement assessment shall be due and payable to the Association ten (10) days after notice to the Owner (or Unit) of the decision of the Board that such reimbursement assessment is owing.

Section 5. Lien for Assessments. All sums assessed against any Unit pursuant to this Declaration, together with late charges, interest, costs and reasonable attorney's fees actually incurred, as provided herein, shall be secured by a vendor's lien on such Unit in favor of the Association. Such lien shall be superior to all other liens and encumbrances on such Unit, except for (a) liens of ad valorem taxes; or (b) liens for all sums unpaid on a first Mortgage or on any Mortgage to Declarant duly recorded in the Official Public Records of Real Property of Montgomery County, Texas, and all amounts advanced pursuant to such Mortgage and secured thereby in accordance with the terms of such instrument; or (c) liens for assessments created pursuant to the Woodlands CCR's.

All other persons acquiring liens or encumbrances on any Unit after this Declaration shall have been recorded in such records shall be deemed to consent that such liens or encumbrances shall be inferior to future liens for assessments, as provided herein, whether or not prior consent is specifically set forth in the instruments creating such liens or encumbrances.

Section 6. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessments which are not paid when due shall be delinquent. Any assessment delinquent for a period of more than ten (10) days shall incur a late charge in the amount of \$25.00, which amount may be amended as the Board may from time to time determine. The Association shall cause a notice of delinquency to be given to any member who has not paid within ten (10) days following the due date. If the assessment is not paid within thirty (30) days, a vendor's lien, as herein provided, shall attach and, in addition, such vendor's lien shall include the late charge, interest (not to exceed the maximum legal rate), on the principal amount due, and all late charges from the date first due and payable, all costs of collection, reasonable attorney's fees actually incurred, and any other amounts provided or permitted by law. In the event that the assessment remains unpaid after sixty (60) days, the Association may, as the Board shall determine, institute suit to collect such amount and/or take action to foreclose its lien, either by action for judicial foreclosure in the manner prescribed by law or by directing the Trustee to foreclose the lien by public sale conducted in accordance with the notice, posting and other requirements of Section

51.002 of the Texas Property Code (and any successor statute); and each such Owner hereby expressly grants the Association a power of sale in connection therewith. In the event that the Association has determined to non-judicially foreclose the lien provided herein and to exercise the power of sale hereby granted, the Association shall mail to the defaulting Owner a copy of the Notice of Trustee's Sale not less than twenty-one (21) days prior to the date on which said sale is scheduled by posting such notice through the U.S. Postal Service, postage prepaid, registered or certified, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Association. If required by law, the Association or Trustee shall also cause a copy of the Notice of Trustee's Sale to be recorded in the Real Property Records of Montgomery County, Texas. Out of the proceeds of such sale, there shall first be paid all expenses incurred by the Association in connection with such default, including reasonable attorney's fees and reasonable trustee's fees; second from such proceeds there shall be paid late charges, fines and interest (in that order); third from such proceeds there shall be paid to the Association an amount equal to the amount in default; fourth, from such proceeds there shall be paid any lienholders which hold liens against the Unit which are inferior to the Association's lien; and fifth, the remaining balance shall be paid to such Owner. Following any such foreclosure, each occupant of any such Unit foreclosed on and each occupant of any improvements thereon shall be deemed to be a tenant at sufferance and may be removed from possession by any and all lawful means, including a judgment for possession in an action of forcible detainer and the issuance of a writ of restitution thereunder.

It is the intent of the provisions of this Article IV, Section 6 to comply with the provisions of Section 51.002 of the Texas Property Code relating to non-judicial sales by power of sale and, in the event of the amendment of said Section 51.002 of the Texas Property Code hereafter, the President or Vice President of the Association, acting without joinder of any Owner or Mortgagee or other person may, by amendment to this Declaration filed in the Real Property Records of Montgomery County, Texas, amend the provisions hereof so as to comply with said amendments to Section 51.002 of the Texas Property Code.

Each Owner, by acceptance of a deed to a Unit or as a party to any other type of a conveyance of a Unit, vests in the Association or its agents the right and power to bring all actions against him or her, personally, for the collection of such charges as a debt or to foreclose the aforesaid lien in the same manner as other liens for the improvement of real property. The lien provided for in this Article shall be in favor of the Association and shall be for the benefit of all other Owners. The Association, acting on behalf of the Owners, shall have the power to bid on the Unit at any foreclosure sale or to acquire, hold, lease, mortgage, or convey the same. No Owner may waive or otherwise except liability for the assessments provided for herein, including, by way of illustration, but not limitation, abandonment of the Unit.

All payments shall be applied to costs and attorney's fees, late charges, fines, interest and delinquent assessments in the order determined by the Board of Directors, in its sole discretion. Absent direction from the Board, payments shall be applied first to costs and attorney's fees, then to late charges, then to fines, interest and delinquent assessments, in that order. In addition to all other remedies of the Association set forth herein, in the event any member is delinquent in

the payment of any assessments due pursuant to this Declaration, or shall otherwise be in default hereunder, then such member shall not be entitled to exercise the rights and privileges of membership, including but not limited to the right to vote and hold office. The Association shall have the right to suspend the right of such member (and his or her guest(s) or tenant(s) or occupant(s) of a Unit) from the Common Property until such delinquency is cured. The election by the Association to exercise any of its remedies herein permitted shall not be construed to constitute an election to waive the right to exercise any other remedy available. The Association is hereby authorized by all Owners to use any and all of such remedies as often as may be required to collect payment of all sums secured by a lien hereunder.

Section 7. Date of Commencement of Annual Assessments. The annual assessments procedure provided for herein shall commence on the first day of the month following the conveyance of the first Unit by the Declarant to a Class "A" member and shall be due and payable in a manner and on a schedule as the Board of Directors may provide. The first annual assessment shall be adjusted according to the number of months then remaining in that fiscal year. The date any specific Unit becomes subject to assessment hereunder shall be the date on which the Unit is conveyed by Declarant to a Class "A" member.

Section 8. Assessments by Declarant.

a) At the option of Declarant, the Declarant shall not be required to pay the annual assessment for Units that it owns, as long as the Declarant is attempting to sell those Units. However, in such event, Declarant will contribute such sums as are needed by the Association to meet its operating expenses. For purposes of this paragraph, operating expenses are hereby defined as normal and customary day-to-day expenses specifically excluding any capital reserve contributions and/or capital expenditures. Should Declarant ever begin leasing its unsold Units, other than short-term leases as part of a sales transaction, then Declarant shall commence paying annual assessments as to those leased Units.

b) Notwithstanding anything to the contrary herein, the Declarant may contribute assessments due from it in services or materials or a combination of services and materials, rather than in money (herein collectively called "in kind contribution"). The amount by which monetary assessments shall be decreased as a result of any in kind contribution shall be the fair market value of the contribution. If the Declarant and the Association agree as to the value of any contribution, the value shall be as agreed. If the Association and the Declarant cannot agree as to the value of any contribution, the Declarant shall supply the Association with a detailed explanation of the service performed and material furnished, and the Association shall acquire bids for performing like services and furnishing like materials from three (3) independent contractors approved by the Declarant who are in the business of providing such services and materials. If the Association and the Declarant are still unable to agree on the value of the contribution, the value shall be deemed to be the average of the bids received from the independent contractors.

Section 9. Assessment Certificate and Transfer Fee. Upon written request by an Owner, the Association shall within a reasonable period of time, issue to an Owner a written certificate stating that all assessments (including interest and costs), have been paid with respect to any specified Unit, and if all assessments and charges have not been paid, setting forth the amount of such assessments and charges (including interest and costs, if any) due and payable as of the date of the certificate. The Association may make a reasonable charge for the issuance of such certificate; however, there shall be no charge to the Declarant for any such certificate. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with regard to any matter therein stated as between the Association and any bona fide purchaser or lender on the Unit specified in such certificate. The Association shall have the right to charge any Owner selling or otherwise transferring title to a Unit, a fee which is reasonable compensation, in the opinion of the Board, for the costs incurred by the Association in changing its records to reflect the transfer of ownership; however, there shall be no charge to the Declarant when the Declarant sells a Unit.

ARTICLE V.
Maintenance

Section 1. Association's Responsibility. The Association shall maintain and keep in good repair the Common Property. The Association shall maintain and keep in good repair all improvements located on the Common Property, including but not limited to, paved or concrete walkways, driveways, parking areas and patios, if any, located on the Common Property. Any paved or concrete walkways, driveways, parking areas and patios located within the boundaries of a Unit shall be the responsibility of the Owner of such Unit.

The Association shall provide exterior maintenance upon Unit improvements as follows: paint, repair, replace, and care for roof surfaces and roof systems (i.e. shingles and decking only), gutters, downspouts, chimneys, and all exterior building surfaces except patios, decks, entry doors, garage doors, glass and their appurtenant hardware, which are the Owner's responsibilities. There are hereby reserved to the Association easements over the Community as needed to enable the Association to fulfill its maintenance and other responsibilities and obligations set out in this Declaration.

The Association shall have the right but not the obligation, to maintain property not owned by the Association where the Board has determined that such maintenance would benefit all Owners. The Association shall maintain any community identity perimeter fencing described in Article X, Section 5 hereof. Except as otherwise provided herein, all costs associated with maintenance, repair and replacement of the Common Property, shall be a common expense to be allocated among the Units as part of the annual assessments.

The foregoing maintenance shall be performed consistent with the Community-Wide Standard.

Section 2. Owner's Responsibility. Except as provided in Section 1, above, all maintenance of the Unit shall be the responsibility of the Owner thereof. Such maintenance shall specifically include, but not be limited to, yard maintenance, fence repair and maintenance, exterior light fixture and bulb replacement and repair maintenance to the frame of the Unit, including the frame of the roof and patios, decks, entry doors, garage doors, glass and window and door hardware. In addition, the Owner shall maintain all pipes, lines, ducts, conduits, or other apparatus which serve the Unit, whether located within or without a Unit's boundaries (including all gas, electricity, water, sewer or air conditioning pipes, lines, ducts, conduits or other apparatus serving the Unit). Such maintenance shall be performed consistent with this Declaration and the Community Wide Standard established pursuant hereto. In the event that the Board of Directors of the Association determines that (a) any Owner has failed or refused to discharge properly his obligations with regard to the maintenance, repair, or replacement of items for which he is responsible hereunder; or (b) that the need for maintenance, repair, or replacement, which is the responsibility of the Association hereunder, is caused through the willful or negligent act of an Owner, his or her family, guests, lessees, or invitees, and is not covered or paid for by insurance, in whole or in part, then, in addition to the enforcement and self help remedies set forth in Article XII, the Association may turn this matter over to its attorney for further handling and/or the Association may perform the repair, replacement or maintenance and shall, except in the event of an emergency situation, give the Owner written notice of the Association's intent to provide such necessary maintenance, repair, or replacement, at Owner's sole cost and expense. The notice shall set forth with reasonable particularity the maintenance, repairs, or replacement deemed necessary. The Owner shall have ten (10) days within which to complete such maintenance, repair, or replacement, or, in the event that such maintenance, repair, or replacement is not capable of completion within a ten (10) day period, to commence such work which shall be completed within a reasonable time. If any Owner does not comply with the provisions hereof, the Association may provide any such maintenance, repair, or replacement and shall bill the Owner therefore 110% of such cost and expenses, plus a \$50.00 administrative fee, such bill to be due upon receipt and if not timely paid, such bill shall be added to and become a part of the assessment to which such Owner is subject and shall become a lien against the Unit.

Section 3. Party Walls.

a) General Rules of Law to Apply. Each wall built as a part of the original construction of the Units which shall serve and separate any two (2) adjoining Units shall constitute a party wall and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

b) Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who the wall serves in equal proportions.

c) Damage and Destruction. If a party wall is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who the wall serves may restore it, and the other Owner or Owners who the wall serves shall contribute to the cost of restoration thereof in equal proportions without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule or law regarding liability for negligent or willful acts or omissions.

d) Weatherproofing. Notwithstanding any other provision of this Section, to the extent that such damage is not covered and paid by the insurance provided for herein, an Owner who by his negligent or willful act causes any party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

e) Right to Contribution Runs with Land. The right of any Owner to contribution from any other owner under this Section shall be appurtenant to the land and shall pass to such owner's successors-in-title.

f) Foundation, Fences. Common foundations which form a part of the Units and common fences between Units, if any, will be dealt with in the same fashion as party walls, as set forth in this section, except that the community identity perimeter fencing will be maintained by the Association.

g) Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Section, each party shall appoint one (1) arbitrator. Should any party refuse to appoint an arbitrator within ten (10) days after written request therefore by the Board of Directors, the Board shall appoint an arbitrator for the refusing party. The arbitrators thus appointed shall appoint one (1) additional arbitrator and the decision by a majority of all three (3) arbitrators shall be binding upon the parties and shall be a condition precedent to any right of legal action that either party may have against the other.

ARTICLE VI

Use Restrictions and Rules

Section 1. General. The Board of Directors may, from time to time, without consent of the members, promulgate, modify, or delete use restrictions and other Rules and regulations applicable to all of the Units and the Common Property. Such Rules, regulations and use restrictions shall be binding upon all Owners and occupants until and unless overruled, canceled, or modified in a regular or special meeting by both the vote of Class "A" members holding a Majority of the total eligible votes in the Association and the vote of the Class "B" member, so long as such membership shall exist.

Such Rules and other regulations may apply to activities in the Community, including but not limited to, the use of the Common Property, traffic and parking rules, and the leasing of residences by the Owners thereof. Such rules and regulations shall not apply to Declarant or to any property owned by it and shall not be applied in any manner which would prohibit or restrict the development of the Community and/or the development, construction and sale of residences by Declarant. Notwithstanding the foregoing, all such Rules and use restrictions are expressly subject to the Woodlands CCR's and any other use restrictions of record, including but not limited to those recorded under Montgomery County Clerk's File No. 2008-018434.

Section 2. Occupants Bound. All provisions of the Declaration and of any rules and regulations or use restrictions promulgated pursuant thereto which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all occupants of any Unit.

Section 3. Nuisance. It shall be the responsibility of each Owner to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition of his or her Unit. No Unit shall be used, in whole or in part, for the storage of any property or thing that will cause such Unit to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept upon any Unit that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property. No noxious or offensive activity shall be carried on upon any Unit, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance, or nuisance to any person using any property adjacent to the Unit. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Community.

Section 4. Architectural Review. No existing residence and/or other improvements on any Unit shall be modified, enlarged or otherwise altered (including but not limited to change of exterior color scheme) nor shall any additional improvements be commenced, erected, placed, moved onto or permitted to remain on any Unit, except such as is installed by Declarant or is approved in accordance with the Woodlands CCR's and is approved in writing by the Architectural Review Committee (or the Board of Directors should no Architectural Review Committee have been formed) of the Association or its designee after review of the plans and specifications showing the nature, kind, shape, height, materials and location submitted in writing to the ARC (or Board). The Board or its designee may promulgate written guidelines for the exercise of this review.

However, the authority of the Board under this section does not give the Board the authority to review matters arising from the Woodlands CCR's, which is to say that the authority of the Board under this section, is and shall remain subordinate to the authority of the Residential Design Review Committee of the Woodlands.

The ARC (or Board) or its designee shall be the sole arbiter of such plans and may withhold approval for any reason, including purely aesthetic considerations, and it shall be

entitled to stop any construction in violation of these restrictions. Any member of the ARC (or Board) or of its designee or the representatives of either shall have the right, during reasonable hours, to enter upon any Unit to inspect any residence and/or other improvements on such Unit for the purpose of ascertaining whether or not these restrictive covenants have been or are being complied with. Such person or persons shall not be deemed guilty of trespass by reason of such entry. In the event that the Board or its designee fails to approve or to disapprove such plans and specifications within sixty (60) days after the plans and specifications have been submitted to it, approval will not be required and this Section will be deemed to have been fully complied with.

The standards and procedures established by this Article and/or the ARC are intended as a mechanism for maintaining and enhancing the overall aesthetics of the Community; they do not create any duty to any person. Review and approval of any application pursuant to this Article may be made solely on the basis of aesthetic considerations. The reviewer shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring the quality of the materials used or their fitness for the purpose designed, nor for ensuring that all dwellings are of comparable quality, value, or size, of similar design, or aesthetically pleasing or otherwise acceptable to neighboring property owners.

Declarant, the Association, the Board, the ARC, any other Association committee, or member of any of the foregoing shall not be held liable for soil conditions, drainage, or other general site work; any defects in plans revised or approved hereunder; 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 Declarant has approved or featured such contractor as a builder in Texas; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters, the Board, the ARC and the members of each shall be defended and indemnified by the Association as provided in Article XII, Section 10.

The reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing, (b) be contrary to this Declaration; or (c) estop the reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance or non-issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

Section 5. Parking. No motor vehicles or non-motorized vehicle, boat, trailer, marine craft, recreational vehicle, camper rig off of truck, hovercraft, aircraft, machinery, or equipment of any kind may be parked or stored on any part of any Unit, easement, or right-of-way, unless such vehicle or object is completely concealed from public view inside a garage or enclosure approved by the Architectural Review Committee. Passenger automobiles, passenger vans, motorcycles, or pick-up trucks that: (a) are in operating condition; (b) have current license plates

and inspection stickers; (c) are in daily use as motor vehicles on the streets and highways of the State of Texas; (d) which do not exceed six feet six inches (6'6") in height, or eight feet (8') in width, or twenty-four feet (24') in length, and (e) do not have more than six (6) tires, may be parked in the driveway on a Unit, however, no vehicle shall be parked so as to obstruct or block a sidewalk, if any, and no vehicle shall be parked upon any portion of the grassed areas or yard. Further, no vehicle of any kind may be parked in the street overnight. A maximum of two (2) occupant vehicles may be parked outside of the garage, if any, serving the Unit. For purposes of this provision, a vehicle shall be considered an "occupant vehicle" if it is parked on the Unit four (4) or more hours per day, four (4) or more days in any seven (7) day period. The Board of Directors may authorize on-street parking on a temporary basis for visitors and guests, subject to reasonable rules and regulations. No garage shall be enclosed, modified or otherwise used so as to reduce its capacity for parking vehicles below that originally approved by the ARC unless alternative arrangements for enclosed parking are approved by the ARC. Garage doors visible from any street within the Community shall remain closed except during ingress and egress or when the garage is actively being used by the Owner or occupant. No vehicle may be repaired on a Unit unless the vehicle being repaired is concealed from view inside a garage or other approved enclosure. Vehicles that become inoperable while within the Community must be removed within seventy-two (72) hours thereof. For purposes of this Section, a vehicle shall be considered "stored" if it is put up on blocks or covered with a tarpaulin and remains on blocks or so covered for fourteen (14) consecutive days without the prior approval of the Board of Directors. Notwithstanding the foregoing, service and delivery vehicles may be parked in the Community during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Area. This restriction shall not apply to any vehicle, machinery, or equipment temporarily parked and in use for the construction, repair or maintenance of a house or houses in the immediate vicinity; provided, however, Owners or occupants of Units may seek a temporary variance from these restrictions for their guests; however, any such request for a variance must receive the prior approval of the Board of Directors of the Association. The Board of Directors of the Association may adopt additional Rules regulating parking on the streets in the Property.

Section 6. Signs. Other than one (1) standard size for sale or rent sign (which must be located in a window and is not permitted in any yard), or signs for a security company, no signs, billboards, posters or advertising devices of any kind shall be permitted on any Unit without the prior written consent of the Board. The size, shape and color of any signs other than for sale or rent signs must be as set forth in the Rules of the Board or as otherwise approved by the Board. This section shall not apply to the Declarant.

Section 7. No Storage Buildings. No exterior storage building shall be allowed on any Unit without the prior written consent of the Board.

Section 8. Satellite Dishes. No television, radio, or other electronic towers, aerials, antennae, satellite dishes or device of any type for the reception or transmission of radio or television broadcasts or other means of communication shall be erected, constructed, placed or permitted to remain on any Unit or upon any improvements thereon, except that this prohibition

shall not apply to those antennae specifically covered by the regulations promulgated under the Telecommunications Act of 1996, as amended from time to time. The Architectural Review Committee is empowered to adopt rules governing the types of antennae that are permissible in the Community and to establish reasonable, non-discriminatory restrictions relating to safety, location and maintenance of antennae. To the extent that receipt of an acceptable signal would not be impaired, an antennae permissible pursuant to the rules of the Architectural Review Committee may only be installed in a side or rear yard location, not visible from the street or neighboring property, and integrated with the dwelling and surrounding landscape. Antennae shall be installed in compliance with all state and local laws and regulations.

Section 9. Occupancy. Each Unit shall be used as a residence only, except as otherwise herein expressly provided. Each Unit owned by an individual, corporation, limited liability company, partnership, trust or other fiduciary may only be occupied by the following persons and such persons' families and guests: (i) the individual Owner, (ii) an officer, director, stockholder or employee of such corporation or company, (iii) a partner or employee of such partnership, (iv) the fiduciary or beneficiary of such fiduciary, or (v) permitted occupants under an approved lease or sublease of a Unit (as described below), as the case may be.

Occupants of leased or subleased Units will be deemed approved occupants if they are the following persons, and such persons' families and guests: (i) an individual lessee or sublessee, (ii) an officer, director, stockholder or employee of a corporate lessee or sublessee, or (iv) a fiduciary or beneficiary of a fiduciary lessee or sublessee.

Under no circumstances may more than one family reside in a Unit at one time. "Families" or words of similar import used herein shall be deemed to include spouses, parents, parents-in-law, brothers and sisters; however this definition shall not be interpreted to allow more than one family unit to reside in a Unit at any one time. In no event shall occupancy (except for temporary occupancy by visiting guests) exceed two (2) persons per bedroom. The Board of Directors shall have the power to authorize occupancy of a Unit by persons in addition to those set forth above. It is not the intent of the Declarant to exclude from a Unit any individual who is authorized to so remain by any state or federal law. If it is found that this definition or any other provision contained in this Declaration is in violation of any law, then this Section or other provision will interpreted to be as restrictive as possible to preserve as much of the original Section or provision as allowed by law. The provisions of this Section 9 shall not be applicable to Units used by the Declarant for model homes, sales offices, other offices or management services.

Section 10. Business Use. No garage sale, rummage sale or similar activity and no trade or business may be conducted in or from any Unit, except that an owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (a) the existence of operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Unit; (b) the business activity conforms to all zoning requirements for the Community; (c) the business activity does not involve regular visitation of the Unit by clients, customers, suppliers or other business invitees or door-to-door solicitation of residents of the Community; and (d) the business

activity is consistent with the residential character of the Community and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Community, as may be determined in the sole discretion of the Board of Directors.

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 involve 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: (i) such activity is engaged in full or part-time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required therefor. Notwithstanding the above, the leasing of a Unit shall not be considered a trade or business within the meaning of this section.

Section 11. Leasing of Units.

(a) Definition. "Leasing", for purposes of this Declaration, is defined as regular, exclusive occupancy of a Unit by any person or persons other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to a fee, service, gratuity, or emolument.

(b) Leasing Provisions.

(i) General. Units may be rented only in their entirety; no fraction or portion may be rented. All leases shall be in writing and shall be for an initial term of no less than sixty (60) days, except with the prior written consent of the Board of Directors. Notice of any lease, together with such additional information as may be required by the Board of Directors, shall be given to the Board of Directors by the Owner within ten (10) days of execution of the lease. The Owner must make available to the lessee copies of the Declaration, By-Laws, and the rules and regulations. The Board of Directors may adopt reasonable rules regulating leasing and subleasing.

(ii) Compliance with Declaration, By-Laws and Rules and Regulations. Every Owner shall cause all occupants of his or her Unit to comply with the Declaration, By-Laws and the rules adopted pursuant to the foregoing, and shall be responsible for all violations and losses to the Common Areas caused by such occupants, notwithstanding the fact that such occupants of a Unit are fully liable and may be sanctioned for any such violation.

Section 12. Animals and Pets. No animals, livestock or poultry of any kind shall be raised, bred or kept on any portion of the Community except dogs, cats or other common household pets, not to exceed a total of two (2) pets, may be permitted in a Unit. The foregoing limitation on number of pets shall not apply to hamsters, small birds, fish or other constantly

caged animals, nor shall it apply to require the removal of any litter born to a permitted pet prior to the time that the animals in such litter are three (3) months old. However, those pets which are permitted to roam free, or, in the sole discretion of the Association, endanger the health, make objectionable noise, or constitute a nuisance or inconvenience to the Owners of other Units shall be removed upon the request of the Board. If the Owner fails to honor such request, the pet may be removed by the Board. No pets shall be kept, bred, or maintained for any commercial purpose. Dogs shall at all times whenever they are outside a Unit be confined on a leash held by a responsible person.

Section 13. Use of Temporary Structures. No structure of a temporary character, whether trailer, tent, shack, garage, barn, shed, or other outbuilding shall be maintained or used on any Unit at any time as a residence, or for any other purpose, either temporarily or permanently; provided, however, that Declarant reserves the exclusive right to erect, place, and maintain such facilities in or upon any portion of the Property as in its sole discretion may seem necessary or convenient while selling Units, selling or constructing residences, or constructing other Improvements within the Community. All permitted temporary structures shall be reasonably maintained at all times.

Section 14. Drainage. Without the prior written consent of the Architectural Review Committee, no Owner of a Unit shall be permitted to construct improvements on such Unit or grade such Unit or permit such Unit to remain in or be placed in such condition that surface water on such Unit drains to any other Unit or the Common Property.

Section 15. Flagpoles. No free standing flagpole shall be permanently erected on any Unit. A temporary flagpole approved by the Architectural Review Committee may be erected on a Unit with a model home until such time that the Unit on which the model home is situated is sold.

Section 16. Exterior Lighting. All exterior lighting must first be approved by the Architectural Review Committee. No exterior lighting may shed light onto other property in the Community or into residential dwellings in such a manner that creates a nuisance.

Section 17. Sound Devices. No external horns, whistles, bells, or other sound devices, except for security systems used exclusively to protect the residence, shall be placed or used on any Unit. This paragraph shall not preclude the use of outdoor speakers, stereos, home entertainment systems, or radios if the sound level is maintained at a reasonably low level with respect to adjoining property.

Section 18. Window Treatment. No window in any residence or other improvement that is visible from any other Unit or a street may be covered with any aluminum foil or other reflective material. Window coverings must be compatible with the design of the residence and the overall appearance of the Community and from the exterior must be neutral or white if visible from the street. The Architectural Review Committee shall have the sole authority to determine whether particular window coverings are compatible with the design and color of the

residence and the overall appearance of the Community. Permanent window coverings must be installed within ninety (90) days of a conveyance of a Unit to a Class A member.

Section 19. Artificial Vegetation, Exterior Sculpture and Similar Items. No artificial vegetation, permanent free standing flagpoles or temporary free standing flagpoles shall be permitted on the exterior of any portion of the Community. No exterior sculpture, fountains, flags and temporary flagpoles, birdhouses, birdbaths, other decorative embellishments or similar items shall be permitted unless approved in accordance with Article VI, Section 4 of this Declaration. No such decorative embellishment or similar items shall be permitted on the front portion of any Unit or yard. However, notwithstanding the foregoing, flags mounted on the front of the primary dwelling with a bracket shall be allowed for one (1) week before a nationally recognized holiday and one (1) week after such holiday only.

Section 20. Playground. No jungle gyms, swing sets or similar playground equipment shall be erected or installed on any Unit without prior written approval of the Architectural Review Committee in accordance with Article VI, Section 4 hereof. If approved, these items shall be positioned on the Unit so as not to be visible from any street. These items must be placed on the rear of the Unit no closer to any side lot line or fence than ten feet (10'), and shall be no taller than twelve feet (12'). Any playground or other play areas or equipment furnished by the Association or erected within the Community shall be used at the risk of the user, and the Association shall not be held liable to any person for any claim, damage, or injury occurring thereon or related to use thereof.

ARTICLE VII.

Insurance and Casualty Losses

Section 1. Insurance. The Association's Board of Directors or its duly authorized agent shall have the authority to and shall obtain insurance for all insurable improvements on the Common Property and for all buildings containing Units. This insurance shall cover loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief and shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard. Each Owner should obtain insurance to cover the contents of its respective Unit.

The Board shall obtain a public liability policy applicable to the Common Property covering the Association and its members for all damage or injury caused by the negligence of the Association or any of its members or agents, and, if reasonably available, directors' and officers' liability insurance. Each Owner should obtain insurance to cover the general liability within its respective Unit.

Premiums for all insurance which the Association has the authority to provide shall be common expenses of the Association. The policies may contain a reasonable deductible, and the

amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equals the full replacement cost.

In addition to the other insurance required by this Section, the Board shall obtain workmen's compensation insurance, if and to the extent necessary, to satisfy the requirements of applicable laws, and a fidelity bond or bonds on directors, officers, employees, and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the directors' best business judgment. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association.

Section 2. Damage and Destruction .

a) In General. Immediately after the damage or destruction by fire or other casualty to all or any improvement covered by insurance written in the name of the Association, the Board of Directors 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 or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the same condition and location that existed prior to the fire or other casualty.

b) Repair and Reconstruction. Any damage or destruction to any Unit or Units shall be repaired or reconstructed. Any damage or destruction to any Common Property shall be repaired or reconstructed unless at least seventy-five percent (75%) of the Class "A" members and the Class "B" member, so long as such membership exists, agree otherwise.

If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Association's members, levy a special assessment against all Owners in proportion to the number of Units owned by such Owners. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. If the funds available from insurance exceed the costs of repair or reconstruction or if the improvements are not repaired or reconstructed, such excess shall be deposited to the benefit of the Association; provided that the Owner and Mortgagee of any Unit for which proceeds are received agree to the distribution as their interest may appear.

In the event that it should be determined by the Association in the manner described above that the damage or destruction to the Common Property shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the property shall be restored to its natural state and maintained as an undeveloped portion of the Common Property by the Association in a neat and attractive condition.

ARTICLE VIII.
Condemnation

Section 1. Common Property. If the taking involves a portion of the Common Property on which improvements have been constructed, then, unless within sixty (60) days after such taking, the Class "B" member (if such membership shall then exist) and at least seventy-five percent (75%) of the Class "A" members of the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Property to the extent lands are available therefore. The provisions of Article VII, Section 2, above, applicable to Common Property improvements damage, shall govern replacement or restoration and the actions to be taken in the event that the improvements are not restored or replaced.

Section 2. Units. If the taking includes one or more Units, or any part or parts thereof, whether or not there is included in the taking any part of the Common Property, then the award shall be disbursed and all related matters shall be handled pursuant to and in accordance with the consent of no less than fifty percent (50%) of all Owners expressed in a duly recorded amendment to this Declaration; provided that the consent of the Owner or Owners of the Unit or Units so taken must first be obtained. If such consent cannot be obtained, the funds shall be disbursed as the court may determine.

ARTICLE IX.
Mortgagee Provisions

The following provisions are for the benefit of holders of first Mortgages on Units in the Community. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

Section 1. Notices of Action . An institutional holder, insurer, or guarantor of a first Mortgage, who provides written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the Unit number), (therefore becoming an "eligible holder"), will be entitled to timely written notice of:

a) any condemnation loss or any casualty loss which affects a material portion of the Community or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such eligible holder;

b) any lapse, cancellation, or material modification of any insurance policy maintained by the Association.

Section 2. Special Provisions.

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

Section 3. No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Property.

Section 4. Notice to Association. Each Unit Owner other than Declarant shall be obligated to furnish to the Association the name and address of the holder of any mortgage encumbering such Owner's Unit. Each Unit Owner shall be obligated to furnish the Association any changes to such information within a reasonable time after such changes become effective.

ARTICLE X. Easements

Section 1. Easements for Encroachment and Overhang. There shall be reciprocal appurtenant easements for encroachment and overhang (as well as an easement for repair and maintenance of any such encroachment and overhang) as between each Unit and such portion or portions of the Common Property adjacent thereto or as between adjacent Units due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of this Declaration) to a distance of not more than five (5) feet, as measured from any point on the common boundary between each Unit and the adjacent portion of the Common Property or as between adjacent Units, as the case may be, along a line perpendicular to such boundary at such point; provided, however, in no event shall an easement for encroachment exist if such encroachment occurred due to willful conduct on the part of an Owner, tenant, or the Association. The easements for encroachment and overhang shall also include an easement for drainage between adjacent Units.

Section 2. Easements for Use and Enjoyment.

a) Every Owner of a Unit shall have a right and easement of ingress and egress, use and enjoyment in and to the Common Property which shall be appurtenant to and shall pass with the title to his Unit, subject to the following provisions:

i. the right of the Association to charge reasonable admission and other fees for the use of any portion of the Common Property and to limit the number of guests of Unit Owners and tenants who may use the Common Property;

ii. the right of the Association to suspend the voting rights of a Unit Owner and the right of an Owner (and/or Owner's guests and/or tenants and/or other

occupants) to use the recreational facilities in the Community, if any, for any period during which any assessment against his Unit which is hereby provided for remains unpaid; and, for a reasonable period of time for an infraction of the Declaration, By-Laws, or rules and regulations;

iii. the right of the Association to borrow money for the purpose of improving the Common Property, or any portion thereof, or for construction, repairing or improving any facilities located or to be located thereon, and give as security for the payment of any such loan a mortgage conveying all or any portion of the Common Property; provided, however, the lien and encumbrance of any such mortgage given by the Association shall be subject and subordinate to any rights, interests, options, easements and privileges herein reserved or established for the benefit of Declarant, or any Unit or Unit Owner, or the holder of any Mortgage, irrespective of when executed, given by Declarant or any Unit Owner encumbering any Unit or other property located within the Community (any provision in this Declaration or in any such Mortgage given by the Association to the contrary notwithstanding the exercise of any rights therein by the holder thereof in the event of a default thereunder shall not cancel or terminate any rights, easements or privileges herein reserved or established for the benefit of Declarant, or any Unit or Unit Owner, or the holder of any Mortgage, irrespective of when executed, given by Declarant or any Unit Owner encumbering any Unit or other property located within the Community); and

iv. the right of the Association to dedicate or transfer all or any portion of the Common Property subject to such conditions as may be agreed to by the members of the Association. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer has been approved by at least two-thirds of the votes which the Class "A" members of the Association present, or represented by proxy, are entitled to cast at a meeting duly called for such purpose and by the Class "B" member of the Association, so long as such membership shall exist; and

v. the right of the Declarant to annex additional real property and the Units located thereon into the Association and made subject to the terms of this Declaration; and

vi. the right of Declarant and/or the Association to modify the Common Property as set forth in this Declaration; and

vii. the right of Declarant and/or the Association regarding the Community and Common Property, as reserved in this Declaration, including the right to utilize the same and grant use rights, etc., to other; and

viii. Rules and other regulations adopted governing use and enjoyment of the Units and of the Common Property.

b) Any Unit Owner may delegate his or her right of use and enjoyment in and to the Common Property and facilities located thereon to the members of his family, his tenants and guests and shall be deemed to have made a delegation of all such rights to the occupants of any leased Unit.

Section 3. Easements for Utilities . There is hereby reserved to the Association blanket easements upon, across, above and under all property within the Community for access, ingress, egress, installation, repairing, replacing, and maintaining all utilities serving the Community or any portion thereof, including, but not limited to, gas, water, sanitary sewer, telephone and electricity, as well as storm drainage and any other service such as, but not limited to, a master television antenna system, cable television system, or security system which the Association might decide to have installed to serve the Community. It shall be expressly permissible for the Association or its designee, as the case may be, to install, repair, replace, and maintain or to authorize the installation, repairing, replacing, and maintaining of such wires, conduits, cables and other equipment related to the providing of any such utility or service. Should any party furnishing any such utility or service request a specific license or easement by separate recordable document, the Board shall have the right to grant such easement.

Section 4. Easement for Entry . The Association shall have an easement to enter into any Unit for emergency, safety, and for other purposes reasonably necessary for the proper maintenance and operation of the Community, which right may be exercised by the Association's Board of Directors, officers, agents, employees, managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. It is intended that this right of entry shall include (and this right of entry shall include) the right of the Association to enter a Unit to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition upon request by the Board. This easement for entry is also for the benefit of each Owner of a Unit, for ingress and egress over and across the real property on which all other Units are located (although the easement to Unit Owners will not extend to the inside of the improvements on a Unit) for emergency purposes and/or during emergency situations, to allow Unit Owners to remove themselves from danger.

Section 5. Easement Regarding Association Community Identity Perimeter Fences. Declarant hereby reserves to itself and to the Association a non-exclusive right-of-way and easement for the purpose of constructing, maintaining, operating, repairing, removing and re-constructing an entry way and identifying subdivision community identity perimeter fence under, across and through a 5' strip of certain Lots that are adjacent to certain of the outer perimeter streets of the Property, as well as a 5' strip in other locations as determined by the Declarant and/or the Association, on which 5' strips the Declarant and/or the Association has constructed or may construct the community identity perimeter fencing. The 5' strip may be located on the portion of the Lots nearest said streets, as determined by the Declarant and/or the Association. Prior to construction of the entry way and such fence, the Declarant and/or the Association shall have the right to go over and across the portions of the Lots that are adjacent to such 5' easement

strip for the purpose of performing surveys and other such necessary pre-construction work. After the construction of the entry way and such fence, the Declarant and/or the Association, from time to time, and at any time, shall have a right of ingress and egress over, along, across and adjacent to said 5' easement strip for purposes of maintaining, operating, repairing, removing, re-constructing, and/or inspecting such fence. The Owners of the Lots shall have all other rights in and to such 5' easement strip located on each Owner's respective Lot; provided however, such Owner shall not damage, remove or alter such fence or any part thereof without first obtaining written approval from the Declarant and/or the Association with respect to any such action, such approval to be at the Declarant's and/or the Association's sole discretion.

However, this Section shall not apply to, and the Association shall not be responsible to, install or maintain any fencing located along Lot lines which separate individual Lots or buildings containing Units from one another.

Section 6. Construction of Common Property Improvements. Declarant has constructed, or may construct, certain facilities and improvements as part of the Common Property, together with equipment and personalty contained therein, and such other improvements and personalty as Declarant determines, in its sole discretion. Declarant shall be the sole judge of the composition of such facilities and improvements. Prior to the termination of the Class B membership, Declarant shall have the absolute right to, from time to time, in its sole discretion, construct additional improvements and facilities on the Common Property and to remove, add to, modify and change the boundaries, facilities and improvements now or then part of the Common Property. Declarant is not obligated to, nor has it represented that it would, modify or add to the facilities or improvements on the Common Property as they are contemplated as of the date hereof. Declarant is the sole judge of all matters concerning the Common Area until the Class B membership terminates, including the plans, specifications, design, location, completion schedule, materials, size and contents of the facilities and improvements or changes to any of them.

Section 7. Use. The Common Property shall be used and enjoyed by the Owners on a non-exclusive basis in common with other persons, entities and corporations, who may, but are not required to be, members of the Association, entitled to use those portions of the Common Property. Prior to the expiration of the Class B membership, the Declarant, and thereafter the Association, has the right, at any time and all times, and from time to time, to further additionally provide and make the Common Property available to other individuals, persons, firms or corporations, as it deems appropriate. The granting of such rights shall not invalidate this Declaration, reduce or abate any Owner's obligations pursuant to this Declaration, or give any Owner the right to avoid any of the covenants, agreements or obligations to be performed hereunder.

Section 8. Indemnification. The Association and Owners each covenant and agree, jointly and severally, to indemnify, defend and hold harmless Declarant, its respective officers, directors, parent and/or subsidiary entities, partner(s) and any related persons or corporations, and their employees, professionals and agents from and against any and all claims, suits, actions,

causes of action or damages arising from any personal injury, loss of life, or damage to property, sustained on or about the Common Property or other property serving the Association and improvements thereon, or resulting from or arising out of activities or operations of Declarant or of the Association, or of the Owners, and from and against all costs, expenses, court costs, counsel fees (including, but not limited to, expenses, court costs, counsel fees (including, but not limited to, all trial and appellate levels and whether or not suit be instituted), expenses and liabilities incurred or arising from any such claim, the investigation thereof, or the defense of any action or proceedings brought thereon, and from and against any orders, judgments or decrees which may be entered relating thereto. The costs and expense of fulfilling this covenant of indemnification shall be considered operating costs of the Association to the extent such matters are not covered by insurance maintained by the Association. IT IS EXPRESSLY ACKNOWLEDGED THAT THE INDEMNIFICATION IN THIS SECTION PROTECTS DECLARANT (AND ANY PARENT OR SUBSIDIARY OR RELATED ENTITY OF ANY OF IT) FROM THE CONSEQUENCES OF THEIR RESPECTIVE ACTS OR OMISSIONS, INCLUDING WITHOUT LIMITATION, DECLARANT'S (OR ANY PARENT'S OR SUBSIDIARY'S OR RELATED ENTITY'S) NEGLIGENT ACTS OR OMISSIONS, TO THE FULLEST EXTENT ALLOWED BY LAW.

Section 9. Telecommunication Services. The Declarant or Association may, but is not obligated to provide, either directly or by contracting with other parties, various telecommunication services to the Community. The Declarant or the Board of Directors of the Association shall have the sole discretion to determine whether or not such telecommunication services are provided, the types of services to be provided, the manner in which such services will be provided, the amount to be charged, and the method of paying for such services. The Declarant and/or the Association shall utilize the easements reserved in Sections 3 and 4 of this Article X to provide such services. Should the Declarant be the entity to provide such services, the Association agrees not to cancel any contracts entered into by Declarant except for good cause.

(a) Types of Communication Services. The types of telecommunication services that may be provided by or through the Declarant or Association shall include, but not be limited to, any or all of the following: (i) local and long-distance telephone service; (ii) voice mail service, (iii) cable television service; (iv) internet connectivity including intranet services; (v) private television channels for education and community purposes; (vi) video monitoring of streets, Common Property, and other public areas; (vii) central home systems for fire and burglary detection; (viii) electronic utility meter reading systems; (ix) electronic mail systems, and (x) such other similar telecommunications services as the Board of Directors determines to be necessary or beneficial for the safety, welfare or enjoyment of the members.

(b) Common Property Facilities. The telecommunications equipment, wiring and other facilities that are necessary to provide the telecommunication services may be owned by the Declarant or Association or the Declarant or Association may contract with other parties to provide such facilities on behalf of the Declarant or Association. The cost and expense of constructing, installing, operating, maintaining, repairing and replacing such facilities shall be

paid by the Declarant or Association, and may included as part of the annual assessments and special assessments to the members.

(c) Residence Facilities. If the Declarant or Association determines to provide telecommunication services, it may require that each residence constructed in the Property include wiring and other necessary equipment or other necessary facilities to provide access to the residence for the telecommunication services described above. The necessary equipment will provide a connecting terminal for the wiring that extends to each outlet or point of access in the residence for the telecommunications services. The Declarant or Association shall have the right to designate the type of necessary equipment to be installed and the manner in which such necessary equipment shall be operated, maintained and repaired, and may from time to time, designate appropriate replacements or improvements to the necessary equipment. The Declarant or Association may contract with other parties to provide the foregoing services relating to the necessary equipment. The Declarant or Association may require each Owner to pay all costs and expenses required to purchase, install, maintain, repair, replace or improve the necessary equipment for the Owner's residence, which shall be paid by each Owner in the same manner as a special assessment. The necessary equipment shall remain as a permanent fixture to the residence and may not be removed from the residence when it is sold to another party. The Declarant or Association and the parties with whom it contracts to provide services relating to the necessary equipment shall have an easement and right of entry over and across each Unit and into each residence for the purpose of installing, maintaining, repairing, replacing and making improvements to the necessary equipment.

(d) Optional Services. The installation of a necessary equipment in a residence does not obligate the Owner to accept or pay for any of the telecommunication services that may be provided by, or available through, the Declarant or Association (except to the extent the Board of Directors determines to provide a service to all members paid with annual assessments). Unless provided to all Owners and included in the assessments, each Owner shall have the right to (i) accept and pay for any such services provided by or through the Declarant or Association, (ii) contract with another party to provide such services, or (iii) decline such services, in whole or in part.

Section 10. Security and Other Services. The Association or Declarant may also, but shall not be obligated to, provide alarm monitoring and other services and facilities for the Property and shall be authorized to enter into contracts with other entities to provide such services and facilities. In addition to assessments, the Board shall be authorized to charge additional use and consumption fees for selected services and facilities. By way of example, some services and facilities which may be provided include, in addition to the telecommunication services listed in the preceding section, landscape, maintenance, concierge, and pest control services. The Board shall be permitted to modify or cancel existing services or facilities provided, if any, or to provide additional services and facilities. Nothing contained herein is a representation as to what services and facilities will or will not be provided.

ARTICLE XI.
Annexation of Additional Property

Section 1. Annexation Without Approval of Membership. As the Owner thereof, or if not the Owner, with the consent of the owner thereof, Declarant, its successors or assigns, shall have the unilateral right, privilege, and option, from time to time at any time until twenty (20) years from the date this initial Declaration is recorded in the Office of the County Clerk of Montgomery County, Texas, to annex and subject to the provisions of the Declaration and the jurisdiction of the Association all or any portion of tracts of real property, whether in fee simple or leasehold, by filing in the Montgomery County Real Property Records a Supplemental Declaration annexing such property. Such Supplemental Declaration shall not require the vote of members of the Association or approval by the Association or any person. Any such annexation shall be effective upon the filing of such Supplemental Declaration in the Montgomery County Real Property Records unless otherwise provided therein.

Declarant shall have the unilateral right to transfer to any other person its right, privilege, and option to annex herein additional land, provided that such transferee or assignee shall be the developer of at least a portion of the additional land and shall be expressly designated by Declarant in writing as the successor to all or any part of Declarant's rights hereunder.

Any such annexation or addition shall be accomplished by the execution and filing for record by Declarant (or the other owner of the property being added or annexed, to the extent such owner has received a written assignment from Declarant of the right to annex), of an instrument to be called "Supplemental Declaration." Each Supplemental Declaration of annexation must set out and provide for the following:

- i. the name of the Owner of the property being added or annexed who shall be called the "Declarant" for purposes of that Supplemental Declaration;
- ii. the legal sufficient perimeter (or recorded subdivision description of the property being added or annexed to the Community, separately describing portions of the annexed property that are dedicated and/or conveyed to the public or any governmental or quasi-governmental authority for street right-of-way or utility facility purposes, those portions that are to comprise Units and related improvements and those portions that comprise Common Property (those being the only three permitted uses for annexed property);
- iii. a mutual grant and reservation of rights and assessments of the Owners in and to the existing and annexed Common Property;
- iv. that the property is being added or annexed into the Community in accordance with and subject to the provisions of the initial Declaration, as

theretofore amended, and that the property being annexed into the Community shall be developed, held, used, sold and conveyed in accordance with and subject to the provisions of this Declaration as theretofore and thereafter amended;

v. that all of the provisions of this Declaration, as theretofore amended, shall apply to the property being added or annexed with the same force and effect as if said property were originally included in this Declaration as part of the property; and

vi. that a vendor's lien and power of sale is therein reserved in favor of the Association, in the same manner as herein provided, to secure collection of the Assessments provided for, authorized or contemplated herein or in the Supplemental Declaration of annexation.

Each such "Supplemental Declaration" may contain other provisions not inconsistent with the provisions of the Declaration, as amended.

After additions or annexations are made, all assessments collected by the Association from the Owners in the annexed areas shall be commingled with the Assessments collected from all other Owners so that there shall be a common maintenance fund for the Community. Nothing in this Declaration shall be construed to represent or imply that Declarant, its successors or assigns, are under any obligation to add or annex additional land to the Property to this residential development.

Declarant also reserves the unilateral right to amend this Declaration, so long as it has the right to annex additional property in this Article XI, Section 1, for the purpose of removing unimproved portions of the Community from the coverage of this Declaration. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Declarant. If the portion of the Community to be withdrawn is owned by the Association, then the Association shall consent to such withdrawal by majority vote of the Board. For purposes of this Section 1, the term "unimproved" shall mean no above ground, vertical improvements are located on such property.

Section 2. Annexation with Approval of Membership. In addition to the above and subject to the written consent of the owner thereof, upon the written consent by affirmative vote of two-thirds (2/3rds) of the total number of votes of the members of the Association entitled to be cast, the Association may annex or permit the annexation of real property and to the provisions of the Declaration and the jurisdiction of the Association by filing, or having the party owning such property file, a Supplemental Declaration with respect to the property being annexed in the Montgomery County Real Property Records. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and any such annexation shall be effective upon recording in the Montgomery County Real Property Records unless otherwise provided therein. The timing of and manner in which notice of any such meeting of the property shall be annexed, and the quorum required for the transaction of business

at any such meeting, shall be as specified in the By-Laws of the Association for regular or special meetings, as the case may be.

ARTICLE XII.
General Provisions

Section 1. **Enforcement.** Each Owner and every occupant of a Unit shall comply strictly with the By-Laws, the Rules and regulations, the use restrictions, as they may be lawfully amended or modified from time to time, and with the covenants, conditions, and restrictions set forth in this Declaration and in the deed to his or her Unit, if any. The Board of Directors (or Declarant as long as the Class B membership exists) may impose fines or other sanctions, which shall be collected as provided herein for the collection of assessments. Further, the Board or Declarant may cause the Rule, regulation, use restriction, covenant and/or condition to be complied with and bill the Owner the costs incurred by the Association to do so, along with an administrative fee as the Board may determine. Failure to comply with this Declaration, the By-Laws or the Rules and regulations shall be grounds for an action to recover sums due for damages or injunctive relief, or both, maintainable by the Board of Directors, on behalf of the Association or the Declarant (as the case may be), or, in a proper case, by an aggrieved Owner. Failure by the Association or Declarant or any Owner to enforce any of the foregoing shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. **Self-Help.** In addition to any other remedies provided for herein, the Association or its duly authorized agent (and/or Declarant as long as the Class B membership exists) shall have the power to enter upon a Unit or any portion of the Common Property to abate or remove, using such force as may be reasonably necessary, any erection, thing or condition which violates this Declaration, the By-Laws, the rules and regulations, or the use restrictions. Unless an emergency situation exists, the Board (and/or Declarant as long as the Class B membership exists) shall give the violating Unit Owner ten (10) days' written notice of its intent to exercise self-help. All costs of self-help, including reasonable attorney's fees actually incurred shall be assessed against the violating Unit Owner and shall be collected as provided for herein for the collection of assessments.

Section 3. **Term.** The covenants, conditions and restrictions of this Declaration shall run with and bind each Unit and shall inure to the benefit of and shall be enforceable by the Declarant and the Association or the Owner of any portion of the Community, their respective legal representatives, heirs, successors, and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time they shall be automatically extended to successive periods of ten (10) years, unless an instrument signed by 80% (for termination) or 67% (for modification) of the then Owners has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to modify said covenants, conditions and restrictions, in whole or in part, or to terminate same, in which case this Declaration shall be modified or terminated as specified therein.

Section 4. Amendment. This Declaration may be amended unilaterally at any time and from time to time by Declarant (a) if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule, or regulation or judicial determination which shall be in conflict therewith; (b) if such amendment is necessary to enable any reputable title insurance company to issue title insurance coverage with respect to the Units subject to this Declaration; (c) if such amendment is required by an institutional or governmental lender or purchaser of or to insure mortgage loans, including, for example, the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Veteran's Administration, Federal Housing Administration or the Department of Housing & Urban Development, to enable such lender or purchaser to make or purchase or insure mortgage loans on the Units subject to this Declaration; or (d) if such amendment is necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on the Units subject to this Declaration; provided, however, any such amendment shall not adversely affect the title to any Owner's Unit unless any such Unit Owner shall consent thereto in writing. Further, so long as the Class "B" membership exists, Declarant may unilaterally amend this Declaration for any other purpose; provided, however, any such amendment shall not materially adversely affect the substantive rights of any Unit Owner hereunder, nor shall it adversely affect title to any Unit without the consent of the affected Unit Owner. Declarant's right to annex additional real property into the Association and make it subject to the terms of this Declaration shall not be deemed to materially adversely affect the substantive rights of any Unit Owner hereunder.

In addition to the above, this Declaration may be amended at any time and from time to time upon the affirmative vote or written consent, or any combination thereof, of at least sixty-seven percent (67%) of the Class "A" members with the consent of the Class "B" member for as long as the Class "B" membership exists. Amendments to this Declaration shall become effective upon recordation in the Official Public Records of Real Property of Montgomery County, Texas, unless a different effective date is specified therein. Notwithstanding this Section, there shall be no amendment of the provisions of Article XI, Section 1, regarding annexation rights of the Declarant.

Section 5. Partition. The Common Property shall remain undivided, and no Unit Owner nor any other Person shall bring any action for partition or division of the whole or any part thereof without the written consent of all Owners of all portions of the property located within the Community and without the written consent of all holders of all Mortgages encumbering any portion of the property, including, but not necessarily limited to, the Units located within the Community.

Section 6. Gender and Grammar. The singular, wherever used herein, shall be construed to mean the plural, when applicable, and the use of the masculine pronoun shall include the neuter and feminine.

Section 7. Severability. Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Declaration to any person or to any property shall be prohibited or held invalid, such

prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and, to this end, the provisions of this Declaration are declared to be severable.

Section 8. Captions. The captions of each Article and Section hereof, as to the contents of each Article and Section, are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article of Section to which they refer.

Section 9. Conveyance of Common Property. The Association shall accept such conveyances of Common Property as are made from time to time to the Association by Declarant. The Declarant shall determine, in its sole discretion, the appropriate time to convey all or any part of the Common Area to the Association. Any part of the Common Property can be conveyed to the Association at any time, with the Declarant retaining any other part of the Common Area for conveyance to the Association at a later time. At such time as the Declarant conveys all or any portion of the Common Property to the Association, such conveyance shall be subject to any and all easements, restrictions, reservations, conditions, limitations and declarations of record, real estate taxes for the year of conveyance, zoning, land use regulations and survey matters. The Association shall be deemed to have assumed and agreed to pay all continuing obligations and service and similar contracts relating to the ownership, operation, maintenance and administration of the conveyed portions of Common Property and other obligations relating to the Common Property imposed herein. The Association shall, and does hereby, indemnify and hold Declarant harmless on account thereof. The Association shall be obliged to accept such conveyance(s) without setoff, condition or qualification of any nature. The Association shall immediately acknowledge any such conveyance if requested by Declarant. The Common Property, personal property and equipment and appurtenances thereto, shall be dedicated or conveyed in "AS IS", "WHERE IS" CONDITION WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IN FACT OR BY LAW, AS TO THE CONDITION, FITNESS OR MERCHANTABILITY OF THE COMMON PROPERTY, PERSONALTY AND EQUIPMENT BEING CONVEYED. The Association shall pay all costs associated with the conveyance(s).

Section 10. Indemnification. The Association shall indemnify every officer and director against any and all expenses, including attorney's fees, imposed upon or reasonably incurred by any officer or director in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer or director. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former

officer or director, may be entitled. The Association shall maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Section 11. Construction and Sale Period. Notwithstanding any provisions contained in this Declaration to the contrary, Declarant hereby expressly reserves unto itself and its successors and assigns a non-exclusive, perpetual right, privilege, and easement with respect to the Community for the benefit of Declarant, its successors, and assigns over, under, in, and/or on the Community, without obligation and without charge to Declarant, for the purposes of construction, installation, relocation, development, sale, maintenance, repair, replacement, use and enjoyment, and/or otherwise dealing with the Community and any other property now owned or which may in the future be owned by Declarant (whether annexed hereunder or not), (such other property is hereinafter referred to as "Additional Property"). The reserved easement shall constitute a burden on the title to the Community and specifically includes, but is not limited to:

(a) the right of access, ingress, and egress for vehicular and pedestrian traffic over, under, on, or in the Community; and the right to tie into any portion of the Community with driveways, parking areas, and walkways; and the right to tie into and/or otherwise connect and use (without a tap-on or any other fee for so doing), replace, relocate, maintain, and repair any device which provides utility or similar services, including, without limitation, electrical, telephone, natural gas, water, sewer, and drainage lines and facilities constructed or installed in, on, under, and/or over the Community; and

b) the right to construct, install, replace, relocate, maintain, repair, use, and enjoy signs, model residences, and sales offices and construction offices in the Community.

c) No rights, privileges, and easements granted or reserved herein shall be merged into the title of any property, including, without limitation, the Community, but shall be held independent of such title, and no such right, privilege, or easement shall be surrendered, conveyed, or released unless and until and except by delivery of a quit-claim deed from Declarant releasing such right, privilege, or easement by express reference thereto.

d) If these reserved easements are exercised without annexing any Additional Property to the Community, the Owners of the affected Additional Property shall share the costs, if any, of using and maintaining utility and similar facilities, including, without limitation, electrical, telephone, natural gas, water, sewer, and drainage lines and facilities with the Owners in the Community in the proportion that the number of completed dwellings on the affected Additional Property bears to the total number of completed dwellings upon the affected Additional Property and the number of Units in the Community. The costs of maintenance and repair of Community driveways shall likewise be apportioned to the affected Additional Property if the only means of vehicular access to the affected Additional Property is across the Community. The allocation of expenses and the collection therefore may be done on a monthly, quarterly or annual basis as may reasonably be determined by the Association in accordance with

this Declaration. If any of the Additional Property is added to the Community, from the time of the annexation, the sharing of costs and expenses and the use of any property so added shall be governed by this Declaration, rather than by these reserved easements.

Section 12. NON-LIABILITY. NEITHER THE ASSOCIATION, NOR DECLARANT NOR THE WOODLANDS (NOR ANY PARTNER NOR PARENT NOR SUBSIDIARY NOR RELATED ENTITY NOR EMPLOYEE NOR AGENT OF ANY OF THEM) SHALL IN ANY WAY OR MANNER BE HELD LIABLE OR RESPONSIBLE FOR ANY VIOLATION OF THIS DECLARATION BY ANY OTHER PERSON OR ENTITY. NEITHER DECLARANT, NOR THE ASSOCIATION NOR THE WOODLANDS (NOR ANY PARTNER NOR PARENT NOR SUBSIDIARY NOR RELATED ENTITY NOR ANY EMPLOYEE NOR AGENT OF ANY OF THEM) MAKE ANY REPRESENTATIONS WHATSOEVER AS TO THE SECURITY OF THE COMMON PROPERTY OR UNITS, OR THE EFFECTIVENESS OF ANY GATE, ACCESS SYSTEM OR MEDICAL ALERT SYSTEM. THE ASSOCIATION AND EACH OWNER DOES HEREBY HOLD DECLARANT, THE ASSOCIATION, THE WOODLANDS (AND ANY PARTNER, PARENT, SUBSIDIARY, RELATED ENTITY OR EMPLOYEE OR AGENT OF ANY OF THEM) HARMLESS FROM ANY LOSS OR CLAIM ARISING FROM THE OCCURRENCE OF ANY CRIME OR OTHER ACT. NEITHER THE ASSOCIATION, NOR THE DECLARANT NOR THE WOODLANDS (NOR ANY PARTNER NOR PARENT NOR SUBSIDIARY NOR RELATED ENTITY NOR EMPLOYEE NOR AGENT OF ANY OF THEM) SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE COMMON PROPERTIES, UNITS OR THE EFFECTIVENESS OF ANY SUCH SYSTEM. ALL OWNERS SPECIFICALLY ACKNOWLEDGE THAT THE COMMUNITY MAY OR MAY NOT HAVE A PERIMETER BOUNDARY SYSTEM, SUCH AS FENCES, WALLS, HEDGES, GATED ENTRIES OR THE LIKE. NEITHER THE ASSOCIATION, NOR THE DECLARANT, NOR THE WOODLANDS (NOR ANY PARTNER, NOR PARENT NOR SUBSIDIARY NOR RELATED ENTITY NOR EMPLOYEE NOR AGENT OF ANY OF THEM) SHALL BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR INEFFECTIVENESS OF MEASURES UNDERTAKEN. ALL OWNERS AND OCCUPANTS OF ANY UNITS, TENANTS, GUESTS AND INVITEES OF ANY OWNER, AS APPLICABLE, ACKNOWLEDGE THAT THE ASSOCIATION, DECLARANT, THE WOODLANDS, THEIR RESPECTIVE BOARDS AND OFFICERS, ANY SUCCESSOR DECLARANT, OR ANY OF THEIR RESPECTIVE NOMINEES, OR AGENTS OR ASSIGNS, DO NOT REPRESENT OR WARRANT THAT ANY FIRE PROTECTION SYSTEM, GATE ACCESS SYSTEM, BURGLAR ALARM SYSTEM, MEDICAL ALERT SYSTEM, OR OTHER SYSTEM DESIGNATED BY OR INSTALLED ACCORDING TO GUIDELINES ESTABLISHED MAY NOT BE COMPROMISED OR CIRCUMVENTED, THAT ANY FIRE PROTECTION OR BURGLAR ALARM SYSTEMS, GATE ACCESS SYSTEM, MEDICAL ALERT SYSTEM OR OTHER SYSTEMS WILL PREVENT LOSS BY FIRE, SMOKE, BURGLARY, THEFT, HOLD-UP, OR OTHERWISE, NOR THAT FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SYSTEMS WILL IN ALL CASES PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED.

Section 13. Books and Records .

(a) Inspection by Members and Mortgagees. This Declaration, the By-Laws, copies of rules and use restrictions, membership register, books of account, and minutes of meetings of the members of the Board and of committees shall be made available for inspection and copying by any member of the Association or by his duly appointed representative and by holders, insurers, or guarantors of any first Mortgage at any reasonable time and for a purpose reasonably related to his or her interest as a member or holder, insurer, or guarantor of a first Mortgage at the office of the Association or at such other reasonable place as the Board shall prescribe.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

(i) notice to be given to the custodian of the records;

and (ii) hours and days of the week when such an inspection may be made;

(iii) payment of the cost of reproducing copies of documents and for the cost of attendance of a representative of the Association during the inspection.

(c) Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extra copies of documents at the reasonable expense of the Association.

Section 14. Audit. An audit of the accounts of the Association shall be made annually in the manner as the Board of Directors may decide; provided, however, after having received the Board's audit at the annual meeting, the Class "A" members, by a Majority vote, may require that the accounts of the Association be audited as a common expense by a certified public accountant. Upon written request of any institutional holder of a first Mortgage and upon payment of all necessary costs, such holder shall be entitled to receive a copy of the annual audited financial statement within one hundred eighty (180) days after the end of each fiscal year.

Section 15. Notice of Sale or Lease. In the event an Owner sells or leases his or her Unit, the Owner shall give to the Association, in writing, the name of the purchaser or lessee of the Unit and such other information as the Board may reasonably require.

Section 16. Arbitration. In the event of any dispute arising between, among, against or on behalf of Owners relating to this Declaration, each party shall appoint one (1) arbitrator.

Should any such Owner refuse to appoint an arbitrator within ten (10) days after written request therefore by the Board of Directors, the Board shall appoint an arbitrator for the refusing Owner. The arbitrators thus appointed shall appoint one (1) additional arbitrator and the decision by a majority of all three (3) (or more) arbitrators shall be binding upon the Owners and judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof and located in Montgomery County, Texas. However, this section shall not be construed to require arbitration of any enforcement and/or collection actions by the Declarant and/or the Association.

Section 17. Attorneys' Fees. If any controversy, claim or dispute arises relating to this instrument, its breach or enforcement, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs.

Section 18. Waiver of Environment Conditions. The term "Declarant" as used in this Section 19 shall have the meaning set forth in Article I (g) hereof and shall further include, without limitation, the Declarant, its general partner(s), partners, directors, managers, officers, employees, agents, contractors, sub-contractors, design consultants, architects, advisors, brokers, sales personnel and marketing agents. The term "Association" as used in this Section 19 shall have the meaning set forth in Article I (b) hereof and shall further include, without limitation, the Association, its Board of Directors, managers, employees, and agents. The Declarant and the Association shall not in any way be considered an insurer or guarantor of environmental conditions or indoor air quality within the any Unit. Neither shall the Declarant nor the Association shall be held liable for any loss or damage by reason of or failure to provide adequate indoor air quality or any adverse environmental conditions. The Declarant and the Association do not represent or warrant that any construction materials, air filters, mechanical, heating, ventilating or air conditioning systems and chemicals necessary for the cleaning or pest control of the Unit will prevent the existence or spread of biological organisms, cooking odors, animal dander, dust mites, fungi, pollen, tobacco smoke, dust or the transmission of interior or exterior noise levels. The Declarant and the Association are not an insurer and each Owner and occupant of any Unit and each tenant, guest and invitee of any Owner assumes all risks for indoor air quality and environmental conditions and acknowledges that the Declarant and the Association have made no representations or warranties nor has the Declarant and the Association, any Owner, occupant, tenant, guest or invitee relied upon any representations or warranties, expressed or implied, including any warranty or merchantability or fitness for any particular purpose, relative to the air quality within any Unit.

Section 19. Legal Proceedings. After the expiration of the Class B voting status, the Board shall not institute any legal proceeding against any Person without first providing the members at least forty-five (45) days prior written notice of a meeting of the Association to consider institution of a legal proceeding (the "Notice"). The Notice shall describe the purpose of the legal proceeding, the parties to the proceeding, the anticipated cost to the Association (including attorneys' fees) of the proceeding, the source of funds to fund the proceedings (reserves or special easements), and suggested information that should be disclosed to third parties, such as prospective purchasers and lenders, while the proceeding is being prosecuted. Except as otherwise provided in this Section, the Association may commence a legal proceeding

only upon the affirmative vote or agreement of the Class A members to which at least seventy-five percent (75%) of the then eligible total votes of the Class A members of the Association are allocated.

The provisions of this Section do not apply to a legal proceeding that is commenced:

- (a) To enforce the payment of an assessment;
- (b) By the Association against an Owner or by an Owner against the Association to enforce the Declaration, Bylaws, Rules or Regulations or other governing documents of the Association;
- (c) To proceed with a counterclaim; or
- (d) To protect against an imminent threat to the health, safety, and/or welfare of the Members of the Association.

IN WITNESS WHEREOF, the undersigned being the duly appointed officers of Declarant herein, have executed this instrument this 20 day of AUGUST, 2008.

LENNAR HOMES OF TEXAS LAND AND CONSTRUCTION, LTD., a Texas limited partnership

By: LENNAR TEXAS HOLDING COMPANY, a Texas corporation, general partner

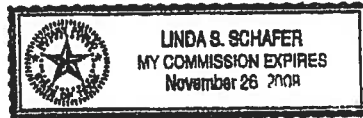
By: RM
Name: RICK PEERY
Title: VICE-PRESIDENT

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared Rick Peery, as Vice President of LENNAR TEXAS HOLDING COMPANY, general partner of LENNAR HOMES OF TEXAS LAND AND CONSTRUCTION, LTD., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL this 20th day of August, 2008.

Linda Schaper
NOTARY PUBLIC, State of Texas



EXECUTED this 20th day of August, 2008, also by The Woodlands Land Development, L.P., as owner of a portion of the real property being subjected hereto not as Declarant nor as a developer thereof but only to subject such real property to the terms hereof.

THE WOODLANDS LAND
DEVELOPMENT COMPANY, L.P., a
Texas limited partnership

By: THE WOODLANDS OPERATING
COMPANY, L.P., a Texas limited
partnership, its authorized agent

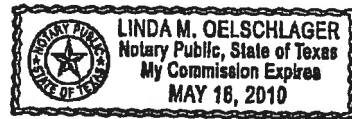
By: [Signature]
Name: R. E. "Buck" Driggers
Title: Vice President

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared R.E. Buck Driggers, as Vice President of THE WOODLANDS OPERATING COMPANY, L.P., authorized agent for THE WOODLANDS LAND DEVELOPMENT COMPANY, L.P., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL this 20th day of August, 2008.

[Signature]
NOTARY PUBLIC, State of Texas



AFTER RECORDING RETURN TO:

Sarah Ann Powers
Hoover Slovacek LLP
5847 San Felipe, Suite 2200
Houston, Texas 77057
351001-31

EXHIBIT "A"

Property Subject to this Declaration

THE WOODLANDS, VILLAGE OF STERLING RIDGE SECTION 88, an addition in Montgomery County, Texas, according to the map or plat thereof recorded in Plat Cabinet Z, Sheets 1094-1097 of the Map Records of Montgomery County, Texas. (File No. 2008010626)