Covenants, Restrictions, Easements, Charges and Liens of The Woodlands

The Woodlands Association

Administered by:

THE WOODLANDS TOWNSHIP
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DECLARATION OF
COVENANTS, RESTRICTIONS, EASEMENTS,
CHARGES AND LIENS OF
THE WOODLANDS

RECITALS

The Woodlands Corporation ("TWC") is developing a new community known as The Woodlands a comprehensively planned real estate development, opened in 1974, affording well-planned residential, commercial, industrial, recreational, open space and institutional buildings, facilities and areas. The Woodlands is currently projected to encompass a tract of land containing in excess of 25,000 acres located principally in Montgomery County, Texas. The final size and boundary of The Woodlands is subject to the discretion of TWC. Nothing contained in these Covenants shall be construed to represent or limit the final size, configuration or location of The Woodlands, nor shall it constitute or be construed as a representation as to what land or lands will or will not be subjected to the terms of these Covenants.

Portions of The Woodlands have been developed and made subject to the terms of restrictive covenants like those recorded at Volume 841, Page 297 et seq. of the Deeds Records of Montgomery County, Texas (the "WCA Covenants"), which create The Woodlands Community Association, Inc. as the community association representing the residents and property owners in the area subject to the WCA Covenants.

TWC desires to impose a new, different and revised set of restrictive covenants on certain portions of The Woodlands developed after August 23, 1992. The Woodlands Association, Inc. ("TWA") has been formed by TWC as a non-profit community association to serve as the representative of the residents and property owners of lands made subject to these new, different and revised restrictive covenants, with respect to the assessment, collection and application of all charges imposed hereunder, the enforcement of all covenants, restrictions and liens contained herein or created hereby, and the creation, operation, management and maintenance of the facilities and services referred to herein. This instrument (the "Covenants") is the Covenants, Restrictions, Easements, Charges and Liens of The Woodlands referred to in the Articles of Incorporation of TWA.

TWC encumbers the lands described in attached Exhibit A to the covenants, restrictions, easements, charges and liens imposed hereby in order to:

(i) establish, impose and create a uniform plan and scheme of development for the Property,
(ii) provide funds for the uses specified in Article IV below,
(iii) grant rights and privileges relating to the use of certain facilities, subject to the conditions specified, and
(iv) impose land use and design control criteria for the development of the Property.

TWC intends to cause the covenants, restrictions, easements, charges, liens and other provisions contained in these Covenants to burden, affect, bind and run with title to the lands encumbered by these Covenants, including the lands described in Exhibit A attached to these covenants and incorporated herein by reference (the "Property") and the lands annexed by TWC to the Property in the manner permitted by Article VI below, so as to cause the covenants, restrictions, easements, charges and liens herein set forth to be binding upon such land and those residing on or owning an interest therein, and to inure to the benefit of and be enforceable by the Owners, TWA, TWC and their successors and assigns.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS

That TWC, upon the recording hereof, does hereby adopt, establish and impose the following covenants, restrictions, easements, charges and liens to apply to the use, improvement, occupancy and conveyance of the Property. Each contract, deed, lease or other conveyance which may be hereafter executed with regard to any portion of the Property shall conclusively be held to have been executed, delivered and accepted subject to the covenants, restrictions, easements, charges and liens set forth in this Declaration, and same shall run with the land and be binding upon all successive owners thereof regardless of whether or not the following covenants, restrictions, easements, charges and liens are set out in full or incorporated by reference in said conveyance.

ARTICLE I
DEFINITIONS

Section 1.01: **"Annual Assessment"** has the meaning specified in Section 2.03 B of these Covenants.

Section 1.02: **"Assessable Tract"** means the fee estate in the surface of and aerial rights above any separately owned or described portion of the Property, except such part or parts thereof as may from time to time constitute "Exempt Property", as hereinafter defined.

Section 1.03: **"Assessed Valuation"** has the meaning specified in Section 2.03 D of these Covenants.

Section 1.04: **"Assessment Rate"** has the meaning specified in Section 2.03 B of these Covenants.

Section 1.05: **"Base Valuation"** means $400,000 for 1994 Annual Assessments. The Base Valuation will increase each succeeding year by a percentage of the prior year's Base Valuation equal to the percentage increase (if any) in the CPI for the twelve month period ending on July 31 of the year during which the Annual Assessment is being determined and assessed by the Board.

Section 1.06: **"Board"** means the Board of Directors of TWA.

Section 1.07: **"Covenants"** means these Covenants, Restrictions, Easements, Charges and Liens, as the same may from time to time be supplemented or amended in the manner provided herein.

Section 1.08: **"CPI"** means the Consumer Price Index - All Urban Consumers, U.S. City Average, All Items, 1982-1984 equals 100, published by the U.S. Department of Labor, Bureau of Labor Statistics. If the U.S. Department of Labor, Bureau of Labor Statistics ceases to publish said index, then CPI shall mean such other index as the Board shall select which in its judgment reflects the range of economic factors represented in the Consumer Price Index - All Urban Consumers, U.S. City Average, All Items.

Section 1.09: **"Deed"** means a deed, assignment, easement, lease or other instrument conveying legal title to any portion of or interest in the Property.

Section 1.10: **"Development Review Committee"** (herein referred to as **"DRC"**) has the meaning specified in Article IX of these Covenants.

Section 1.11: **"Easement Area"** has the meaning specified in Section 11.02 of these Covenants.

Section 1.12: **"Exempt Property"** means the following portions or parts of the Property:

A. all land and Taxable Improvements (as defined below) owned by the United States, the State of Texas or any political subdivision, instrumentality or agency of any such entity,

B. all land and Taxable Improvements owned by TWA for so long as TWA shall be the owner thereof, and

C. all land and Taxable Improvements exempt from both county and the State of Texas real property taxes by virtue of applicable law.

Section 1.13: **"Improvement"** means any physical change to a Tract or any Structure or improvement thereon, including by way of example, landscaping, grading, or changing the size, shape or appearance of a Structure or other improvement.

Section 1.14: **"Member"** means any person or entity who is an Owner or a Resident. There are two classes of Members as described in Section 7.01 of these Covenants.

Section 1.15: **"Owner"** means every person or entity who holds:

A. a fee, leasehold or easement interest in or to any Tract,

B. a fee or leasehold title to a condominium unit located on any portion of the Property, or

C. any share, membership or other interest in any cooperative or other entity organized and operated for the purpose of providing residential dwelling to its shareholders, members or other beneficiaries, which share, membership or other interest entitles the owner thereof to possession of a residential dwelling unit within the Property,

whether or not such person or entity actually resides on any part of the Property. "Owner" includes contract sellers, but excludes those owning an interest merely as security for the performance of an obligation.

Section 1.16: **"Property"** means:

A. All land described in Exhibit A attached to and incorporated in these Covenants for all purposes, together with all existing or subsequent Structures or improvements thereon, and any unit in a condominium located on any portion of the land described in this paragraph, and

B. from and after the date of such annexation, each parcel of land which has been added to the land subject to these Covenants pursuant to the provisions of Section 6.02 hereof, together with all existing or subsequent Structures or improvements thereon, and any unit in a condominium located on any portion of the land described in this paragraph.

Section 1.17: **"Resident"** means each person domiciled on any part of the Property.

Section 1.18: **"Structure"** means:

A. any man-made thing or device, including but not limited to any building, garage, porch, shed, greenhouse, bathhouse, cabana, coop or cage, covered or uncovered patio, swimming pool, play apparatus, clothesline, fence, curbing, paving, wall, sign, temporary or permanent living quarters (including any house trailer) or any other temporary or permanent structure or improvement, and

B. any excavation, fill, ditch, diversion dam or other thing or device which changes the grade of any Tract more than six (6) inches from that existing at the time of purchase by the Owner, or which affects or alters natural drainage flows or the flow of any waters in any natural or artificial stream, wash or drainage channel.

Section 1.19: **"Successor Entity"** has the meaning given in Section 19.03 of these Covenants.

Section 1.20: **"Taxable Improvements"** means all buildings, structures and other matters and things which, at the time of assessment pursuant to Article II of these Covenants, are defined as real property under applicable law for purposes of ad-valorem taxation by the State of Texas or the county in which same are located.

Section 1.21: **"The Woodlands"** means a comprehensively planned real estate development by The Woodlands Corporation, opened in 1974, affording well-planned residential, commercial, industrial, recreational, open space and institutional buildings, facilities and areas. The Woodlands is currently projected to encompass a tract of land containing in excess of 25,000 acres located principally in Montgomery County, Texas. The final size and boundary of The Woodlands is subject to the discretion of TWC. Nothing contained in these Covenants shall be construed to represent or limit the final size, configuration or location of The Woodlands, nor shall it constitute or be construed as a representation as to what land or lands will or will not be subjected to the terms of the Covenants.

Section 1.22: **"Tract"** means any portion of the Property which has been subdivided by plat, condominium declaration or survey description recorded in the Real Property Records of the county in which such land is located.

Section 1.23: **"TWA"** means The Woodlands Association, Inc. and any Successor Entity, as defined in Section 19.03 of these Covenants.

Section 1.24: **"TWA Covenant Lien"** has the meaning given in Section 3.02 of these Covenants.

Section 1.25: **"TWC"** means The Woodlands Corporation, any entity succeeding to the corporate powers of The Woodlands Corporation by merger, acquisition or otherwise, or an assignee of The Woodlands Corporation who is specifically assigned the rights, duties and obligations of The Woodlands Corporation under these Covenants.

Section 1.26: **"Village"** means a neighborhood area within The Woodlands designated as such by TWC for, among other purposes, the election of local Residential Design Review Committees (as provided for by Section 9.02 of these Covenants), and the election of area delegates to the Board (as provided for by Section 7.03 of these Covenants). The land described in Exhibit A to these Covenants or in a recorded document annexing additional land to the Property encumbered by these Covenants, is a portion of the Village designated in said land description.

Section 1.27: **"WCA"** means The Woodlands Community Association, Inc., the community association representing the residents and owners of those portions of The Woodlands subject to restrictive covenants like those recorded at Volume 841, Page 297 et seq. of the Deeds Records of Montgomery County, Texas.

ARTICLE II
ANNUAL ASSESSMENTS AND USER FEES

Section 2.01: **Creation of the Lien and Personal Obligation of Assessments.** TWC, as owner of all Assessable Tracts, hereby covenants to pay, and each subsequent Owner of any Assessable Tract, by acceptance of a Deed therefor, whether or not it shall be so expressed in such Deed, is deemed to covenant and agree to pay to TWA Annual Assessments with respect to each Assessable Tract. The payment of Annual Assessments, together with interest, court costs, reasonable attorney fees and other costs incurred in the collection of unpaid assessments, is secured by the TWA Covenant Lien, a continuing lien upon each Assessable Tract.

Each Owner of an Assessable Tract, by acceptance of a Deed to such tract, covenants for good and valuable consideration, the sufficiency and receipt of which are acknowledged thereby, to be personally liable for any and all Annual Assessments against that Assessable Tract subsequent to its acquisition by that Owner and prior to conveyance to another person or entity, together with all interest, court costs, reasonable attorney fees and other costs incurred in the collection of unpaid Annual Assessments.

Section 2.02: **Purpose of Assessments.** TWA shall apply the Annual Assessments to the acquisition, construction, financing, improvement and maintenance of properties owned by TWA, for the payment of debts incurred by TWA, for the establishment of such reserve accounts as the Board may deem necessary, and for the other purposes and uses set out in Article IV of these Covenants.

Section 2.03: **Annual Assessment.**

A. Annual Assessments for any Assessable Tract shall commence to accrue on January 1 of the year following the earlier to occur of the date upon which TWC conveys to another person or entity record fee title to that Assessable Tract, or the date upon which TWC or its lessee, agent, contract purchaser, permittee or invitee commences the use or occupancy of any improvements constructed on said Assessable Tract, and shall accrue annually thereafter. Annual Assessments shall be calculated, assessed and billed to Owners or their agents or mortgagees prior to January 1 of the year for which same are due. Annual Assessments shall be payable upon receipt, and shall be delinquent if not paid within sixty (60) days following January 1 of the year for which same are due; provided that the failure of TWA to provide a written statement of assessments due on or before January 1 shall not invalidate such Annual Assessment or any of the rights of TWA regarding the collection of delinquent Assessments, except that Annual Assessments billed after January 1 shall not become delinquent until sixty (60) days following the date the statement was mailed to the Owner.

B. The Board shall assess against each Assessable Tract restricted to use for townhome, condominium or single family detached residential purposes, an assessment (the "Annual Assessment") for each calendar year equal to a specified number of cents for each One Hundred Dollars (the "Assessment Rate") times the Assessed Valuation of the Assessable Tract, less one-half of the product of the Assessment Rate times that portion of the Assessed Valuation of each dwelling unit in excess of the Base Valuation.

C. The Board shall assess against each Assessable Tract restricted to use for any type of residential dwelling other than townhome, condominium or single family detached, an Annual Assessment equal to the Assessment Rate times the Assessed Valuation. The term "residential dwelling" shall include facilities providing assisted living, including without limitation, nursing homes.

D. The Board shall assess against each Assessable Tract restricted to uses other than residential dwelling purposes, an Annual Assessment for each calendar year equal to the Assessment Rate times the Assessed Valuation of the Assessable Tract, times sixty-seven per cent (67%).

E. For calendar year 1994, the Assessment Rate shall not exceed 75 cents ($0.75) for each One Hundred Dollars of Assessed Valuation. The Assessment Rate may be increased by the Board in any succeeding year to a rate not to exceed the Assessment Rate charged for the current year, increased by the Available Increase in the CPI, upon a determination by the Board that the proposed increase is necessary to meet the expenses, costs of operation, debt service obligations, reserve account deposits, capital additions and planned expansion of TWA. The Available Increase in the CPI shall be a percentage equal to the total percentage increase in the CPI from August 1, 1993 through July 31 of the year during which the Annual Assessment is determined by the Board, less the total of the annual percentage increases in the Annual Assessment since 1994. The Board shall not increase the Assessment Rate more than once in any calendar year or in violation of this Section 2.03.

F. The "Assessed Valuation" of any Assessable Tract means:

(1) For any year when the value of all Taxable Improvements on an Assessable Tract is not shown on the tax rolls of the county in which the property is located, the Assessed Valuation of that tract means the fair market value of the Assessable Tract and all Taxable Improvements located thereon, as of September 1 of the year during which Annual Assessments for the following year are calculated. Fair market value may be determined from sales price, bona fide appraisal or such other means as is satisfactory to the Board.

(2) For any year when the value of all Taxable Improvements on the Assessable Tract is shown on the tax rolls of the county in which the property is located, Assessed Valuation will mean the value of the Assessable Tract and all Taxable Improvements thereon, on the assessed valuation rolls of the appraisal district or other governmental entity charged by law with the duty of determining assessed valuations for the purpose of county or state ad-valorem taxation in the county in which the Assessable Tract is located. For purposes of determining Assessed Valuation, the Board shall use the most current valuation rolls available as of September 1 of the year during which Annual Assessments for the following year are being calculated. Adjustments made to the value of any tract by the appraisal district after September 1 shall not affect the Assessed Valuation used by the Board in calculating Annual Assessments for the following year. The Assessed Valuation shall not reflect any adjustment made to said value by the application of any assessment ratio then employed by the State, County or other governmental entity.

(3) If both the State of Texas and the county in which the Assessable Tract is located shall cease to impose ad valorem or real property taxes, the Board

may, by two thirds vote of the Directors casting votes at a duly called and held meeting of the Board, adopt an alternative method of determining assessed value which will provide a sufficient cash flow to meet the obligations of TWA, after a public hearing regarding such issue, notice of which hearing was given by publication in a newspaper of general circulation in the area subject to these Covenants.

G. The Owner of each Assessable Tract shall provide to TWA the name and address of each person or entity owning an interest in said tract and of the mortgage holder (or mortgage servicing company if different than the mortgage holder) holding a mortgage secured by all or a portion of the Assessable Tract or the Taxable Improvements thereon from time to time, within thirty (30) days following a change in such information.

H. TWA shall send a written statement of Annual Assessment to the Owner or his designee as shown in the most recent records of TWA, or, if the Owner or mortgage holder has notified TWA in writing that the Annual Assessment is to be paid by the mortgage holder, to the mortgage company or other lender holding a mortgage lien upon the Assessable Tract (or mortgage servicing company if different than the mortgage holder) as shown in the most recent records of TWA. The written statement shall set out (i) the Assessed Valuation of the Assessable Tract; (ii) the Assessment Rate for the year in question; (iii) the amount of the Annual Assessment assessed against that Assessable Tract, stated in terms of the total sum due and owing as the Annual Assessment; (iv) the date upon which the Annual Assessment shall be deemed delinquent; and (v) that delinquent Annual Assessments will bear interest from the date same became delinquent until paid at a rate four percent greater than the "Prime Rate" published in the Wall Street Journal (or such other comparable index selected by the Board if the Wall Street Journal should cease publication of the Prime Rate) on the first business day of September each year, but not to exceed the highest lawful rate.

I. The Board shall have the right to grant an abatement of Annual Assessments with regard to any Assessable Tract to the extent and in accordance with the terms and conditions of the largest abatement granted by the county in which the Assessable Tract is located or any other governmental entity holding the power to levy and collect ad valorem taxes on said tract (a "Governmental Abatement"). The Board shall have the right to grant an abatement of the Annual Assessment for a period of time and in an amount not exceeding the limits set out in the Governmental Abatement, and shall have the right to condition the grant of such abatement upon such terms as the Board shall deem proper, in addition to the conditions and limitations set out in the Governmental Abatement.

Section 2.04: **User Fees.** The Board, in addition to the Annual Assessment, may levy and collect charges and fees ("User Fees") for the operation and maintenance of facilities and the provision of services for the benefit of the Property or the Members. In establishing User Fees, the Board may formulate reasonable classifications of users. Fees and charges must be uniform within each class but need not be uniform from class to class. If a Member shall fail to pay a User Fee when due and payable, it shall be become a personal debt of the Member upon written notice mailed to the Member by first class mail. Failure of any Member to pay a User Fee when due and payable shall also be a breach of these Covenants and shall result in the suspension of the Member's rights or privileges as set forth in Article V.

Section 2.05: **Assessment by Board.** The Board shall have the right to adopt procedures for the levy, imposition, billing and collection of Annual Assessments and User Fees, provided that the same are not inconsistent with the provisions of these Covenants.

Section 2.06: **Annual Assessment Certificate and Transfer Fee.** Upon written request by an Owner, TWA shall within a reasonable period of time, issue to an Owner a written certificate stating that all Annual Assessments (including interest and costs), and User Fees have been paid with respect to any specified Assessable Tract; and if all assessments and charges have not been paid, setting forth the amount of such assessments and charges (including interest and costs, if any) due and payable as of the date of the certificate. TWA may make a reasonable charge for the issuance of such certificate. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with regard to any matter therein stated as between TWA and any bona fide purchaser or lender on the Tract specified in such certificate. TWA shall have the right to charge any Owner selling or otherwise transferring title to a Tract, a fee which is reasonable compensation, in the opinion of the Board, for the costs incurred by TWA in changing its records to reflect the transfer of ownership.

ARTICLE III
IMPOSITION OF CHARGE AND LIEN UPON PROPERTY

Section 3.01: **Covenant to Pay Assessment.** TWC and each subsequent Owner of any Assessable Tract, by acceptance of a Deed therefor, whether or not it shall be expressed in such Deed, hereby covenant and agree to pay to TWA and be personally liable for the Annual Assessment assessed by TWA against said Assessable Tract during the period in which they hold title to said Assessable Tract, together with all interest, attorneys fees and costs of collection of past due Annual Assessments.

Section 3.02: **TWA Covenant Lien.** TWC and each subsequent Owner of any Assessable Tract, by acceptance of a Deed therefor, whether or not it shall be expressed in such Deed, hereby covenant and agree to grant, and do hereby grant to G. David Bumgardner, as Trustee (hereinafter the "Trustee") a continuing lien on each Assessable Tract and all Structures thereon, for the benefit of TWA, to secure payment of delinquent Annual Assessments against the Assessable Tract for this and future years, together with all interest, attorneys fees and costs incurred in the collection of past due Annual Assessments (the "TWA Covenant Lien"). TWA shall have the right to appoint one or more substitute or successor trustees to act instead of the trustee named herein without other formality than the recordation in the Real Property Records of the county in which the Tract is located, of a designation in writing of such substitute or successor. The authority hereby conferred on Trustee shall extend to any substitute or successor trustees appointed in accordance with this paragraph. The TWA Covenant Lien shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Assessable Tract (or the Exempt Property to the extent that the same may later become an Assessable Tract) whether arising from or imposed by judgment or decree, or by any agreement, contract, mortgage or other instrument, excepting only mortgage liens made or insured by the Federal Housing Administration, the Veterans Administration or any successor to said agencies (unless said agency has agreed by recorded document to subordinate its lien) and such liens for taxes or other public charges as are made superior by applicable law. TWC and each subsequent Owner of any Assessable Tract, by acceptance of a Deed therefor, further agree that the TWA Covenant Lien shall be a covenant running with the title to each Assessable Tract and all Structures thereon. Sale or transfer of any Tract at foreclosure or in lieu of foreclosure shall not relieve said Tract from liability for any Annual Assessment thereafter becoming due.

Section 3.03: **Remedies of TWA.** If any Annual Assessments or other sums secured by the TWA Covenant Lien remain unpaid beyond the date same become delinquent, the Board shall have the right to pursue any and all remedies available to TWA, at law or in equity, to enforce payment of said sums, including without limitation the following:

A. bring an action at law against the Owner or Owners personally obligated to pay the Annual Assessments or other sums secured by the TWA Covenant Lien to collect such delinquent sums together with penalties, interest, costs of collection, court costs and reasonable attorneys fees incurred in the collection of delinquent sums,

B. furnish to any mortgage holder and file in the Real Property Records of the county in which the Tract is located, a notice of sums owing under the TWA Covenant Lien,

C. authorize and direct the foreclosure of the TWA Covenant Lien against the Tract and all Structures thereon for which Annual Assessments or other charges are delinquent, by public sale conducted in accordance with the notice, posting and other requirements of the statutes of the State of Texas for the foreclosure of deed of trust liens upon real property, and

D. bring an action for judicial foreclosure of the TWA Covenant Lien in the manner prescribed by law.

The election by TWA to exercise any of the remedies permitted shall not be construed to constitute an election to waive the right to exercise any other remedy available. TWA is hereby authorized by all Owners to use any and all of such remedies as often as may be required to collect payment of sums secured by the TWA Covenant Lien.

Section 3.04: **Notice to Mortgagees.** Notwithstanding any provisions of these Covenants to the contrary, TWA shall provide to each holder of a loan secured by a mortgage on an Assessable Tract, which is subordinate to the TWA Covenant Lien, sixty (60) days prior notice of its intention to take any action to foreclose its first lien on that Assessable Tract if the mortgage holder has notified TWA of its mortgage interest, and provided to TWA its current mailing address.

ARTICLE IV
USE OF FUNDS

Section 4.01: **Purposes for Which Funds May Be Used.** TWA shall apply all funds received by it pursuant to these Covenants and all other funds and property received by it from any source, to the following *pro tanto* and in the order stated:

A. the payment of all principal and interest when due, on all loans made to TWA, to the extent required under any agreement with note holders,

B. the operating costs and expenses of TWA, and

C. for the benefit of the Property devoting the same to the acquisition, construction, reconstruction, conduct, alteration, enlargement, laying, renewal, replacement, repair, maintenance, operation, financing and subsidizing of and establishment of reserve accounts for such of the following as the Board, in its discretion, may from time to time establish or provide: any or all projects, services, facilities, studies, programs,

systems and properties relating to: parks, recreational facilities and services, drainage systems, streets, roads, highways, walkways, curbing, gutters, sidewalks, trees, landscaping, fountains, benches, shelters, directional and informational signs, walkways, bridges, street, road and highway lighting facilities, facilities and services for the collection, treatment and disposal of garbage and refuse, transit systems, stations and terminals, airfields, airports, air terminals and associated facilities and services, facilities and services for fire suppression and prevention, facilities and services for security and/or law enforcement, public utility systems, communication systems and facilities including all buildings, systems, facilities and services used or useful in connection with the operation of communication networks and facilities, towers, stations, cables, lines, ducts, equipment and appurtenances, all properties, rights, easements and franchises relating thereto, office buildings, buildings, storage and maintenance yards, garages and other buildings and facilities deemed necessary or desirable by the Board in connection with the administration, management, control and operation of TWA, auditoriums, galleries, halls, amphitheaters, theaters, arenas and stadia facilities, including equipment, supplies and services in connection therewith, educational buildings, libraries, including books, supplies and accessories in connection therewith, hospitals and clinics, including equipment, medicines, supplies and accessories in connection therewith, traffic engineering programs and parking facilities, facilities for animal rescue, marinas, equestrian centers and facilities, skeet, trap and rifle ranges, bowling alleys, and other related or unrelated recreational facilities, and any and all other improvements, facilities and services that the Board shall find to be necessary, desirable or beneficial for the advancement and in the best interest of the Property.

Section 4.02: **Handling of Funds:** In order to secure the repayment of any and all sums borrowed by it from time to time, the Board is hereby granted the right and power:

A. to assign and pledge revenues received and to be received by TWA under any provision of these Covenants, including, but not limited to, the proceeds of the Annual Assessments payable hereunder,

B. to enter into agreements with lenders with respect to the collection and disbursement of funds, including but not limited to, agreements wherein TWA covenants:

(1) to assess the Annual Assessments on a given day in each year and, subject to the limitation on amount specified in Article II, to assess the same at a particular rate or rates,

(2) to establish sinking funds and/or other security deposits,

(3) to apply funds received by TWA to the payment of all principal and interest due on such loans,

(4) to establish such procedures as may be required by lenders, but not inconsistent with these Covenants, and

(5) to provide for the custody and safeguarding of all funds received by TWA.

The amount, terms and rates of all borrowings, and the provisions of all agreements with lenders shall be subject to the decision of the Board.

Section 4.03: **Accumulation of Funds Permitted.** TWA shall not be obligated to spend in any calendar year all the sums collected in such year by way of Annual Assessments or otherwise, and may carry forward as surplus any balances remaining; nor shall TWA be obligated to apply any such surpluses to the reduction of the amount of the Annual Assessments in the succeeding year, but may carry forward from year to year such surplus as the Board may determine to be desirable for the greater financial security of TWA, and the effectuation of its purposes.

Section 4.04: **Bonding.** The Board may require that all persons or entities who handle TWA funds or monies post bonds sufficient in amount to indemnify TWA for any loss.

Section 4.05: **Mortgages of TWA Property.** The Board shall have the right to mortgage the properties of TWA as may be deemed necessary by the Board to secure payment of any sum borrowed by TWA from time to time.

Section 4.06: **TWA Budget.** TWA shall cause to be prepared annual capital and operating budgets in accordance with the provisions of the By-Laws of TWA.

ARTICLE V
RIGHTS OF ENJOYMENT IN COMMUNITY FACILITIES

Section 5.01: **Establishment and Use of Community Facilities.** All Owners and Residents shall have a non-transferable privilege to use and enjoy all parks and other community facilities made available by TWA for use by Owners and Residents from time to time, for so long as they are Owners or Residents. All such rights are subject to the right of TWA to adopt and promulgate reasonable rules and regulations pertaining to the use of community facilities which enhance the preservation of such facilities or the safety and convenience of the users, or which, in the discretion of the Board, promote the best interests of the Owners or Residents, including making certain community facilities available to school children or other users with or without charge. TWA shall have the right to borrow money for the purpose of developing or improving any community facility, to mortgage community facilities to secure payment of such loans, and to grant to such lender rights superior to the rights of Owners and Residents.

Section 5.02: **Suspension of Rights.** TWA shall have the right to suspend the rights of any Owner or Resident under this Article V, for any reasonable period during which the Annual Assessments or User Fees assessed under Article II of these Covenants remain delinquent, or may suspend said rights in connection with the enforcement of any rules and regulations relating to community facilities.

Section 5.03: **Guests or Invitees.** Any employee, guest or invitee of a Member shall be entitled to a right or privilege of enjoyment of community facilities subject to such regulations as may be promulgated by the Board.

Section 5.04: **Right to Convey Property.** The Board shall have the right to convey to a third party a portion of any TWA tract restricted to use for park or open space purposes, by a vote of two-thirds (2/3rds) of the Board if in the determination of the Board same is necessary to correct a good faith surveying error, building encroachment or other like matter and if the Board determines that the conveyance will not materially adversely impact the use of the remainder of the Tract for its intended purposes. A conveyance of TWA land which is restricted to use for park or open space purposes for any purpose other than that stated in the preceding sentence requires the affirmative vote of a majority of those Members voting in an election held for that purpose. Prior to any such election, the Board shall hold two public hearings at least thirty days apart.

Notice of each public hearing and of the election shall be published in a newspaper of general circulation in The Woodlands once each week in the two week period preceding the date of each hearing and the election. The Board may, by majority vote, convey other property owned by TWA if the Board determines that the conveyance is in the best interest of TWA. No such conveyance shall be made in violation of any restrictions affecting the property so conveyed.

ARTICLE VI
PROPERTY SUBJECT TO THESE COVENANTS; ANNEXATION OF ADDITIONAL LANDS

Section 6.01: **Covenants of Property.** The Property encumbered by these Covenants is a portion of a larger area of land owned by TWC (and described generally as Tract II on Attachment I). TWC intends to annex certain portions of such larger area of land, and other lands now owned or hereafter acquired, to the lands encumbered by these Covenants, and subject the same to the terms of these Covenants in the manner prescribed in Section 6.02 hereof. Each Owner or Resident, by the act of becoming such, shall be taken to have acknowledged and agreed that:

A. the Property described in this Declaration and such property as may be annexed pursuant to Section 6.02, hereof shall be the only Property subject to the Covenants,

B. nothing contained in the Covenants or in any other recorded or unrecorded plat, map, picture, drawing, brochure or other representation or scheme of development shall be construed as subjecting or requiring TWC or any successor or assignee to subject to the Covenants any portion of the land described on attached Attachment I or any other property or land now or hereafter owned by TWC, other than that land described in Exhibit A attached to these Covenants, and

C. the only manner in which any additional land can be subjected to the Covenants shall be in accordance with the procedure set forth in Section 6.02 hereof.

Section 6.02: **Annexation of Additional Land.** TWC may, from time to time, annex additional lands to the Property, including without limitation all or portions of those lands described as Tract II on Attachment I, and other lands lying within ten (10) miles of lands described in Attachment I or lands subject to these Covenants, and thereby subject the same to the Covenants by the execution and filing for record in the Real Property Records of the county in which said land is located, of an instrument expressly stating the intention of TWC to so annex, and describing such additional lands to be so annexed.

ARTICLE VII
THE WOODLANDS ASSOCIATION

Section 7.01: **Members.** TWA shall have two classes of Members, Class A and Class B. Class A Members shall be all Residents, and all Owners (other than TWC) who are not Residents. The Class B Member shall be TWC.

Section 7.02: **Voting Rights.** Each Class A Member (eighteen (18) years of age or older if a natural person), shall be entitled to one (1) vote, provided that any Class A Member who is in violation of these Covenants, as determined by a majority of the Board, shall not be entitled to vote during any period in which such violation continues. Any Member who is delinquent in the payment of

any Annual Assessment, User Fee (except those for services or facilities whose use is voluntary), or other fees or charges levied pursuant to the provisions of these Covenants, shall not be entitled to vote during any period in which any such fees or assessments are delinquent. The Class B Member (TWC) shall have one (1) vote.

Section 7.03: **Board of Directors.** The Board will be comprised of Class A Directors and Class B Directors. Each Class A Director will be elected by the Class A Members of the Village which the Director represents. Class B Directors will be appointed by the Class B Member.

The affairs of TWA will be managed by a board of three (3) Class B Directors until the first annual meeting of Members. Beginning with such meeting the Board will consist of five (5) Class B Directors.

One Class A Director will be added to the Board for each of the first, second and third Villages at the next election following the date each such Village attains at least 500 occupied dwelling units within the Property.

One additional Class A Director and one additional Class B Director will be added to the Board at the next election following the date the fourth and each succeeding Village attains at least 500 occupied dwelling units within the Property.

From and after the earlier to occur of:

A. any of the events which provide WCA the option to cause a merger of TWA into WCA, as set out in Article XVIII of these Covenants, if WCA does not elect to cause such merger,

B. the delivery to the Board of written notice from the President of TWC announcing the election by TWC to reduce the number of Class B Directors to one or less, or

C. the delivery to the Board of written notice from the President of TWC announcing the election by TWC to not add additional land to the Property,

the Board shall consist of one Class A Director representing each Village which attains at least 500 occupied dwelling units within the Property, and one (1) Class B Director. TWC shall have the right to terminate its right to appoint one or more Class B Directors at any time and from time to time by written notice recorded in the Real Property Records of Montgomery County, Texas.

Section 7.04: **Term of Directors.** Directors shall be elected or appointed for two (2) year terms of office (except where a one (1) year term may be required for the first term of one or more newly created positions to permit one half (1/2) of all director positions to expire each year) and shall serve until their successors are elected and qualified. Class B Directors need not be Members.

Section 7.05: **Vacancies.** Any vacancy in a Class A Director position by reason of death, resignation, removal or otherwise shall be filled by a vote of the Members within the Village from which the previous holder of that Director position was elected. Any vacancy in a Class B Director position shall be filled by appointment by the Class B Member. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he was elected to fill.

Section 7.06: **Election Notice.** In addition to any other election notice required by the by-laws or resolutions of TWA, the Board, no later than 15 days prior to the deadline for candidacy filing shall publish at least two times in a newspaper having general circulation in The Woodlands, a notice stating the number of occupied dwelling units within each Village, the number of Directors to be elected by Class A Members, the number of Directors to be appointed by the Class B Member and the number of Directors to be elected by each Village.

Section 7.07: **Annual Election.** The Board shall conduct an annual election of Class A Directors on a date determined by the Board, and may make such regulations, consistent with the terms of the Covenants and the by-laws of TWA, as it deems advisable for any election of Class A Directors, in regard to proof of membership in TWA, evidence of right to vote, the appointment and duties of inspectors of votes, registration of Members for voting purposes, and such other matters concerning the conduct of the election as it shall deem reasonable and necessary.

ARTICLE VIII
COVENANTS FOR MAINTENANCE

Section 8.01: **Maintenance Required by Owner.** Each Owner and Resident shall keep all Tracts owned or occupied by him, and all Structures and Improvements thereon, in good order and repair, including but not limited to, the seeding, watering and mowing of all lawns, the pruning of all trees and shrubbery, and the painting (or other appropriate external care) of all Structures and Improvements, all in a manner and with such frequency as is consistent with safety and good property management.

If the Owner or Resident of a Tract upon which a violation of this Section exists has not taken reasonable steps to extinguish the violation within fifteen (15) days following the mailing of written notice to the Owner or Resident specifying the violation, TWA or the DRC shall have the right, through their agents or employees, to enter upon such Tract during regular business hours and to take such steps as were specified in the notice to extinguish the violation of these Covenants. The cost thereof shall be a binding, personal obligation of the Owner, payment of which is secured by the TWA Covenant Lien in the same manner as if amounts owing under this Section were Annual Assessments.

ARTICLE IX
DEVELOPMENT REVIEW COMMITTEE

Section 9.01: **Organization of the Development Review Committee ("DRC").** The DRC shall be comprised of five (5) individuals, at least three (3) of whom shall have experience in architecture, engineering, contracting, building code enforcement or a related field. TWA shall pay all costs incurred by the DRC, in accordance with the provisions of the Mutual Benefit Agreement (referred to in Section 18.01 below). The members of the DRC shall be appointed from time to time by TWC, and the DRC shall be a function of TWC. Following the date written notice from TWC is recorded in the Real Property Records of Montgomery County, Texas that TWC desires to transfer the authority of the DRC to TWA (or WCA if at that time TWA has merged into WCA as provided for in Article XVIII below), the members of the DRC shall be appointed from time to time by TWA, and the DRC shall be a function of TWA.

Section 9.02: **Organization of Residential Design Review Committees.** A Residential Design Review Committee ("RDRC") shall be established for each Village with at least 50 Residents. Each RDRC shall consist of three (3) or more individuals elected for a term of one year by the

Residents and Owners of land within the Village who hold the right to vote (as determined in accordance with Section 7.02 of these Covenants. The election shall be held at the time and in the manner determined by the Board. Each RDRC shall be a function of TWA, and the costs of an RDRC, reasonable and necessary to perform its functions hereunder, shall be approved and paid by TWA.

Section 9.03: **Establishment and Amendment of Rules and Policies.** The DRC shall promulgate standards, rules and regulations governing the improvement of Tracts including, but not limited to, the form and content of plans and specifications for specific Structures or Improvements. The DRC may also promulgate standards or issue statements of policy with respect to the approval or disapproval of the architectural style, details of construction or other aspects of Structures or Improvements which may be presented for approval. Such standards, rules, regulations and statements of policy may be amended or revoked by the DRC from time to time.

It shall be the responsibility of each applicant to inform himself of the current standards, rules, regulations and statements of policy promulgated by the DRC and all amendments thereto and revocations thereof, as of the date of application for DRC consideration. Failure by the applicant to so inform himself shall not bind the DRC to approve or disapprove any feature or matter submitted to it, or to waive the exercise of the DRC's discretion as to any such matter. No change of policy shall affect the finality of any approval granted prior to such change. Approval for use on any Tract of any plans or specifications shall not be deemed a waiver of the DRC's right to disapprove such plans or specifications, or any of the features or elements included therein, if such plans, specifications, features, or elements are subsequently submitted for use on any other Tract or Tracts. Approval of any such plans and specifications relating to any Tract, however, shall be final as to that Tract and such approval may not be revoked or rescinded thereafter, provided:

A. that the Structures, Improvements or uses shown or described on or in such plans and specifications do not violate any prohibition contained in these Covenants, and

B. that the approved plans and specifications and any condition attached to such approval have been adhered to and complied with in regard to all Structures or Improvements on, and uses of, the Tract.

All such standards, rules and regulations and statements of policy shall be in the best interest of the Property. Copies of rules, regulations and statements of policy shall be made available to Members and other interested parties.

Section 9.04: **Construction and Occupancy Codes.** The DRC shall have the authority to adopt a building code, fire code, housing code, or other similar codes as the DRC deems necessary or desirable. Any adopted codes shall be made available for inspection to all interested parties at the principal office of the DRC.

Section 9.05: **Operations of the DRC.** Meetings of the DRC shall be held at such time and at such place within The Woodlands as the members of the DRC shall specify. The DRC shall maintain minutes of its meetings, and may adopt by-laws containing such provisions not inconsistent with these Covenants as may be necessary to regulate the affairs and conduct of the DRC. Except as hereinafter provided, the affirmative vote of a majority of the DRC members present and voting shall be required to: (1) adopt or promulgate any standard, rule or regulation, (2) make any finding, determination, ruling or order, (3) issue any permit, authorization or approval, or (4) act upon any other business properly before the DRC.

DRC shall have the authority to delegate to any member of the DRC the right to exercise the full authority of the DRC regarding the review of plans and specifications for matters relating to Tracts restricted to single family detached residential use, so long as such authority does not conflict with any standards, rules, regulations or directions promulgated by the DRC. Each member of the DRC exercising the full authority of the DRC shall cause complete and accurate records of his exercise of this authority to be inserted as soon as reasonably practicable into the official minutes and records of the DRC. The granting of any approval, permit or authorization by one DRC member in accordance with the terms hereof, shall be final and binding. Any disapproval or approval based upon specified conditions by one such member shall also be final and binding, provided however, that in any such case, the applicant for such approval, permit or authorization may, within ten (10) days after receipt of notice of any such adverse decision, modification or specified conditions, file a written request to have the matter in question reviewed by the entire DRC. Upon the filing of any such request, the matter with respect to which such request was filed shall be submitted to and reviewed by the entire DRC as soon as possible. Thereafter, the decision of a majority of the members of the DRC with respect to such matter shall be final and binding.

Section 9.06: **Operations of Residential Design Review Committees.** Each RDRC may adopt By-Laws containing such provisions not inconsistent with these Covenants as may be necessary to regulate the affairs and conduct of the RDRC. Each RDRC shall hold regular meetings at least monthly, or more often as it may determine. Meetings shall be open to all Members. Notice of the time and place of such meetings shall be posted at the offices of TWA. The presence of a majority of a Committee's members shall be necessary to constitute a quorum for the transaction of business. The act of a majority of members present at any meeting shall be required for action of a Committee on any matter before it. Each RDRC shall maintain both minutes and a record of votes for each of its meetings and shall make such records and minutes available for inspection by Members, the DRC and other interested parties at the offices of TWA.

Section 9.07: **Land Use Designation.** Prior to the sale by TWC of any tract of land subject to these Covenants or the construction of any building thereon, TWC shall designate the land use for such parcel. There shall be no change in the land use designation for such parcel except with the mutual consent of TWC and the Owner thereof. In designating the land use for portions of the Property that have been or will subsequently be subdivided, developed and sold as a part of a common scheme relative to the designated land use (a "Development Tract"), TWC may create reciprocal easement rights binding upon and benefitting each subsequent Owner of such Development Tract. The land use designated to a Development Tract may be changed with the consent of TWC and the Owners of 2/3rd of the lots within such Development Tract, provided that the designated land use may not be changed as to a particular lot without the consent of the Owner of such lot. Each land use designation and all changes thereto shall be made by instrument recorded in the official public records of real property of the county in which the land is located.

Section 9.08: **Construction or Alteration.** No Structure shall be commenced, erected, placed, moved onto or permitted to remain on any Tract, nor shall any existing Structure upon any Tract be remodeled, enlarged or otherwise altered, nor shall any Improvement be undertaken or conducted on any Tract, nor shall any new use be commenced on any Tract, unless complete plans, specifications and descriptions of the proposed Structure, Improvement or use shall have been submitted to and approved in writing by the DRC. Such plans and specifications shall be in the form and contain the information required by the DRC, but in any event shall include:

A. a complete set of construction plans and specifications satisfactory to the DRC, including the exterior color scheme and materials,

B. a current survey of the Tract showing all property boundaries, easements and set-back lines, the location of all Structures on the Tract and their location relative to Structures on adjoining portions of the Property, and the number and location of all parking spaces and driveways on the Tract,

C. a grading plan for the Tract, and

D. a full and complete description of the intended use of the Tract and each proposed Structure.

Section 9.09: **Improvements to Existing Residential Structures.** In sections of the Property for which an RDRC has been established, no Structure shall be commenced, erected, placed, moved onto or permitted to remain on, and no Improvement shall be made on any Tract on which there is a completed residential dwelling unit unless a complete set of plans and specifications in the form prescribed by the DRC pursuant to Section 9.08 of this Article, shall have been submitted to and approved in writing by the appropriate RDRC instead of the DRC. In such cases the DRC shall not act except on appeals from RDRC decisions pursuant to Section 9.11 hereof. An RDRC shall not review and approve plans and specifications involving construction, alterations, Structures or Improvements on or to Tracts designated for apartment use or any non-residential use. Approval by an RDRC shall constitute approval by the DRC pursuant to Section 9.08 of this Article. No approval by an RDRC shall be given in violation of any standard, rule, regulation, finding, determination or order promulgated by the DRC, or any permit, authorization or approval issued by the DRC.

Each RDRC shall further, perform such additional functions as may be assigned to it from time to time by the DRC and shall provide comment to the DRC from Members in its Village with regard to proposed or existing standards, rules or regulations.

Where the terms of these Covenants permit or require an action by the DRC or an RDRC, the authority given shall apply only to the DRC unless the action is within the jurisdiction of an RDRC under the terms of the first paragraph of this Section 9.09, or has been delegated to an RDRC by the DRC under the authority of the second paragraph of this Section 9.09. In such cases, the action shall be performed by the RDRC(s) within the Village(s) where the affected property is located.

Section 9.10: **Disapproval of Plans.** The DRC or an RDRC shall have the right to disapprove any plans and specifications submitted pursuant to this Article IX for the following reasons, among others:

A. failure of such plans or specifications to comply with any of the restrictions or provisions of these Covenants,

B. failure to include such information as may reasonably have been requested by the DRC or an RDRC,

C. failure to comply with any of the standards, codes, rules or regulations promulgated pursuant to this Article,

D. objection to the exterior design, appearance or materials of any proposed Structure or Improvement,

E. incompatibility of any proposed Structure, Improvement or use with existing Structures, Improvements or uses upon other Tracts in the Property,

F. objection to the location of any proposed Structure or Improvement upon any Tract or with reference to other Tracts in the Property,

G. objection to the grading plan for any Tract,

H. objection to the color scheme, finish, proportion, style of architecture, height, bulk, safety or appropriateness of any proposed Structure or Improvement,

I. objection to the parking areas proposed for any Tract on the grounds of incompatibility with proposed uses and Structures on the Tract or insufficiency of the size of the parking area in relation to the proposed use of the Tract,

J. any matter which in the judgment of the DRC or an RDRC would render the proposed Structure, Improvement or use incompatible with the general plan of improvement of the Property or with Structures or uses upon other Tracts in the vicinity, or

K. any matter not included in the DRC standards, rules or regulations if in the judgment of the DRC such matter would not be in the best interest of the Property.

If the DRC or an RDRC disapproves a set of plans and specifications submitted hereunder or approves them as modified or subject to specific conditions, and if the applicant so requests in writing, the DRC or RDRC shall give the applicant a written statement specifying the grounds for disapproval or qualified approval. Upon request by the applicant the DRC or RDRC shall also make reasonable efforts to consult with and advise the applicant so that an acceptable proposal may be prepared and submitted.

Section 9.11: **Appeals.** Within ten (10) days after receipt of an adverse decision from an RDRC, an interested party may file a written appeal of such adverse decision with the DRC. The DRC shall hear and rule upon the appeal as promptly as possible. All decisions of the DRC, whether on appeals or on matters brought to it originally, shall be final and binding.

Section 9.12: **Filing of Approved Plans.** Upon approval by the DRC or an RDRC of plans and specifications, a copy of such plans and specifications on which the approval is clearly marked shall be deposited with the DRC as a permanent record.

Section 9.13: **Inspection of Tracts and Improvements.** An agent of the DRC or an RDRC may enter upon and inspect any Tract and any Structures, Improvements or uses thereon during regular business hours and following reasonable notice for the purpose of ascertaining whether such Tract and the Structures, Improvements and uses thereon are in compliance with these Covenants and the standards, rules, regulations and approvals granted or promulgated by the DRC or an RDRC. Neither TWA, the DRC, an RDRC, nor the agent of any of them shall be deemed to have committed a trespass by reason of such entry or inspection, provided such inspection is carried out in accordance with the terms of this section.

Section 9.14: **Certificate of Completion of a Structure or Improvement.** Upon completion of a Structure or Improvement approved by the DRC or an RDRC, and upon written request by the Owner of the Tract, the DRC shall have authority, but not the obligation, to issue a Certificate of Completion identifying the Tract and the Structure or Improvement, and stating, based upon

the information supplied by third party architects, inspectors or other agents of the Owner, or other information available to the DRC, that construction of the proposed Structure or Improvement has been completed in substantial accordance with the approved plans and specifications. Such Certificate shall not be construed to certify the acceptability, sufficiency or approval by the DRC of any work, materials or specifications included in the actual construction of the Structure or the completion of the Improvement, or of the safety of the Structure or completed Improvement. Such a Certificate shall be conclusive evidence of the facts stated therein as to any bona fide purchaser or encumbrancer in good faith and for value, or as to any title insurer. The Owner is hereby notified and does hereby agree that the Certificate in no way warrants the sufficiency, acceptability, or approval by the DRC or an RDRC of the construction, workmanship, materials, equipment or safety of the Structure or Improvement. Preparation and recordation of such a Certificate shall be at the expense of the Owner of the subject Tract.

Section 9.15: **Fees for Examination of Plans and Specifications.** The DRC or an RDRC may charge and collect a reasonable fee for the examination of any plans and specifications submitted for approval pursuant to these Covenants. Such charges shall be payable at the time and place designated by the DRC or an RDRC, and shall be subject to amendment without advance notice.

Section 9.16: **Violation of Article IX.** If any Structure shall be erected, placed or maintained, or if any Improvement shall be made or any new use commenced on any Tract, other than in accordance with plans, specifications and descriptions approved by the DRC or an RDRC, such Structure, Improvement or use shall constitute a violation of these Covenants. Upon written notice from TWA, the DRC or an RDRC, as appropriate, any such improvement shall be removed or corrected and any such use shall be terminated so as to extinguish the violation.

Section 9.17: **Enforcement.** If the Owner or Resident of a Tract upon which a violation of these Covenants exists has not taken reasonable steps to extinguish the violation within fifteen (15) days following the mailing of written notice specifying the violation, TWA or the DRC shall have the right, through their agents or employees, to enter upon such Tract during regular business hours and to take such steps as were specified in the notice to extinguish the violation of these Covenants. The cost thereof shall be a binding, personal obligation of the Owner, payment of which is secured by the TWA Covenant Lien in the same manner as if amounts owing under this Section were Annual Assessments.

ARTICLE X
GENERAL COVENANTS AND RESTRICTIONS

Section 10.01: **Appearance and Use Restrictions of Tracts.** Without the prior written approval of the DRC:

A. no previously approved Structure shall be used for any purpose other than that for which it was originally approved,

B. no Tract shall be split, divided, or subdivided for sale, resale, gift, transfer or otherwise,

C. no facilities, including poles and wires for the transmission of electricity, telephone messages and the like shall be placed or maintained above the surface of the ground on any Tract, and no external or outside antennas of any kind shall be maintained on any Tract or Improvement, and

D. no well, pump, shaft, casing or other facility for the removal of subsurface water shall be placed or maintained on any Tract, and no boring, drilling, removal of, or exploration for subsurface water shall be conducted on any Tract.

Section 10:02: **Forest Preservation.** No tree having a diameter of six (6) inches or more (measured at a point two (2) feet above ground level) shall be removed from any Tract without the express written authorization of the DRC. The DRC may adopt and promulgate rules and regulations regarding the preservation of trees and other natural resources and wildlife to protect and encourage the preservation of the ecological balance of the Property. The DRC may mark certain trees, regardless of size, as not removable without written authorization. In carrying out the provisions of this Section 10.02, TWA, the DRC or an RDRC or their agents or designees may come upon any Tract following reasonable notice, during reasonable hours, for the purpose of inspecting and marking trees. TWA, the DRC or an RDRC or their agents or designees shall not be deemed to have committed a trespass or wrongful act solely by reason of any such entry or inspection.

Section 10.03: **Keeping of Animals.** No animals except customary household pets shall be kept or maintained on any Tract except as specifically authorized by DRC. DRC shall have the right to impose reasonable regulations setting forth the type and number of animals that may be kept on any Tract, and providing a method for disposing of animals which are unclaimed after a reasonable period of time. No animal shall be allowed on any Tract without the permission of the Owner of that Tract. No animal shall be allowed or permitted on any portion of the Property except the Tract of its owner unless same shall be under the control of the owner or another person by leash, rope, chain, or other restraining device. TWA shall have authority to seize and impound any animal on the Property in violation of this Section or the regulations established hereunder. TWA shall have authority to impose reasonable fees for animal registration or other animal control services. No dog or cat over six months of age shall be kept on any Tract unless such animal shall have a current rabies inoculation.

Section 10.04: **Placement of Signs.** The DRC may adopt and promulgate rules and regulations relating to signs or advertising devices which may be displayed within the Property. No sign or advertising device of any nature shall be displayed upon any Tract except as permitted by the DRC.

Section 10.05: **Temporary Buildings.** No mobile home, trailer, tent, garage or temporary building, and no building in the course of construction, shall be used, temporarily or permanently, as a residence on any Tract.

Section 10.06: **Disposition of Trash and Other Debris.** No lumber, metals, bulk materials, refuse or trash shall be kept, stored or allowed to accumulate on any Tract, except building materials during the course of construction for a period not to exceed 180 days following the date of delivery of the first such materials, unless such materials are visually screened in a manner approved by the DRC. During the course of construction, it shall be the responsibility of each Owner to insure that construction sites are kept free of unsightly accumulations of rubbish and scrap materials, and that construction materials, trailers, shacks and the like are kept in a neat and orderly manner. No burning of trash and no accumulation or storage of litter or trash of any kind shall be permitted on any Tract. If trash or other refuse is to be disposed of by being picked up and carried away on a regular and recurring basis, containers may be placed in the open on any day that a pick-up is to be made, at such place on the Tract so as to provide access to persons making the pick-up. At all other times such containers shall be stored so that they cannot be seen from adjacent and surrounding property. The DRC may adopt and promulgate reasonable rules and regulations relating to the size, shape, color and type of containers permitted and the manner of storage of same on the Property.

Section 10.07: **Placement of Pipelines.** No water pipe, gas pipe, sewer pipe, or drainage pipe (except hoses and movable pipes used for irrigation purposes) shall be installed or maintained on any Tract above the surface of the ground, except at the point of connection to the structure served.

Section 10.08: **Natural Resources.** Except for areas specifically designated for such purposes by the DRC, no Tract or portion thereof shall be used for mining, boring, quarrying, drilling, removal or other exploitation of surface or subsurface natural resources.

Section 10.09: **Air and Water Pollution.** No use of any Tract will be permitted which emits pollutants into the atmosphere or discharges liquid or solid wastes or other harmful matter onto any land or into any waterway in excess of the requirements of federal, state or local law. No waste or other substance or material of any kind shall be discharged into any private or public sewer serving the Property or any part thereof in violation of applicable laws or regulations. No person shall dump waste or other substances or materials into any waterway on the Property.

Section 10.10: **Trailer Parking.** No trailer, trailer house, recreational vehicle, mobile home, boat, semi-truck tractor or trailer, or other truck with a licensed capacity in excess of one ton shall be parked on any street within the Property or brought upon or parked on any Tract except in an enclosed structure or other manner which does not permit it to be seen at ground level from adjacent property or an abutting street. This shall not be construed to prohibit the mere temporary standing or parking of any such vehicle for short periods preparatory to taking same to some other location for use or storage. Nothing contained herein shall be considered to prohibit the use of portable or temporary buildings or trailers as field offices by contractors during construction in The Woodlands, provided that the use and appearance of such a building or trailer has been approved by the DRC prior to its being moved on site.

Section 10.11: **Penalties for Violation of Article X.** If the DRC determines that any provision of this Article has been violated, the DRC or TWA may seek appropriate relief at law to assure that the purposes of this Article are fulfilled.

Section 10.12: **Fireworks, Firearms, Etc.** The sale or use of fireworks is prohibited on the Property, except by permit granted by TWA. The use of or discharge of firearms, air rifles or pellet guns on the Property is prohibited except by certified peace officers and by permit granted to individuals by TWA. Hunting of any kind and by any method, including but not limited to firearms, traps, snares, bow and arrows, or manually propelled missiles, is prohibited except by permit granted to individuals by TWA. If such permits are granted, TWA may designate certain areas for these activities, which must be conducted in accordance with all applicable federal, state and local laws.

Section 10.13: **Improper Activity.** No unlawful, noxious or offensive activity shall be carried on or maintained on any Tract, nor shall anything be done or permitted to be done thereon which may be or become an annoyance or a nuisance to surrounding Owners or Residents.

ARTICLE XI
EASEMENTS

Section 11.01: **Rights Concerning Easements and Rights-of-Way.** Easements and rights-of-way across each Tract are hereby expressly reserved to TWC, its designees, successors and assigns, in, on, over and under the Easement Area (as defined in Section 11.02 below) for the following purposes, among others:

A. the installation, construction and maintenance of:

(1) wires, lines, conduits and the necessary or proper attachments in connection with the transmission of electricity, telephone, community antenna television cables and other utilities and similar facilities,
(2)storm-water drains, land drains, public and private sewers, pipe lines for supplying gas, water and heat, and for any other public or quasi-public utility facility, service or function, whether above ground or underground,

B. slope control purposes, including the right to grade and plant slopes and prevent the doing of any activity which might interfere with slope ratios approved by TWC, its successors and assigns, or which might create erosion or sliding problems, or which might change, obstruct or retard drainage flow, and

C. an open space or buffer area between a Tract and the adjacent Tracts or street rights-of-way, to provide separation and privacy among adjacent Tracts.

Except with the written approval of the DRC, nothing shall exist or be placed on, over or above any portion of the Easement Area. If in the judgment of the DRC, anything hinders the Easement Area, the DRC may invoke the provisions of Sections 9.08 and 9.09 of these Covenants.

Section 11.02: **Definition of "Easement Area".** "Easement Area" as used herein, means and refers to a strip of land within each Tract ten (10) feet in width along the entire distance of the front and rear boundaries of the Tract, and five (5) feet in width along the entire distance of each side boundary of each Tract. TWC or its designee or any utility company may clear the Easement Area of all structures, trees, bushes and other growth, including any overhanging branches or protrusions from structures located upon adjacent property.

Section 11.03: **Reservation of Rights for Utilities.** TWC, its successors and assigns, reserves the right to build, maintain, repair, sell, grant or lease all utilities in the Easement Area.

Section 11.04: **Right of Entry.** TWC, DRC or an RDRC and their respective agents, successors and assigns, shall have the right at reasonable times to enter upon all parts of the Easement Area for any of the purposes for which said easements and rights-of-way are reserved. TWC and its respective agents, successors and assigns shall be responsible for leaving each Tract in good condition and repair following any work or activity undertaken in an Easement Area pursuant to the provisions of this section, provided that the obligation set forth above shall not extend to Structures not approved by the DRC. Title to any Tract or portion thereof shall not include title to any utility lines in, under, or on, any street or the Easement Area. TWC expressly reserves the right for itself, its successors and assigns, to construct, operate, maintain, repair, remove and replace utility lines in the Easement Area. The conveyance of a Tract shall not convey any right to any utility lines located in the Easement Area on such Tract. TWC and its respective agents, successors and assigns shall be responsible for leaving each Tract in good condition and repair following any work or activity undertaken in an Easement Area.

ARTICLE XII
SPECIFIC COVENANTS

Section 12.01: **Covenants Do Not Supersede Law or Governmental Authority**. The Covenants set forth herein shall not be taken as permitting any action or thing prohibited by applicable laws, rules or regulations of any governmental authority. In the event of any conflict, the most restrictive provision of such laws, rules, regulations or the Covenants shall govern and control.

ARTICLE XIII
RESIDENTIAL COVENANTS AND RESTRICTIONS

Section 13.01: **Residential Provisions.** The provisions of this Article XIII shall apply solely to Tracts designated for residential uses.

Section 13.02: **Restrictions for Residential Tracts.** No profession, home industry or garage sale shall be conducted in or on any part of a Tract or Structure thereon without the specific written approval of the DRC. The DRC, upon consideration of the circumstances in each case and particularly the effect on surrounding Property, may permit a Tract or Structure thereon to be used for the conduct of a garage sale, or a profession or home industry incidental to its primary use for residential purposes, if it is found by the DRC to be compatible with the neighborhood.

Section 13.03: **Tract Use for Model Home or Real Estate Office.** A residential Tract may, with the written approval of DRC, be used for a model home (which may include the builder's or Developer's real estate office) if such use does not interfere with the right of quiet enjoyment of any Resident.

Section 13.04: **Use of Clothes Hanging Devices and Machinery.** No clothing or any other household fabrics shall be hung in the open on any Tract unless the same are hung from an umbrella or retractable clothes hanging device which is removed from view when not in use and which is enclosed by a DRC approved fence or other enclosure at least six (6) inches higher than such hanging articles. No machinery shall be placed or operated upon any Tract (saving such machinery as is usual in the operation or maintenance of a private residence) except with the written approval of the DRC.

Section 13.05: **Chemical Fertilizers, Pesticides, or Herbicides.** No chemicals, fertilizers, pesticides, herbicides or hazardous substances shall be used on the Property except normal household quantities of those products which are readily available for consumer use and are approved by a regulatory agency for household use.

ARTICLE XIV
WATERFRONT AREAS AND WATERWAYS

Section 14.01: **Restrictions for Waterfront Tracts.** Any Tract which abuts a lake, stream, river, canal or other waterway (hereinafter collectively referred to as "Waterways") shall be subject to the following additional restrictions:

A. No wharf, pier, bulkhead or other structure or obstruction shall be built or maintained upon any waterfront site or into or upon any Waterway on or adjacent to the Property except with the specific written approval of the DRC. No structure or obstruction shall be permitted if it threatens safe navigation upon such Waterway or the safe and convenient use of such Waterway as a recreation facility.

B. No boat canal shall be constructed or installed upon any Tract nor shall any facility or device be constructed or installed upon any Tract which shall in any way alter the course of or natural boundaries of any Waterway, or which shall involve or result in the removal of water from any Waterway except with the specific written approval of the DRC.

C. No boats, hoists, launching facilities or similar structures or equipment shall be installed, constructed or maintained upon any Tract except with the specific written approval of the DRC, nor shall any boat trailer be stored on any Tract in violation of the standards or regulations of DRC.

Section 14.02: **Use of Boats.** No boat of any kind shall be operated upon any Waterway on the Property without the prior written approval of the DRC. Any approved boating shall conform to all rules and regulations promulgated by DRC concerning the use of boats.

ARTICLE XV
DURATION AND AMENDMENT

Section 15.01: **Duration, Amendment or Termination of Covenants.** The Covenants shall run with and bind the Property and all Owners and Residents, shall inure to the benefit of and be enforceable by TWC, TWA, any Owner and their respective legal representatives, heirs, successors and assigns, until the 31st day of December in the year 2063 after which time said Covenants shall be automatically extended for successive periods of ten (10) years unless terminated effective the 31st day of December 2063 (or effective at the end of any such ten (10) year period) by affirmative vote of sixty-six and two thirds per cent (66-2/3%) of the Members entitled to vote, which vote has been held and completed within the six (6) months prior to the 31st day of December, 2063 (or the end of any such ten (10) year extension period). Prior to termination as herein provided the Covenants may be amended but not terminated in any respect by an instrument signed by not less than sixty-six and two thirds per cent (66-2/3%) of the Members eligible to vote, which instrument shall be filed for recordation in the Real Property Records of the county(s) in which the property subject to the Covenants is located or such other place of recording as may be appropriate at the time of the execution of such instrument.

ARTICLE XVI
GENERAL

Section 16.01: **Violation or Breach of Covenants.** Violation or breach of any Covenant herein contained shall give TWC or TWA, their respective legal representatives, successors and assigns, in addition to all other remedies, the right (after the elapsing of 15 days from the time receipt is acknowledged of written notice to the Owner of any Tract involved setting forth in reasonable detail the nature of such violation or breach and the specific action or actions to be taken to remedy such violation or breach and if at the end of such time reasonable steps to accomplish such action have not been taken), to enter upon the land on which such violation or breach exists, and to take the actions specified in the notice to the Owner to remedy, abate and remove, at the expense of the Owner thereof, any structure, thing or condition that may be or exist thereon contrary to the intent and meaning of the provisions hereof; and the said parties shall not thereby be deemed guilty of any manner of trespass for such entry, abatement or removal, provided that such remedy, abatement or removal is carried out in accordance with the provisions of this section. Nothing herein contained shall be deemed to affect or limit the rights of TWA, TWC or any Owner to enforce the Covenants by appropriate judicial proceedings.

Section 16.02: **Failure to Enforce Covenants.** The failure of TWC, TWA, or any Owner to enforce the Covenants or any portion thereof shall in no event be considered a waiver of the right to do so thereafter as to the same violation or breach or as to such other violation or breach occurring prior or subsequent thereto.

Section 16.03: **Covenants Do Not Create Reversion.** No Covenant herein is intended to be, or shall be construed as, a condition subsequent or as creating a possibility of reverter.

Section 16.04: **Relief for Violation or Breach.** Damages shall not be deemed to be the exclusive remedy for any breach or violation of any provision hereof. Any person or entity entitled to enforce any provision hereof shall be entitled to relief by way of injunction, as well as any other available relief either at law or in equity.

Section 16.05: **Enforcement of Covenants.** Any party to a legal proceeding who succeeds in enforcing a Covenant or enjoining the violation of a Covenant shall be reimbursed for its court costs and reasonable attorney fees incurred in such cause.

Section 16.06: **Administration Pursuant to these Covenants.** TWA and the DRC to the extent specifically provided herein, may adopt and promulgate reasonable rules and regulations regarding the administration, interpretation and enforcement of the provisions of these Covenants. In so adopting and promulgating such rules and regulations, and in making any finding, determination, ruling or order or in carrying out any directive contained herein relating to the issuance of permits, authorizations, approvals, rules or regulations, TWA and the DRC shall take into consideration the best interests of the Members to the end that the Property shall be developed, preserved and maintained as a high quality community.

Section 16.07: **Effect of Violation of Covenants on Mortgage.** No violation of any of these Covenants shall defeat or render invalid the lien of any mortgage made in good faith and for value upon any portion of the Property; provided, however, that any mortgagee in possession or any purchaser at any mortgagee's or foreclosure sale shall be bound by and subject to the Covenants as fully as any other Owner of any portion of the Property.

Section 16.08: **Promise of Grantee to be Bound by Covenants.** Each person or entity accepting a deed, lease, mortgage, easement or other instrument conveying an interest in any Tract, whether or not the same incorporates or refers to these Covenants, thereby agrees for himself, his heirs, successors and assigns to observe, perform and be bound by the Covenants and to incorporate the same by reference in any deed or other conveyance of his interest in real property subject to these Covenants.

Section 16.09: **Waiver of Liability.**

NEITHER TWC, TWA, DRC, ANY RDRC NOR THEIR RESPECTIVE SUCCESSORS OR ASSIGNS, SHALL BE LIABLE IN DAMAGES TO ANYONE SUBMITTING PLANS OR SPECIFICATIONS FOR ANY STRUCTURE TO BE CONSTRUCTED, REMODELED OR MOVED ONTO AND TRACT OR AND IMPROVEMENT TO BE CONDUCTED ON ANY TRACT, OR TO ANY OWNER OR RESIDENT OR OTHER THIRD PARTY, BY REASON OF MISTAKE IN JUDGMENT, NEGLIGENCE OR NONFEASANCE ARISING OUT OF OR IN CONNECTION WITH (I) THE APPROVAL OR DISAPPROVAL OR FAILURE TO APPROVE ANY SUCH PLANS OR SPECIFICATIONS, OR (II) THE INSPECTION, FAILURE TO INSPECT, ISSUANCE OF A CERTIFICATE AS AUTHORIZED BY SECTION 9.14 ABOVE OR THE FAILURE TO ISSUE SUCH CERTIFICATE, OR (III) THE FAILURE OF ANY OF SUCH INDEMNIFIED PARTIES TO ENFORCE ANY OF THE REQUIREMENTS OF THESE COVENANTS REQUIRING THE SUBMISSION OF PLANS, SPECIFICATIONS, A DESCRIPTION OF USES OR A GRADING PLAN FOR APPROVAL BY THE RDRC OR DRC. EVERY PERSON WHO SUBMITS PLANS TO THE RDRC OR DRC FOR APPROVAL AGREES BY SUBMISSION OF SUCH PLANS, AND EVERY OWNER AND RESIDENT AGREES, BY

ACCEPTING A DEED OR OTHER CONVEYANCE TO A TRACT OR INTEREST THEREIN, THAT IT WILL NOT BRING ANY ACTION OR SUIT AGAINST SUCH PARTIES TO RECOVER ANY SUCH DAMAGES, AND THAT IF IT VIOLATES THIS AGREEMENT NOT TO BRING ANY SUCH SUIT OR ACTION, IT WILL PAY ALL COSTS AND EXPENSES, INCLUDING BUT NOT LIMITED TO, COURT COSTS AND ATTORNEYS' FEES INCURRED BY ANY PARTY DEFENDING ANY SUCH ACTION OR SUIT.

ARTICLE XVII
COVENANTS WITH RESPECT TO EQUAL HOUSING OPPORTUNITY

Section 17.01: **Covenants of Owners.** Each Owner or Resident agrees that neither he nor anyone authorized to act for him will refuse to sell or rent, negotiate for the sale or rental, or otherwise make unavailable or deny and portion of the Property to any person because of race, color, religion, sex or national origin. Any restrictive covenant on the Property relating to race, color, religion, sex or national origin is recognized as being illegal and void and is specifically disclaimed.

TWC shall be deemed a beneficiary of this covenant and this covenant shall run with the land in favor of TWC for the entire period during which this covenant shall be in force and effect without regard for whether TWC is or becomes an owner of any land or interest therein to which this covenant relates. In the event of any breach of any such covenant, TWC shall have the right to exercise all rights and remedies, and to maintain any actions at law or suits in equity or other proceedings to enforce the curing of such breach, as may be available under law.

ARTICLE XVIII
MERGER

Section 18.01: **Obligation to Merge.** Under the terms of the Mutual Benefit Agreement between, inter alia, WCA, TWC and TWA, dated March 1, 1992, WCA has the contractual right to cause TWA to merge into WCA upon the conditions set out therein. The Board agrees to take all steps necessary to merge TWA into WCA upon receipt of notice from WCA of its election to cause such a merger, provided that the above referenced contractual right of WCA remains in full force and effect at the time of the proposed merger, and further subject to the following conditions:

1. That the WCA Board of Directors has taken steps to assure compliance with the second sentence of Section 18.04 below and,

2. That TWA receives notice of the election of WCA to cause a merger within 180 days following the date TWC notifies WCA and TWA of the occurrence of any of the following events:

    A. That 85 per cent of the total acres of land within Tract I and Tract II (as shown on Attachment I to these Covenants) and the first three thousand (3000) acres developed by TWC in Harris County adjacent to Tract I or Tract II (the "Harris County Tract"), have been encumbered with restrictive covenants imposed by TWC,

B. Upon the sale by TWC of all undeveloped land owned by TWC within Tract II and the Harris County Tract,

C. Upon the recordation in the Real Property Records of Montgomery County, Texas of a notice by TWC of its intention to discontinue development of the undeveloped land within Tract II and the Harris County Tract, or

D. Upon receipt by WCA of written notice from TWC consenting to a merger of TWA into WCA.

Section 18.02: **Transfer of Rights and Obligations.** As soon as practicable, but in no event later than 60 days following the date WCA notifies TWA of its election to cause a merger, TWA will take all steps necessary to complete said merger and the conveyance to WCA all assets, properties, records, contract rights, and other tangible and intangible rights owned by TWA. Upon the acceptance of said transfers by WCA and the assumption by WCA of all rights, duties, obligations, debts, liabilities and liabilities of TWA, TWA shall cease to function and exist.

Section 18.03: **Directors.** Upon completion of the merger of TWA into WCA, all rights, duties and obligations of TWA under the terms of these covenants shall become the rights and duties of WCA, and all references herein to TWA shall thereafter refer to and mean WCA.

Section 18.04: **Board.** From and after the date of merger, these Covenants shall remain in full force and effect, except that Section 7.03 of these Covenants shall be null and void. Thereafter, the number of Class A Directors shall be determined by the provisions of the Woodlands Covenants applicable to lands subject to the jurisdiction of WCA. All Members of TWA will be entitled to substantially equal representation on the Board of Directors of WCA (based upon population) as is provided to members of WCA.

Section 18.05: **Common Funds.** Following the date of merger, nothing contained in these Covenants shall be construed to limit or restrict the ability of WCA to place all Annual Assessments or other revenues in a common fund with those from areas subject to the WCA covenants, and to expend funds as deemed necessary by the Board in any portion of the area then served by WCA, without regard to the origin of funds.

ARTICLE XIX
MISCELLANEOUS

Section 19.01: **Alteration of Covenants.** No change of conditions or circumstances shall operate to extinguish, terminate, or modify any of the provisions of these Covenants.

Section 19.02: **Severability of Provisions.** The determination by any court that any provision of these Covenants is unenforceable or void shall not affect the validity of any of the other provisions hereof.

Section 19.03: **Successor Entity.** TWA shall be empowered to assign its rights, or any part thereof to any successor public body, authority, agency, district or non-profit membership corporation (hereinafter referred to as the "Successor Entity"). Upon any such assignment the Successor Entity shall have those rights and be subject to those duties of TWA assigned thereby, and shall be deemed to have agreed to be bound by the appropriate provisions hereof to the same extent as if the Successor Entity had been an original party to the Covenants. Any such assignment shall be accepted by the Successor Entity under a written agreement pursuant to which the

Successor Entity expressly assumes the duties and obligations of TWA thereby assigned. If for any reason TWA shall cease to exist without having first assigned its rights hereunder to a Successor Entity, the covenants, restrictions, easements, charges and liens imposed hereunder shall nevertheless continue and any Owner or Resident may petition a court of competent jurisdiction to have a trustee appointed for the purpose of organizing a nonprofit membership corporation and assigning the rights of TWA hereunder to such nonprofit corporation with the same force and effect, and subject to the same conditions, as provided in this Section 19.03 with respect to an assignment and delegation of TWA to a Successor Entity.

Section 19.04: **Titles.** All Titles or headings of the Articles and Sections herein are for the purpose of reference and shall not be deemed to limit, modify or otherwise affect any of the provisions hereof. All references to singular terms shall include the plural where applicable, and all references to the masculine shall include the feminine and the neuter.

Section 19.05: **Notices.** Any notice given or required to be sent under the provisions of these Covenants shall be deemed to have been properly given when mailed, postpaid, to the last known address of the person to whom notice is to be given.

Section 19.06: **No Warranty of Enforceability.** While TWC has no reason to believe that any of the sections, terms, or provisions in these Covenants are or may be invalid or unenforceable for any reason or to any extent TWC makes no warranty or representation as to the present or future validity or enforceability of any such sections, terms or provisions. Any Owner acquiring a portion of the Property shall not do so in reliance on the enforceability or validity of any one or more of such sections, terms, or provisions of these Covenants and shall assume and does assume all risks of the validity and enforceability thereof and, by acquiring a portion of the Property, agrees to hold TWC and TWA harmless therefrom.

Section 19.07: **Time is of the Essence.** In regard to the acts, duties, obligations, or responsibilities to be performed by any Member, Resident of Owner pursuant to these Covenants, time is of the essence as to such performance.

Section 19.08: **Further Restrictions.** The restrictions contained herein are in addition to and cumulative of other restrictions placed on the Property by TWC, including, without limitation, the Land Use Restrictions.

Section 19.09: **Governing Law.** These Covenants are made in Montgomery County, Texas, and shall be governed by and enforced in accordance with the laws of the State of Texas. Any and all obligations performable hereunder, including but not limited to, the obligation to pay annual and benefits assessments, are to be performed in Montgomery County, Texas.

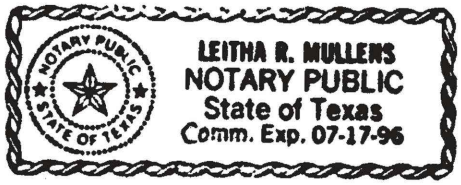
EXECUTED effective the 1st day of September, 1993.

THE WOODLANDS CORPORATION

By: Roger K. Galatas
Roger Galatas, President

STATE OF TEXAS §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on September 10, 1993, by Roger Galatas, President of The Woodlands Corporation, a corporation, on behalf of said corporation.



Leitha R Mullens
Notary Public, State of Texas

(Printed Name of Notary)
My Commission Expires: _____

ORIGINAL DIM

When Recorded Return To:
The Woodlands Corporation
Attn: Mary Rose
P. O. Box 4000
The Woodlands, Texas 77380

ALDEN BRIDGE SECTION 3
METES AND BOUNDS DESCRIPTION
OF A 46.90 ACRE (2,043,059 SQUARE FEET) TRACT
OUT OF THE JAMES LEE SURVEY, ABSTRACT NO. 319
AND THE HENRY APPLEWHITE SURVEY, ABSTRACT NO. 51 IN
MONTGOMERY COUNTY, TEXAS

A tract or parcel of land containing 46.90 acres (2,043,059 square feet) more or less, located in the James Lee Survey, Abstract No. 319 (9.82 acres) and the Henry Applewhite Survey, Abstract No. 51 (37.08 acres), Montgomery County, Texas and being more particularly described by metes and bounds as follows (bearing and coordinates are referenced to the Texas State Plane Coordinate System South Central Zone):

COMMENCING at a southeast corner of said James Lee Survey, Abstract No. 319 and an interior corner of said Henry Applewhite Survey, Abstract No. 51 (X = 3110474.758, Y = 874616.805);

THENCE North 04° 26' 38" East 429.04 feet to the POINT OF BEGINNING and a southerly corner of the herein described tract;

THENCE South 89° 56' 23" West 41.14 feet to a corner;

THENCE North 30° 02' 52" West 232.51 feet to a corner;

THENCE North 22° 37' 58" East 69.72 feet to a point of curvature;

THENCE northwesterly 141.71 feet along the arc of said curve to the left and through a central angle of 37° 45' 56" to a corner, said curve having a radius of 215.00 feet and a long chord bearing and distance of North 48° 29' 04" West 139.16 feet;

THENCE South 60° 23' 54" West 156.60 feet to a corner;

THENCE South 46° 22' 39" West 101.55 feet to a corner;

THENCE South 49° 57' 50" West 188.08 feet to a corner;

THENCE North 43° 32' 55" West 154.65 feet to a corner;

THENCE North 12° 07' 17" West 314.62 feet to a corner;

THENCE North 18° 50' 32" East 166.15 feet to a point of curvature;

THENCE northeasterly 73.62 feet along the arc of said curve to the right and through a central angle of 06° 35' 26" to a point of tangency, said curve having a radius of 640.00 feet and a long chord bearing and distance of North 49° 39' 05" East 73.58;

THENCE North 52° 56' 48" East 101.09 feet to a point of curvature;

THENCE northeasterly 181.35 feet along the arc of said curve to the right and through a central angle of 11° 03' 13" to a point of tangency, said curve having a radius of 940.00 feet and a long chord bearing and distance of North 58° 28' 25" East 181.07;

THENCE North 64° 00' 02" East 579.75 feet to a point of curvature;

THENCE northeasterly 348.37 feet along the arc of said curve to the left and through a central angle of 35° 38' 36" to a point of curvature, said curve having a radius of 560.00 feet and a long chord bearing and distance of North 46° 10' 44" East 342.78;

THENCE northwesterly 26.53 feet along the arc of said curve to the left and through a central angle of 01° 13' 51" to a point of tangency, said curve having a radius of 1235.00 feet and a long chord bearing and distance of North 65° 48' 44" West 26.53 feet;

THENCE North 65° 11' 49" West 68.61 feet to a point of curvature;

THENCE northwesterly 25.15 feet along the arc of said curve to the right and through a central angle of 01° 50' 10" to a corner, said curve having a radius of 785.00 feet and a long chord bearing and distance of North 64° 16' 44" West 25.15 feet;

THENCE northeasterly 70.12 feet along the arc of said curve to the left and through a central angle of 09° 07' 49" to a point of curvature, said curve having a radius of 440.00 feet and a long chord bearing and distance of North 24° 44' 52" East 70.04 feet;

THENCE southeasterly 25.22 feet along the arc of said curve to the left and through a central angle of 02° 01' 16" to a point of tangency, said curve having a radius of 715.00 feet and a long chord bearing and distance of South 64° 11' 11" East 25.22 feet;

THENCE South 65° 11' 49" East 68.61 feet to a point of curvature;

THENCE easterly 602.91 feet along the arc of said curve to the left and through a central angle of 29° 39' 05" to a point of tangency, said curve having a radius of 1165.00 feet and a long chord bearing and distance of South 80° 01' 22" East 596.20 feet;

THENCE North 85° 09' 06" East 216.43 feet to a point of curvature;

THENCE easterly 38.72 feet along the arc of said curve to the right and through a central angle of 02° 13' 06" to a point of tangency, said curve having a radius of 1000.00 feet and a long chord bearing and distance of North 86° 15' 39" East 38.72 feet;

THENCE North 87° 22' 12" East 113.84 feet to a point of curvature;

THENCE northeasterly 39.27 feet along the arc of said curve to the left and through a central angle of 90° 00' 00" to a corner, said curve having a radius of 25.00 feet and a long chord bearing and distance of North 42° 22' 12" East 35.36 feet;

THENCE South 02° 37' 48" East 682.91 feet to a corner;

THENCE South 06° 00' 24" West 410.70 feet to a corner;

THENCE North 83° 59' 36" West 50.00 feet to a corner;

THENCE South 74° 48' 39" West 306.98 feet to a corner;

THENCE South 63° 01' 11" West 92.53 feet to a corner;

THENCE South 81° 00' 52" West 81.90 feet to a corner;

THENCE North 79° 05' 06" West 72.32 feet to a corner;

THENCE South 70° 13' 20" West 78.97 feet to a corner;

THENCE North 79° 20' 40" West 191.69 feet to a corner;

THENCE North 61° 26' 17" West 75.65 feet to a corner;

THENCE North 69° 02' 42" West 66.25 feet to a corner;

THENCE South 87° 40' 00" West 45.34 feet to a corner;

THENCE South 75° 47' 43" West 53.97 feet to a corner;

THENCE South 46° 16' 45" West 55.97 feet to a corner;

THENCE South 44° 27' 46" East 171.30 feet to a corner;

THENCE South 04° 19' 17" West 69.82 feet to a corner;

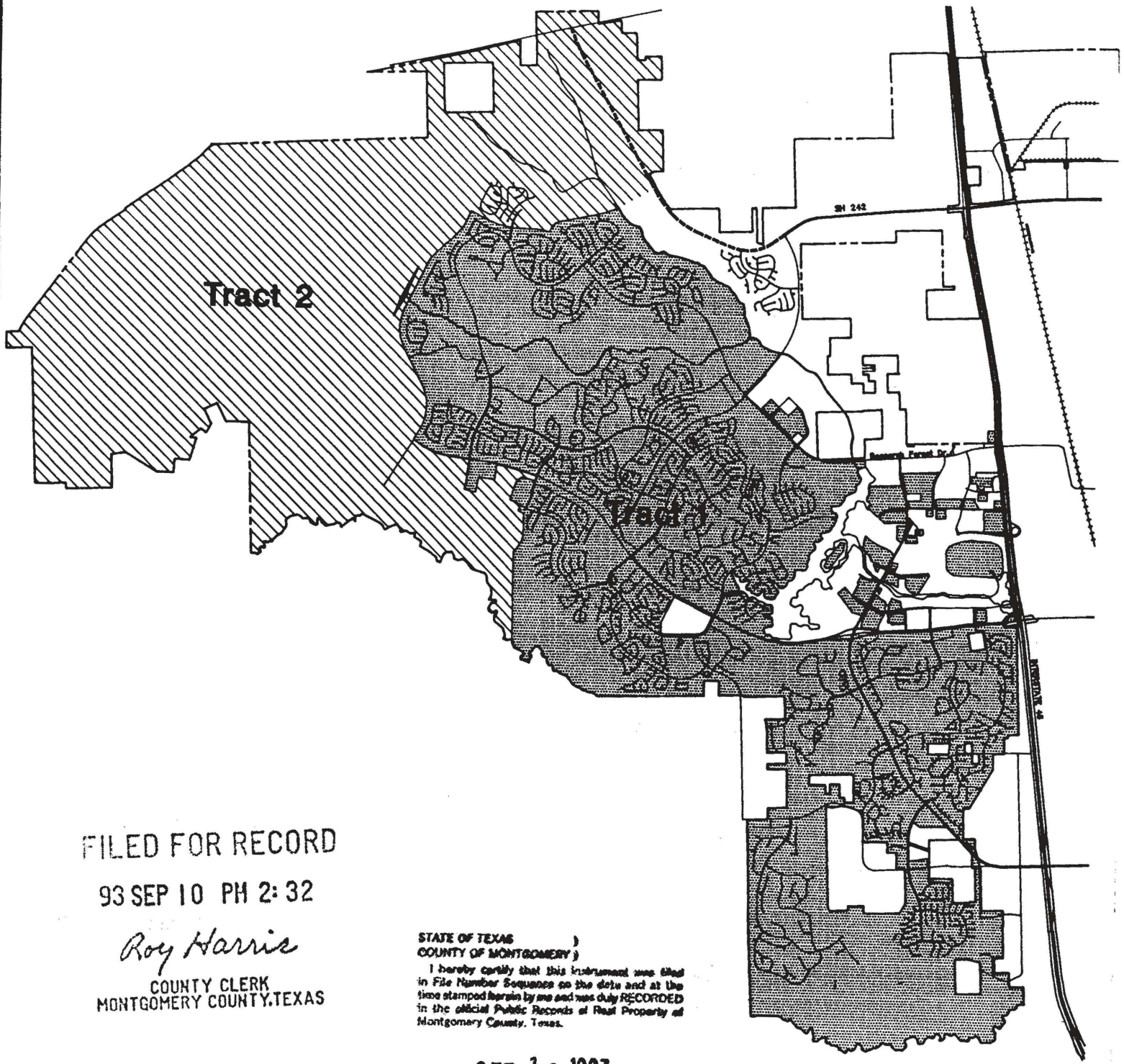
THENCE South 89° 56' 23" West 186.99 feet to a corner;

THENCE North 31° 21' 52" West 62.80 feet to a point of curvature;

THENCE westerly 63.20 feet along the arc of said curve to the right and through a central angle of 72° 25' 31" to a corner, said curve having a radius of 50.00 feet and a long chord bearing and distance of North 85° 09' 06" West 59.08 feet;

THENCE South 41° 03' 39" West 77.94 feet to the POINT OF BEGINNING and containing 46.90 acres (2,043.059 square feet) of land, more or less.

908-01-1623



FILED FOR RECORD

93 SEP 10 PM 2:32

Roy Harris

COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

STATE OF TEXAS)
COUNTY OF MONTGOMERY)

I hereby certify that this instrument was filed in File Number Sequence on the date and at the time stamped herein by me and was duly RECORDED in the official Public Records of Real Property of Montgomery County, Texas.

SEP 10 1993

Roy Harris

COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

ATTACHMENT I

DATE: 09/09/93

Covenants, Restrictions, Easements, Charges and Liens of The Woodlands

The Woodlands Community Association

Administered by:

THE WOODLANDS TOWNSHIP
2801 Technology Forest Blvd. • The Woodlands, Texas 77381
p 281-210-3800 • f 281-210-3963 • www.thewoodlandstownship-tx.gov

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EXHIBIT - "B"

Attached to and made a part of that certain Special Warranty Deed dated the _____ day of _____ _____ from The Woodlands Community Association, Inc., to The Woodlands Corporation covering the land described therein.

COVENANTS, RESTRICTIONS
EASEMENTS, CHARGES AND LIENS
OF
THE WOODLANDS

WHEREAS, The Woodlands Corporation ("TWC"), the successor by merger and change of name to The Woodlands Development Corporation, is developing a new community known as "The Woodlands", on the land included in the "Property", as hereinafter defined, affording well-planned residential, commercial, industrial, recreational, open space and institutional buildings, facilities and areas; and

WHEREAS, The Woodlands Community Association, Inc. ("WCA") has been formed for the purpose of providing a non-profit civic organization to serve as the representative of the residents and property owners of The Woodlands with respect to the assessment, collection and application of all charges imposed hereunder, the enforcement of all covenants and restrictions contained herein and all liens created hereby, and the creation, operation, management and maintenance of the facilities and services referred to hereinafter; and

WHEREAS, the within instrument is the Covenants, Restrictions, Easements, Charges and Liens of The Woodlands (the "Covenants") referred to in the Articles of Incorporation of WCA; and

WHEREAS, TWC accepts title to the lands described in Exhibit "A" of the deed to which these Covenants are attached as Exhibit "B", subject to the covenants, restrictions, easements, charges and liens imposed hereby in order:

(i) to provide funds for use as specified in Article IV hereof;
(ii) to grant rights, easements and privileges relating to the use of certain facilities, subject to the conditions set forth herein; and
(iii) to impose land use and design control criteria for the development of the Property; and

WHEREAS, the land described in Exhibit "A" of the deed to which these Covenants are attached as Exhibit "B" is and shall be a portion of the village designated in said Exhibit "A" for all purposes, including without limitation Section 9.02 of these Covenants and applicable provisions of the WCA By-Laws; and

WHEREAS, The Woodlands Development Corporation entered into that certain Project Agreement dated as of August 23, 1972, with the United States of America, represented by the Secretary of Housing and Urban Development (the "Secretary"), under which it agreed that the Secretary would have certain rights under the Covenants for the purpose of assuring that the Property would be used in accordance with the plan set out in the Project Agreement; and

WHEREAS, by mutual agreement of TWC and the Secretary, the Project Agreement has been terminated and the role of the Secretary under the Covenants has been eliminated; and

WHEREAS, these Covenants are the same Covenants set forth and contained in that certain General Warranty Deed dated January 11, 1974, from WCA to The Woodlands Development Corporation, recorded in Volume 841, Pages 297-352, of the Deeds Records of Montgomery County, Texas, covering 1937.2675 acres as therein described (the "January 11, 1974 Deed"), except that a) Section 10.03 of these Covenants has, with the

prior consent of the Secretary and in accordance with Section 6.01 of the Covenants attached to the January 11, 1974 Deed, been revised to read as hereinafter provided; and b) the rights and obligations of the Secretary under the Covenants have been deleted, except to the extent set out in Section 6.01 of these Covenants; and

WHEREAS, the lands described in Exhibit "A" attached to this Deed comprise a portion of the 17,455.2187 acres described in Attachment I to the Covenants as set forth and contained in the January 11, 1974 Deed; and

WHEREAS, pursuant to Article VI of the Covenants attached as Exhibit B to the January 11, 1974 Deed, it is the intention of the parties hereto, by this instrument, to annex the land described in Exhibit "A" attached to this Deed to the 1937.2675 acres covered by and described in the January 11,1974 Deed, so that all references to the "Property" in the Covenants as set forth and contained in the January 11, 1974 Deed and as hereinafter set forth, shall include the lands described in Exhibit "A" attached to this Deed, as fully and to the same extent as if said lands had been originally described in and covered by the January 11,1974 Deed; and

WHEREAS, it is the intention of the parties to cause the covenants, restrictions, easements, charges and liens herein set forth to burden, affect, bind and run with title to the lands described in Exhibit "A" of the Deed to which these Covenants are attached as Exhibit "B", so as to cause such covenants, restrictions, easements, charges and liens to be binding upon, inure to the benefit of and be enforceable by WCA and TWC and their successors and assigns; provided, however, that where the text of the Covenants indicates that it is the intention of the parties that either the burden or the benefit of a particular covenant is personal to one or more of the parties, the burden or benefit of that covenant shall not run with the title to the land;

NOW THEREFORE, the parties do hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01: **"Annual Assessment"** shall have the meaning specified in Section 2.03A.

Section 1.02: **"Assessable Property"** shall mean and refer to the surface of and aerial rights above the entire Property except such part or parts thereof as may from time to time constitute "Exempt Property", as hereinafter defined.

Section 1.03: **"Board"** shall mean and refer to the Board of Directors of WCA.

Section 1.04: **"Community Facilities"** shall have the meaning specified in Section 5.01.

Section 1.05: **"Covenants"** shall mean and refer to these Covenants, Restrictions, Easements, Charges and Liens, as the same may from time to time be supplemented or amended in the manner provided herein.

Section 1.06: **"Deed"** shall mean and refer to a deed, assignment or other instrument conveying the fee simple or leasehold interest in a "Lot" as hereinafter defined.

Section 1.07: **"Development Standards Committee"** (herein referred to as D.S.C.) shall have the meaning specified in Article IX.

Section 1.08: **"Dwelling Unit"** shall mean and refer to any building or portion of a building situated upon the Property designed and intended for use and occupancy as a residence by a single person, a family or a family sized group of persons.

Section 1.09: **"Easement Area"**- shall have the meaning specified in Section 11.02.

Section 1.10: **"Exempt Property"** shall mean and refer to the following portions or parts of the Property:

(i) all land and "Permanent Improvements", as hereinafter defined, owned by the United States, the State of Texas, Montgomery County, or any instrumentality, political subdivision or agency of any such entity;

(ii) all land and Permanent Improvements owned by WCA (or a Successor Entity as defined in Section 18.03 hereof) for so long as WCA (or such Successor Entity) shall be the owner thereof;

(iii) all land and Permanent Improvements exempt from both Montgomery County and the State of Texas real property taxes by virtue of applicable law.

Under no circumstances shall land used for residential, commercial, or industrial purposes be exempt from assessment.

Section 1.11: **"Improvement"** shall mean any physical change to a structure which alters the physical appearance of the structure, including by way of example, but not limited to, adding or removing square footage area space to or from a structure, painting or repainting a structure, or in any way altering the size, shape or physical appearance of any structure.

Section 1.12: **"Lot"** shall mean and refer to a portion of the Assessable Property, including any condominium unit, which is less than the whole thereof and which is platted, filed, and recorded in the Office

of the County Clerk of Montgomery County, Texas, and which is assessed by the appropriate public officials for the purpose of real estate taxes imposed by the State of Texas and Montgomery County, Texas.

Section 1.13: **"Members"** shall mean and refer to every person or entity who holds membership in WCA, as set forth in Article VII hereof.

Section 1.14: **"Notes"** shall mean and refer to all notes, bonds, debentures or other evidences of indebtedness issued and sold by WCA.

Section 1.15: **"Note Holder"** shall mean and refer to the holder of any Note and all trustees or other representatives of one or more such holders.

Section 1.16: **"Owner"** shall mean and refer to the holder of record title to the fee interest of any Lot whether or not such holder actually resides on any part of the Property.

Section 1.17: **"Permanent Improvements"** shall mean and refer to all buildings, structures and other matters and things which at the time of the assessment pursuant to Article II hereof, are taxable by the State of Texas or Montgomery County as real property under applicable law.

Section 1.18: **"Property"** as used in these Covenants shall mean and refer as follows:

(i) The 1937.2675 acres of land, more or less, described in that certain Deed dated January 11, 1974, from The Woodlands Community Association, Inc. to The Woodlands Development Corporation, recorded in Volume 841, Pages 297-352, of The Deeds Records of Montgomery County, Texas, and all existing or subsequent Permanent Improvements built thereon;

(ii) at the time of and following the execution hereof, the term "Property" shall mean all land described in Exhibit "A" attached to the deed from WCA to TWC to which these Covenants are attached as Exhibit "B" and all existing or subsequent Permanent Improvements built thereon;

(iii) from and after each addition to the land subjected to the "Covenants", (as herein defined in Section 1.05) pursuant to the provisions of Section 6.02 hereof, the term "Property" shall also include each new parcel of land and existing or subsequent Permanent Improvement built thereon.

Section 1.19: **"Resident"** shall mean and refer to:

(i) each owner of a Unit within the Property. Unit shall mean and include:

(a) the fee simple title to any Lot within the Property;
(b) the fee simple title to a unit in any condominium development within the Property; and
(c) any share, membership or other interest in any cooperative or other entity organized and operated for the purpose of making residential dwelling units available to its shareholders, members or other beneficiaries which share, membership or other interest entitles the owner thereof to possession of any residential Dwelling unit within the Property.

Each of the above, (a, b, and c inclusive), shall include contract sellers, but exclude those persons having an interest merely as security for the performance of an obligation.

(ii) each person domiciled on any part of the Assessable Property who is a lessee pursuant to a written or oral lease and has filed a statement of residency with WCA;

(iii) persons domiciled in a Dwelling Unit, other than owners or lessees, described in (i) and (ii) above.

Section 1.20: **"Structure"** shall mean and refer to:

(i) any thing or device, other than trees, shrubbery (less than two (2) feet high if in the form of hedge), and landscaping, the placement of which upon any Lot may affect the appearance of such Lot including but not limited to any building, garage, porch, shed, greenhouse or bathhouse, cabana, coop or cage, covered or uncovered patio, swimming pool, play apparatus, clothesline, fence, curbing, paving, wall or hedge more than two (2) feet in height, signboard or other temporary or permanent living quarters (including any house trailer) or any other temporary or permanent improvement to such Lot;

(ii) any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel from, upon or across any Lot; and

(iii) any change in the grade of any Lot of more than six (6) inches from that existing at the time of purchase by each Owner .

Section 1.21: **"TWC"** shall mean and refer to The Woodlands Corporation, and any successor thereto.

Section 1.22: **"WCA"** shall mean and refer to The Woodlands Community Association, or to a Successor Entity, as defined in Section 18.03 hereof.

Section 1.23: **"WCA Articles"** shall mean and refer to the Articles of Incorporation of WCA.

Section 1.24: **"WCA By-Laws"** shall mean and refer to the By-Laws of WCA as they may be amended from time to time according to their terms.

ARTICLE II
ASSESSMENTS AND CHARGES

Section 2.01: **Creation of the Lien and Personal Obligation of Assessments.** TWC, for each Lot owned within the Property, hereby covenants and each Owner of any Lot by acceptance of a Deed therefor, whether or not it shall be so expressed in such Deed, is deemed to covenant and agree to pay to WCA such annual assessments as may be established pursuant to Section 2.03.

The annual assessments, together with interest, costs, and reasonable attorney fees incurred in the satisfaction of unpaid assessments, shall be a lien upon each Lot against which such assessments are made and shall continue until said lien is satisfied or paid.

TWC, for each Lot owned with the Property, hereby covenants to be personally liable for any and all assessments, assessed prior to purchase by another Owner, provided however, TWC will share pro-rata with the purchaser the burden of any assessment made during the year of

purchase. Each Owner of any Lot, by acceptance of a Deed to such Lot, shall have covenanted for good and valuable consideration, the sufficiency and receipt of which is acknowledged thereby, to be personally liable for any and all assessments, which are assessed subsequent to purchase and prior to purchase by another owner, and a pro-rata share of all assessments made in the year of purchase of said Lot by Owner. Any and all interest, costs, and reasonable attorney fees incurred in the satisfaction of unpaid assessments shall be a personal obligation of the Owner.

Section 2.02: **Purpose of Assessments.** WCA shall apply the Annual Assessments generally to promote the recreation, health, safety and welfare of the new community and its residents and, for the creation, improvement and maintenance of the Community Facilities.

Section 2.03: **Annual Assessment.**

A. For the purpose of providing funds for the uses specified in Article IV hereof, the Board shall in each year (for this Article II, year shall mean January 1 to December 31), commencing with the calendar year next succeeding after the Deed to which this Exhibit "B" is attached is filed for record with the County Clerk of Montgomery County, Texas, assess against the Assessable Property a charge which shall be uniform with respect to all Assessable Property equal to a specified number of cents (not in excess of seventy-five cents) for each One Hundred Dollars ($100) of the then current "Assessed Valuation", as herein defined, of the Assessable Property. In making each such assessment, the Board shall separately assess each Lot, and each such Lot shall be charged with and subject to a lien for the amount of such separate assessment which shall be deemed the "Annual Assessment" with respect to such Lot. From and after January 1 of the year in which the first Annual Assessment is made by the Board, the dollar amount of the Annual Assessment of each Residential Lot may be increased above the limit specified in Section 2.03 hereof, if and when such is attained, when the following action is taken:

(i) Board shall at the time of the Annual Assessment find and certify that the percent of change of the *Consumer Price Index - All items, 1967 equals 100*, as defined by the U. S. Department of Labor, Bureau of Labor Statistics for the year next preceding the year for which the Annual Assessment is being made has increased no less than four percent (4%) during said preceding year; and

(ii) The Board shall make a determination and shall certify that a cost of living increase of up to, but not to exceed, the amount of the percentage increase over the preceding year of the *Consumer Price Index - All items, 1967 equals 100*, is necessary to meet the expenses, costs of operation and planned expansion of WCA.

(iii) The Board by a majority vote of all Board members present in person and voting at a meeting called for the purpose of increasing the Annual Assessment above the limit specified in Section 2.03A hereof, may increase the Annual Assessment over and above the limitations specified in said Section; however, any such increase shall not be more than the percentage increase in the *Consumer Price Index -All items, 1967 equals 100*, for the year next preceding the year for which the assessment is being made. The Board shall not increase the Annual Assessment except pursuant to this Section 2.03 and shall not take formal action on or impose a cost of living increase in the Annual Assessment more than once in any calendar year .

(iv) Any such cost of living increase in the Annual Assessment shall remain in effect; and any increase shall not be deemed to limit the Board's authority to increase the annual assessment in succeeding years provided, however, that increases are made in accordance with this Section 2.03.

(v) If the U. S. Department of Labor, Bureau of Labor Statistics ceases to publish the *Consumer Price Index - All items, 1967 equals 100*, the Board shall select such other indices which in their judgement reflect the then broad range of economic factors represented in the said *Consumer Price Index - All Items, 1967 equals 100*.

B. As herein used, "Assessed Valuation" shall mean:

(1) The highest value on land and Permanent Improvements based on the true market value. True market value shall be evidenced by sales price or bona fide appraisal or such other means in a manner satisfactory to the Board, until a value is determined, pursuant to (2) below, when Assessed Valuation shall become the assessed valuation made by Montgomery County, Texas.

(2) The highest value placed on land and Permanent Improvements in accordance with Article 8, Section 20, of the Constitution of the State of Texas for Ad-Valorem or Real Property tax purposes in the next preceding year by Montgomery County, Texas, or by the State of Texas, whichever may be higher, as assessed or determined in such manner as may from time to time be provided by applicable law, without considering any adjustment which may be made to said value due to the application of the assessment ratio then employed by said County or State, and regardless of any decrease of such valuation during such year by reason of protest, appeal or otherwise;

(3) If both Montgomery County and the State of Texas shall cease to impose real estate taxes, then "Assessed Valuation" shall mean in each year thereafter the highest assessed valuation placed on land and Permanent Improvements during the last year when either Montgomery County or the State of Texas shall have imposed a real property tax pursuant to Section 2.03B(2); provided, however, that if said provisions of this Section 2.03B(3) are unsatisfactory to the Board, the Board may adopt an alternative method of assessment which will provide a sufficient cash flow to meet the obligations of WCA, after proper notice and meeting of the Members, at which the Members ratify the use of such alternative pursuant to the voting procedure described in Article VII hereof and in the WCA By-Laws.

C. Prior to January 1 of each year, WCA shall send a written statement of assessment to each Owner or to his designee, or to the mortgage company holding a first lien upon the Lot, if the Owner has notified WCA in writing that the Annual Assessment is to be paid out of escrow funds established and collected by said mortgage company, for the purpose of paying the Annual Assessment, stating (i) the Assessed Valuation of each Lot owned by such Owner; (ii) the number of cents per One Hundred Dollars ($100) of such valuation assessed by the Board as the rate of assessment for the year in question; (iii) the amount of the Annual Assessment assessed against each such Lot, stated in terms of the total sum due and owing as the Annual Assessment; and (iv) that unless the Owner shall pay the Annual Assessment within sixty (60) days following the

date for such payment specified in the statement the same shall be deemed delinquent and will bear interest at the rate of seven and one tenth percent (7.1%) per annum on the unpaid portion of the Annual Assessment until paid.

Section 2.04: User Fees and Charges.

A. The Board, in addition to the Annual Assessment, by a majority vote, may levy and collect charges and fees for the operation and maintenance of facilities and services which the Board determines to be necessary for the advancement, benefit and welfare of the Property.

B. In establishing user fees, the Board may formulate reasonable classifications of users. Such fees must be uniform within each class but need not be uniform from class to class.

C. If a Resident shall fail to pay a charge or fee when due and payable, said unpaid charge or fee shall be delinquent and upon written notice mailed to said Resident by first class mail shall become a personal debt of said Resident.

D. Failure of any Resident to pay said fee and charge when due and payable, in addition shall be a breach of these Covenants and shall result in suspension of said Resident's rights or privileges as set forth in Article V, provided, however, that upon request WCA shall refund the unused portion of any user fees such Resident may have paid for the use of other Community Facilities from which such Resident is barred while his rights and privileges are suspended.

Section 2.05: Rights of Enforcement of Lien. If the Owner of any Lot shall fail to pay the Annual Assessment within sixty (60) days following the date for such payment specified in the Annual Statement of Assessment, in addition to the right to sue the Owner individually, WCA shall have the right to enforce the lien hereinafter imposed to the same extent, including a foreclosure sale and deficiency decree, and (to the extent the appropriate court will accept jurisdiction) subject to the same procedures, as in the case of mortgages under the applicable law, and the amount due by such Owner shall include the Annual Assessment, as well as the cost of such proceedings, including reasonable attorney's fees and interest.

Section 2.06: Assessment by Board. The Board shall have the right to adopt procedures for the purpose of making the assessments provided herein and the billing and collection of the Annual Assessments, and user fees and charges, provided that the same are not inconsistent with the provisions hereof.

Section 2.07: Certification of Annual Assessment. Upon written request by an Owner, WCA shall within a reasonable period of time, issue to such Owner a written certificate stating that all Annual Assessments, (including interest and costs), and User Fees and Charges, have been paid with respect to any specified Lot; and if all assessments and charges have not been paid, setting forth the amount of such assessments and charges (including interest and costs, if any) due and payable as of the date of the certificate. WCA may make a reasonable charge for the issuance of such certificate. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with regard to any matter therein stated as between WCA and any bona fide purchaser, or lender, on the Lot specified in such certificate.

ARTICLE III
IMPOSITION OF CHARGE AND LIEN UPON PROPERTY

Section 3.01: **Covenant to Pay Assessment and Conditions Creating Lien.** TWC for itself, its executors, successors, administrators and assigns, and each Owner of any Lot by acceptance of a Deed therefor, or by entering into a contract of purchase with TWC whether or not it shall be expressed in any such Deed, contract of purchase, or other conveyance, hereby covenants and agrees:

(1) That he will pay to WCA the Annual Assessment, and user fees and charges, if applicable, assessed by WCA in each year; and

(2) That the Annual Assessment, together with the continuing obligation to pay all future Annual Assessments, assessed in all future years, shall be and remain a charge against, and a continuing lien upon the Assessable Property.

Said charge and lien shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon the Assessable Property (or the Exempt Property to the extent that the same may later become Assessable Property) whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, excepting only mortgages insured by the Federal Housing Administration, the Veterans Administration or any successor to said agencies, unless with such agencies prior approval, and such liens for taxes or other public charges as are by applicable law made superior; provided, however, that such subordination to purchase money mortgages shall apply only to the Annual Assessment which has become due and payable prior to a sale or transfer of any Lot on account of the foreclosure of any such purchase money mortgage, or on account of any other proceeding in lieu of foreclosure. Such sale or transfer at foreclosure or in lieu of foreclosure shall not relieve any Lot from liability for any Annual Assessment thereafter becoming due. Nothing in the above is to be construed so as to constrain or impair the payment to the proper parties of the proceeds of any subordinated lien, to the extent of any funds remaining, after foreclosure and sale.

Section 3.02: **Owner's Liability for Payment of Assessments.** In addition to taking subject to the charge and lien imposed by Section 3.01 hereof, each Owner of each Lot by the acceptance of a Deed therefor or by entering into a contract of purchase with TWC, whether or not it shall be so expressed in such Deed or contract for purchase as part of the consideration of said Deed, shall be deemed to have covenanted, bargained and agreed to be personally liable for the payment of each Annual Assessment, which is assessed by WCA during any year in which Owner holds title to said Lot.

ARTICLE IV
USE OF FUNDS

Section 4.01: **Purposes for Which Funds May Be Used.** WCA shall apply all funds received by it pursuant to these Covenants and all other funds and property received by it from any source, including the proceeds of the loans referred to in Section 4.02 and the surplus funds referred to in Section 4.03, to the following *pro tanto* and in the order stated:

(1) the payment of all principal and interest when due, on all loans made to WCA, to the extent required under any agreement with Note Holders referred to in Section 4.02 hereof;

(2) the operating costs and expenses of WCA; and

(3) for the benefit of the Property devoting the same to the acquisition, construction, reconstruction, conduct, alteration, enlargement, laying, renewal, replacement, repair, maintenance, operation and subsidizing of such of the following as the Board, in its discretion, may from time to time establish or provide:

any or all projects, services, facilities, studies, programs, systems and properties relating to: parks, recreational facilities or services; drainage systems; streets, roads, highways, walkways, curbing, gutters, sidewalks, trees, flowers and landscaping, fountains, benches, shelters, directional and informational signs, walkways, and bridges, and street, road and highway lighting facilities; facilities for the collection, treatment and disposal of garbage and refuse, mass transit systems, stations and terminals, airfields, airports, air terminals, and associated facilities; facilities for the fighting and prevention of fires; public utility systems; communication systems and facilities including all buildings, systems, facilities or properties used or useful in connection with the operation of communication networks and facilities, towers, stations, cables, lines, ducts, equipment and appurtenances and all properties, rights, easements and franchises relating thereto; office buildings, buildings, storage and maintenance yards, garages and other buildings and facilities deemed necessary or desirable by the Board in connection with the administration, management, control and operation of WCA; auditoriums, galleries; halls, amphitheaters, theaters, arenas and stadia, facilities, including equipment, supplies and accessories in connection therewith, educational buildings, libraries, including books, supplies and accessories in connection therewith; hospitals and clinics, including equipment, medicines, supplies and accessories in connection therewith; traffic engineering programs and parking facilities; facilities for animal rescue, marinas, equestrian centers and facilities, skeet, trap and rifle ranges, bowling alleys, and other related or unrelated recreational facilities; and any and all other improvements, facilities and services that the Board shall find to be necessary, desirable or beneficial for the advancement and in the best interest of the Property.

Section 4.02: **Handling of Funds.** In order to secure the repayment of any and all sums borrowed by it from time to time, the Board is hereby granted the right and power:

(1) to assign and pledge revenues received, and to be received by it, under any provision of these Covenants, including, but not limited to, the proceeds of the Annual Assessments payable hereunder;

(2) to enter into agreement with Note Holders with respect to the collection and disbursements of funds, including, but not limited to, agreements wherein WCA covenants:

(a) to assess the Annual Assessments n a given day in each year and, subject to the limitation on amount specified in Article II, to assess the same at a particular rate or rates;

(b) to establish sinking funds and/or other security deposits;

(c to apply funds received by WCA to the payment of all principal and interest, when due, on such loans, or to apply the same to such purpose after providing for costs of collection;

(d) to establish such procedures as may be required by the Note Holders, but not inconsistent with these Covenants;

(e) to provide for the custody and safeguarding of all funds received by WCA.

The amount, terms, rate or rates of all borrowing and the provisions of all agreements with Note Holders, except as provided for in Section 4.05, shall be subject to the decision of the Board; provided, however that (i) the interest rate of any borrowing from TWC shall be determined in accordance with the provisions of Section 4.05, and (ii) the amount and schedule of repayment of any borrowing shall be such as will, in the opinion of the Board, assure that such repayments will not at any time impair the ability of WCA to carry out its functions in a satisfactory manner.

Section 4.03: **Accumulation of Funds Permitted.** WCA shall not be obligated to spend in any calendar year all the sums collected in such year by way of Annual Assessment or otherwise, and may carry forward as surplus any balances remaining; nor shall WCA be obligated to apply any such surpluses to the reduction of the amount of the Annual Assessments in the succeeding year, but may carry forward from year to year such surplus as the Board may determine to be desirable for the greater financial security of WCA, and the effectuation of its purposes.

Section 4.04: **Bonding.** WCA, acting through its Board, may require that all persons or entities who handle WCA funds or monies post bond sufficient in amount to indemnify WCA from any loss.

Section 4.05: **Advances by TWC.** Advances by TWC shall be made in cash, or services at their "fair market value", or by means of the conveyance of personal property at cost to WCA. Cash advances will be made by TWC to WCA in amounts required to make up for any cash deficit. In the computation of cash deficit, all amounts paid by WCA on account of principal for long term obligations shall be a deduction. All such advances shall be evidenced by promissory notes of WCA to bear interest at TWC's cost of borrowing, either the lesser of: (1) the prime interest rate charged by Bank One, Texas, National Association, Houston, Texas, at the time the advance is made, if such funds are available, or (2) eight and 25/100 per cent (8.25%) per annum.

The obligation of TWC to make advances to the Association pursuant to the foregoing shall continue to the close of the second fiscal year of WCA in which the Class A Members have the right to elect a majority of the Board.

The burden of this covenant is personal to TWC, whereas the benefit runs with the title to the land.

Section 4.06: **Mortgaging of Community Facilities.** Except as set forth below, WCA may mortgage any Community Facility; provided, however, that so long as TWC has the right to elect a majority of the Board, any such mortgage shall be subject to the approval of two-thirds (2/3) of the Class A Members present and voting at a duly constituted meeting of WCA, pursuant to the WCA By-laws; thereafter, such mortgages shall be subject to the approval of two-thirds (2/3) majority of the Board.

WCA shall not mortgage any Community Facility to TWC or to any other entity or person to secure any conveyance, loan, or advance made to WCA by or on behalf of TWC.

TWC shall not take any action the result of which may be to subject any Community Facility to a judgment lien or otherwise risk any Community Facility to satisfy a debt of TWC.

Section 4.07: **WCA Budget.** WCA shall cause to be prepared an annual operating budget in accordance with the provisions of the WCA By-Laws.

ARTICLE V
RIGHTS OF ENJOYMENT IN COMMUNITY FACILITIES

Section 5.01: **Establishment and Use of Community Facilities.** TWC will convey to WCA, subsequent to the recordation of these Covenants, a certain tract or tracts of land within the Property with appropriate restrictions and assurances that said tract(s) will be used for park, recreational or other community purposes. Said tract(s) together with other land identified as common property in plats recorded with the County Clerk of Montgomery County, Texas, are collectively referred to as "Community Facilities". Subject to the other provisions of this section, TWC shall have the right to convey any land intended to be used for "Community Facilities", except that the Board may in its absolute discretion refuse to accept by written notification to TWC any such conveyance of land from TWC. TWC may convey such land either by gift, or if improved, for a consideration equal to the cost of the facilities or improvements situated thereon at the time of conveyance. Such consideration may be cash or in any other form of consideration which WCA and TWC shall mutually agree upon. For the purpose of this section, cost shall mean the actual amounts expended to construct or complete the Community Facilities or improvement situated upon such land (excluding the cost of land devoted to such facilities or improvements).

Every Owner, by reason of such ownership, shall have a right and easement of enjoyment in and to all Community Facilities, and such easement shall be appurtenant to and shall pass with every Lot upon transfer. All Residents (other than Owners) shall have a non-transferable privilege to use and enjoy all Community Facilities for so long as they are Residents. All such rights, easements and privileges, however, shall be subject to the right of WCA to adopt and promulgate reasonable rules and regulations pertaining to the use of Community Facilities which shall enhance the preservation of such facilities, the safety and convenience of the users thereof, or which, in the discretion of the Board, shall serve to promote the best interests of the Residents, including the making available of certain Community Facilities to school children, with or without charge. WCA shall have the right to borrow money for the purpose of developing or improving any Community Facility and in aid thereof, and in accordance with Section 4.06, to mortgage the same and the rights of any such mortgagee shall be superior to the easements herein granted and assured.

Section 5.02: **Suspension of Rights.** WCA shall have the right to suspend the right or privilege under this Article V of any Resident, for any reasonable period during which the Annual Assessment, or User Fees and Charges assessed under Article II hereof remain delinquent or may suspend said right or privilege in connection with the enforcement of any rules and regulations relating to Community Facilities in accordance with the provisions of this Article V.

Section 5.03: **Right to Enjoyment of Land.** Any guest, or invitee of an Owner or a Resident shall be entitled to a right or privilege of enjoyment of Community Facilities subject to such regulations as may be promulgated by the WCA Board.

Section 5.04: **Right to Convey Property to Public Body.** Notwithstanding the rights, easements and privileges granted under this Article V, WCA shall have the right and power to convey any property referred to in Section 5.01 hereof free and clear of all such rights, easements and privileges if such conveyance is to a public body for public use; provided, however, that during the period prior to the time that the Class A Members have the right to elect a majority of the Board any such conveyance shall be subject to approval by a vote of three-fifths (3/5ths) of the Class A Members of WCA present and voting in person or by proxy and the Class B Member, voting pursuant to the provisions of the By-Laws of WCA, and thereafter such conveyance shall be subject to the approval of a three-fifths (3/5ths) vote of the Board, providing that no such conveyance shall be made in violation of any restrictions affecting the property so conveyed.

ARTICLE VI
THE PROPERTY SUBJECT TO THE COVENANTS AND AGREEMENT ANNEXATION OF ADDITIONAL LANDS

Section 6.01: **Covenants of Property.** The Property described in Exhibit "A" attached to the deed to which these Covenants are attached as Exhibit "B", is a portion of a larger area of land, owned by TWC, described in Attachment I, attached hereto and made a part hereof for all purposes. Prior to August 22, 1992, TWC intends to annex additional portions of such larger area of land and subject the same to the terms of these Covenants in the manner prescribed in Section 6.02 hereof. Each Resident, by the act of becoming such, shall be taken to have acknowledged and agreed:

(1) that the Property described in Exhibit "A" attached to the deed to which these Covenants are attached as Exhibit "B", and such property as may be annexed pursuant to Section 6.02 hereof shall be the only Property subject to the Covenants;

(2) subject to the last paragraph of this Section 6.01 neither anything contained in these Covenants nor in any other recorded or unrecorded plat, map, picture, drawing, brochure or other representation of a scheme of development, shall be construed as subjecting, or requiring TWC or any successor or assignee to subject, to these Covenants any property or land now or hereafter owned by it other than that described in Exhibit "A" attached to the deed to which these Covenants are attached as Exhibit "B";

(3) that the only manner in which any additional land can be subjected to these Covenants shall be by and in accordance with the procedure set forth in Section 6.02 hereof.

Prior to selling land outside the Property but within the boundaries of the land described in Attachment I, hereto, TWC will cause such land to become subject to the terms of these Covenants or record a new set of covenants on such land which are approved by the Secretary of the Department of Housing and Urban Development or any authorized representative.

Any land described in Attachment I, attached hereto, which is conveyed to the State of Texas or political subdivisions thereof or Montgomery County, Texas, shall not be subjected to the provisions of these Covenants.

Section 6.02: **Annexation of and Recording of Additional Land.** Subject to the provisions of Section 6.01, TWC may, from time to time, annex additional lands to the Property, and thereby subject the same to these Covenants by the execution and filing for recordation in the Office of the County Clerk of Montgomery County, Texas, of an instrument expressly stating intentions so to annex and describing such additional lands to be so annexed and the Covenants, Restrictions,

Easements, Charges and Liens applicable thereto.

ARTICLE VII
THE WOODLANDS COMMUNITY ASSOCIATION

Section 7.01: **Members.** WCA shall have two classes of Members, Class A and Class B.

Class A Members shall be:

(1) all Owners other than TWC; and
(2) all other Residents.

Class B Member shall be TWC.

After the Class A members elect a majority of the Board of Directors of WCA, the Class B membership, for all purposes except that of electing the Board of Directors, shall terminate and TWC shall become a Class A Member and continue as such, so long as it shall remain an Owner.

Section 7.02: **Voting Rights.** There shall be two classes of voting Members, Class A and Class B until the later to occur of August 22, 1992 or the date when there are 39,000 Dwelling Units occupied by Residents.

Class A. Each Class A Member eighteen (18) years of age or over shall be entitled to one (1) vote, provided that:

(1) Any Class A Member who is in violation of the Restrictions, as determined by the majority of the Board, pursuant to the provisions of these Covenants, shall not be entitled to vote during any period in which such violation continues. Any Member who is delinquent in the payment of any Annual Assessment, or other fees or charges (other than user fees as defined in Article II hereof or charges for services or facilities whose use is voluntary), and levied pursuant to the provisions of these Covenants, shall not be entitled to vote during any period in which any such fees or assessments are delinquent.

(2) The Board may make such regulations, consistent with the terms of the Covenants and the WCA By-Laws as it deems advisable for any meeting of members, in regard to proof of membership in WCA, evidence of right to vote, the appointment and duties of inspectors of votes, registration of Members for voting purposes, and such other matters concerning the conduct of meeting and voting as it shall deem fit.

Class B. The Class B Member (TWC) shall have one (1) vote.

Section 7.03: **Board of Directors.** The affairs of WCA shall be managed initially by a board of three (3), elected by the Class B Member, until the first annual meeting of Members. Beginning with such meeting the Board shall consist of nine (9) director positions, eight (8) of whom shall be elected by the Class B Member and one (1) of whom shall be elected by the Class A Members, increasing to a total number of fifteen (15) director positions. The directors need not be Members of WCA.

Except for the Initial Directors, Directors shall be elected for two (2) year terms of office and shall serve until their respective successors are elected and qualified. Any vacancy which occurs in the initial or any subsequent Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Board by the affirmative vote of a majority of the remaining Directors representing the same class of Members who elected the Director whose position has become vacant; provided, however, that until there are three or more Class A Directors, any such vacancy in a Class A Director position shall be filled at a special meeting of the Class A Members. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he was elected to fill.

Director Position 1 shall be elected only by Class A Members, beginning with the first annual meeting of Members.

When there are 1500 Dwelling Units occupied by Residents, then, and in such event, at the next succeeding annual meeting of Members, and thereafter Director Position 2 shall be elected only by Class A Members.

When there are 6500 Dwelling Units occupied by Residents, then, and in such an event, at the next succeeding annual meeting of Members, and thereafter Director Position 3 shall be elected only by Class A Members.

When there are 11,500 Dwelling Units occupied by Residents, then, and in such event, at the next succeeding annual meeting of Members, and thereafter Director Position 4 shall be elected only by Class A Members.

When there are 16,500 Dwelling Units occupied by Residents, then, and in such event, at the next succeeding annual meeting of Members, and thereafter Director Position 5 shall be elected only by Class A Members.

When there are 21,500 Dwelling Units occupied by Residents, then, and in such event, at the next succeeding annual meeting of Members, and thereafter Director Position 6 shall be elected only by Class A Members.

When there are 26,500 Dwelling Units occupied by Residents, then, and in such event, at the next succeeding annual meeting of Members, and thereafter Director Position 7 shall be elected only by Class A Members.

Director Position 8 shall be elected by the Class B Member until there are 39,000 Dwelling Units occupied by Residents. Then, and in such an event, at the next succeeding annual meeting of Members and thereafter, Director Position 8 shall be elected only by Class A Members.

Director Position 9 through 15 inclusive shall be elected by the Class B Member until the annual meeting of Members in 1992, after which Director Positions 9 through 15 inclusive shall be elected by Class A Members.

The Board, no later than 45 days prior to the annual meeting of the Members to elect directors to the Board, shall file with WCA and the Members by mail, to the last known address of the member on file with WCA, a Certification of Dwelling Units. Said Certification shall be posted in prominent places throughout the Property. Such Certification of Dwelling Units shall state the number of Dwelling Units occupied by Residents and the Directors to be elected by Class A Members and Directors to be elected by the Class B Member. Said Directors to be elected in accordance with the provisions of the WCA By-Laws.

ARTICLE VIII
COVENANTS FOR MAINTENANCE

Section 8.01: **Maintenance Required by Owner.** Each Owner shall keep all Lots owned by him, and all improvements therein or thereon, in good order and repair, including but not limited to, the seeding, watering and mowing of all lawns, the pruning and cutting of all trees and shrubbery and the painting, (or other appropriate external care), of all buildings and other improvements, all in a manner and with such frequency as is consistent with safety and good property management. The Development Standards Committee (herein referred to as the D.S.C.) or WCA, and their agents, during normal business hours, shall have the right (after 15 days written notice to the Owner of any Lot involved, setting forth the specific violation or breach of this covenant and the action required to be taken, and if at the end of such time reasonable steps to accomplish such action have not been taken by the Owner), to take the action(s) specified in the notice to remedy or abate said violation(s) or breach(es). The cost of such remedy or abatement will be paid to the D.S.C. upon demand and if not paid within thirty (30) days thereof, shall become a lien upon the Lot affected. The D.S.C., or its agent, shall further have the right, (upon like notice and conditions), to trim or prune, at the expense of the Owner, any hedge, tree or any other planting that, in the written opinion of the D.S.C., by reason of its location on the Lot, or the height to, or the manner in which it is permitted to grow, is detrimental to the adjoining Lots or is unattractive in appearance. The lien provided under this section shall not be valid against a bona fide purchaser (or bona fide mortgagee) of the Lot in question unless a suit to enforce such lien shall have been filed in the court of record, or notice thereof shall have been filed in the Office of the County Clerk of Montgomery County, Texas, prior to the recordation among the Deed & Deed of Trust Records of Montgomery County, Texas, of the deed, (or mortgage), conveying the Lot in question to such purchaser, (or subjecting the same to such mortgage). In all other matters, this charge will constitute a lien retained against such property with the same force and effect as the lien for assessment set forth in these Covenants.

ARTICLE IX
DEVELOPMENT STANDARDS COMMITTEE

S**ection 9.01:** **Organization of Development Standards Committee.** The Development Standards Committee (hereinafter referred to as the D.S.C.), shall be comprised of seven (7), individuals, at least five (5), of whom shall have experience in architecture, engineering, contracting, building code enforcement, or a related field. Prior to August 22, 1992 the members of the D.S.C. shall be appointed from time to time by TWC, and the D.S.C. shall be a function of TWC, with TWC paying all costs of the D.S.C. From and after August 22, 1992, the members of the D.S.C. shall be appointed from time to time by WCA, and the D.S.C. shall be a function of WCA, with WCA paying all costs of the D.S.C.

Section 9.02: **Organization of Residential Design Review Committee.** The Property will be developed and divided into three or more villages, each such village having an incorporated village association meeting the standards of organization and membership prescribed by the Board. Upon either determination by WCA, or upon presentation of a petition of fifty (50) Members of a village to WCA, a Residential Design Review Committee (hereinafter referred to as an RDRC) shall be established. Each RDRC shall consist of three (3) or more individuals elected for a term of one year by the Members of the village. The election shall be held at such time and in such manner as determined by the Director(s) elected by the Class A Members, or in the event that an incorporated village association, controlled by the Members of a village, is formed, then at such time and in such manner as determined by such association. The costs of an RDRC, reasonable and necessary to perform its functions hereunder, shall be approved and paid by

WCA. As used herein, "Member of a village" means a Member who is either domiciled in or who owns a Lot in a village.

Section 9.03: **Establishment and Amendment of Rules and Policies.** The D.S.C. shall promulgate rules and regulations governing the improvement of Lots including, but not limited to, the form and content of plans and specifications for specific Structures or Improvements. The D.S.C. may also issue statements of policy with respect to the approval or disapproval of the architectural style, details of construction or other aspects of Structures or Improvements which may be presented for approval. Such rules and regulations and such statements of policy may be amended or revoked by the D.S.C.

It shall be the responsibility of an RDRC to inform its members of such amendment or revocation and to receive comments thereon. If substantial public comment is made, an open meeting shall be held by each RDRC concerned. It shall further be the responsibility of an RDRC to convey the substance of such comments to the D.S.C.

It shall be the responsibility of each applicant to inform himself of the current rules and regulations and statements of policy promulgated by the D.S.C. and all amendments thereto and revocations thereof, as of the date of application for D.S.C. consideration. Failure by the applicant to so inform himself shall not bind the D.S.C. to approve or disapprove any feature or matter submitted to it, or to waive the exercise of the D.S.C.'s discretion as to any such matter. No change of policy shall affect the finality of any approval granted prior to such change. Approval for use on any Lot of any plans or specifications shall not be deemed a waiver of the D.S.C.'s right to disapprove such plans or specifications, or any of the features, or elements included therein, if such plans, specifications, features, or elements are subsequently submitted for use on any other Lot or Lots. Approval of any such plans and specifications relating to any Lot, however, shall be final as to that Lot and such approval may not be revoked or rescinded thereafter, provided:

(1) that the Structures or uses shown or described on or in such plans and specifications do not violate any specific prohibition contained in this Declaration; and

(2) that the plans and specifications, as approved, and any condition attached to any such plans and specifications have been adhered to and complied with in regard to all Structures on, and uses of, the Lot.

All such rules and regulations and statements of policy shall be in the best interest of the Property. Copies of rules and regulations and statements of policy shall be made available to Class A Members and other interested parties.

Section 9.04: **Building Codes.** Unless and until a political subdivision of the State of Texas regulates such matters by law in the Woodlands, the rules and regulations promulgated by the D.S.C. pursuant to Section 9.03 shall include building codes governing all types of construction on the Property, a fire code, a housing code, and other similar codes as the D.S.C. deems necessary and desirable. To the extent possible, these codes shall (1) be performance based, (2) encourage the use of new technologies, techniques and materials, and (3) be compatible with the codes of the City of Houston to the extent that is consistent with (1) and (2) of this section. The adoption of a nationally recognized, model code shall be deemed to comply with these criteria. These building codes and other codes shall be printed and made available for inspection or purchase to all interested parties at the principal office of the D.S.C. After such building codes and other codes have been published, submissions to the D.S.C. may incorporate them by reference.

Section 9.05: **Operations of the D.S.C.** The D.S.C. shall hold regular meetings at least every three months or more often as may be determined by the members of the D.S.C. Special meetings of the D.S.C. may be called by the Chairman of the D.S.C., and shall be called by the Chairman upon the written request of a majority of the members of the D.S.C., then in office. Regular and Special meetings of the D.S.C. shall be held at such time and at such place as the members of the D.S.C. shall specify, on the Property. Notice of each meeting of the D.S.C. shall be mailed to each member thereof at his residence, or his usual place of business at least three days before the meeting is to be held. Such notices need not specify the purpose or purposes for which the meeting has been called. At each meeting of the D.S.C., the presence of a majority of the members then in office shall be necessary to constitute a quorum for the transaction of business.

In the absence of a quorum, a majority of the members present, at any meeting, may adjourn the meeting until a quorum is obtained. Any business which might have been transacted at a meeting so adjourned may be transacted at the next meeting at which a quorum is present.

Except as hereinafter provided, the affirmative vote of a majority of the D.S.C. members present and voting shall be required:

(1) to adopt or promulgate any rule or regulation;

(2) to make any finding, determination, ruling or order; or

(3) to issue any permit, authorization or approval pursuant to directives or authorizations contained herein; and

(4) to act upon any other business properly before the D.S.C.

With regard to review of plans and specifications as set forth in this Article IX, each member of the D.S.C. shall be authorized to exercise the full authority granted herein to the D.S.C., so long as such authority does not conflict with any rules, regulations, directions, or other rules and regulations promulgated by the D.S.C. Each member of the D.S.C. exercising the full authority of the D.S.C. shall cause complete and accurate records of his exercise of this authority to be inserted as soon as reasonably practicable, into the official minutes and records of the D.S.C. The granting of any approval, permit, or authorization by one such member in accordance with the terms hereof, shall be final and binding. Any disapproval, or approval based upon specified conditions, or a modification of submitted plans and specifications by one such member shall also be final and binding, provided however, that in any such case, any applicant for such approval, permit or authorization may within ten (10) days after receipt of notice of any such adverse decision, modification or specified conditions, file a written request to have the matter in question reviewed by the entire D.S.C. Upon the filing of any such request, the matter with respect to which such request was filed shall be submitted to and reviewed, as soon as possible by the entire D.S.C. Thereafter, the decision of a majority of the members of the D.S.C. with respect to such matter shall be final and binding.

The D.S.C. shall maintain both minutes and a record of votes for each of its meetings. The D.S.C. shall make such minutes and records available for inspection by members of WCA at its offices during regular business hours.

Section 9.06: **Operations of Residential Design Review Committees.** Each RDRC shall hold regular meetings at least monthly, or more often as may be determined by its members. Regular meetings shall be open to all Members. Notice of the time and place of such meetings shall be posted at appropriate places throughout the village involved. Special meetings of such a Committee

may be called by the Chairman upon three days written notice mailed to the residence or usual place of business of each member of the Committee, and of each person having business with the Committee. The presence of a majority of a Committee's members shall be necessary to constitute a quorum for the transaction of business. The act of a majority of members present at any meeting shall be required for action of a Committee on any matter before it.

Each RDRC shall maintain both minutes and a record of votes for each of its meetings and shall make such records and minutes available for inspection by Members, the D.S.C., or other interested parties at the offices of the appropriate incorporated village association.

Section 9.07: **Land Use Designation.** From time to time, on plats prepared in accordance with local law and filed with the appropriate public body or bodies, TWC shall designate the particular land use for each parcel or Lot owned by TWC. After a parcel or Lot shall no longer be owned by TWC, there shall be no change in the designation of such parcel or Lot except with the mutual consent of the Owner thereof and the D.S.C., in addition to such governmental approvals as may be required.

Section 9.08: **Construction and Alteration of Improvements.** No Structure shall be commenced, moved, erected, placed, moved onto, or permitted to remain on any Lot, nor shall any existing Structure upon any Lot be altered in any way which materially changes the exterior appearance thereof, nor shall any new use be commenced on any Lot, unless a complete set of plans and specifications, (including a full description of any new use), satisfactory to the D.S.C., shall have been submitted to and approved in writing by the D.S.C. Such plans and specifications shall be in the form and contain the information required by the D.S.C., but in any event shall include:

(1) a complete set of construction plans and specifications, or plans and specifications satisfactory to the D.S.C.;
(2) a site plan of the Lot showing the nature, exterior color scheme, kind, shape, height proposed construction and landscaping, materials, and location with respect to the particular Lot, (including proposed front, rear and side set-back and free spaces, if any are proposed) of all Structures, the location thereof with respect to Structures on adjoining portions of the Property, and the number and location of all parking spaces and driveways on the Lot;
(3) a grading plan for the particular Lot; and
(4) a full and complete description of the intended use of the Lot.

Section 9.09: **Improvements to Existing Residential Standards.** In sections of the Property for which RDRCs have been established, no Structure shall be commenced, erected, placed, moved onto, or permitted to remain on and no Improvement shall be made on any Lot designated for residential use on which there is a Structure which has been issued a Certificate of Compliance pursuant to Section 9.14 of this Article unless a complete set of plans and specifications in the form prescribed by the D.S.C. pursuant to Section 9.08 of this Article shall have been submitted to and approved in writing by the appropriate RDRC instead of the D.S.C. An RDRC shall not review and approve plans and specifications involving alterations or improvements to Lots designated for commercial or industrial use. An RDRC shall further, perform such additional functions as may be assigned to it from time to time by the D.S.C. In such cases the D.S.C. shall not act except on appeals from RDRC decisions pursuant to Section 9.11 hereof. Approval by an RDRC shall constitute approval by the D.S.C. pursuant to Section 9.08 of this Article. No approval by any RDRC shall be given in violation of any rule, regulation, finding, determination or order promulgated by the D.S.C., nor shall the same be given in conflict with any permit, authorization or approval issued by the D.S.C.

Section 9.10: **Disapproval of the Plans by D.S.C.** The D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC shall have the right to disapprove any plans and specifications submitted pursuant to this Article for the following reasons, among others:

(1) the failure of such plans or specifications to comply with any of the restrictions or provisions of these Covenants;
(2) failure to include such information as may reasonably have been requested by the D.S.C. or an RDRC;
(3) failure to comply with any of the rules and regulations promulgated pursuant to this Article;
(4) objection to the exterior design, appearance or materials of any proposed Structure or Improvement;
(5) incompatibility of any proposed Structure or Improvement or use with existing Structures or uses upon other Lots in the Property;
(6) objection to the location of any proposed Structure upon any Lot or with reference to other Lots in the Property;
(7) objection to the grading plan for any Lot;
(8) objection to the color scheme, finish, proportions, style of architecture, height, bulk, safety or appropriateness of any proposed Structure of Improvement;
(9) objection to the parking areas proposed for any Lot on the grounds of:
    (a) incompatibility with proposed uses and Structures on the Lot; or
    (b) insufficiency of the size of the parking area in relation to the proposed use of the Lot.
(10) any other matter which, in the judgment of the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC would render the proposed Structure or Structures, Improvement or Improvements, or uses incompatible with the general plan of improvement of the Property or with Structures or uses upon other Lots in the vicinity.
(11) any matter not included in the rules or regulations, or an amendment to or revocation of such rules and regulations, if in the judgment of the D.S.C., such matter would not be in the best interest of the Property.

If the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC disapproves a set of plans and specifications submitted hereunder or approves them as modified or subject to specific conditions, and if the applicant so requests in writing, the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC shall give the applicant a written statement specifying the grounds for disapproval or qualified approval. If the applicant so requests, the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC shall also make reasonable efforts to consult with and advise the applicant so that an acceptable proposal may be prepared and submitted.

Section 9.11: **Appeals.** Within ten (10) days of receipt of an adverse decision by an RDRC, an interested party may file a written appeal of such adverse decision with the D.S.C. Upon filing of an appeal, the D.S.C. shall hear and rule upon the appeal as promptly as possible. All decisions of the D.S.C., whether on appeals or on matters brought to it originally, shall be final and binding.

Section 9.12: **Filing of Approved Plans.** Upon approval by the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC of any plans and specifications, a copy of such plans and specifications on which the approval is clearly marked shall be deposited with the D.S.C. as a permanent record. Such records shall be accessible to Members and other interested parties.

A copy of approved plans and specifications on which the approval is clearly marked shall be returned to the applicant.

Section 9.13: **Inspection of Lots and Improvements.** An agent of the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC may enter upon and inspect any Lot and any Structures thereon during regular business hours and following reasonable notice for the purpose of ascertaining whether such Lot and the Structures thereon are in compliance with these Covenants. Neither WCA, the D.S.C., an RDRC, nor the agent of any of them shall be deemed to have committed a trespass by reason of such entry of inspection, provided such inspection is carried out in accordance with the terms of this section.

Section 9.14: **Certificate of Compliance of a Structure or an Improvement.** Upon completion of a Structure or Improvement approved by the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC and upon written request by the Owner of the Lot, the D.S.C. shall issue a Certificate of Compliance in a form suitable for recordation with the D.S.C. The Certificate shall identify the Lot and the Structure or Improvement, the use or uses to be conducted thereon, and the plans and specifications on file with the D.S.C. pursuant to which the structure was erected or Improvement was made and, shall specify that the Structure or Improvement complies with the approved plans and specifications. The Certificate shall not be construed to certify the acceptability, sufficiency or approval by the D.S.C. of the actual construction of the Structure or Improvement or of the workmanship or materials thereof. The Owner is hereby notified, and shall again be so notified upon issuance of the Certificate, that the Certificate in no way warrants, except as set forth above, the sufficiency, acceptability, or approval by the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC of the construction, workmanship, materials or equipment of the Structure or Improvement. Preparation and recordation of such a Certificate shall be at the expense of the Owner of the Improved Lot.

A Certificate of Compliance issued in accordance with this section shall be prima facie evidence of the facts stated therein and, as to any bona fide purchaser or encumbrancer in good faith and for value or as to any title insurer, such a Certificate shall be conclusive evidence that the Lot and all Structures, Improvements and uses described in the Certificate comply with these Covenants.

Section 9.15: **Fees for Examination of Plans** and Specifications. The D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC may charge and collect a reasonable fee for the examination of any plans and specifications submitted for approval pursuant to these Covenants. Such charges shall be payable at the time and place designated by the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC and shall be subject to amendment without advance notice.

Section 9.16: **Violation of Article IX.** If any Structure shall be erected, placed or maintained or if any Improvement shall be made or any new use commenced on any Lot other than in accordance with plans and specifications approved by the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC such Structure, Improvement or use shall constitute a violation of the covenants, easements and restrictions herein contained. Upon written notice from the WCA, the D.S.C., or an RDRC, as appropriate, any such improvement shall be removed or corrected and any such use shall be terminated so as to extinguish the violation. The D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC may cure a violation existing under the provisions of this section by issuing a written approval of the Structure, Improvement or use in question.

Section 9.17: **Enforcement.** If the Owner of a Lot upon which a violation exists has not taken reasonable steps to extinguish that violation fifteen (15) days subsequent to the mailing of written notice specifying the violation of these Covenants, the D.S.C. or, in cases within its jurisdiction under Section 9.09 of this Article, an RDRC shall have the right, through the agents or employees of either, to enter upon such Lot during regular business hours and to take such steps as were specified in the notice to extinguish the violation of these Covenants. The cost thereof shall be a binding, personal obligation of the Owner as well as a lien enforceable in the same manner as the lien for the Annual Assessments set forth in these Covenants.

The Lien provided for under this section shall not be enforceable against a bona fide purchaser or encumbrancer of the Lot in good faith and for value unless a suit to enforce the lien has been filed in the appropriate court and notice thereof has been filed in the Office of the County Clerk of Montgomery County, Texas, prior to the recordation of the interest of the purchaser or encumbrancer in that Office.

ARTICLE X
GENERAL COVENANTS AND RESTRICTIONS

Section 10.01: **Appearance and Use Restrictions of Lots.** Without the prior written approval of the D.S.C.:

(1) no previously approved Structure shall be used for any purpose other than that for which it was originally approved;

(2) no Lot shall be split, divided, or subdivided for sale, resale, gift, transfer or otherwise;

(3) no facilities, including poles and wires, for the transmission of electricity, telephone messages and the like shall be placed or maintained above the surface of the ground on any Lot, and no external or outside antennas of any kind shall be maintained;

(4) no well, pump, shaft, casing or other facilities for the removal of subsurface water shall be placed or maintained on any lot, and boring, drilling, removal of, or exploitation for, subsurface water shall be conducted on any lot, except by or with the permission of the D.S.C.

Section 10.02: **Landscape Restrictions.** No tree having a diameter of six (6) inches or more (measured from a point two (2) feet above ground level) shall be removed from any Lot without the express written authorization of the D.S.C. The D.S.C. may adopt and promulgate rules and regulations regarding the preservation of trees and other natural resources and wildlife to protect and encourage the preservation of the ecological balance of the Property. The D.S.C. may mark certain trees, regardless of size, as not removable without written authorization. In carrying out the provisions of this Section 10.02, the D.S.C., WCA and its agents or designees may come upon any Lot, (following reasonable notice), during reasonable hours for the purpose of inspecting and marking trees. The D.S.C., WCA, its agents or designees shall not be deemed to have committed a trespass or wrongful act solely by reason of any such entry or inspection, provided such inspection is carried out in accordance with the provisions of this section.

Section 10.03: **Keeping of Animals on Lots.** No animals, except customary household pets, shall be kept or maintained on any Lot except as specifically authorized by WCA. No animal shall be allowed or permitted on any portion of the Property except the Lot of its owner unless same shall be under the control of the owner or another person by leash, rope, chain, or other restraining device; provided, however, that no animal shall be allowed on any Lot without the permission of the owner of that Lot. WCA shall have authority to seize and impound any animal on the

Property in violation of this Section or the regulations established hereunder. WCA shall have authority to impose reasonable fees for animal registration or other animal control services, and to impose reasonable regulations setting forth the type and number of animals that may be kept on any Lot, and providing a method for disposing of animals which are unclaimed after a reasonable period of time. No dog or cat over six months of age shall be kept by any Resident unless such animal shall have a current rabies inoculation.

Section 10.04: **Placement of Signs on Property.** No sign or other advertising device of any nature shall be placed upon any Lot except as provided herein. The D.S.C. may adopt and promulgate rules and regulations relating to signs which may be used within the Property. If approved by the D.S.C., as to color, location, nature, size, and other characteristics of such signs or devices, signs and other advertising devices may be erected and maintained upon any portion of the Property intended for industrial or commercial uses.

Section 10.05: **Temporary Buildings Restrictions.** No temporary buildings, trailer, tent, garage, or building in the course of construction shall be used, temporarily or permanently, as a residence on any Lot.

Section 10.06: **Disposition of Trash and Other Debris.** No lumber, metals, bulk materials, refuse or trash shall be kept, stored or allowed to accumulate on any Lot, except building materials during the course of construction for a period not to exceed 180 days (commencing from day one of the first delivery of such materials) for any approved Structure, unless such materials are visually screened in a manner approved by the D.S.C. During the course of construction, it shall be the responsibility of each Owner to insure that construction sites are kept free of unsightly accumulations of rubbish and scrap materials, and that construction materials, trailers, shacks and the like are kept in a neat and orderly manner. No burning of any trash and no accumulation or storage of litter or trash of any kind shall be permitted on any Lot. If trash or other refuse is to be disposed of by being picked up and carried away on a regular and recurring basis, containers may be placed in the open, on any day that a pick-up is to be made at such place on the Lot so as to provide access to persons making such pick-up. At all other times such containers shall be stored in such a manner so that they cannot be seen from adjacent and surrounding property. The D.S.C. may adopt and promulgate reasonable rules and regulations relating to the size, shape, color and type of containers permitted and the manner of storage of the same on the Property.

Section 10.07: **Placement of Pipelines.** No water pipe, gas pipe, sewer pipe, or drainage pipe shall be installed or maintained on any Lot above the surface of the ground, except at the point of connection of such pipe to house service and except for hoses and movable pipes used for irrigation purposes.

Section 10.08: **Chemical Fertilizers, Pesticides, or Herbicides.** No commercial chemical fertilizers, pesticides, or herbicides other than those approved by the D.S.C. shall be used on any of the Property. This provision in no way limits the use of those products which are readily available for consumer use and approved by an agency, such as the Food and Drug Administration, for the purpose intended.

Section 10.09: **Mining.** No Lot or portion thereof shall be used for any mining, boring, quarrying, drilling, removal of, or any other exploitation of subsurface natural resources, with the sole exception of subsurface water, except for areas specifically designated for such purposes by the D.S.C.

Section 10.10: **Air and Water Pollution.** No use of any Lot, (other than the normal use of residential fireplaces and residential chimneys), will be permitted which emits pollutants into the atmosphere, or discharges liquid or solid wastes of other harmful matter into any waterway in excess of

environmental standards, applicable thereto, to be established by the D.S.C. which standards shall at a minimum meet the requirements of Federal and State law and any regulations thereunder applicable to the Property. No waste or any substance or materials of any kind shall be discharged into any private or public sewer serving the Property, or any part thereof, in violation of any regulations of Montgomery County or any private or public body having jurisdiction. No person shall dump garbage, trash or other refuse into any waterway on or immediately adjacent to the Property.

Section 10.11: **Trailer Parking.** No trailer, trailer house, recreational vehicle, mobile home, or boat shall be brought upon or habitually parked on any Lot in front of any residence or attached garage, or between any residence or garage and an abutting side street, or upon any street abutting any Lot. This shall not be construed to prohibit a mere temporary standing or parking of a trailer, boat, or trailer house, recreational vehicle, or mobile home for short periods preparatory to taking same to some other location for use or storage. No such vehicle shall be openly stored in any area other than that designated by the D.S.C. for the purpose of storage. While nothing contained herein shall be considered to prohibit the use of portable or temporary buildings or trailers as field offices by contractors during actual construction in The Woodlands, the use and appearance of such a building or trailer must be specifically approved by the D.S.C. prior to its being moved on site.

Section 10.12: **Penalties for Violation of Article X.** If the D.S.C. determines that provisions of this Article have been violated, the D.S.C. may, in its discretion seek appropriate relief at law, to assure that the purposes of this Article are fulfilled.

Section 10.13: **Fireworks and Use of Firearms.** The sale and use of fireworks, of any kind whatsoever, on the Property is prohibited. The use of or discharge of firearms of any kind whatsoever is prohibited, except by permit granted to individuals by WCA, for the purposes of target practice and trap or skeet shooting. WCA will set aside certain areas for this use, if in its sole discretion it deems such action appropriate and desirable. Hunting of any kind, and by any method, including but not limited to firearms, traps, snares, bow and arrows, or manually propelled missiles is prohibited, except by permit granted to individuals by WCA. If such permits are granted, WCA will set aside certain specifically delineated areas for these activities, which must be conducted in accordance with all applicable federal, state and local laws.

Section 10.14: **Electric Service.** TWC will cause underground electric service at 120/240 volts, single phase, 3-wire only, to be provided to all Lots.

ARTICLE XI
EASEMENTS

Section 11.01: **Rights Concerning Easements and Rights-of-Way.** Easements and rights-of-way are hereby expressly reserved to TWC, its designees, successors and assigns, in, on, over and under the Easement Area, as hereafter defined in Section 11.02, of each Lot for the following purposes, among others:

(1) for the installation, construction and maintenance of:

(a) wires, lines and conduits, and the necessary or proper attachments in connection with the transmission of electricity, telephone, community antenna television cables and other utilities and other similar facilities; and

(b) storm-water drains, land drains, public and private sewers, pipe lines for

supplying gas, water and heat, and for any other public or quasi-public utility facility, service or function, whether above ground or underground; and

(2) for slope control purposes, including the right to grade and plant slopes and prevent the doing of any activity which might interfere with slope ratios approved by TWC, its successors and assigns, or which might create erosion or sliding problems or change, obstruct, or retard drainage flow.

TWC and/or the D.S.C. and their respective agents, successors and assigns, after reasonable written notice has been given, shall have the right at reasonable times to enter upon all parts of the Easement Area of each Lot for any of the purposes for which said easements and rights-of-way are reserved. TWC and its respective agents, successors and assigns shall be responsible for leaving each Lot in good condition and repair following any work or activity undertaken in an Easement Area pursuant to the provisions of this section.

Except with the written approval of the D.S.C., nothing shall exist or be placed on, or above any easement, or right-of-way, held by TWC or Easement Area (as defined in Section 11.02). If in the judgment of the D.S.C., anything hinders any easement, right-of-way, or Easement Area, the D.S.C. may invoke the provisions of Sections 9.08 and 9.09.

Section 11.02: **Definition of "Easement Area".** The term "Easement Area" as used herein, shall mean and refer:

(1) to those areas on each Lot with respect to which easements are shown on a recorded subdivision plat relating thereto; and to the extent not inconsistent with any other easements shown on any such plat, to a strip of land within the Lot lines of each Lot ten (10) feet in width in the front and rear of the Lot and five (5) feet in width on each side; except for the common property lines of certain Lots, which will be designated and described in writing by TWC. Said easements shall terminate at the exterior building lines of Lots so designated. Said distance being measured in each case from the Lot line toward the center of the Lot, including easements for underground electric service lines which will extend through and under each Lot in order to service the structure thereon, and the area above said underground electric service lines, extending two and one half (2-1/2) feet to each side of said underground electric service lines which areas shall be subject to excavation, refilling and ingress and egress for the installation, inspection, repair, replacement and removal of said underground facilities by the utility company, and said Purchaser shall ascertain the location of said lines and keep the area over the route of said lines free of excavation and clear of structures, trees, or other obstructions. The utility easement area dedicated and shown on the recorded map of the Subdivision may be cleared, and kept clear by any utility company of all structures, trees, bushes and other growth, including any overhanging branches from trees, or protrusions from structures located upon adjacent property.

Section 11.03: **Reservations of Rights for Utilities.** TWC, its successors and assigns, reserves the right to build, maintain, repair, sell, grant, or lease, all utilities in all easements and streets, and to grant or deny connections to areas outside of The Woodlands.

Section 11.04: **Right of Entry.** The right of entry to any easement or street area for the purpose of building, maintaining, or repairing, utility lines is expressly reserved. TWC and its respective agents, successors and assigns shall be responsible for leaving such Easement Area in good condition and repair following such work or activity in said easement or street area, provided, however, that the obligation set forth above shall not extend to Structures not approved by the D.S.C. Title to any Lot or portion thereof shall not include title to any utility lines in, under, or on, any easement or street area. TWC expressly reserves the right for itself, its successors and

assigns to construct and operate, maintain, repair, remove and replace utility lines on the easement or street area, and it is expressly provided that erection and installation of any such lines and appurtenances in such easement or street area under any rights granted by TWC shall not constitute a dedication of such lines and appurtenances, either private or public, and that conveyance of a Lot shall not convey any right to any utility lines located in any easement crossing or abutting such Lot. TWC and its respective agents, successors and assigns shall be responsible for leaving each Lot in good condition and repair following any work or activity undertaken in an Easement Area pursuant to the provisions of this section.

ARTICLE XII
SPECIFIC COVENANTS

Section 12.01: **Controls Do Not Supersede Law or Governmental Authority.** The Covenants set forth herein shall not be taken as permitting any action or thing prohibited by the applicable building codes law, or laws, rules or regulations of any governmental authority. In the event of any conflict, the most restrictive provision of such building codes, laws, rules, regulations, deeds, leases or the Covenants shall be taken to govern and control.

ARTICLE XIII
RESIDENTIAL PROTECTIVE COVENANTS AND RESTRICTIONS

Section 13.01: **Residential Provisions.** The provisions of this Article XIII shall relate solely to Lots designated for residential purposes.

Section 13.02: **Restrictions for Residential Lots.** No profession or home industry shall be conducted in or on any part of a Lot or in any Improvement thereon on the Property without the specific written approval of the D.S.C. The D.S.C., in its discretion, upon consideration of the circumstances in each case, and particularly the effect on surrounding Property, may permit a Lot or any Improvement thereon to be used in whole or in part for the conduct of a profession or home industry. No profession or home industry shall be permitted, however, unless it is considered by the D.S.C. to be compatible with the neighborhood.

Section 13.03: **Lot Use for Model Home or Real Estate Office.** All else herein to the contrary notwithstanding, with the written approval of the D.S.C. any residential Lot may be used for a model home or for a real estate office, provided such use shall not interfere with the right of quiet enjoyment of any Resident.

Section 13.04: **Use of Clothes Hanging Devices and Machinery.** No clothing or any other household fabrics shall be hung in the open on any Lot unless the same are hung from an umbrella or retractable clothes hanging device which is removed from view when not in use or unless the same are enclosed by a fence or other enclosure at least six (6) inches higher than such hanging articles, provided such fence or other enclosure is approved by the D.S.C. No machinery shall be placed or operated upon any Lot (saving such machinery as is usual in the operation or maintenance of a private residence) except with the written approval of the D.S.C.

ARTICLE XIV
WATERFRONT AREAS AND WATERWAYS

Section 14.01: **Restrictions for Waterfront Lots.** Any Lot which shall abut upon any lake, stream, river, canal or other waterway (hereinafter collectively referred to as "Waterways") shall be subject to the following additional restrictions:

(1) no wharf, pier, bulkhead, or other structure or obstruction shall be built or maintained upon any waterfront site or into or upon any Waterway on the Property or adjacent thereto except with the specific written approval of the D.S.C. No structure or obstruction shall be permitted if it offers any threat whatsoever to safe navigation upon such Waterway or to the safe and convenient use of such Waterway as a recreation facility.

(2) except as approved by the D.S.C., no boat canal shall be constructed or installed upon any Lot nor shall any facility or device be constructed or installed upon any Lot which shall in any way alter the course of or natural boundaries of any Waterway, or which shall involve or result in the removal of water from any Waterway.

(3) except as approved by the D.S.C., no boats, hoists, launching facilities or any similar type of structures or equipment shall be installed, constructed or maintained upon any Lot, nor shall any boat trailer be stored on any Lot in such manner as to violate the regulations of the D.S.C.

Section 14.02: **Use of Boats.** No boat of any kind shall be operated upon any Waterway on the Property without the prior written approval of the Board and if such approval is granted, such operation shall conform to all rules and regulations promulgated by WCA and/or the D.S.C. concerning the use of boats.

ARTICLE XV
DURATION AND AMENDMENT

Section 15.01: **Duration, Amendment or Termination of Covenants.** The Covenants shall run with and bind the Property, shall inure to the benefit of and shall be enforceable by TWC, WCA, the Owner of any Lot included in the Property, their respective legal representatives, heirs, successors and assigns, until the 31st day of December in the year 2023 after which time said Covenants shall be automatically extended for successive periods of ten (10) years unless terminated effective the 31st day of December 2023 (or effective at the end of any such ten (10) year period) by affirmative vote of sixty-six and two thirds per cent (66-2/3%) of the Members entitled to vote, which vote has been held and completed within the six (6) months prior to 31st December, 2023 (or the end of any such ten (10) year extension period). Prior to termination as herein provided the Covenants may be amended but not terminated in any respect by an instrument signed by not less than sixty-six and two thirds per cent (66-2/3%) of the Members eligible to vote, which instrument shall be filed for recordation in such place of recording as may be appropriate at the time of the execution of such instrument.

ARTICLE XVI
GENERAL

Section 16.01: **Violation or Breach of Covenants.** Violation or breach of any Covenant herein contained shall give TWC or WCA, their respective legal representatives, successors and assigns, in addition to all other remedies, the right, (after the elapsing of 15 days from the time receipt is acknowledged of written notice to the Owner of any Lot involved setting forth in reasonable detail the nature of such violation or breach and the specific action or actions to be taken to remedy such violation or breach and if at the end of such time reasonable steps to accomplish such action have not been taken), at reasonable times to enter upon the land on which such violation or breach exists, and to take the actions specified in the notice to the Owner to remedy, abate and remove, at the expense of the Owner thereof, any structure, thing, or condition that may be or exist thereon contrary to the intent and meaning of the provisions hereof; and the said parties shall not thereby be deemed guilty of any manner of trespass for such entry, abatement or removal, provided that such remedy, abatement or removal is carried out in accordance with the provisions of this section. Nothing herein contained shall be deemed to affect or limit the rights of the Residents, WCA and TWC within the Property to enforce the Covenants by appropriate judicial proceedings.

Section 16.01: **Failure to Enforce Covenants.** The failure of TWC, WCA, the Owner of any Lot included in the Property, their respective legal representatives, heirs, successors and assigns, or any Resident (not an Owner), to enforce the Covenants or any portion thereof shall in no event be considered a waiver of the right to do so thereafter, as to the same violation or breach or as to such a violation or breach occurring prior or subsequent thereto.

Section 16.03: **Covenants Do Not Create Reversion.** No Covenant herein is intended to be, or shall be construed as, a condition subsequent or as creating a possibility of reverter.

Section 16.04: **Relief for Violation or Breach.** Damages shall not be deemed to be the exclusive remedy for any breach or violation of any provision hereof. Any person or entity entitled to enforce any provision hereof shall be entitled to relief by way of injunction, as well as any other available relief either at law or in equity.

Section 16.05: **Enforcement of Covenants.** Any party to a legal proceeding who succeeds in enforcing a Covenant or enjoining the violation of a Covenant against an Owner may be awarded a reasonable attorney's fee against such Owner.

Section 16.06: **Administration Pursuant to these Covenants.** WCA and the D.S.C. to the extent specifically provided herein, may adopt and promulgate reasonable rules and regulations regarding the administration, interpretation and enforcement of the provisions of these Covenants. In so adopting and promulgating such rules and regulations, and in making any finding, determination, ruling or order or in carrying out any directive contained herein relating to the issuance of permits, authorizations, approvals, rules or regulations. WCA and the D.S.C. shall take into consideration the best interests of the Owners and Residents of the Property, to the end that the Property shall be developed, preserved and maintained as a high quality community.

Section 16.07: **Effect of Violation of Covenants on Mortgage.** No violation of any of these Covenants shall defeat or render invalid the lien of any mortgage made in good faith and for value upon any portion of the Property; provided, however, that any mortgagee in possession, or any purchaser at any mortgagees' or foreclosure sale shall be bound by and subject to the Covenants as fully as any other Owner of any portion of the Property.

Section 16.08: **Promise of Grantee to be Bound by Covenants.** Each grantee accepting a Deed or other instrument conveying fee interest in any Lot, whether or not the same incorporates or refers to these Covenants, thereby agrees for himself, his heirs, successors and assigns to observe perform and be bound by the Covenants and to incorporate the same by reference in any Deed or other conveyance of his interest in any real property subject hereto.

ARTICLE XVII
COVENANTS WITH RESPECT TO EQUAL HOUSING OPPORTUNITY

Section 17.01: **Covenants of Owners.** Any person, when he becomes an Owner or Resident agrees that neither he nor anyone authorized to act for him will refuse to sell or rent, after the making of a bona fide offer, or refuse to negotiate for the sale or rental of, or otherwise make unavailable, or deny the property covered by the deed to any persons because of race, color, religion, sex or national origin.

This covenant shall run with the land and shall remain in effect without any limitation in time.

TWC shall be deemed a beneficiary of this covenant and the United States shall be deemed a beneficiary of this covenant, and this covenant shall run in favor of TWC or the United States for the entire period during which this covenant shall be in force and effect without regard for whether TWC or the United States is or becomes an owner of any land or interest therein to which this covenant relates. As such a beneficiary, TWC or the United States, in the event of any breach of any such covenant, shall have the right to exercise all the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach, to which beneficiaries of this covenant may be entitled.

Any restrictive covenant on the property covered by the deed relating to race, color, religion, sex or national origin is recognized as being illegal and void and is specifically disclaimed.

Section 17.02: **Covenants for Lessee.** All Owners and Residents shall treat all applications for leasehold interests in a uniform manner and shall award leases according to objective standards. No decision on any applicant for a leasehold interest shall be made on the ground of the applicant's race, color, religion, sex or national origin. All lease agreements to prohibit discrimination in subleasing shall contain substantially the following clause:

"The tenant covenants and agrees that it will not sublet or assign the demised premises or any part thereof, or transfer possession of occupancy thereof in any manner whatsoever, without the prior written consent of the lessor.

"Further, the tenant covenants and agrees that when prior written consent of the lessor is obtained, or in the event the subletting or assignment is to be arranged through public advertisement or listing of any kind, the tenant will treat all applications for sublease or assignment interests in a uniform manner and will award leases according to objective standards. No decision on any application shall be made on the ground of the applicant's race, color, religion, sex or national origin."

Section 17.03: **Constitutional Safeguards.** The following provisions shall apply notwithstanding anything in these Covenants which limits the liability of, or gives discretion to the D.S.C.

These Covenants do not empower the D.S.C. to take any action which if it were taken by a State, or the United States, would violate the Fifth or the Fourteenth Amendments to the Constitution of the United States of America.

ARTICLE XVIII
MISCELLANEOUS

Section 18.01: **Alteration of these Covenants.** Except as provided in Article XV hereof, no change of conditions or circumstances shall operate to extinguish, terminate, or modify any of the provisions of these Covenants.

Section 18.02: **Severability of Provisions of these Covenants.** The determination by any court that any provision of these Covenants is unenforceable or void shall not affect the validity of any of the other provisions hereof.

Section 18.03: **Powers of WCA.** WCA shall be empowered to assign its rights, or any part thereof, to any successor public body, authority, agency, district, or non-profit membership corporation, (hereinafter referred to as the "Successor Entity"), and, upon such assignment of the Successor Entity shall have those rights and be subject to these duties of WCA assigned thereby, and shall be deemed to have agreed to be bound by the appropriate provisions hereof to the same extent as if the Successor Entity had been an original party to the Covenants and references herein to the "Board", shall refer to the Board of Directors, or equivalent body, of such Successor Entity. Any such assignment shall be accepted by the Successor Entity under a written agreement pursuant to which the Successor Entity expressly assumes the duties and obligations of WCA thereby assigned. If for any reason WCA shall cease to exist without having first assigned its rights hereunder to a Successor Entity, the covenants, restrictions, easements, charges and liens imposed hereunder shall nevertheless continue and any Owner or Resident may petition a court of competent jurisdiction to have a trustee appointed for the purpose of organizing a nonprofit membership corporation and assigning the rights of WCA hereunder with the same force and effect, and subject to the same conditions, as provided in this Section 18.03 with respect to an assignment and delegation of WCA to a Successor Entity.

Section 18.04: **Definition of "Titles".** All Titles or headings of the Articles and Sections herein are for the purpose of reference and shall not be deemed to limit, modify, or otherwise effect any of the provisions hereof. All references to singular terms shall include the plural where applicable, and all references to the masculine shall include the feminine and the neuter.

Section 18.05: **Notices.** Any notice given or required to be sent under the provisions of these Covenants shall be deemed to have been properly given when mailed, post paid, to the last known address of the person to whom notice is to be given.

ATTACHMENT I

A tract of land containing 17,455.2187 acres of land, more or less, described in that certain Indenture of Mortgage and Deed of Trust, dated August 23, 1972, from The Woodlands Development Corporation to Chase Manhattan Bank (National Association), Trustee, recorded in Volume 242, Page 318-545, of the Deed Records in the office of the County Clerk, Montgomery County, Texas, said acres described by metes and bounds in Schedule A - Part I attached to said Indenture of Mortgage and Deed of Trust, reference to which is here made for all purposes.

SIGNED FOR IDENTIFICATION:

THE WOODLANDS COMMUNITY ASSOCIATION, INC.

By: _____
President