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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
WATERSTONE ESTATES

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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR WATERSTONE ESTATES

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THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATERSTONE ESTATES (this "Declaration"), made as of the date hereinafter set forth by 2006 WATERSTONE ESTATES, LTD., a Texas limited partnership (hereinafter referred to as the "Declarant").

WITNESSETH:

WHEREAS, the Declarant is the owner of certain property in Harris County, Texas; and

WHEREAS, the Declarant has platted and subdivided a portion of its property as Waterstone Estates, a subdivision of land in Harris County, Texas according to the plat thereof recorded under Film Code No. 615191 in the Map Records of Harris County, Texas (the "Subdivision"); and

WHEREAS, the Declarant intends by this Declaration to impose mutually beneficial restrictions under a general plan of improvements for the benefit of all owners of the property within the Subdivision and such other property as may hereafter be annexed into the jurisdiction of the Association (as hereinafter defined) the Declarant desires to provide a flexible and reasonable procedure for the overall development of such property and to establish a method for the administration, maintenance, preservation, use, and enjoyment of such property.

NOW, THEREFORE, the Declarant hereby declares that the Lots (as hereinafter defined) within the Subdivision is hereby subjected to the provisions of this Declaration and the Lots within the Subdivision and within all other property hereafter made subject to this Declaration, if any, 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 desirability of, and which shall run with the title to, the real property subject to this Declaration, and shall be binding on all persons having any right, title, or interest in all or any portion of such property, 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

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

SECTION 1. "Area of Common Responsibility" shall mean the Common Area, together with those areas, if any, which by contract or agreement become the responsibility of the Association. Road rights-of-ways within or adjacent to the Properties may be part of the Area of Common Responsibility.

SECTION 2. "Assessment" shall mean the Residential Assessments, Special Assessments and Specific Assessments levied by the Association pursuant to Article III hereof, the Capitalization Payments payable to the Association pursuant to Section 2(d) of Article III hereof upon the sale of each Lot with a Single Family Residence, and any other amounts or sums due by any Owner to the Association pursuant to the provisions of this Declaration or a Supplemental Declaration.

SECTION 3. "Association" shall mean and refer to Waterstone Estates Homeowners Association, Inc., a non-profit, non-stock, membership corporation incorporated under the laws of the State of Texas, its successors and assigns.

SECTION 4. "Association Expenses" shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserves, all as may be found to be necessary and appropriate by the Board of Directors of the Association pursuant to this Declaration and the Association's By-Laws and Certificate of Formation.

SECTION 5. "Board of Directors" or "Board" shall mean the governing body of the Association.

SECTION 6. "Builder" shall mean and refer to any Person undertaking the construction of a Single Family Residence on a Lot within the Properties for the purpose of selling same.

SECTION 7. "Builder Guidelines" shall mean and refer to written guidelines, as amended from time to time, for the construction of improvements on the Lots within the jurisdiction of the Association, which are adopted by the Waterstone Estates Architectural Review Committee pursuant to this Declaration. The Builder Guidelines may impose different requirements for different portions of the Properties.

SECTION 8. "By-Laws" shall mean the By-Laws of the Association, as amended from time to time.

SECTION 9. "Capitalization Payment" shall mean the amount payable to the Association pursuant to Section 2(d) of Article III hereof upon the sale of a Lot with Single Family Residence.

SECTION 10. "Certificate of Formation" means the Certificate of Formation of the Waterstone Estates Homeowners Association, Inc. and any amendments thereto, as filed with the Secretary of State of the State of Texas.

SECTION 11. "Class B Control Period" shall mean the period during which there is a Class B membership in the Association and during which the Declarant is entitled,

as more specifically set forth in the Certificate of Formation and By-Laws, to appoint and remove the members of the Board of Directors and disapprove any action, policy or program of the Association, the Board or any committee which, in the sole judgment of the Declarant, would tend to impair rights of the Declarant or Builders or interfere with the development, construction or marketing of any portion of the Properties, or diminish the level of services being provided by the Association.

SECTION 12. "Common Area" shall mean and refer to 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 and Occupants.

SECTION 13. "Declarant" shall mean and refer to 2006 Waterstone Estates, Ltd., or to such successor Declarant as may hereafter be designated in an instrument placed of record in the real property records of the county in which the Properties are located as the Declarant by the Declarant hereunder at such time. Upon such designation of a successor Declarant, all rights of the former Declarant hereunder shall cease. The Declarant is granted the right during the Class B Control Period pursuant to certain provisions of this Declaration, the Certificate of Formation, and the By-Laws to appoint and remove the members of the Board and the right to disapprove any actions, policies and programs of the Board and/or its committees.

SECTION 14. "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions for Waterstone Estates, as it may hereafter be amended in accordance with the provisions hereof.

SECTION 15. "Landscaping Guidelines" shall mean and refer to written landscape design, installation and maintenance criteria and guidelines for the Lots, as amended from time to time, which are adopted by the Waterstone Estates Architectural Review Committee. The Landscaping Guidelines may be included within and be a part of the Builder Guidelines adopted by such committee and different Landscaping Guidelines may be adopted for different portions of the Properties.

SECTION 16. "Lot" shall mean and refer to any portion of the Properties, whether developed or undeveloped, upon which a Single Family Residence has been constructed or it is intended by the Declarant that a Single Family Residence be constructed, excluding reserve tracts, but including lots created by the platting or replatting of a reserve tract. "Lots" shall mean and refer to each Lot and all of them. In the case of a parcel of land planned for single family residential development which has not been platted into Lots, the parcel shall be deemed to contain the number of Lots designated by the Declarant on the development plan for such parcel of land unless or until a different number of Lots is platted. The Owner of one or more adjacent Lots (or portions thereof) shall have the right to consolidate such Lots or portions of such Lots into one or more Single Family Residence building sites, with the privilege of placing or constructing improvements on such sites, in which case side setback lines shall be measured from the resulting side property lines of each such building site rather than from the lot lines shown on the recorded plat. If such Single Family Residence building

site is replatted as a single Lot, it shall be considered as a single Lot for purposes of Assessments levied by the Association pursuant to this Declaration at the time the replat is recorded in the plat or map records of the county in which the Properties are located. If such Single Family Residence building site is not replatted as a single Lot, it shall be considered as a single Lot for purposes of Assessments levied by the Association pursuant to this Declaration at the time the Single Family Residence on such building site is initially occupied. Prior to either of such events, Assessments by the Association shall continue based on the number of Lots shown on the original plat.

SECTION 17. "Member" shall refer to every Person entitled to membership in the Association, as provided herein.

SECTION 18. "Mortgage" shall mean and refer to a deed of trust, mortgage or other similar security instrument granting, creating, or conveying a lien or security interest upon a Lot.

SECTION 19. "Mortgagee" shall mean a beneficiary or holder of a Mortgage.

SECTION 20. "Occupant" shall mean any person occupying all or any portion of a Single Family Residence within the Properties for any period of time, regardless of whether such person is a tenant or the Owner of such property.

SECTION 21. "Owner" shall mean and refer to the record owner, whether one or more Persons of the fee simple title to a Lot within the Properties, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation or those owning an interest in the mineral estate.

SECTION 22. "Person" shall mean any natural person, corporation, joint venture, partnership, association, trust or other legal entity.

SECTION 23. "Properties" shall mean and refer to (i) the real property contained within the Subdivision described in the preambles to this Declaration, and (ii) such other real property as may be brought within the jurisdiction of the Association in accordance with the provisions of Article VIII of this Declaration, if any.

SECTION 24. "Residential Assessments" shall mean assessments levied by the Board of Directors pursuant to Section 2(a) of Article III hereof.

SECTION 25. "Residential ARC" refers to the Waterstone Estates Architectural Review Committee created by Section 2 of Article VI hereof.

SECTION 26. "Single Family Residence" shall mean and refer to a detached residence constructed on a single Lot.

SECTION 27. "Street" shall refer to any street, boulevard, road, alley, lane, avenue, or thoroughfare within or adjacent to the Properties.

SECTION 28. "Supplemental Declaration" shall refer to a separate restrictive covenant instrument which is imposed on all or a portion of the property within the jurisdiction of the Association, including property hereafter annexed into the jurisdiction of the Association, and which may be enforced by the Association.

ARTICLE II
WATERSTONE ESTATES HOMEOWNERS ASSOCIATION, INC.

SECTION 1. ORGANIZATION. The Association has been organized and formed as a non-profit corporation under the laws of the State of Texas. The principal purposes of the Association are the collection, expenditure, and management of the maintenance funds, administration of the business of the Association, and providing for the maintenance and preservation of the Area of Common Responsibility and the facilities of the Association and architectural control of the Lots.

SECTION 2. MEMBERSHIP. Every Owner shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. No Owner, whether one (1) or more Persons, shall have more than one (1) membership per Lot owned. In the event the Owner of a Lot is more than one (1) Person, votes and rights of use and enjoyment shall be as provided herein. The rights and privileges of membership in the Association may be exercised by each Member, subject to the provisions of this Declaration and the By-Laws. The membership rights of a Lot owned by a corporation or partnership shall be exercised by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Board, subject to the provisions of this Declaration and the By-Laws.

SECTION 3. VOTING. The Association shall have two 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 Class "B" Member. Class "A" Members shall be entitled to one (1) vote for each Lot of which they are the Owner. If more than one Person holds the interest in a Lot required for membership in the Association, any of such Persons may exercise the vote for such Lot; provided, however, the vote for such Lot shall be suspended in the event more than one Person seeks to exercise it. To the extent it may lawfully do so, the Board shall have the power and is authorized to suspend the voting rights of any Member who is more than ninety (90) days delinquent in payment of any Assessment to the Association.
- (b) CLASS B. The Class "B" Member shall be the Declarant who shall have five (5) votes for each Lot it owns in the Properties. The Class "B" Membership shall cease and be converted to Class "A" Membership upon the earlier of (i) the date on which the Declarant has sold and conveyed all of the Lots it owns in the Properties

(including property hereafter annexed into the jurisdiction of the Association), or (ii) on such earlier date that the Declarant, in its discretion, so determines and records an instrument to such effect in the real property records of the county in which the Properties are located. If termination occurs pursuant to clause (i) and property is thereafter annexed into the jurisdiction of the Association by the Declarant, the Class "B" Membership shall be restored. If the termination of the Class "B" Membership occurs pursuant to clause (ii), the Declarant shall be deemed to be a Class "A" Member with respect to the Lots it owns after the termination of the Class "B" Membership.

SECTION 4. RULE MAKING AUTHORITY. This Declaration establishes, as part of the general plan of development for the Properties, a framework of covenants, easements and restrictions which govern the Properties. Within that framework, the Board must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends and technology which inevitably will affect the Properties, its Owners and Occupants. This Section establishes procedures for the adoption and modification of rules by the Board.

Subject to the terms hereof and the Board's duty to exercise business judgment and reasonableness on behalf of the Association, the Board may adopt, amend, repeal and enforce rules and regulations ("Rules"), fines and levies as may be deemed necessary or desirable with respect to the implementation of this Declaration, the operation of the Association, the use and enjoyment of the Common Area and the Exclusive Common Area, and the use of any other property, facilities or improvements owned or operated by the Association. At least thirty (30) days prior to the effective date of any Rule, the Board shall cause a copy of the new rule or explanation of any changes to a Rule, specifying the effective date, to be posted at a prominent place within the Properties. The Association shall provide a copy of the Rules then in effect to any requesting Owner or Mortgagee for such charge as may be established from time to time by the Board.

All Owners are given notice that use of their Lots is limited by the use restrictions set forth in this Declaration and the Rules adopted by the Board, as they may be amended, expanded and otherwise modified. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of their Lot can be affected by this provision and that the initial use restrictions and Rules may change from time to time.

No Rule shall be adopted by the Association in violation of the following provisions:

- (i) Similar Treatment. Similarly situated Owners shall be treated similarly; provided, Rules may differ between and among different portions of the Properties, based on type of development, use, density or physical characteristics of the property;

- (ii) Allocation of Burdens and Benefits. No Rule shall alter the allocation of financial burdens among the various Lots as specified herein or rights to use the Common Area. Nothing in this provision shall prevent the Board from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who abuse the Common Area, are delinquent in payment of Assessments or violate the Rules established by the Board for the use thereof. This provision does not affect the Board's right to establish or increase user fees or to increase the amount of Assessments;
- (iii) Abriding Existing Rights. No Rule shall require Owners to dispose of personal property which was kept in or on a Lot prior to the adoption of such Rule and which was in compliance with all Rules in force previous to such time, unless otherwise required to be removed by law; provided, the above shall apply to any Owner only for so long as he or she remains the Owner of the affected personal property or Lot. The rights granted under this subsection shall not run with title to any Lot;
- (iv) Reasonable Basis. No Rule may prohibit any activity, condition, or conduct unless there exists a reasonable basis for the enactment of such Rule. For purposes of this subsection, reasonable basis may include, but not be limited to, restrictions as to time, place, and manner of activity or conduct, or concerns relating to fair use of Common Area, cost, aesthetics, or the goals of the comprehensive plan for the benefit of the Properties.

SECTION 5. CERTIFICATES OF COMPLIANCE. Any Owner may request that the Association issue a certificate of architectural compliance certifying that there are no known violations of this Declaration or the Builder Guidelines. The Association shall either grant or deny such request within thirty (30) days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall preclude the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

ARTICLE III COVENANT FOR MAINTENANCE ASSESSMENTS

SECTION 1. PURPOSE OF ASSESSMENT. The assessments provided for in this Declaration shall be used by the Association to maintain and keep in good repair the Area of Common Responsibility and for the general purposes of promoting the common benefit of the Owners and Occupants in the Properties. The judgment of the Board of Directors as to the expenditure of Assessments collected by the Association shall be final and conclusive so long as its judgment is exercised in good faith. Funds obtained by the Association from Assessments may be used to finance all or any of the following:

- (i) Operation, mowing, maintenance, repair, and improvement of the Area of Common Responsibility, including road rights-of-way, drainage and detention areas;
- (ii) Payment of taxes and premiums for insurance coverage in connection with the Common Area and for directors and officers liability insurance;
- (iii) Paying the cost of labor, equipment (including expense of leasing any equipment), material, and any associated management or supervisory services and fees;
- (iv) Paying the cost and fees of a manager or firm retained to carry out the duties of the Association or to manage the affairs and property of the Association;
- (v) Maintaining or replacing landscaping in the Area of Common Responsibility;
- (vi) Designing, purchasing and installing any improvements to the Area of Common Responsibility;
- (vii) Removing debris from the Area of Common Responsibility;
- (viii) Payment of legal fees and expenses incurred to collect assessments and enforce this Declaration;
- (ix) Employing entry personnel and watchmen and/or contracting for patrol services;
- (x) Contracting for insect and pest control such as mosquito fogging;
- (xi) Carrying out the duties of the Board of Directors of the Association;
- (xii) Creation and funding of such reserve funds as the Board of Directors of the Association deems necessary; and
- (xiii) Carrying out such purposes of the Association as generally benefit the Members of the Association, as determined by the Board of Directors.

SECTION 2. TYPES OF ASSESSMENTS. Each Owner by acceptance of a deed to any Lot in the Properties, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association: (i) Residential Assessments as provided in subsection (a) of this Section 2; (ii) Specific Assessments as provided in subsection (b) of this Section 2; (iii) Capitalization Payments as provided in subsection (c) of this Section 2; and (iv) Special Assessments to be established and collected as hereinafter provided in Section 5 of this Article III.

(a) Residential Assessments. Residential Assessments shall be levied annually to enable the Association to pay Association Expenses which are determined by the Board to benefit all Members. Such expenses benefitting all Members shall be all Association Expenses except expenses for which the Board makes a Specific Assessment. Residential Assessments on all Lots shall be fixed at uniform rates; PROVIDED, HOWEVER, there shall be no Residential Assessments against unplatted Lots and, subject to the provisions of Section 9 of this Article, Lots owned by the Declarant (other than unplatted Lots which shall not be assessed) or by a Builder shall be assessed at fifty percent (50%) of the amount assessed against the Lots owned by other Owners. The initial annual Residential Assessment shall commence as to all Lots in the Subdivision on the date that the first Lot in the Subdivision is conveyed by the Declarant or on such later date as the Board determines, and shall be due and payable thirty (30) days thereafter. The initial assessment against property hereafter annexed into the jurisdiction of the Association shall commence on the date the annexation instrument is recorded or on such other date as may be specified in such instrument. If an Assessment commences on a date other than January 1, such Assessment shall be adjusted according to the number of days remaining in the calendar year. After the initial Residential Assessment, annual Residential Assessments shall be levied for each calendar year in advance and shall be due and payable as specified by the Board.

(b) Specific Assessments. The Association shall have the power to levy Specific Assessments against a particular Lot as follows:

- (i) to cover the costs, including overhead and administrative costs, of providing services to Lots upon request of an Owner pursuant to any menu of special services which may be offered by the Association. Specific Assessments for special services may be levied in advance of the provision of the requested service; and
- (ii) to cover costs incurred in bringing a Lot into compliance with this Declaration, the Builder Guidelines or the Landscaping Guidelines, or costs incurred as a consequence of the conduct of the Owner or Occupants of a Lot, their agents, contractors, employees, licensees, invitees, or guests.

(c) Capitalization Payments. Upon acquisition of record title to a Lot with a Single Family Residence by the first Owner thereof from a Builder and upon each reconveyance of such Lot thereafter which is not an Exempt Transfer (as hereinafter defined), a payment shall be made by or on behalf of the purchaser to the Association in an amount equal to fifty percent (50%) of the Residential Assessment for the year in which the sale or transfer occurs, or such lesser amount as may hereafter be specified by the Board from time to time. This amount shall be in addition to, not in lieu of, the Residential Assessments and shall not be considered an advance payment of Residential Assessments. This amount shall be paid to the Association at the closing of the purchase of the Lot with a Single Family Residence and may be used for such purposes as may be determined by the Board from time to time. For purposes hereof, the term "Exempt Transfer" means the transfer of title to a Lot with a Single Family

Residence: (i) by a co-Owner to any Person who was a co-Owner immediately prior to such transfer; (ii) to the Owner's estate, surviving spouse, or child upon the death of the Owner; (iii) to any entity wholly owned by the grantor; (iv) to a Mortgagee or the designee of a Mortgagee in lieu of foreclosure or upon foreclosure of a Mortgage; or (v) to an interim Owner in connection with an employer relocation agreement.

SECTION 3. CREATION OF LIEN AND PERSONAL OBLIGATION FOR ASSESSMENTS. All Assessments, together with interest commencing on the due date at the rate of eighteen percent (18%) per annum or such other rate of interest as may be established from time to time by the Board of Directors not in excess of the maximum lawful rate, costs incurred by the Association in collecting delinquent Assessments (specifically including, but not limited to, any flat charges or percentage fees charged by any third party collection agencies used by the Association if the Association elects to use a collection agency), and reasonable attorney's fees and court costs actually incurred, shall be a charge on the land and shall be secured by a continuing lien upon the land against which each Assessment is made. Each such Assessment, together with late charges, interest, costs, and reasonable attorney's fees actually incurred, shall also be the personal obligation of the Person who was the Owner of such land at the time the Assessment fell due. Each such Owner shall be personally liable for his or her portion of each Assessment coming due while he or she is the Owner of the land, and each Assessment thereafter coming due unless and until such Owner notifies the Association of the sale or conveyance of the land against which the Assessment is made as hereinafter provided in this Section 3.

In order to extinguish any Person's personal liability with regard to Assessments coming due following the sale or conveyance of the Lot owned by such Person, such Person shall be obligated to notify the Association of such Person's sale or conveyance of the Lot against which Assessments may be levied. In that regard, each Person who at any time owned any Lot in the Properties against which Assessments may be levied shall no longer be liable or responsible for payment of Assessments coming due after the date upon which such Person furnishes to the Association a copy of the executed instrument of conveyance by which fee title to the Lot previously owned by such Person was conveyed or transferred to another Person, and the mailing address of the Person to whom such Lot was conveyed or transferred. Upon receipt of such information, the Association shall cause the name and address of the new Owner to be substituted for that of the prior Owner on the records of the Association, and the prior Owner shall no longer be liable or responsible for Assessments subsequently coming due or for compliance with this Declaration. Each Person owning a Lot against which Assessments may be made shall have the obligation to notify the Association of any change in its address, and notice of any such change shall become effective five (5) days after written notice thereof has been provided to the Association. With regard to mailing notices of Assessments payable by any Person to the Association, the Association shall be deemed to have satisfied any obligation that it might have to provide written notices or bills if the same are mailed or delivered to the Owner at the address of such Owner as reflected on the records of the Association, and no such Owner or other Person liable for the payment of any Assessment shall escape such liability or be entitled to any deferral or abatement of interest or any late charges or

collection costs with regard to delinquent Assessments on the basis of such Person's failure to receive notice thereof if the Association sent such notice by regular U.S. Mail to the most recent address of the Person according to the records of the Association.

Residential Assessments shall be payable annually on a date specified by the Board of Directors; provided, however, the Board may, at its option, require payment of such Assessments in monthly or quarterly installments. Special Assessments shall be paid in such manner and on such date or dates as may be fixed by the Board.

SECTION 4. COMPUTATION. It shall be the duty of the Board to adopt a budget covering the estimated costs of operating the Association during each calendar year, taking into consideration any subsidy payments to be received from the Declarant and any additional property to be annexed into the jurisdiction of the Association in the forthcoming year. In the event that the Board fails for any reason to determine the budget for the succeeding year, then and until such time as a budget shall have been adopted, the budget in effect for the then current year shall continue for the succeeding year. The annual per Lot Residential Assessment by the Association shall be such amount as is determined by the Board of Directors of the Association, at its sole discretion. The Board shall use reasonable efforts to cause notice of the Assessments to be levied against each Owner for each year to be delivered to each Member at least thirty (30) days prior to the due date.

SECTION 5. SPECIAL ASSESSMENTS. In addition to the other Assessments authorized herein, the Board may levy one or more special assessments in any year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, or repair or replacement of a capital improvement located upon the Common Area, including fixtures and personal property related thereto; provided, however, any such special assessment must have the written consent of the Declarant during the Class B Control Period and a per Lot special assessment in an amount greater than twenty percent (20%) of the Residential Assessment per Lot for such year must be approved by a two-thirds (2/3rds) vote of the eligible Members who are present in person or by proxy at a meeting of the Members called for such purposes.

If a special assessment is approved as herein required and levied, it 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. Special assessments shall be allocated among all Owners in the same manner as Residential Assessments.

SECTION 6. LIEN FOR ASSESSMENTS. All sums assessed against any property subject to this Declaration pursuant to this Declaration, together with interest, collection and other costs, and reasonable attorney's fees actually incurred, as provided herein, shall be secured by a lien on the property owned by each Owner in favor of the Association. All Persons acquiring liens or encumbrances on any property subject to this Declaration after this Declaration shall have been recorded in the real property records of the county in which the Properties are located 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 7. SUBORDINATION OF THE LIEN TO FIRST MORTGAGES. The lien securing the Assessments provided for herein shall be subordinate to (i) liens of ad valorem taxes and (ii) the lien of any first Mortgage which has been recorded in the real property records of Harris County, Texas. Sale or transfer of any Lot subject to this Declaration shall not affect the lien hereby created. However, the sale or transfer of any Lot pursuant to foreclosure of a first Mortgage or any conveyance in lieu thereof, shall extinguish the lien of such Assessments as to payments which become due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

SECTION 8. EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. Any Assessments which are not paid in full by the date specified by the Board shall be delinquent. Any delinquent Assessment shall commence to bear interest on the due date at the rate of eighteen percent (18%) per annum or such other interest rate as the Board may from time to time determine or the maximum lawful rate of interest. If the Assessment is not paid when due, the lien herein retained and created against the affected Lot shall secure the Assessment due, interest thereon from the date due and payable, all costs of collection, court costs, reasonable attorney's fees actually incurred, and any other amount provided or permitted by law. In the event that the Assessment remains unpaid after ninety (90) days, the Association may, as the Board shall determine, institute suit for collection against the Owner personally obligated to pay the Assessment or foreclose the lien created and reserved hereby against the Lot of such Owner.

The Association's lien is created by recordation of this Declaration, which constitutes record notice and perfection of the lien. No other recordation of a lien or notice of lien shall be or is required. By acquiring a Lot, an Owner grants to the Association a power of sale in connection with the Association's lien. By written resolution, the Board of Directors of the Association may appoint, from time to time, an officer, agent, trustee, or attorney of the Association to exercise the power of sale on behalf of the Association. The Association shall exercise its power of sale pursuant to Section 51.002 of the Texas Property Code, and any applicable revision(s), amendment(s), or recodifications thereof in effect at the time of the exercise of such power of sale. The Association has the right to foreclose its lien judicially or by nonjudicial foreclosure pursuant to the power of sale created hereby. Costs of foreclosure may be added to the amount owed by the Owner to the Association. An Owner may not petition a court to set aside a sale solely because the purchase price at the foreclosure sale was insufficient to fully satisfy the Owner's debt. The Association may bid for and purchase the Lot at the foreclosure sale utilizing funds of the Association. The Association may own, lease, encumber, exchange, sell, or convey a Lot. The purchaser at any such foreclosure sale shall be entitled to sue for recovery of possession of the Lot by an action of forcible detainer without the necessity of giving any notice to the former owner or owners of the Lot sold at foreclosure. The Owner shall have a right of redemption after or resulting from a foreclosure sale of the

Association's lien as provided by law. Nothing herein shall prohibit the Association from taking a deed in lieu of foreclosure or from filing suit to recover a money judgment for sums that may be secured by the lien. At any time before a nonjudicial foreclosure sale, an Owner of a Lot may avoid foreclosure by paying all amounts due the Association. Foreclosure of a tax lien attaching against a Lot under Chapter 32, Tax Code, shall not discharge the Association's lien under this paragraph for amounts becoming due to the Association after the date of foreclosure of the tax lien.

No Owner may waive or otherwise exempt himself from liability for the Assessments provided for herein, by non-use of Common Area or abandonment of the Lot owned by such Owner. No diminution or abatement of assessment or set-off shall be claimed or allowed by reason of any alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this Declaration or the By-Laws, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Association, or from any action taken to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay Assessments being a separate and independent covenant on the part of Declarant and each other Owner.

All payments shall be applied as determined by the Board of Directors in accordance with any applicable laws.

SECTION 9. ASSESSMENT OBLIGATION OF DECLARANT. Subject to the further provisions hereof, Declarant, on behalf of itself and its successors and assigns to whom its rights as Declarant are expressly assigned, covenants and agrees to pay Assessments as provided herein for the Lots (other than unplatted Lots) that it owns. However, as long as the Class "B" membership exists in the Association, the Declarant may annually elect either to pay Residential Assessments on the Lots (other than unplatted Lots) it owns as herein provided or to pay the Association the difference between the amount of Residential Assessments collected or to be collected on all other Lots subject to assessment and the amount of the expenditures indicated in the budget adopted by the Board that will be incurred to operate the Association during such calendar year (the "Subsidy") even if the Subsidy is less than the Residential Assessment that would otherwise have been payable by the Declarant. The payment by Declarant of a Subsidy in any year in lieu of Residential Assessments shall under no circumstances obligate the Declarant to pay a Subsidy in a future year or years. The Subsidy may be paid by the Declarant in increments throughout the year as funds are needed by the Association.

The Declarant may also elect to make loans to the Association. In the event of a loan, the loan and interest thereon at the prime rate of interest announced from time to time by Bank of America, N.A. or another bank designated by the Board at the time the loan is made plus 1% per annum, shall be payable by the Association to the Declarant from future Annual Assessments collected by the Association. All loans, if any, shall be evidenced by promissory notes executed by the Association at the time the loan is made. Subsidy payments by the Declarant shall not be considered to be loans.

ARTICLE IV
RIGHTS IN THE COMMON AREA

SECTION 1. OWNER'S RIGHTS OF ACCESS AND ENJOYMENT. Subject to the further provisions of this Section, every Member shall have a right of access to and enjoyment of the Common Area, including, within limitation, the private Streets within the Properties, and such right shall be appurtenant to and shall pass with the title to the Lot owned by such Member. Such rights shall be subject to the following:

(a) The Board shall have the right to charge reasonable admission and other fees for the use of any amenity situated upon the Common Area.

(b) The Board shall have the right, without the approval of the Members, to borrow money and to mortgage, pledge, deed in trust, or hypothecate any or all of the Common Area as security for money borrowed or debts incurred.

(c) The Board shall have the right to take such steps as are reasonably necessary to protect the Common Area against foreclosure of any such mortgage.

(d) The Board shall have the right to suspend the right of any Member to use the Common Area (other than private Streets) for any period during which any assessment or other amount owed by such Member to the Association remains unpaid in excess of thirty (30) days.

(e) The Board shall have the right to establish reasonable rules and regulations governing the Members' use and enjoyment of the Common Area, and to suspend the right of any Member to use the Common area (other than private Streets) for any period not to exceed sixty (60) days for any infraction of such rules and regulations.

(f) The Board shall have the right, without the approval by the Members, to sell or convey all or any part of the Common Area and the right, to grant or dedicate easements in portions of the Common Area to public or private utility companies.

(g) The Board shall have the right to enter into agreements with one or more Persons pursuant to which individuals who are not Members of the Association are granted the right to use the Common Area and the facilities located thereupon upon payment of such fees as may be determined by the Board.

(h) The Board shall have the right to adopt, implement and maintain a private access control system for the Properties consistent with applicable laws and the right to establish rules and regulations governing traffic and parking on the private Streets and driveways within the Common Area, and to establish sanctions and fines for any violation or violations of such rules and regulations.

SECTION 2. DELEGATION OF USE. Each Member shall have the right to extend his right of enjoyment to the Common Area to the members of his family and to such guests or other persons as may be permitted by the Association. An Owner shall be deemed to have made a delegation of all rights to use the Common Area to the Occupants of any leased residence.

SECTION 3. EASEMENTS-GENERAL. Easements for the installation and maintenance of utilities are reserved as shown and provided for on the plats of the Properties and/or as dedicated by separate instruments. Neither Declarant nor any utility company or authorized political subdivision using the easements referred to herein shall be liable for any damages done by them or their assigns, agents, employees or servants, to fences, shrubbery, trees, flowers, improvements or other property of the Owner situated on the land covered by such easements as a result of construction, maintenance or repair work conducted by such parties or their assigns, agents, employees or servants. Declarant expressly reserves the right to grant easements over, under and across any Lot in the Properties for the installation and maintenance of utility and drainage facilities; provided, however, any easement created by the Declarant pursuant to this provision shall not materially adversely affect the use and enjoyment of any Single Family Residence or the value of any Single Family Residence. Declarant further reserves unto itself, its agents, employees, servants, successors and assigns, the temporary right of ingress and egress, on, over, in, and across the Properties in order to complete development of the Properties and the construction of all Single Family Residences. The rights reserved by Declarant in this paragraph shall be used in such a manner as not to unreasonably interfere with the use and enjoyment of any Single Family Residence in the Properties and such rights shall terminate upon the expiration of the Class B Control Period.

SECTION 4. EASEMENT FOR PUBLIC SERVICES. There is hereby granted to each governmental authority or agency with jurisdiction over the Properties (or any portion thereof) with respect to law enforcement and fire protection, the perpetual, non-exclusive right and easement upon, over and across all of the Properties for purposes of performing such duties and activities related to law enforcement and fire protection in the Properties as shall be required or appropriate from time to time by such governmental authorities under applicable law.

SECTION 5. EASEMENTS FOR ASSOCIATION. There is hereby granted a general right and easement to the Association, its directors, officers, agents, and employees, including, but not limited to, any manager employed by the Association and any employees of such manager, to enter upon any Lot or any portion thereof in the performance of their respective duties or the enforcement of the provisions of this Declaration without liability for trespass. The easement hereby created includes the right to enter upon the Lots for the maintenance and repair of each Lot in accordance with the provisions hereof, to maintain any common fencing, and for the carrying out by the Association of its functions, rights, duties and obligations hereunder; provided, that any such entry by the Association upon any Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be repaired by the Association, and the expense thereof shall be assessed as provided in

this Declaration. Except in the event of emergencies, this easement is to be exercised only during normal business hours and then, whenever practicable, only upon advance notice to the Owner or Occupant of the residence directly affected thereby.

There is also hereby granted to the Association, its successors and assigns, a ten (10) foot wide construction and maintenance easement adjacent and parallel to each of the rear and side lot lines of all Lots that abut a perimeter boundary of the Properties, Common Area or a Street where the Declarant has constructed or intends to construct a fence or wall, together with the right of ingress and egress for the purposes, without liability to the Owner for damages arising from the use of the easement, of constructing, repairing, and/or reconstructing the fence or wall. The easement area shall remain unobstructed of any structures or plantings that would prohibit access to the fence or wall for construction and maintenance purposes.

SECTION 6. SECURITY. THE ASSOCIATION MAY, BUT SHALL NOT BE OBLIGATED TO, MAINTAIN OR SUPPORT CERTAIN ACTIVITIES WITHIN THE PROPERTIES DESIGNED TO MAKE THE PROPERTIES SAFER THAN THEY OTHERWISE MIGHT BE. NEITHER THE ASSOCIATION, THE DECLARANT, ANY SUCCESSOR DECLARANT, THE RESIDENTIAL ARC, NOR THEIR AGENTS (INCLUDING ANY MANAGER OF THE ASSOCIATION) SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE PROPERTIES, HOWEVER, AND NEITHER THE ASSOCIATION, THE DECLARANT, ANY SUCCESSOR DECLARANT, THE RESIDENTIAL ARC, NOR THEIR AGENTS (INCLUDING ANY MANAGER OF THE ASSOCIATION) SHALL BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. ALL OWNERS AND OCCUPANTS OF ANY LOT, TENANTS, GUESTS AND INVITEES OF ANY OWNER, AS APPLICABLE, ACKNOWLEDGE THAT THE ASSOCIATION AND ITS BOARD OF DIRECTORS, DECLARANT, ANY SUCCESSOR DECLARANT, THE RESIDENTIAL ARC AND THEIR AGENTS (INCLUDING ANY MANAGER OF THE ASSOCIATION) DO NOT REPRESENT OR WARRANT THAT ANY FIRE PROTECTION SYSTEM, BURGLAR ALARM SYSTEM OR OTHER SECURITY SYSTEM DESIGNATED BY OR INSTALLED ACCORDING TO GUIDELINES ESTABLISHED BY THE BOARD, THE DECLARANT OR THE RESIDENTIAL ARC MAY NOT BE COMPROMISED OR CIRCUMVENTED, THAT ANY FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL PREVENT LOSS BY FIRE, SMOKE, BURGLARY, THEFT, HOLD-UP, OR OTHERWISE, NOR THAT FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL IN ALL CASES PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH OWNER AND OCCUPANT OF ANY LOT, AND EACH TENANT, GUEST AND INVITEE OF AN OWNER, AS APPLICABLE, ACKNOWLEDGES AND UNDERSTANDS THAT THE ASSOCIATION, THE BOARD OF DIRECTORS, THE RESIDENTIAL ARC, THE DECLARANT, ANY SUCCESSOR DECLARANT AND THEIR AGENTS (INCLUDING ANY MANAGER OF THE ASSOCIATION) ARE NOT INSURERS AND THAT EACH OWNER AND OCCUPANT OF ANY LOT AND EACH TENANT, GUEST AND INVITEE OF ANY OWNER ASSUMES ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO

LOTS AND TO THE CONTENTS OF LOTS AND FURTHER ACKNOWLEDGES THAT THE ASSOCIATION, THE BOARD OF DIRECTORS, THE RESIDENTIAL REVIEW COMMITTEE, THE DECLARANT, OR ANY SUCCESSOR DECLARANT AND THEIR AGENTS HAVE MADE NO REPRESENTATIONS OR WARRANTIES NOR HAS ANY OWNER, OCCUPANT, TENANT, GUEST OR INVITEE RELIED UPON ANY REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, RELATIVE TO ANY FIRE AND/OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS RECOMMENDED OR INSTALLED OR ANY SECURITY MEASURES UNDERTAKEN WITHIN THE PROPERTIES.

SECTION 7. RIGHTS OF DECLARANT DURING CONSTRUCTION AND SALE PERIOD. Notwithstanding any provisions contained in this Declaration, until the Declarant has developed and sold all of its land within the Properties, it shall be expressly permissible for the Declarant and any Builder approved by the Declarant to maintain upon such portion of the Properties as the Declarant may deem necessary, such facilities, and carry on such activities as in the sole opinion of the Declarant may be required, convenient, or incidental to the Declarant's and such Builder's development, construction, and sales activities related to their properties, including, but without limitation: the right of access, ingress and egress for vehicular and pedestrian traffic over, under, on or in the Properties; the right to carry on sales and promotional activities in the Properties; the right to place signs in the Common Area and in road rights-of-way within the Properties; and the right to construct and operate business offices, construction trailers, model residences, information and sales offices. The Declarant and any such Builder may use residences as model residences, sales offices and construction offices. Garages in residences used for sales offices and other purposes must be converted to operative parking garages prior to occupy by a resident.

ARTICLE V INSURANCE

SECTION 1. INSURANCE. The Association's Board of Directors, or its duly authorized agent, shall obtain blanket all-risk casualty insurance for all insurable improvements on the Common Area, or if blanket all-risk coverage is not reasonably available, an insurance policy providing fire and extended coverage. Such insurance policies shall be in such amount or amounts as the Board of Directors deems appropriate. The Board may also obtain a public liability policy covering the Common Area, insuring the Association and its Members for all damages or injury caused by the negligence of the Association, its agents, the Members or Occupants, in such amount as the Board deems appropriate. Premiums for all insurance on the Common Area shall be Association Expenses and shall be included in the Residential Assessments.

In addition to the other insurance discussed in this Section, the Board may also obtain, as an Association Expense payable from Residential Assessments, (i) worker's compensation insurance, and the Board shall obtain such insurance if and to the extent required by law, (ii) directors' and officers' liability coverage, and (iii) a fidelity bond or

fidelity insurance on directors, officers, employees, and other Persons handling or responsible for the Association's funds.

SECTION 2. DAMAGE AND DESTRUCTION. Immediately after damage or destruction by fire or other casualty of all or any part of the property 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 the repair or reconstruction of the damaged or destroyed property, to the extent insurance proceeds are available for such purpose. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the same condition which existed prior to the fire or other casualty, allowing for any changes or improvements necessitated by changes in applicable building codes. In the event that insurance proceeds are unavailable to repair or reconstruct the Common Area the damaged or destroyed property shall be restored to its natural state. If insurance proceeds are insufficient to cover a repair or reconstruction, the Board may levy a Special Assessment to cover the shortfall, subject to the requirements of Section 5 of Article III above.

ARTICLE VI ARCHITECTURAL STANDARDS AND RESTRICTIONS

SECTION 1. PURPOSE. In order to preserve the natural setting and beauty of the Properties, to establish and preserve a harmonious and aesthetically pleasing design for the project and to protect and promote the value of the Properties, the Lots shall be subject to the restrictions set forth in this Article VI. Every grantee of any interest in a Lot by acceptance of a deed or other conveyance of such interest, agrees to be bound by the provisions of this Article.

SECTION 2. WATERSTONE ESTATES ARCHITECTURAL REVIEW COMMITTEE. There is hereby established the Waterstone Estates Architectural Review Committee (sometimes hereinafter called the "Residential ARC"), which shall have exclusive jurisdiction over all original construction on the Lots and over modifications, additions, or alterations made on or to the residences and other improvements on the Lots. The Residential ARC shall (i) adopt the Builder Guidelines and (ii) establish application and review procedures for plans and specifications. The Residential ARC shall make the Builder Guidelines available to Builders who seek to engage in development of or construction upon a Lot and who shall conduct their operations strictly in accordance therewith.

The Residential ARC shall consist of a minimum of three (3) and a maximum of five (5) members. Until the date on which it has sold all of its Lots within the Properties, the Declarant shall have the right to appoint all members of the Residential ARC as well as the right to remove any member. There shall be no surrender of this right prior to that time, except by a written instrument executed by Declarant and recorded in the real property records of the county in which the Properties are located. Following the expiration of such right, the Board of Directors shall appoint the members of the Residential ARC. The Residential ARC is authorized, but not obligated, to retain the

services of consulting architects, landscape architects, urban designers, engineers, inspectors, and/or attorneys in order to advise and assist the Residential ARC in performing its functions set forth herein.

The Declarant, during the period there is a Class "B" Membership, and thereafter, the Board of Directors, shall have the right, but not the obligation, at any time to create a separate committee known as the "Modifications Committee" to perform the obligations of the Residential ARC hereinafter specified with respect to the review of plans for the alteration or modification of the improvements on a Lot after construction of the initial improvements. The Declarant or Board, as applicable, shall also have the right to abolish such committee at any time. In the event such committee is created it shall consist of three (3) members appointed by the Declarant or Board, as applicable, and the Declarant or Board, as applicable, shall have the power to remove a member at any time. In the event a Modifications Committee is created, such committee shall have all of the duties and powers granted to the Residential ARC in this Declaration with respect to the alteration or modification of improvements on a Lot in the Properties unless or until the Declarant or Board, as applicable, determines there should no longer be two (2) separate committees and abolishes the Modifications Committee, in which event all such duties and powers shall thereafter be restored to the Residential ARC.

SECTION 3. ARCHITECTURAL APPROVAL. To preserve the architectural and aesthetic appearance of the Waterstone Estates project, no construction of improvements, including landscaping, or modifications, additions, or alterations to existing improvements, shall be commenced or maintained by any Owner with respect to any Lot in the Properties, including, without limitation, the construction or installation of sidewalks, driveways, parking areas, mail boxes, decks, patios, courtyards, swimming pools, tennis courts, greenhouses, playhouses, landscaping, awnings, walls, fences, exterior lights, garages, guest or servants' quarters, or accessory buildings, nor shall any exterior addition to or change or alteration be made to any improvements (including, without limitation, painting or staining of any exterior surface, including fences), unless and until two (2) copies of the plans and specifications and related data showing the nature, color, type, shape, height, materials, and location of the same shall have been submitted to and approved in writing by the Residential ARC including, without limitation, approval as to the compliance of such plans and specifications with this Declaration and the Builder Guidelines, and the harmony of external design, location, and appearance in relation to surrounding structures and topography. One copy of such plans, specifications, and related data so submitted shall be retained in the records of the Residential ARC, and the other copy shall be returned to the Owner marked "approved," "approved with conditions as noted," or "disapproved." The Residential ARC may establish a reasonable fee sufficient to cover the expense of reviewing plans and related data and to compensate any consulting architects, landscape architects, urban designers, inspectors, or attorneys retained in accordance with the terms hereof. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his improvements, or to paint the interior of the improvements on his property any color desired. The Residential ARC shall have the sole discretion to determine whether plans and specifications submitted for approval are acceptable to the Association and shall use reasonable efforts to give its approval or

disapproval of plans and specifications within fourteen (14) days after submission of all items required. The failure of such committee to respond within such period shall be deemed to be a disapproval unless written approval is thereafter given.

Upon approval of plans and specifications, no further approval under this Article VI shall be required with respect thereto, unless construction has not substantially commenced within six (6) months of the approval of such plans and specifications (e.g. clearing and grading, pouring of footings, etc.) or unless such plans and specifications are materially altered or changed. The Residential ARC may disapprove plans and specifications for any reason which is consistent with the objects and purposes of this Declaration as determined by the Residential ARC from time to time, including purely aesthetic considerations, so long as such grounds are not arbitrary or capricious.

SECTION 4. LANDSCAPING APPROVAL. To preserve the aesthetic appearance of the Waterstone Estates project, no landscaping, grading or excavation shall be implemented and installed on a Lot in the Properties unless and until the plans therefor have been submitted to and approved in writing by the Residential ARC. In the installation of landscaping and maintenance of his Lot, each Owner shall comply with the Landscaping Guidelines.

SECTION 5. APPROVAL NOT A GUARANTEE OR VARIANCE. The review and approval of plans pursuant to this Article is made on the basis of aesthetic considerations only and no approval of plans and specifications and no publication of the Builder Guidelines shall be construed as representing or implying that such plans, specifications, or guidelines will, if followed, result in properly designed improvements. Such approvals and Builder Guidelines shall in no event be construed as representing or guaranteeing that any improvements built in accordance therewith will be built in a good and workmanlike manner. Neither Declarant, the Association, the Residential ARC, nor any of their respective officers, partners, directors or members, shall be responsible or liable in damages or otherwise to any Person who submits plans for approval by reason of mistake of judgment, negligence or nonfeasance arising out of the approval or disapproval of any plans or specifications, any loss or damage arising from the noncompliance of such plans and specifications with any governmental ordinances and regulations, nor any defects in construction undertaken pursuant to such plans and specifications. The purpose of such reviews primarily seeks to conform the aesthetic appearances of development within the Properties. In addition, the approval of plans pursuant to this Article shall not be deemed to be a variance from the specific restrictions of this Declaration or the Builder Guidelines. All variances must be issued in accordance with the provisions of Section 8 of this Article.

SECTION 6. RIGHT TO INSPECT. Any member of the Board of Directors or the Residential ARC and their representatives shall have the right, but not the obligation during reasonable hours to enter upon and inspect any Lot with respect to which construction is underway to determine whether or not the plans and specifications therefor have been approved and are being complied with. Such Person or Persons shall not be deemed guilty of trespass by reason of such entry. In the event the

Residential ARC shall determine that such plans and specifications have not been approved or are not being complied with, the Residential ARC shall be entitled to enjoin further construction and to require the removal or correction of any work in place which does not comply with approved plans and specifications. In addition to any other remedies available to the Association, the Board may record in the appropriate land records a notice of violation naming the violating Owner.

SECTION 7. NO WAIVER OF FUTURE APPROVALS. The approval by the Residential ARC of any plans and specifications for any work done or proposed, or in connection with any other matter requiring the approval and consent of such committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar plans and specifications, drawings, or matters whatever subsequently or additionally submitted for approval or consent.

SECTION 8. VARIANCES. The Residential ARC may grant variances from compliance with the restrictions of this Declaration and from any of the Builder Guidelines or Landscaping Guidelines when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations merit a variance and the granting of the variance will have no material adverse effect, in the judgment of the Residential ARC, on surrounding properties. No variance shall (a) be effective unless in writing, or (b) estop the Residential ARC from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing, shall not be considered a hardship warranting a variance.

ARTICLE VII SPECIFIC USE RESTRICTIONS

SECTION 1. SINGLE FAMILY RESIDENCES. Each and every Lot in the Properties is hereby restricted to one (1) Single Family Residence and approved outbuildings and improvements, and use for single-family residential purposes exclusively and no Single Family Residence shall be occupied by more than a single family which for purposes hereof shall mean and refer to any number of individuals living together as a single household unit, and the household employees of such household unit.

No garage sale, yard sale, moving sale, rummage sale or similar activity and no trade or business may be conducted in or from any Lot, except that an Owner or Occupant may conduct business activities within the Single Family Residence so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Lot; (b) the business activity does not involve persons coming onto the Properties who do not reside in the Properties or door-to-door solicitation of residents of the Properties; and (c) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties. The Board is authorized to promulgate rules and regulations to insure that home businesses comply with the above standards and to make factual determinations

regarding the impact of a home business on the residential character of the Properties. If, in the judgment of the Board, a home business has a detrimental impact on the residential quality of the Properties or otherwise constitutes a nuisance, it is authorized to require that the Owner cease the home business or alter it to the Board's satisfaction. Notwithstanding anything contained in this Section, the Association may sponsor a community wide garage sale or rummage sale at such location or locations as the Board deems appropriate from time to time. The terms "business" and "trade", as used in this provision, shall be construed to have their ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (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. Notwithstanding the above, the leasing of a Single Family Residence shall not be considered a trade or business within the meaning of this Section. This Section shall not apply to any activity conducted by the Declarant or by a Builder with the approval of the Declarant, with respect to the development and sale of the Lots and Single Family Residences in the Properties.

SECTION 2. LIVING AREA REQUIREMENTS. The total living area of the Single Family Residence on a Lot shall be not less than the minimum number specified in the Builder Guidelines or in the Supplemental Declaration applicable to such Lot, if any.

SECTION 3. TYPE OF CONSTRUCTION. The Supplemental Declaration or the Builder Guidelines applicable to a particular Lot may require that a specified percentage of the exterior wall areas of the residence on such Lot, exclusive of door and window openings, be constructed of masonry or brick veneer or another material approved by the Residential ARC or specified in the Builder Guidelines. No detached garage or accessory building shall exceed one story in height without the written consent of the Residential ARC. Every garage and accessory building (except a greenhouse or storage shed) shall correspond in style and architecture with the dwelling to which it is appurtenant.

SECTION 4. GARAGES AND DRIVEWAYS. Each Single Family Residence must have an attached or detached garage for a minimum of two (2) full size automobiles with an operable garage door maintained in a good condition at all times. Each Owner shall construct and maintain at his or her expense a concrete or asphalt driveway from the garage of his or her residence to the abutting Street, including the portion of the driveway in the street easement, and the Owner shall repair at his expense any damage to the Street or Street curb occasioned by connecting the driveway thereto.

SECTION 5. ANTENNAE AND 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 Lot 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 Residential ARC is empowered to adopt rules governing the types of antennae that are permissible in the Properties 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 antenna permissible pursuant to the rules of the Residential ARC 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 6. ANIMALS AND PETS. No animals, livestock, or poultry of any kind may be raised, bred, kept, or permitted on any Lot, with the exception of a maximum of three (3) dogs, cats or other usual and common household pets in the aggregate (excluding in such maximum number, fish and birds); provided, however, exotic animals or animals which endanger health or otherwise constitute a nuisance or inconvenience to the Owners or Occupants within the Properties, in the sole discretion of the Board, may be prohibited by the Board. No animals shall be kept, bred or maintained for any commercial purpose on a Lot. Dogs which are household pets shall at all times whenever they are outside a Single Family Residence be on a leash or otherwise confined within a fenced area of the Owner's Lot. The owner of a pet that has caused damage to property shall be responsible for compensating the owner of the damaged property, but the Association shall have no obligation to enforce such obligation. Animal control authorities shall be permitted to enter the Properties to patrol and remove pets. Pets shall be registered, licensed and inoculated as required by law.

SECTION 7. WINDOW AIR CONDITIONERS. Unless otherwise approved by the Residential ARC, no window or wall type air conditioners shall be permitted to be used, erected, placed or maintained on or in any Single Family Residence.

SECTION 8. RENTING OR LEASING. Single Family Residences may be rented or leased only by written leases and subject to the restriction that all tenants shall be subject to the terms and conditions of this Declaration and the rules and regulations promulgated by the Association as though such tenant were an Owner. Each Owner of a Single Family Residence agrees to cause his or her tenants to comply with this Declaration and the rules and regulations promulgated pursuant hereto, and is responsible and liable for all violations and losses caused by such tenants, notwithstanding the fact that such tenants are fully liable for any such violation. All provisions of this Declaration and of any rules and regulations promulgated pursuant hereto which govern the conduct of Owners of a Single Family Residence and which provide for sanctions against Owners shall also apply to all Occupants of a Single Family Residence even though such Occupants are not specifically mentioned. Each Owner who leases his or her residence shall provide the Association with a copy of the lease and the mailing address where such Owner can be contacted at all times.

SECTION 9. VEHICLES AND PARKING. The term "vehicles", as used herein, shall refer to all motorized vehicles including, without limitation, automobiles, trucks, motor homes, boats, trailers, motorcycles, minibikes, scooters, go-carts, campers, buses, and vans.

(a) **Passenger Vehicles.** Except as hereinafter provided, no Owner, lessee, tenant or occupant of a Lot, including all persons who reside with such Owner, lessee or occupant on the Lot, shall park, keep or store any vehicle on any Lot other than a passenger vehicle or pick-up truck. For purposes hereof, the term "passenger vehicle" is limited to any vehicle which displays a current passenger vehicle license plate and the term "pick-up truck" is limited to a maximum one (1) ton capacity pick-up truck which has not been adapted or modified for commercial use. No passenger vehicle or pick-up truck owned or used by the residents of a Lot shall be permitted to be parked on any Street in the Properties for a period longer than may be specified in the Rules adopted by the Board.

(b) **Other Vehicles.** No mobile home trailers, recreational vehicles, trailers or boats shall be stored on a Lot or parked on any Street; provided that, a mobile home trailer, recreational vehicle, trailer or boat may be stored in the garage on a Lot or other structure approved by the ARC so long as the mobile home trailer, recreational vehicle, trailer or boat is concealed from view from any Street and any neighboring Lot.

(c) **Vehicle Repairs.** Repair work on a passenger vehicle is permitted as long as the repair work is being performed on a vehicle owned by the occupant of the Lot and does not exceed seventy-two (72) hours in any calendar month; otherwise, the vehicle repair work must be conducted in the garage, out of view from any Street adjacent to the Lot and all neighboring Lots. For purposes of this Section, a vehicle is "owned by the occupant of the Lot" if the vehicle is (a) owned by any person who resides on the Lot and is regularly used by that person, (b) owned by any person who resides on the Lot and is regularly used by another person who resides on the Lot, or (c) provided to any person who resides on the Lot by that person's employer and is regularly used by the person. All other vehicle repair work is prohibited. No vehicle repair work shall create unreasonable noise or cause the Lot to become unsanitary, unsightly, offensive and/or detrimental to any other Lot or its occupants.

SECTION 10. DISPOSAL OF TRASH. No trash, rubbish, garbage, manure, debris, or offensive material of any kind shall be kept or allowed to remain on any Lot, nor shall any Lot be used or maintained as a dumping ground for such materials. All such matter shall be placed in sanitary refuse containers constructed of metal, plastic or masonry materials with tight fitting sanitary covers or lids and placed in an area adequately screened from public view by planting or fencing. All rubbish, trash, and garbage shall be regularly removed and not allowed to accumulate. Equipment used for the temporary storage and/or disposal of such material prior to removal shall be kept in a clean and sanitary condition and shall comply with all current laws and regulations and those which may be promulgated in the future by any federal, state, county, municipal or other governmental body with regard to environmental quality and waste

disposal. In a manner consistent with good housekeeping, the Owner of each Lot shall remove such prohibited matter from his Lot at regular intervals at his expense.

SECTION 11. DRAINAGE. Catchbasins and drainage areas are for the purpose of natural flow of water only. No obstructions or debris shall be placed in these areas. No Owner or Occupant of a Lot may obstruct or rechannel the drainage flows after location and installation of drainage swales, storm sewers or storm drains. Drainage easements ten (10) feet in width have been created by plat on certain Lots. No landscaping or improvements shall be installed or placed within such drainage easements; provided however, fences may be installed within such drainage easements along the common boundary line between adjacent Lots.

SECTION 12. CLOTHESLINES, GARBAGE CANS, WOODPILES, ETC. All clotheslines, garbage cans, woodpiles, swimming pool pumps, filters and related equipment and other similar items shall be concealed from view of neighboring streets and property with landscaping or fences.

SECTION 13. WEAPONS AND FIREWORKS. The use of fireworks, firearms and other weapons within the Properties is prohibited. The term "firearms" includes "B-B" guns, pellet guns, and small firearms of all types. Nothing contained in this Declaration shall be construed to require the Board to take action to enforce this Section.

SECTION 14. TEMPORARY BUILDINGS. Temporary buildings or structures shall not be permitted on any Lot, provided, however, Declarant may permit temporary toilet facilities, sales and construction offices and storage buildings to be used by Builders in connection with the construction and sale of residences and by contractors performing land development activities within the Properties for Declarant. Builders may use garages as sales or construction offices for the time during which such Builders are marketing homes. At the time of the sale of a Single Family Residence by a Builder any garage appurtenant to such residence used for sales purposes must be reconverted to a functional garage in compliance with the plans approved by the Residential ARC.

SECTION 15. LANDSCAPING. The Owner of each Lot shall landscape the areas of his or her Lot which are visible from the Street or adjacent property in accordance with the Landscaping Guidelines and maintain the Lot as required by Section 26 of this Article VII. The Association may, at its option, plant and install shrubbery and other screening devices around boxes, transformers and other above-ground utility equipment located on the Lots, and mow and maintain the grass, shrubbery or other screening devices around such utility equipment. The Association shall have the right to enter upon the Lots for such purposes. In addition, in landscaping his or her Lot, the Owner of each Lot shall comply with the following specific requirements:

- (a) No grading, excavation or fill work of any nature shall be implemented or installed by an Owner on a Lot unless and until plans therefor

have been submitted to and approved by the Residential ARC in accordance with the provisions of Article VI of this Declaration.

(b) All front and side yards of each Lot shall, unless otherwise approved by the Residential ARC, be sodded with grass; provided that, under no circumstances shall the predominant area of the front or side yard of a Lot be covered with stone, rock, or gravel.

(c) All landscaping for a Lot shall be completed no later than thirty (30) days following the issuance of a certificate of occupancy for the residence situated thereon. All landscaping in a Lot must be maintained at all times in a neat and attractive manner.

(d) No hedge or shrubbery planting which obstructs sight-lines of Streets and roadways shall be placed or permitted to remain on any Lot where such hedge or shrubbery interferes with traffic sight-lines for roadways within the Properties. The determination of whether any such obstruction exists shall be made by the Board of Directors, whose determination shall be final, conclusive and binding on all Owners.

(e) No rocks, rock walls or other substances shall be placed on any Lot as a front or side yard border or to prevent vehicles from parking on or pedestrians from walking on any portion of such Lot or to otherwise impede or limit access to the same. No bird baths, foundations, reflectors, flag poles, statues, lawn sculptures, artificial plants, rock gardens, rock walls, free-standing bird houses or other fixtures and accessories shall be placed or installed within the front or side yards of any Lot.

(f) No vegetable, herb or similar gardens or plants shall be planted or maintained in the front or side yards of any Lot.

SECTION 16. TRAFFIC SIGHT AREAS. All Lots located at Street intersections shall be landscaped so as to permit safe sight across the Street corners. No fence, wall, hedge, or shrub planting shall be placed or permitted to remain where this would create a traffic or sight problem.

SECTION 17. MAILBOXES AND HOUSE NUMBERS. The Owner of each Lot shall install and maintain an individual mailbox which conforms to specifications adopted by the Residential ARC, unless provisions are made by the Declarant for the installation of cluster boxes in accordance with U.S. Postal Service requirements. No Owner of a Lot served by a cluster mailbox shall install a mailbox on his Lot. Each Lot shall have a house number identifying its street address made of materials and a color or colors specified by the Residential ARC in keeping with the overall character and aesthetics of the community. Different materials and/or colors for individual mailboxes or street numbers may be specified by the Residential ARC for different Neighborhoods.

SECTION 18. PRIVATE UTILITY LINES. All electrical, telephone, and other utility lines and facilities which are located on a Lot and are not owned by a

governmental entity or a public utility company shall be installed underground unless otherwise approved in writing by the Residential ARC.

SECTION 19. ROOFTOP ELEMENTS. All stack vents and attic ventilators shall be located on the rear or side slopes of roofs and mounted perpendicular to the ground plate. All exposed roof stack vents, flashings, attic ventilators, etc. on each Single Family Residence must be painted a similar color as the roof of the Single Family Residence unless otherwise approved by the Residential ARC. No solar collectors shall be placed on a roof slope so that they are visible from a Street or the Common Area.

SECTION 20. DECORATIONS. No decorative appurtenances such as sculptures, birdbaths and birdhouses, flagpoles, fountains or other decorative embellishments shall be placed on the front lawn of a Lot or on the visible side or rear yard of a Lot unless such items have been approved in writing by the Residential ARC and are in compliance with the Builder Guidelines or the Rules adopted by the Board. Notwithstanding the foregoing, customary seasonal decorations for national holidays are permitted for a maximum of thirty (30) days or sixty (60) days, in the case of Christmas, subject to the right of the Board to specify a maximum size and other guidelines for decorations.

SECTION 21. PLAYGROUND EQUIPMENT. All playground equipment on a Lot must be approved by the Residential ARC and must be placed at the rear of the Lot a minimum of ten (10) feet from the side and rear lot lines and behind a fence or otherwise screened from public view. No such equipment shall exceed sixteen (16) feet in height, including an awning. Any shade covering on playground equipment which is visible from adjacent property or any public area must be a color or colors approved by the Residential ARC.

SECTION 22. OUTBUILDINGS. No treehouse, children's playhouse, storage building, outbuilding or structure shall be permitted on any Lot in the Properties without prior written approval of the Residential ARC or the Modifications Committee, as the case may require. Outbuildings or other structures, temporary or permanent, other than the main residence or garage shall be limited to eight (8) feet in height and each outbuilding may not exceed one hundred (100) square feet of floor area. The roof lines of any such outbuildings or structures shall have slope, color and materials similar to those of the main dwelling on the Lot. The floor of a treehouse or other playstructure must be not more than three (3) feet from the ground. Temporary structures may be used as building offices and other related purposes by Declarant or a Builder. The Residential ARC or the Modifications Committee shall be entitled to review and approve or disapprove, without limitation, all outbuildings, playstructures (including basketball backboards and hoops), and storage structures. Any such outbuilding will be required to be constructed with material and design that is determined by the Residential ARC or Modifications Committee to be architecturally and aesthetically compatible with the design of the Single Family Residence thereon and other structures in the Properties. All playground and recreational equipment pertaining to a Lot must be placed at the rear of such Lot. No basketball hoop and/or backboard shall be installed closer to the front or side Lot lines facing on any adjacent Street than the applicable building set-back line

along such Street. No outbuilding or play structure will be permitted to (a) be placed on an easement; or (b) be located nearer to a Lot boundary than the applicable building set-back established by plat or Supplemental Declaration.

SECTION 23. SIGNS. No sign or emblem of any kind may be kept or placed upon any Lot or mounted, painted or attached to any Single Family Residence, fence or other improvement upon such Lot so as to be visible from public view except the following:

(a) **For Sale/Lease Signs.** An Owner may erect one (1) sign on his Lot, not exceeding 2' x 3' in area, fastened only to a stake in the ground and extending not more than three (3) feet above the surface of such Lot advertising the property for sale or lease.

(b) **Declarant's Signs.** Declarant may erect and maintain a sign or signs deemed reasonable and necessary for the construction, development, operation, promotion, leasing and sale of the Lots.

(c) **Builders' Signs.** Any Builder may utilize one professional sign (of not more than six (6) square feet in size) per Lot for advertising and sales promotion of the residence on such Lot.

(d) **Political Signs.** Political signs may be erected upon a Lot by the Owner of such Lot advocating the election of one or more political candidates or the sponsorship of a political party, issue or proposal, provided that such signs shall not be erected more than thirty (30) days in advance of the election to which they pertain and shall be removed within ten (10) days after such election.

(e) **School Spirit Signs.** Signs containing information about one or more children residing in the Single Family Residence and the school they attend shall be permitted so long as the sign is not more than 36" x 36". There shall be no more than one sign for each child under the age of eighteen (18), residing in the Single Family Residence. Banners are not permitted.

(f) **Security Signs/Stickers.** Signs or stickers provided to an Owner by a commercial security or alarm company providing service to the Single Family Residences shall be permitted so long as the sign is not more than 12" x 12" or the sticker is no more than 4" x 4". There shall be no more than one sign per Lot and stickers on no more than fifty percent (50%) of the windows and one on the front door or front entry area.

No sign permitted by this Section shall be lighted. In addition to any other remedies provided for in this Declaration, the Board of Directors or its duly authorized agent shall have the power to enter upon a Lot to remove any sign which violates this Section provided the violating Owner has been given forty-eight (48) hours written notice by the Board of Directors 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 Owner and shall be collected as provided for herein for the collection of Assessments.

SECTION 24. WALLS AND FENCES.

(a) Fences. In no event shall any fence or wall be constructed of chain link or wire. In those instances in which privacy fences are installed, in no case may the privacy fence extend beyond the front of the residence or building line, whichever is less. No wall, or hedge shall be erected, grown or maintained or any part of the Lot which is in excess of six (6) feet in height. Fences are generally prohibited from extending above the ground by more than six (6) feet; however, the Residential ARC is authorized to approve fences which extend up to a maximum of eight (8) feet above the ground when deemed necessary or appropriate. The type of materials utilized for (including the color thereof) and the location of all fences, walls, hedges, and other structures must be approved by the Residential ARC.

(b) Maintenance of Fences. Ownership of any wall or fence erected on a Lot shall pass with title to such Lot and it shall be the Lot Owner's responsibility to maintain such wall or fence. The maintenance and repair of a fence located on a property line shall be the joint responsibility of the Owners of the adjacent Lots. In the event the Owner or occupant of any Lot fails to maintain a wall or fence that is visible from a Street or Common area and such failure continues after thirty (30) days' written notice thereof from the Association, Declarant, its successors or assigns, or the Association, may, at their option, without liability to the Owner or Occupant in trespass or otherwise, enter upon said Lot and cause the fence or wall to be repaired or maintained or to do any other thing necessary to secure compliance with this Declaration and to place said wall or fence in a satisfactory condition, and may charge the Owner or Occupant of such Lot for the cost of such work. The Owner or Occupant, as the case may be, agrees by the purchase or occupancy of such Lot, to pay such charge immediately upon receipt of the corresponding statement. Payment of such charges, plus fifty percent (50%) of such costs for overhead and supervision, shall be secured by the lien created in Article III of this Declaration. Interest thereon at the rate of eighteen percent (18%) per annum shall begin to accrue on such sum on the thirtieth (30th) day after a written invoice is delivered to Owner.

(c) Fences Erected by Declarant. Declarant shall have the right, but not the obligation, to construct fences or walls within or around the Properties which are deemed by the Declarant to enhance the appearance of the Properties. An Owner shall be responsible for any damage to a fence or wall constructed by or at the direction of the Declarant which is caused by such Owner or his family members, or the negligent, but not the intentional, acts of his guests, agents or invitees.

SECTION 25. PRIVATE WATER WELLS AND SANITARY SEWER SYSTEMS.

A private utility company will operate a water distribution system to provide potable water to each of the Lots. No owner of a Lot which is served by such utility company shall construct a private water well on his or her Lot; provided, however, this restriction shall not apply to a well used for irrigation purposes only or to heat transfer pumps for

HVAC systems. Each Owner shall construct and install at his expense, a wastewater extended aeration sewage treatment system to serve the Single Family Residence on his or her Lot. The Board shall have the right to require that the installation of such systems in the Properties be performed only by an individual or company approved by the Board. Maintenance and servicing of such systems shall be the responsibility of the Owners unless the Board elects to perform such service for all Owners.

SECTION 26. OWNER'S MAINTENANCE. Each Owner and Occupant of a Lot shall at all times be obligated to maintain his or her property and all improvements thereupon as well as the area between the boundary lines of his Lot and the curb or edge of the pavement of the adjacent Streets, so as to keep same in a clean, sightly and safe condition and to conform with the Landscaping Guidelines and any specific standards which the Board of Directors may adopt by resolution for the Properties. Unless expressly assumed by the Association, an Owner's maintenance obligation shall include, but not be limited to: the maintenance of all visible exterior surfaces of all buildings and other improvements, including fences; the prompt removal of all paper, debris, and refuse; the removal and replacement of dead and diseased trees and plantings; the repair, replacement, cleaning and relamping of all signs and lighting fixtures; the mowing, watering, fertilizing, weeding, replanting and replacing of all approved landscaping; and, during construction, the cleaning of dirt, construction debris and other construction-related refuse from Streets and storm drains and inlets. The responsibilities of the Owner of each Lot hereunder also include the obligation to maintain, repair and replace when necessary the public sidewalk along the front of the Lot and along the side on corner Lots, which is constructed either within the right-of-way of the adjacent Street or within an easement across the Lot, and the Street curb. In the event an Owner fails to maintain his Lot and such adjacent property as specified above, the Association shall have the right, but not the obligation, to enter upon the applicable Lot to perform the necessary work as more specifically set forth in Section 8 of Article X hereof.

SECTION 27. DAMAGE AND DESTRUCTION OF IMPROVEMENTS. Each Owner shall maintain, at their expense, casualty insurance on their Single Family Residence in an amount not less than the replacement cost. In the event a Single Family Residence shall be partially or entirely destroyed by fire or other casualty, such Single Family Residence shall either be repaired and restored within a reasonable period of time or demolished and the Lot landscaped so that no damaged portion of the former structure remains visible. Subject only to the rights of the holder of a first Mortgage lien on a damaged or destroyed residence, the insurance proceeds from any insurance policy covering a damaged or destroyed Single Family Residence shall be first applied to such repair, restoration or replacement of such residence, or to the demolition of such residence and landscaping of such Lot. Each Owner shall be responsible for the repair, restoration, replacement or demolition of the Single Family Residence owned by such Owner pursuant to the terms of this Declaration. Any such repair, restoration or replacement shall (subject to advances and changes in construction techniques and materials generally used in such construction and then current generally accepted design criteria) be in accordance with the plans and specifications for the original construction of the Single Family Residence unless

otherwise approved by the Residential ARC. If the proceeds of the insurance available to the Owner of a damaged Single Family Residence are insufficient to pay for the cost of repair, restoration or replacement following a casualty (or demolition and landscaping if the Residence is to be demolished), the Owner of such Single Family Residence shall be responsible for the payment of any such deficiency necessary to complete the repair, restoration, replacement or demolition.

ARTICLE VIII
ANNEXATION OF ADDITIONAL PROPERTY

SECTION 1. UNILATERAL ANNEXATION BY DECLARANT. The Declarant, as the owner thereof or, if not the owner, with the consent of the owner thereof, shall have the unilateral right, privilege, and option, but not the obligation, at any time and from time to time to annex additional real property within the Waterstone Estates project or in the vicinity of such project to the jurisdiction of the Association by filing for record a declaration of annexation instrument or Supplemental Declaration in respect to the property being annexed which subjects the Lots within the annexed property to assessment by the Association on a uniform basis with all other Lots within the Association's jurisdiction. Any such annexation shall be effective as to the property described therein upon the filing for record of such declaration of annexation or Supplemental Declaration unless otherwise provided therein.

The right reserved by the Declarant to annex additional land shall not be implied or construed so as to impose an obligation upon the Declarant to subject any property it now owns or may own in the future to this Declaration or to the jurisdiction of the Association. If additional land is not annexed, the Declarant have no obligation to impose any covenants and restrictions similar to those contained herein upon such land nor shall any thing contained herein be construed to limit or restrict the use to which such land may be put by the Declarant or by any subsequent owner thereof, whether such uses are consistent with the covenants and restrictions imposed hereby or not.

SECTION 2. OTHER ANNEXATIONS. With the consent of the Owner thereof, the Association may annex other real property to the jurisdiction of the Association. Such annexation shall require the affirmative vote of a majority of the Class "A" Members present in person or by proxy at a meeting called for such purpose, and of the Declarant during the Class B Control Period. Annexation shall be accomplished by filing of record in the real property records of the county in which the Properties are located, an annexation agreement describing the property being annexed. Such annexation agreement shall be signed by the President and the Secretary of the Association, and by the owner of the property being annexed, and any such annexation shall be effective upon filing unless otherwise provided therein.

SECTION 3. RIGHTS OF OWNERS OF ANNEXED AREA. The Owners of land in annexed property shall be entitled to use the Common Area in the same manner and to the same extent of the Owners of all other property subject to the jurisdiction of the Association. Annexed property shall be impressed with and subject to Assessments imposed hereby on a uniform basis, consistent with provisions of this Declaration.

ARTICLE IX
MORTGAGEE PROVISIONS

The following provisions are for the benefit of the holders of Mortgages. To the extent applicable, necessary or proper, the provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained herein or therein.

SECTION 1. NOTICES OF ACTION. A Mortgagee who provides written request to the Association (such request to state the name and address of such holder, insurer or guarantor and the description of the affected property), will be entitled to timely written notice of:

(a) any proposed termination of the Association; or

(b) any condemnation loss or any casualty loss which affects the property on which there is a mortgage or deed of trust held, insured, or guaranteed by such Mortgagee.

SECTION 2. NO PRIORITY. No provision of this Declaration gives or shall be construed as giving any Owner or other party priority over any rights of the Mortgagees in the case of distribution of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

SECTION 3. NOTICE TO ASSOCIATION. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's property.

ARTICLE X
GENERAL PROVISIONS

SECTION 1. TERM. Unless sooner terminated or amended in accordance with the further provisions hereof, the provisions of this Declaration shall run with and bind the land and shall be and remain in effect for a period of forty (40) years after the date that this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by the Owners of not less than a majority of the Lots subject to the provisions hereof agreeing to terminate this Declaration has been recorded within the year immediately preceding the beginning of a ten (10) year renewal period, in which case this Declaration shall terminate at the end of its original term or the applicable extension period. Every purchaser or grantee of any interest in any real property subject to this Declaration, by acceptance of a deed or other conveyance therefor, thereby agrees that the provisions of this Declaration may be extended and renewed as provided in this Section.

SECTION 2. SEVERABILITY. Invalidation of any one of these covenants by judgment or other court order shall in no wise affect any other provisions, which shall

remain in full force and effect except as to any terms and provisions which are invalidated.

SECTION 3. GENDER AND GRAMMAR. The singular wherever used herein shall be construed to mean or include the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations (or other entities) or individuals, male or female, shall in all cases be assumed as though in each case fully expressed.

SECTION 4. TITLES. The titles of this Declaration of Articles and Sections contained herein are included for convenience only and shall not be used to construe, interpret, or limit the meaning of any term or provision contained in this Declaration.

SECTION 5. 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 required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on the property subject to this Declaration; (c) if such amendment is necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on the property subject to this Declaration; or (d) for any other purpose, provided that the amendment has no material adverse effect upon any right of any Owner or that the Owner or Owners so affected have consented thereto.

In addition to the amendments described above, this Declaration may be amended at any time by an instrument signed by the Owners of a majority of the Lots subject to this Declaration and, as long as the Class "B" Membership exists, the Declarant; provided, however, no amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant. Any amendment to this Declaration must be recorded in the real property records of the county in which the Properties are located.

SECTION 6. MERGER AND CONSOLIDATION. Upon a merger or consolidation of the Association with another non-profit corporation organized for the same or similar purposes, the Association's properties, rights, and obligations may be transferred to the surviving or consolidated association, or alternatively, the properties, rights and obligations of another association may be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association shall administer the covenants, conditions and restrictions established by this Declaration, together with the covenants, conditions and restrictions applicable to the properties of the other association as one scheme. No merger or consolidation shall be permitted except with the approval by two-thirds (2/3rds) vote of the Class "A" Members present in person or by proxy at a meeting called for such purpose and, until the termination of the Class "B" Membership, the Declarant.

SECTION 7. DISSOLUTION. The Association may be dissolved with the approval by two-thirds (2/3rds) vote of the Class "A" Members present in person or by proxy at a meeting called for such purpose and, until the termination of the Class "B" Membership, the Declarant. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

SECTION 8. ENFORCEMENT. Each Owner and Occupant shall comply strictly with the covenants, conditions, and restrictions set forth in this Declaration, as may be amended from time to time, and with the rules and regulations adopted by the Board. The Board may impose fines or other sanctions, which shall be collected as provided herein for the collection of assessments. Failure to comply with this Declaration or the rules and regulations shall be grounds for an action to recover sums due for damages, injunctive relief, or any other remedy available at law or in equity, maintainable by the Board, on behalf of the Association, or by any Owner of a portion of the Properties. Failure of the Board or any other Person to enforce any of the provisions herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Association shall also have the right to enforce, by any proceeding at law or in equity, any other restrictions, conditions, covenants and liens imposed upon any portion of the Properties which by the terms of the instrument creating same grant the Association the power to enforce same, and failure of the Association to enforce such provisions shall in no event be deemed a waiver of the right to do so thereafter. In addition to any other remedies provided for herein, the Association or its duly authorized agent shall have the power to enter upon a Lot to abate or remove, using such force as may be reasonably necessary, any erection, thing or condition which violates this Declaration, the Builder Guidelines, or the Landscaping Guidelines. Except in the case of emergency situations, and as otherwise specified herein, the Association shall give the violating 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 Owner and shall be collected as provided for herein for the collection of Assessments. Private property disputes between Owners are matters to be resolved between such Owners and the Board has no obligation to intervene in or resolve any such disputes.

SECTION 9. RIGHT OF ENTRY. The Association shall have the right, but not the obligation, to enter into any Lot for emergency, security, and safety reasons, and to inspect for the purpose of ensuring compliance with this Declaration, the By-Laws, and the Association's rules, 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. This right of entry shall include the right of the Association to enter a Lot 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 within a reasonable time after request by the Board.

SECTION 10. NOTICE OF SALE OR TRANSFER OF TITLE. In the event that an Owner sells or otherwise transfers title to his or her Lot, as specified in Section 3 of Article III such Owner shall provide the Association with a copy of the executed instrument of conveyance and give the Association written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board of Directors may reasonably require. Until such written notice is received by the Association, the transferor shall continue to be jointly and severally responsible for all obligations of the Owner of the Lot hereunder, including payment of Assessments, notwithstanding the transfer of title to the Lot. The Board may require payment of a transfer fee to defray the costs incurred in changing its records to reflect the new Owner of a Lot.

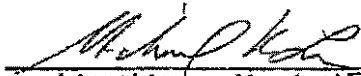
SECTION 11. CUMULATIVE EFFECT; CONFLICT. The covenants, restrictions and provisions of this Declaration shall be cumulative with all Supplemental Declarations; provided, however, in the event of conflict between the provisions of this Declaration and a Supplemental Declaration, this Declaration shall prevail, it being intended that all Supplemental Declarations be subject and subordinate to this Declaration.

IN WITNESS WHEREOF, this Declaration of Covenants, Conditions and Restrictions for Waterstone Estates is executed as of the 18 day of September, 2007.

2006 WATERSTONE ESTATES, LTD.,
a Texas limited partnership

By: 2006 Waterstone Estates GP, LLC,
general partner

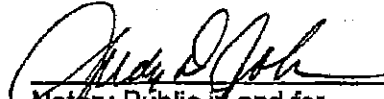
By:


MICHAEL E. LOVE
Its: PRESIDENT

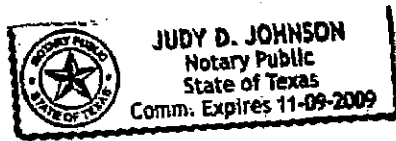
THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on September 18 2007 by Michael K. Love, President of 2006 Waterstone Estates GP, LLC, a Texas limited liability company which is the general partner of 2006 Waterstone Estates, Ltd., a Texas limited partnership, on behalf of said limited partnership.

(SEAL)



Notary Public in and for
the State of Texas



ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW, THE STATE OF TEXAS, COUNTY OF HARRIS.
I hereby certify that this instrument was FILED in the number Sequence on the date and at the stamp below by me, and was duly RECORDED. In the Official Public Records of Real Property of Harris County Texas on

After Recording, Return To: *RLR*
COATS | ROSE
A Professional Corporation
Attorneys at Law
3 Greenway Plaza
Suite 2000
Houston, Texas 77046
WR

SEP 21 2007

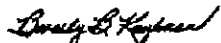




COUNTY CLERK
HARRIS COUNTY, TEXAS

FILED FOR RECORD
4:15 p.m.

SEP 21 2007



County Clerk, Harris County, Texas

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