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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR PARC LAKE ESTATES

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Stan Stewart
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HARRIS COUNTY, TEXAS

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Joe Watson
3311 Yupon #309
Houston, Texas 77006

1201-66-220 PR

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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR PARC LAKE ESTATES**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PARC LAKE ESTATES ON ELDRIDGE, LTD. (this "Declaration"), made as of the date hereinafter set forth by Parc Lake Estates on Eldridge, Ltd., a Texas limited partnership (hereinafter referred to as the "Declarant").

WITNESSETH:

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

WHEREAS, the Declarant has platted and subdivided a portion of its property as Lake Estates On North Eldridge, otherwise known as Parc Lake Estates, a subdivision of land in Harris County, Texas according to the plat thereof recorded under Film Code No. _____ in the Map Records of Harris County, Texas (the "Subdivision"); and

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

NOW, THEREFORE, the Declarant hereby declares that the Lots (as hereinafter defined) within the Subdivision are hereby subjected to the provisions of this Declaration and the Lots within the Subdivision and within all other property hereafter made subject to this Declaration, if any, shall be held, sold, transferred, conveyed, used, occupied, and mortgaged or otherwise encumbered subject to the covenants, conditions, restrictions, easements, assessments, and liens hereinafter set forth, which are for the purpose of protecting the desirability of, and which shall run with the title to, the real property subject to this Declaration, and shall be binding on all persons having any right, title, or interest in all or any portion of such property, their respective heirs, legal representatives, successors, successors-in-title, and assigns, and shall inure to the benefit of each and every owner of all or any portion thereof.

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

SECTION 11. "Class B Control Period" shall mean the period during which there is a Class B membership in the Association and during which the Declarant is entitled, as more specifically set forth in the Certificate of Formation and By-Laws, to appoint and remove the members of the Board of Directors and disapprove any action, policy or program of the Association, the Board or any committee which, in the sole judgment of the Declarant, would tend to impair rights of the Declarant or Builders or interfere with the development, construction or marketing of any portion of the Properties, or diminish the level of services being provided by the Association.

SECTION 12. "Common Area" shall mean and refer to any and all real and personal property and easements and other interests therein, together with the facilities and

improvements located thereon, now or hereafter owned by the Association for the common use and enjoyment of the Owners and Occupants.

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

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

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

SECTION 16. "Lot" shall mean and refer to any portion of the Properties whether developed or undeveloped, upon which a Single Family Residence has been constructed or it is intended by the Declarant that a Single Family Residence be constructed, excluding reserve tracts, but including lots created by the platting or re-platting of a reserve tract. "Lots" shall mean and refer to each Lot and all of them. In the case of a parcel of land planned for single family residential development which has not been platted into Lots, the parcel shall be deemed to contain the number of Lots designated by the Declarant on the development plan for such parcel of land unless or until a different number of Lots is platted. The Owner of one or more adjacent Lots (or portions thereof) shall have the right to consolidate such Lots or portions of such Lots into one or more Single Family Residence building sites, with the privilege of placing or constructing improvements on such sites, in which case side setback lines shall be measured from the resulting side property lines of each such building site rather than from the lot lines shown on the recorded plat. If such Single Family Residence building site is re-platted as a single Lot, it shall be considered as a single Lot for purposes of Assessments levied by the Association pursuant to this Declaration at the time the re-plat is recorded in the plat or map records of the county in which the Properties are located. If such Single Family Residence building site is not re-platted as a single Lot, it shall be considered as a single Lot for purposes of Assessments levied by the Association pursuant to this Declaration at the time the Single Family Residence on such building site is initially occupied. Prior to either of such events, Assessments by the Association shall continue based on the number of Lots shown on the original plat.

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

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

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

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

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

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

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

SECTION 24. "Residential Assessments" shall mean assessments levied by the Board of Directors pursuant to Section 2(a) of Article 11/ hereof.

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

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

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

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

SECTION 29. "Parc Lake Estates" shall refer to the approximately 29.44 acre development which has been developed by the Declarant.

ARTICLE II

PARC LAKE ESTATES HOME OWNERS ASSOCIATION, INC.

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

architectural control of the Lots.

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

SECTION 3 VOTING The Association shall have two classes of membership, Class "A" and Class "B", as follows:

(a) **CLASS A.** Class "A" Members shall be all Owners with the exception of the Class "B" Member. Class "A" Members shall be entitled to one (1) vote for each Lot of which they are the Owner. If more than one Person holds the interest in a Lot required for membership in the Association, any of such Persons may exercise the vote for such Lot; provided, however, the vote for such Lot shall be suspended in the event more than one Person seeks to exercise it. To the extent it may lawfully do so, the Board shall have the power and is authorized to suspend the voting rights of any Member who is more than ninety (90) days delinquent in payment of any Assessment to the Association.

(b) **CLASS B.** The Class "B" Member shall be the Declarant who shall have five (5) votes for each Lot it owns in the Properties. The Class "B" Membership shall cease and be converted to Class "A" Membership upon the earlier of (i) the date on which the Declarant has sold and conveyed all of the Lots it owns in the Properties (including property hereafter annexed into the jurisdiction of the Association, or (ii) on such earlier date that the Declarant, in its discretion, so determines and records an instrument to such effect in the real property records of the county in which the Properties are located. If termination occurs pursuant to clause (i) and property is thereafter annexed into the jurisdiction of the Association by the Declarant, the Class "B" Membership shall be restored. If the termination of the Class "B" Membership occurs pursuant to clause (ii), the Declarant shall be deemed to be a Class "A" Member with respect to the Lots it owns after the termination of the Class "B" Membership.

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

Subject to the terms hereof and the Board's duty to exercise business judgment and reasonableness on behalf of the Association, the Board may adopt, amend, repeal and enforce rules and regulations ("Rules"), fines and levies as may be deemed necessary or desirable with

respect to the implementation of this Declaration, the operation of the Association, the use and enjoyment of the Common Area and the Exclusive Common Area, and the use of any other property, facilities or improvements owned or operated by the Association. At least thirty (30) days prior to the effective date of any Rule, the Board shall cause a copy of the new rule or explanation of any changes to a Rule, specifying the effective date, to be posted at a prominent place within the Properties. The Association shall provide a copy of the Rules then in effect to any requesting Owner or Mortgagee for such charge as may be established from time to time by the Board.

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

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

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

(ii) Allocation of Burdens and Benefits. No Rule shall alter the allocation of financial burdens among the various Lots as specified herein or rights to use the Common Area. Nothing in this provision shall prevent the Board from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who abuse the Common Area, are delinquent in payment of Assessments or violate the Rules established by the Board for the use thereof. This provision does not affect the Board's right to establish or increase user fees or to increase the amount of Assessments;

(iii) Abridging Existing Rights. No Rule shall require Owners to dispose of personal property which was kept in or on a Lot prior to the adoption of such Rule and which was in compliance with all Rules in force previous to such time, unless otherwise required to be removed by law; provided, the above shall apply to any Owner only for so long as he or she remains the Owner of the affected personal property or Lot. The rights granted under this subsection shall not run with title to any Lot;

(iv) Reasonable Basis. No Rule may prohibit any activity, condition, or conduct unless there exists a reasonable basis for the enactment of such Rule. For purposes of this subsection, reasonable basis may include, but not be limited to, restrictions as to time, place, and manner of activity or conduct, or concerns relating to fair use of Common Area, cost, aesthetics, or the goals of the comprehensive plan for the benefit of the Properties.

SECTION 5. CERTIFICATES OF COMPLIANCE. Any Owner may request that the Association issue a certificate of architectural compliance certifying that there are no known violations of this Declaration or the Builder Guidelines. The Association shall either grant or deny such request within thirty (30) days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall

preclude the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

ARTICLE III

COVENANT FOR MAINTENANCE ASSESSMENTS

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

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

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

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Capitalization Payments as provided in subsection (c) of this Section 2; and (iv). Special Assessments to be established and collected as hereinafter provided in Section 5 of this Article III.

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

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

(i) to cover the costs, including overhead and administrative costs, of providing services to a Lot upon request of an Owner pursuant to any menu of special services and which may be offered by the Association. Specific Assessments for special services may be levied in advance of the provision of the requested service; and

(ii) to cover costs incurred in bringing a Lot into compliance with this Declaration, the Builder Guidelines or the Landscaping Guidelines, or costs incurred as a consequence of the conduct of the Owner or Occupants of a Lot, their agents, contractors, employees, licensees, invitees, or guests.

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

child upon the death of the Owner; (iii) to any entity wholly owned by the grantor; (iv) to a Mortgagee or the designee of a Mortgagee in lieu of foreclosure or upon foreclosure of a Mortgage; or (v) to an interim Owner in connection with an employer relocation agreement.

SECTION 3. CREATION OF LIEN AND PERSONAL OBLIGATION FOR ASSESSMENTS.

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

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

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

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

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

If a special assessment is approved as herein required and levied, it shall be paid as determined by the Board, and the Board may permit special assessments to be paid in installments extending beyond the fiscal year in which the special assessment is imposed. Special assessments shall be allocated among all Owners in the same manner as Residential Assessments.

SECTION 6. LIEN FOR ASSESSMENTS. All sums assessed against any property subject to this Declaration pursuant to this Declaration, together with interest collection and other costs, and reasonable attorney's fees actually incurred, as provided herein, shall be secured by a lien on the property owned by each Owner in favor of the Association. All Persons acquiring liens or encumbrances on any property subject to this Declaration after this Declaration shall have been recorded in the real property records of the county in which the Properties are located shall be deemed to consent that such liens or encumbrances shall be inferior to future liens for Assessments, as provided herein, whether or not prior consent is specifically set forth in the instruments creating such liens or encumbrance

SECTION 7. SUBORDINATION OF THE LIEN TO FIRST MORTGAGES. The lien securing the Assessments provided for herein shall be subordinate to (i) liens of ad valorem taxes and (ii) the lien of any first Mortgage which has been recorded in the real property records of Harris County, Texas. Sale or transfer of any Lot subject to this Declaration shall not affect

the lien hereby created. However, the sale or transfer of any Lot pursuant to foreclosure of a first Mortgage or any conveyance in lieu thereof, shall extinguish the lien of such Assessments as to payments which become due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

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

The Association's lien is created by recordation of this Declaration, which constitutes record notice and perfection of the lien. No other recordation of a lien or notice of lien shall be or is required. By acquiring a Lot, an Owner grants to the Association a power of sale in connection with the Association's lien. By written resolution, the Board of Directors of the Association may appoint, from time to time an officer, agent, trustee, or attorney of the Association to exercise the power of sale on behalf of the Association. The Association shall exercise its power of sale pursuant to Section 51.002 of the Texas Property Code, and any applicable revision(s), amendment(s), or re-codifications thereof in effect at the time of the exercise of such power of sale. The Association has the right to foreclose its lien judicially or by non-judicial foreclosure pursuant to the power of sale created hereby. Costs of foreclosure may be added to the amount owed by the Owner to the Association. An Owner may not petition a court to set aside a sale solely because the purchase price at the foreclosure sale was insufficient to fully satisfy the Owner's debt. The Association may bid for and purchase the Lot at the foreclosure sale utilizing funds of the Association. The Association may own, lease, encumber, exchange, sell, or convey a Lot. The purchaser at any such foreclosure sale shall be entitled to sue for recovery of possession of the Lot by an action of forcible detainer without the necessity of giving any notice to the former owner or owners of the Lot sold at foreclosure. The Owner shall have a right of redemption after or resulting from a foreclosure sale of the Association's lien as provided by law. Nothing herein shall prohibit the Association from taking a deed in lieu of foreclosure or from filing suit to recover a money judgment for sums that may be secured by the lien. At any time before a non-judicial foreclosure sale, an Owner of a Lot may avoid foreclosure by paying all amounts due the Association. Foreclosure of a tax lien attaching against a Lot under Chapter 32, Tax Code, shall not discharge the Association's lien under this paragraph for amounts becoming due to the Association after the date of foreclosure of the tax lien.

No Owner may waive or otherwise exempt himself from liability for the Assessments provided for herein, by non-use of Common Area or abandonment of the Lot owned by such

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

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

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

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

ARTICLE IV

RIGHTS IN THE COMMON AREA

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

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