

CC1-80-1952

8222944

COMMUNITY DECLARATION

EASEMENTS, RESTRICTIONS AND COVENANTS

FOR

SOUTH SHORE HARBOUR COMMUNITY ASSOCIATION, INC.

CC1-80-1953

Table of Contents

| <u>Article</u> | <u>Caption</u> | <u>Page Number</u> |
|--------------------|---|--------------------|
| ARTICLE I | GENERAL | 1 |
| Section 1.1 | Project Area | 1 |
| Section 1.2 | Purposes of Declaration | 1 |
| Section 1.3 | Declaration | 1 |
| ARTICLE II | DEFINITIONS | 2 |
| Section 2.1 | Administrative Functions | 2 |
| Section 2.2 | Annexable Area | 3 |
| Section 2.3 | Approval of Delegates Representing | 3 |
| Section 2.4 | Architectural Committee | 3 |
| Section 2.5 | Articles of Incorporation | 3 |
| Section 2.6 | Assessment | 3 |
| Section 2.7 | Assessment Area | 3 |
| Section 2.8 | Board of Directors | 3 |
| Section 2.9 | Budget | 4 |
| Section 2.10 | Bylaws | 4 |
| Section 2.11 | Commercial Site | 4 |
| Section 2.12 | Common Area | 4 |
| Section 2.13 | Common Assessment | 4 |
| Section 2.14 | Community Association | 4 |
| Section 2.15 | Community Association Area | 4 |
| Section 2.16 | Community Association Properties | 5 |
| Section 2.17 | Community Declaration | 5 |
| Section 2.18 | Condominium | 5 |
| Section 2.19 | Declarant | 5 |
| Section 2.20 | Declarant Owned Acreage | 5 |
| Section 2.21 | Deed of Trust | 6 |
| Section 2.22 | Delegate | 6 |
| Section 2.23 | Delegate District | 6 |
| Section 2.24 | FHA | 6 |
| Section 2.25 | FHLMC | 6 |
| Section 2.26 | First Subdivision | 6 |
| Section 2.27 | FNMA | 6 |
| Section 2.28 | GNMA | 6 |
| Section 2.29 | Government Mortgage Agencies | 6 |
| Section 2.30 | Improvements | 6 |
| Section 2.31 | Improvement to Property | 7 |
| Section 2.32 | Industrial Site | 7 |
| Section 2.33 | Maintenance Funds | 7 |

CC-1-80-1954

Table of Contents (Continued)

| Articles | Caption | Page Number |
|--------------|---|-------------|
| Section 2.34 | Manager | 7 |
| Section 2.35 | Member | 7 |
| Section 2.36 | Miscellaneous Use Site | 7 |
| Section 2.37 | Mortgage | 7 |
| Section 2.38 | Mortgagee | 8 |
| Section 2.39 | Mortgagor | 8 |
| Section 2.40 | Notice and Hearing | 8 |
| Section 2.41 | Notice of Completion | 8 |
| Section 2.42 | Owner | 8 |
| Section 2.43 | Person | 8 |
| Section 2.44 | Privately Owned Site | 8 |
| Section 2.45 | Project Area | 9 |
| Section 2.46 | Record or Recorded | 9 |
| Section 2.47 | Recreation Cost Center | 9 |
| Section 2.48 | Recreation Functions | 9 |
| Section 2.49 | Reimbursement Assessment | 9 |
| Section 2.50 | Reserve Fund | 9 |
| Section 2.51 | Residential Site | 9 |
| Section 2.52 | Rules and Regulations | 9 |
| Section 2.53 | Special Assessment | 10 |
| Section 2.54 | Subassociation | 10 |
| Section 2.55 | Supplemental Declaration | 10 |
| Section 2.56 | VA | 10 |
| ARTICLE III | ANNEXATION TO COMMUNITY ASSOCIATION AREA | 10 |
| Section 3.1 | Property Hereby Made Subject | 10 |
| Section 3.2 | Property Which May Be Annexed | 10 |
| Section 3.3 | Manner of Annexation | 11 |
| Section 3.4 | Government Mortgage Agency Approvals | 13 |
| Section 3.5 | Withdrawal of Annexed Property | 13 |
| Section 3.6 | Vacating of Plat or Correction of Plat by Declarant and Owners | 14 |
| ARTICLE IV | COMMUNITY ASSOCIATION OPERATION | 15 |
| Section 4.1 | Community Association | 15 |
| Section 4.2 | Community Association Board of Directors | 15 |
| Section 4.3 | Membership in Community Association | 16 |
| Section 4.4 | Establishment of Delegate Districts | 16 |
| Section 4.5 | Voting Rights of Members | 17 |
| Section 4.6 | Voting Rights of Delegates | 18 |
| Section 4.7 | Delegates as Advisory Committee For Recreation Cost Center | 19 |

Table of Contents (Continued)

| <u>Articles</u> | <u>Caption</u> | <u>Page Number</u> |
|--------------------|---|--------------------|
| ARTICLE V | DUTIES AND POWERS OF COMMUNITY ASSOCIATION | 20 |
| Section 5.1 | General Duties and Powers of Association | 20 |
| Section 5.2 | Duty to Accept Property and Facilities Transferred by Declarant | 20 |
| Section 5.3 | Duty to Manage and Care for Property .. | 21 |
| Section 5.4 | Duty to Pay Taxes | 21 |
| Section 5.5 | Duty to Maintain Casualty Insurance .. | 21 |
| Section 5.6 | Duty to Maintain Liability Insurance .. | 21 |
| Section 5.7 | General Provisions Respecting Insurance | 22 |
| Section 5.8 | Fidelity Bonds Required | 22 |
| Section 5.9 | Other Insurance and Bonds | 22 |
| Section 5.10 | Insurance and Bonds Required by Government Mortgage Agencies | 23 |
| Section 5.11 | Duty to Prepare Budgets | 23 |
| Section 5.12 | Duty to Levy and Collect Assessments .. | 23 |
| Section 5.13 | Duty to Provide Audit | 23 |
| Section 5.14 | Duties with Respect to Architectural Approvals | 23 |
| Section 5.15 | Power to Acquire Property and Construct Improvements | 23 |
| Section 5.16 | Power to Adopt Rules and Regulations .. | 23 |
| Section 5.17 | Power to Enforce Declaration and Rules and Regulations | 24 |
| Section 5.18 | Power to Provide Public Functions | 25 |
| Section 5.19 | Power to Provide Services to Subassociations | 25 |
| Section 5.20 | Power to Provide Special Services for Members | 26 |
| Section 5.21 | Power to Charge for Facilities and Services | 26 |
| Section 5.22 | Power to Grant Easements | 26 |
| Section 5.23 | Power to Convey and Dedicate Property to Government Agencies | 26 |
| Section 5.24 | Power to Borrow Money and Mortgage Property | 27 |
| Section 5.25 | Power to Employ Managers | 27 |
| Section 5.26 | Power to Engage Employees, Agents and Consultants | 27 |
| Section 5.27 | General Corporate Powers | 27 |

CC1-80-1956

Table of Contents (Continued)

| Articles | Caption | Page Number |
|--------------------|--|-------------|
| ARTICLE VI | COMMUNITY ASSOCIATION PROPERTIES | 28 |
| Section 6.1 | Members' Rights of Use and Enjoyment, Generally | 28 |
| Section 6.2 | Right of Association to Regulate Use .. | 28 |
| Section 6.3 | Right of Association to Allow Public Use | 28 |
| Section 6.4 | No Partition of Community Association Properties | 28 |
| Section 6.5 | Liability of Owners for Damage by Member | 28 |
| Section 6.6 | Association Duties in the Event of Damage or Destruction of Community Association Properties | 29 |
| Section 6.7 | Association Powers in the Event of Condemnation | 29 |
| Section 6.8 | Title to Community Association Properties on Dissolution of Community Association | 30 |
| ARTICLE VII | DECLARANT'S RIGHTS AND RESERVATIONS ... | 30 |
| Section 7.1 | Period of Declarant's Rights and Reservations | 30 |
| Section 7.2 | Right to Construct Additional Improvements on Community Association Properties | 31 |
| Section 7.3 | Declarant's Rights to Use Community Association Properties in Promotion and Marketing of Community Association Area | 31 |
| Section 7.4 | Declarant's Rights to Complete Develop- ment of Project Area | 32 |
| Section 7.5 | Declarant's Approval of Conveyance or Changes in Use of Community Association Properties | 32 |
| Section 7.6 | Declarant's Rights to Grant and Create Easements | 32 |
| Section 7.7 | Declarant's Rights to Convey Additional Property to Community Association | 32 |
| ARTICLE VIII | ASSESSMENTS, BUDGETS AND FUNDS | 33 |
| Section 8.1 | Maintenance Funds to be Established ... | 33 |
| Section 8.2 | Establishment of Other Funds | 33 |

Table of Contents (Continued)

| Articles | Caption | Page Number |
|--------------|--|-------------|
| Section 8.3 | Deposits of Common Assessments to Maintenance Funds | 34 |
| Section 8.4 | Other Deposits to Maintenance Funds | 33 |
| Section 8.5 | Disbursements from Maintenance Funds | 34 |
| Section 8.6 | No Commingling of Maintenance Funds | 34 |
| Section 8.7 | Authority for Disbursements | 35 |
| Section 8.8 | Common Assessments | 35 |
| Section 8.9 | Apportionment of Administrative Functions Common Assessments | 35 |
| Section 8.10 | Obligation for Recreation Function Common Assessments - How Established | 36 |
| Section 8.11 | Apportionment of Recreation Function Common Assessments | 36 |
| Section 8.12 | Annual Budgets and Common Assessments | 37 |
| Section 8.13 | No Disbursement to Abate Adjoining Nuisances | 37 |
| Section 8.14 | Payment of Common Assessments by Declarant | 37 |
| Section 8.15 | Maximum Administrative Functions and Recreation Functions Common Assessments | 38 |
| Section 8.16 | Supplemental Common Assessments | 38 |
| Section 8.17 | Delegate Approval of Increase in Maximum Common Assessment | 39 |
| Section 8.18 | Commencement of Common Assessments - Assessment Areas | 39 |
| Section 8.19 | Payment of Assessment | 39 |
| Section 8.20 | Failure to Fix Common Assessment | 40 |
| Section 8.21 | Special Assessment for Capital Expenditures | 40 |
| Section 8.22 | Reimbursement Assessments | 41 |
| Section 8.23 | Late Charges and Interest | 41 |
| Section 8.24 | Attribution of Payments | 41 |
| Section 8.25 | Notice of Default and Acceleration of Assessments | 41 |
| Section 8.26 | Remedies to Enforce Assessments | 42 |
| Section 8.27 | Lawsuit to Enforce Assessments | 43 |
| Section 8.28 | Lien to Enforce Assessments | 43 |
| Section 8.29 | Estoppel Certificates | 44 |
| Section 8.30 | No Offsets | 44 |
| Section 8.31 | Subdivision or Subassociation Assessments | 44 |
| ARTICLE IX | GENERAL RESTRICTIONS APPLICABLE TO PROPERTY | 44 |
| Section 9.1 | Maintenance of Property | 45 |

Table of Contents (Continued)

| Articles | Caption | Page Number |
|---------------|---|-------------|
| Section 9.2 | No Noxious or Offensive Activity | 45 |
| Section 9.3 | Annoying Sounds or Odors | 45 |
| Section 9.4 | No Hazardous Activities | 45 |
| Section 9.5 | No Unsightliness | 45 |
| Section 9.6 | Restrictions on Garbage and Trash | 46 |
| Section 9.7 | No Temporary Structures | 46 |
| Section 9.8 | Restriction on Antennae, Pipes and Utility Lines | 46 |
| Section 9.9 | Restrictions on Signs and Advertising Devices | 46 |
| Section 9.10 | Restrictions on Mining or Drilling | 47 |
| Section 9.11 | Maintenance of Drainage | 47 |
| Section 9.12 | Compliance with Insurance Requirements | 47 |
| Section 9.13 | Compliance with Laws | 47 |
| Section 9.14 | Restrictions on Sewage Disposal Systems | 47 |
| Section 9.15 | Restrictions on Water Systems | 48 |
| Section 9.16 | Restoration in the Event of Damage or Destruction | 48 |
| ARTICLE X | ARCHITECTURAL APPROVAL | 48 |
| Section 10.1 | Approval of Improvements Required | 48 |
| Section 10.2 | Improvement to Property Defined | 48 |
| Section 10.3 | Membership of Committee | 49 |
| Section 10.4 | Address of Committee | 49 |
| Section 10.5 | Required Approval by any Subassociation Architectural Committee | 49 |
| Section 10.6 | Submission of Plans | 50 |
| Section 10.7 | Criteria for Approval | 50 |
| Section 10.8 | Committee Guidelines or Rules | 50 |
| Section 10.9 | Architectural Review Fee | 50 |
| Section 10.10 | Decision of Committee | 51 |
| Section 10.11 | Appeal to Association Board | 51 |
| Section 10.12 | Failure of Committee to Act on Plans | 51 |
| Section 10.13 | Prosecution of Work After Approval | 51 |
| Section 10.14 | Notice of Completion | 52 |
| Section 10.15 | Inspection of Work | 52 |
| Section 10.16 | Notice of Noncompliance | 52 |
| Section 10.17 | Failure of Committee to Act after Completion | 52 |
| Section 10.18 | Appeal to Association Board of Finding of Noncompliance | 52 |
| Section 10.19 | Correction of Noncompliance | 53 |
| Section 10.20 | No Implied Waiver or Estoppel | 53 |
| Section 10.21 | Committee Power to Grant Variances | 53 |
| Section 10.22 | Compensation of Members | 54 |

CC-1-80-1959

Table of Contents (Continued)

| Articles | Caption | Page Number |
|---------------|--|-------------|
| Section 10.23 | Meetings of Committee | 54 |
| Section 10.24 | Records of Action | 54 |
| Section 10.25 | Estoppel Certificates | 55 |
| Section 10.26 | Non-liability for Committee Action | 55 |
| Section 10.27 | Construction Period Exception | 55 |
| ARTICLE XI | MISCELLANEOUS | 55 |
| Section 11.1 | Term of Declaration | 55 |
| Section 11.2 | Amendment of Community Declaration by Declarant | 56 |
| Section 11.3 | Amendment of Community Declaration by Members | 56 |
| Section 11.4 | Required Consent of Declarant to Amendment | 57 |
| Section 11.5 | Amendment of Articles and Bylaws | 58 |
| Section 11.6 | Special Rights of First Mortgagees | 58 |
| Section 11.7 | First Mortgagee Exemption from Rights of First Refusal | 59 |
| Section 11.8 | Priority of First Mortgage Over Assessments | 59 |
| Section 11.9 | First Mortgagee's Right to Pay Taxes and Insurance Premiums | 59 |
| Section 11.10 | Agreements with Government Mortgage Agencies and Government Mortgage Agencies Approval | 59 |
| Section 11.11 | Association's Right to Mortgage Information | 60 |
| Section 11.12 | Special Approvals by First Mortgagees | 60 |
| Section 11.13 | Notices | 61 |
| Section 11.14 | Persons Entitled to Enforce Declaration | 61 |
| Section 11.15 | Violations Constitute a Nuisance | 61 |
| Section 11.16 | Enforcement by Self Help | 61 |
| Section 11.17 | Violations of Law | 61 |
| Section 11.18 | Community Declaration | 62 |
| Section 11.19 | Remedies Cumulative | 62 |
| Section 11.20 | Costs and Attorneys' Fees | 62 |
| Section 11.21 | Limitation on Liability | 62 |
| Section 11.22 | No Representations or Warranties | 62 |
| Section 11.23 | Liberal Interpretation | 63 |
| Section 11.24 | Governing Law | 63 |
| Section 11.25 | Severability | 63 |
| Section 11.26 | Number and Gender | 63 |
| Section 11.27 | Captions for Convenience | 63 |
| Section 11.28 | Mergers or Consolidations | 63 |

CC1-80-1960

COMMUNITY DECLARATION
EASEMENTS, RESTRICTIONS AND COVENANTS
FOR
SOUTH SHORE HARBOUR COMMUNITY ASSOCIATION, INC.

This Community Declaration is made this 5th day of August, 1982 by South Shore Harbour Development, a Texas joint venture ("Declarant").

ARTICLE I

GENERAL

Section 1.1. Project Area. Declarant is the owner of certain parcels of land in the City of League City, County of Galveston, State of Texas, which, with other parcels which may be acquired by Declarant, is defined in this Community Declaration as the "Project Area". Declarant intends to develop the Project Area as balanced, planned community accomodating a mix of residential, commercial, industrial and other land uses, including substantial nonurban area and open space.

Section 1.2. Purposes of Declaration. Property which becomes subject to this Community Declaration in the manner hereinafter provided shall be referred to as the "Community Association Area". This Community Declaration is executed (a) in furtherance of a common and general plan for those portions of the Project Area which may become part of the Community Association Area; (b) to protect and enhance the quality, value, desirability and attractiveness of all property which becomes part of the Community Association Area; (c) to provide for a Community Association as a vehicle to hold, maintain, care for and manage Community Association Properties and to perform functions for the benefit of Owners and of Privately Owned Sites within the Community Association Area; (d) to define the duties, powers and rights of the Community Association; and (e) to define certain duties, powers and rights of Owners of Privately Owned Sites within the Community Association Area.

Section 1.3. Declaration. Declarant, for itself, its successors and assigns, hereby declares that all property which becomes subject to this Community Declaration in the manner hereinafter provided, and each part thereof, shall, from the date the same becomes subject to this Community Declaration, be owned, held, transferred, conveyed, sold, leased, rented, hypothecated, encumbered, used, occupied, maintained, altered and improved subject to the covenants, conditions, restrictions, limitations,

reservations, exceptions, equitable servitudes and other provisions set forth in this Community Declaration, for the duration thereof, all of which are declared to be part of, pursuant to, and in furtherance of a common and general plan of development, improvement, enhancement and protection of the Community Association Area. The provisions of this Community Declaration are intended to and shall run with the land and, until their expiration in accordance with Section 11.1 hereof, shall bind, be a charge upon and inure to the mutual benefit of (a) all of the property which becomes a part of the Community Association Area and each part or parcel thereof, (b) Declarant and its successors and assigns, (c) the Community Association and its successors and assigns, and (d) all persons having or acquiring any right, title or interest in any property which becomes part of the Community Association Area or any part or parcel thereof or any improvement thereon and their heirs, personal representatives, successors and assigns.

ARTICLE II

DEFINITIONS

Unless otherwise expressly provided herein, the following words and phrases when used in this Community Declaration shall have the meanings hereinafter specified.

Section 2.1. Administrative Functions. "Administrative Functions" shall mean all functions as are necessary and proper under this Community Declaration, except Recreation Functions, as hereinafter defined, and shall include, without limitation, providing management and administration of the Community Association, providing architectural review services under Article X hereof, incurring reasonable attorneys' fees, Management fees, and accountants' fees, obtaining errors and omissions insurance for officers, directors and agents of the Community Association, obtaining fidelity bonds for any Person handling funds of the Community Association, paying taxes levied against the Community Association Properties, incurring filing fees, recording costs and bookkeeping fees, obtaining and maintaining offices and office furniture and equipment providing public services commonly associated with municipal or other local governments, including, without limitation, providing security protection, fire protection, animal control, vegetation control, insect and pest control, communication and television service, hospitals, cultural and educational facilities, parking facilities, public transportation facilities, drainage facilities, trash and solid waste disposal services, and utility services, and performing other such reasonable and ordinary administrative tasks and public functions associated with operating the Community Association. The foregoing list shall not be deemed to be a representation by Declarant of services or facilities which will be available for use of the Owners, nor shall it be deemed a

CC1-80-1962

limitation of possible services, but rather examples of such possible service.

Section 2.2. Annexable Area. "Annexable Area" shall mean all of the real property described on Exhibit "A" attached hereto and made part hereof for all purposes, all or any portion of which may from time to time be made subject to this Community Declaration by Declarant pursuant to the provisions of Section 3.2 of this Community Declaration. As provided in Section 11.18 of this Community Declaration, the provisions of this Community Declaration shall not constitute an encumbrance or restrict the use of any portion of the Annexable Area which has not been made subject to this Community Declaration pursuant to the provisions of Section 3.2 of this Community Declaration.

Section 2.3. Approval of Delegates Representing. "Approval of Delegates representing" shall mean the affirmative vote by those Delegates representing Members holding the percentage of votes (out of the total number of authorized votes within the Community Association) necessary to adopt or approve the issue in question. For example, if the issue in question requires the approval of those Delegates representing not less than sixty-six (66%) percent of the entire voting power within the Community Association and there are ten thousand (10,000) authorized votes within the Community Association at the time of such vote, then, in order for such issue to be approved, six thousand six hundred (6,600) affirmative votes must be cast by the Delegates.

Section 2.4. Architectural Committee. "Architectural Committee" shall mean the Committee provided for in Article X of this Community Declaration.

Section 2.5. Articles of Incorporation. "Articles of Incorporation" shall mean the Articles of Incorporation of South Shore Harbour Community Association, Inc., which have been or will be filed in the Office of the Secretary of State of the State of Texas, as amended from time to time.

Section 2.6. Assessment. "Assessment" shall mean a Common Assessment, a Special Assessment or a Reimbursement Assessment as hereinafter defined.

Section 2.7. Assessment Area. "Assessment Area" shall be a portion of the Community Association Area so designated in a Supplemental Declaration for purposes of determining when Common Assessments shall commence against certain Privately Owned Sites and the Owners thereof. All properties dedicated to and accepted by a governmental authority and the Common Areas shall be exempt from the Assessments described herein.

Section 2.8. Board of Directors. "Board of Directors" or "Board" shall mean the Board of Directors of the Community Association.

001-80-1963

Section 2.9. Budget. "Budget" shall mean a written, itemized estimate of the expenses to be incurred by the Community Association in performing its functions under this Community Declaration and prepared pursuant to Section 8.12 of this Community Declaration.

Section 2.10. Bylaws. "Bylaws" shall mean the Bylaws of the Community Association which have been or will be adopted by the Board of Directors of the Community Association, as amended from time to time.

Section 2.11. Commercial Site. "Commercial Site" shall mean a Privately Owned Site within the Community Association Area which is designated in a Supplemental Declaration covering that Site for commercial uses.

Section 2.12. Common Area. "Common Area" shall mean any portion of the Community Association Area designated as Common Area which is for the primary use and benefit of the Owners of certain Privately Owned Sites as may be provided in a Supplemental Declaration covering such portion of the Community Association Area. Such Common Area may be owned (a) by a Subassociation in which all such Owners shall be entitled to membership, or (b) in undivided interests by such Owners, or (c) separately or individually by Owners over which a Subassociation may have an easement for maintenance purposes, or (d) by a cooperative housing corporation as defined in Section 216 of the Internal Revenue Code, (e) the Community Association for the benefit of and for the common use and enjoyment by the Owners, or (f) Declarant, for the common use and enjoyment by those Owners entitled to use such Common Area, until such time as Declarant conveys fee simple title of such Common Area to the Community Association or other Person described in this Section 2.12.

Section 2.13. Common Assessment. "Common Assessment" shall mean the assessments made for the purpose of covering the portion of the annual costs of operating the Community Association, including expenses incurred in connection with any authorized function of the Community Association, which are to be paid by each Owner to the Community Association for purposes provided herein and charged to such Owner and to the Privately Owned Site of such Owner. Each Common Assessment includes an Administrative Functions Common Assessment ("AFCA") and may or may not include a Recreation Functions Common Assessments ("RFCA"), or any other assessments established pursuant to Section 8.8 of this Community Declaration.

Section 2.14. Community Association. "Community Association" shall mean South Shore Harbour Community Association, Inc., a Texas non-profit corporation now existing or to be created after the date hereof, its successors and assigns.

Section 2.15. Community Association Area. "Community Association Area" shall mean the First Subdivision together with

001-80-1964

any real property which hereafter becomes subject to this Community Declaration by the execution and Recordation of a Supplemental Declaration as provided in Section 3.3 of this Community Declaration.

Section 2.16. Community Association Properties. "Community Association Properties" shall mean all real and personal property, including Improvements (a) now or hereafter owned by the Community Association or (b) with respect to which the Community Association holds an easement for the use, care or maintenance thereof, which in either event is held for the common use and enjoyment of certain of its Members as provided herein and for other purposes as may be permitted by this Community Declaration.

Section 2.17. Community Declaration. "Community Declaration" shall mean this instrument as it may be amended from time to time.

Section 2.18. Condominium. "Condominium" shall mean (a) a "condominium unit" as defined in Section 2(d) of the Texas Condominium Ownership Act, Texas Revised Civil Statutes, Articles 1301a, or as defined in any State of Texas statute or statutes in lieu of any or such statute which may hereafter be enacted; or (b) that portion of real property owned by a cooperative housing corporation, as defined in Section 216 of the Internal Revenue Code, to which a shareholder is entitled to exclusive occupancy; or (c) a unit in a project in which an undivided interest in land is coupled with the right of exclusive occupancy of any space located thereon.

Section 2.19. Declarant. "Declarant" shall mean South Shore Harbour Development, a Texas joint venture composed of South Shore Harbour Investors, a Texas general partnership, and Anrem Corporation, a Texas corporation, and such joint venture's successors and assigns. A Person shall be deemed a "successor and assign" of South Shore Harbour Development, a Texas joint venture, as Declarant only if such Person is specifically designated in a duly recorded instrument as a successor or assign of Declarant under this Community Declaration and shall be deemed a successor or assign of Declarant only as to the particular rights or interests of Declarant under this Community Declaration which are specifically designated in such written instrument. However, a successor to South Shore Harbour Development by consolidation or merger shall automatically be deemed a successor or assign of South Shore Harbour Development as Declarant under this Community Declaration.

Section 2.20. Declarant Owned Acreage. "Declarant Owned Acreage" shall mean land lying within the Annexable Area (including any "Reserves" [as hereinafter defined]) which (i) has not been subdivided into Privately Owned Sites, whether single-family or multi-family Residential, Commercial, or Industrial Sites or otherwise, or (ii) is not within a Delegate District.

COI-80-1965

Section 2.21. Deed of Trust. "Deed of Trust" shall mean a Mortgage as hereinafter defined.

Section 2.22. Delegate. "Delegate" shall mean the natural Person selected by Members within a Delegate District pursuant to Section 4.5 hereof to represent such Delegate District and to cast votes on behalf of Members within such Delegate District as provided in this Community Declaration.

Section 2.23. Delegate District. "Delegate District" shall mean a geographical area which may constitute any portion or portions of the Community Association Area and from which all Members in that Delegate District shall elect a single Delegate to represent their collective voting power, as further provided in Article IV hereof.

Section 2.24. FHA. "FHA" shall mean the Federal Housing Administration of the United States Department of Housing and Urban Development, including such department or agency of the United States government as shall succeed to the FHA in insuring notes secured by mortgages and deeds of trust on residential real estate.

Section 2.25. FHLMC. "FHLMC" shall mean the Federal Home Loan Mortgage Corporation or The Mortgage Corporation created by Title III of the Emergency Home Finance Act of 1970, including any successors thereto.

Section 2.26. First Subdivision. "First Subdivision" shall mean all of the real property described in Exhibit "B" attached hereto and incorporated herein by this reference, which property Declarant intends to develop as Residential Sites and Community Association Properties.

Section 2.27. FNMA. "FNMA" shall mean the Federal National Mortgage Association, a government-sponsored private corporation established as such pursuant to Title VIII of the Housing and Urban Development Act of 1968, including any successor thereto.

Section 2.28. GNMA. "GNMA" shall mean the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, including any successor thereto.

Section 2.29. Government Mortgage Agencies. "Government Mortgage Agencies" shall mean the FHA, the VA, the FHLMC, the GNMA, the FNMA, or any similar entity, public or private, authorized, approved or sponsored by any governmental agency to insure, guarantee, make or purchase Mortgage loans.

Section 2.30. Improvements. "Improvements" shall mean all structures and any appurtenances thereto of every type or kind, including, but not limited to, buildings, outbuildings,

swimming pools, patio covers, awnings, painting of any exterior surfaces of any visible structure, additions, walkways, bicycle trails, sprinkler pipes, garages, carports, roads, driveways, parking areas, fences, screening, walls, retaining walls, stairs, decks, fixtures, windbreaks, poles, signs, exterior tanks, solar energy equipment, exterior air conditioning fixtures and equipment, water softener fixtures, exterior lighting, recreational equipment or facilities, radio or television antenna and microwave television antenna, and landscaping which is visible from the Community Association Properties or a Privately Owned Site, other than the Privately Owned Site on which the landscaping is located.

Section 2.31. Improvement to Property. "Improvement to Property" shall mean any improvement, change, alteration or addition to any property within the Community Association Area. "Improvement to Property" is more particularly defined in Section 10.2 of this Community Declaration.

Section 2.32. Industrial Site. "Industrial Site" shall mean any Privately Owned Site within the Community Association Area designated in the Supplemental Declaration covering that Site for industrial uses.

Section 2.33. Maintenance Funds. "Maintenance Funds" shall mean the accounts into which the Board shall deposit monies paid to the Community Association and from which disbursements shall be made in the performance of the functions of the Community Association pursuant to Article VIII hereof.

Section 2.34. Manager. "Manager" shall mean any one or more Persons employed by the Community Association as herein after provided in the Community Declaration who is engaged to perform any of the duties, powers or functions of the Community Association.

Section 2.35. Member. "Member" shall mean the Person, or if more than one, all Persons collectively, who constitute the Owner of a Privately Owned Site, and Declarant.

Section 2.36. Miscellaneous Use Site. "Miscellaneous Use Site" shall mean any Privately Owned Site within the Community Association Area designated in the Supplemental Declaration covering that Site for agricultural, mixed residential and office, or other uses or designated as an "Unrestricted Reserve" (as hereinafter defined), except any Residential Site, Industrial Site or Commercial Site. The manner in which any Miscellaneous Use Site will utilize any Community Association Properties and contribute to the cost of operating the Community Association shall be set forth in the Supplemental Declaration covering such Site.

Section 2.37. Mortgage. "Mortgage" shall mean any mortgage or deed of trust or other such instrument, given voluntarily by the Owner of a Privately Owned Site, encumbering

001-80-1967

the Privately Owned Site to secure the performance of an obligation or the payment of a debt and which is required to be released upon performance of the obligation or payment of the debt. The term "Deed of Trust" when used herein shall be synonymous with the term "Mortgage".

Section 2.38. Mortgagee. "Mortgagee" shall mean a mortgagee under a Mortgage or a beneficiary under a deed of trust, as the case may be, and the assignees of such Mortgagee.

Section 2.39. Mortgagor. "Mortgagor" shall mean the Person who mortgages his or its property to another (i.e., the maker or grantor of a Mortgage). The term "Mortgagor" shall include a grantor under a Deed of Trust.

Section 2.40. Notice and Hearing. "Notice and Hearing" shall mean a written notice and a public hearing before the Board of Directors or a tribunal appointed by the Board, in the manner provided in this Community Declaration or in the Bylaws.

Section 2.41. Notice of Completion. "Notice of Completion" shall mean written notice to the Architectural Committee of the completion of any Improvement to Property pursuant to Article X of this Community Declaration.

Section 2.42. Owner. "Owner" shall mean the Person, including Declarant, or if more than one, all Persons collectively, who hold fee simple title of record to a Privately Owned Site, including sellers under executory contracts of sale and excluding buyers thereunder. The Owner of a Privately Owned Site developed as rental apartments, retail, commercial, office and/or warehouse space, shopping centers, or office buildings shall be the Owner for purposes of this Community Declaration, and not the lessees or tenants thereof.

Section 2.43. Person. "Person" shall mean a natural person, a corporation, a partnership or any other entity.

Section 2.44. Privately Owned Site. "Privately Owned Site" or "Site" shall mean any Condominium, townhouse or any lot or parcel of land within the Community Association Area which is shown upon any recorded plat, map or any other parcel of land which may be sold or conveyed without violation of the provisions of Texas law pertaining to the subdivision of land. "Privately Owned Site" or "Site" shall include, without limitation, any lot or parcel developed as rental apartments containing one or more apartment buildings, shopping centers and office/warehouse parks containing one or more units or buildings, an office building containing one or more units or suites or other commercial buildings containing one or more separate buildings, but shall not include: (a) any property owned by a public body, (b) the Community Association Properties, or (c) any Common Area.

CC-1-80-1968

Section 2.45. Project Area. "Project Area" shall mean the aggregate of the Community Association Area, which is subject to this Community Declaration at any point in time, and the Annexable Area, which may at any time thereafter be annexed into the Community Association Area and thereby be made subject to this Community Declaration.

Section 2.46. Record or Recorded. "Record or Recorded" shall mean the filing for record of any document in the office of the Clerk and Recorder of Galveston County, Texas.

Section 2.47. Recreation Cost Center. "Recreation Cost Center" shall mean one or more recreational improvements on a portion or portions of the Community Association Properties which improvements are restricted for the exclusive use of certain Owners of Privately Owned Sites, and where the expenses of operating such improvements are borne solely by such Owners. There may be one or more such Recreation Cost Centers established in the Community Association Area, as further provided in Sections 8.10 and 8.11 hereof.

Section 2.48. Recreation Functions. "Recreation Functions" shall mean providing for active and passive recreational activities in connection with a Recreation Cost Center, including any and all facilities associated therewith; provided, however, that the foregoing shall not be deemed to be a representation by Declarant of services or facilities which will be available for the use of the Owners.

Section 2.49. Reimbursement Assessment. "Reimbursement Assessment" shall mean a charge against a particular Owner and his Privately Owned Site for the purpose of reimbursing the Community Association for expenditures and other costs of the Community Association in curing any violation, directly attributable to the Owner, of the Community Declaration or the Rules and Regulations, pursuant to Section 8.22 hereof, together with late charges and interest as provided for herein.

Section 2.50. Reserve Fund. "Reserve Fund" shall mean the portion of each Maintenance Fund earmarked as contingency funds for the operation of the Community Association Area and the construction, repair, replacement or other restoration work to the Community Association Properties.

Section 2.51. Residential Site. "Residential Site" shall mean any Privately Owned Site within the Community Association Area designated in the Supplemental Declaration covering that Site for apartment rental, condominium, townhouse, patio home or other single family or multi-family dwelling purposes.

Section 2.52. Rules and Regulations. "Rules and Regulations" shall mean rules and regulations adopted by the

CC1-80-1969

Board of Directors as provided in Section 5.16 of this Community Declaration, as amended from time to time.

Section 2.53. Special Assessment. "Special Assessment" shall mean a charge against each Owner and his Privately Owned Site representing a portion of the costs to the Community Association for the purpose of funding major capital repairs, maintenance, replacements and improvements, pursuant to Section 8.21 hereof.

Section 2.54. Subassociation. "Subassociation" shall mean any Texas corporation, or unincorporated association, and its successors and assigns, organized and established or authorized pursuant to, or in connection with, one or more Supplemental Declarations and of which the membership is composed of Owners of Privately Owned Sites within all or part of the area covered by the Supplemental Declarations. Additionally, a Subassociation may be formed by the written agreement of not less than sixty-six percent (66%) of the Owners of Privately Owned Sites within any separately annexed subdivision forming part of a Delegate District.

Section 2.55. Supplemental Declaration. "Supplemental Declaration" shall mean a written instrument containing covenants, conditions, restrictions, reservations, easements or equitable servitudes, or any combination thereof, which may be Recorded on any portion of the Annexable Area in accordance with Section 3.3 of this Community Declaration.

Section 2.56. VA. "VA" shall mean the Veterans Administration of the United States of America, including such department or agency of the United States government as shall succeed to the VA in its present function of issuing guarantees with respect to notes secured by Mortgages on Residential Sites.

ARTICLE III

ANNEXATION TO COMMUNITY ASSOCIATION AREA

Section 3.1. Property Hereby Made Subject. Declarant hereby declares that the First Subdivision is hereby made subject to this Community Declaration. The First Subdivision initially shall constitute Delegate District No. 1 and the first Assessment Area and, as further provided in the Supplemental Declaration applicable thereto, it shall be developed as Residential Sites and Community Association Properties.

Section 3.2. Property Which May Be Annexed. Declarant may, but shall in no way be required to, from time to time, unilaterally add to the Community Association Area all or any portion of the Annexable Area, provided that Declarant makes reasonable progress in the development of Privately Owned Sites. However, delays in development or sale of the Privately Owned

Sites, and delays resulting from causes beyond the reasonable control of Declarant (including, without limitation, governmental restrictions, war or civil commotion, general debt moratorium, or unavailability of utilities or building permits [which delays are herein referred to as "Excusable Delays"]), shall not affect the right of Declarant to annex further property into the Community Association Area. In any event it shall be conclusively presumed that Declarant is reasonably progressing in the development of Privately Owned Sites if the first annexation proposed by Declarant under this Community Declaration is effected prior to the third (3rd) annual anniversary of the Recordation of this Community Declaration, as extended by Excusable Delays, and if any subsequent annexation proposed by Declarant hereunder is effected prior to the third annual anniversary of the Recordation of the most recently Recorded Supplemental Declaration annexing a portion of the Annexable Area into the Community Association Area, as extended by Excusable Delays, (notwithstanding the fact that such most recently recorded Supplemental Declaration may have been withdrawn from the Community Association Area pursuant to Section 3.5 hereof). The annexation, itself, of such Annexable Area, regardless of whether any Improvements are constructed in such Annexable Area, shall satisfy the aforesaid requirement of Declarant making reasonable progress in the development of Privately Owned Sites. Should Declarant fail to make reasonable progress in the development of Privately Owned Sites as provided above at any time during the term of this Community Declaration, then the next succeeding annexation of Annexable Area shall require the approval of Delegates representing not less than two-thirds (2/3rds) of the voting power within the Community Association (excluding any voting power of the Declarant). However, any annexations subsequent to an annexation approved by such Delegates shall not require the vote of Delegates described in the preceding sentence if such annexations occur prior to the third annual anniversary of the Recordation of the most recently Recorded Supplemental Declaration annexing a portion of Annexable Area into the Community Association Area, as extended by Excusable Delays.

Section 3.3. Manner of Annexation. Real property within the Annexable Area ("Annexed Property"), shall become part of the Community Association Area and subject to this Community Declaration, effective upon the Recordation in the office of the Clerk and Recorder of Galveston County, Texas, of a Supplemental Declaration meeting the requirements hereinafter set forth. A Supplemental Declaration (a) shall be executed and acknowledged by the Owner(s) of the Annexed Property described therein; (b) shall, if the Annexed Property is not then owned by Declarant, contain the executed and acknowledged written consent of Declarant for so long as Declarant owns any property in the Project Area and has the power to annex additional property into the Community Association Area; (c) shall contain an adequate legal description of the Annexed Property; (d) shall contain a reference to this Community Declaration which shall state its

date of Recordation and the book and page of the Records of the Clerk and Recorder of Galveston County, Texas, where this Community Declaration is Recorded; (e) shall state the land classification (residential, commercial, industrial or otherwise, including unrestricted reserves shown on the Recorded plat (the "Plat"), for such Annexed Property (collectively herein referred to as the "Reserves") of the Annexed Property; (f) shall designate the Assessment Area or Assessment Areas covered by the Supplemental Declaration and state the manner in which the Owners of any Privately Owned Sites shall contribute to the cost of operating and maintaining such Community Association Properties (g) shall contain a statement that the Annexed Property is declared to be part of the Community Association Area under this Community Declaration and that the Annexed Property shall be subject to this Community Declaration; (h) shall state whether the Owners of any Privately Owned Sites therein or other Persons shall be authorized to use any Recreation Cost Center or other Community Association Properties; (i) shall designate in which Delegate District the Annexed Property is located; (j) shall state whether the Owners of any Privately Owned Sites therein are subject to any Assessments, other than "AFCAs" and "RFCAs" (as hereinafter defined); (k) shall provide that Sites therein shall be subject to the jurisdiction of a Subassociation or shall not be subject to the jurisdiction of a Subassociation; and (l) may include a conveyance by Declarant of Common Area to one or more of the Persons described in Section 2.12 hereof. If a portion of the Annexed Property made part of the Community Association by a Supplemental Declaration is classified as a Reserve and no land classification for such Reserve has been made on the Plat or said Supplemental Declaration, then the Declarant, without the consent of any Owner, may designate the permitted use(s) of such Reserve by a Supplemental Declaration otherwise satisfying the requirements of this Section 3.3. Additionally, a Supplemental Declaration may provide for phased annexation so that portions of the Annexable Area may be made subject to the Supplemental Declaration and this Community Declaration at different times. A deed by which Declarant conveys a parcel of property, including property comprising the Common Area, to another Person may constitute a Supplemental Declaration if it meets the foregoing requirements, as applicable (and may designate such Person a successor and assign of Declarant with respect to all or a portion of the property conveyed therein as described in Section 2.19 hereof). A Supplemental Declaration may impose on the Annexed Property described therein additional covenants, conditions, restrictions, limitations, reservations, exceptions, equitable servitudes and other provisions to those set forth in this Community Declaration, taking into account the unique and particular aspects of the proposed development of the Annexed Property covered thereby; provided, however, in no event shall any Supplemental Declaration revoke, modify or amend the covenants or restrictions established by this Community Declaration or any other Supplemental Declaration for any other property comprising part of the Community Association Area or within the Project Area or revoke (so

as to terminate) the provisions of the covenants or restrictions established by this Community Declaration as to such Annexed Property. A Supplemental Declaration may provide for a Subassociation of Owners within the property described in the Supplemental Declaration and for the right of the Subassociation to assess such Owners. Upon Recordation of a Supplemental Declaration, the Annexed Property shall be subject to all of the covenants, conditions, restrictions, limitations, reservations, exceptions, equitable servitudes and other provisions set forth in this Community Declaration, except to the extent specifically stated in the Supplemental Declaration. If the annexation of any Annexable Area has the direct effect of increasing the then current budgeted expenses of the Community Association to provide services to such Annexed Property in a manner consistent with the remainder of the Community Association Area, Declarant shall directly pay to the Community Association the amount of money necessary to provide required services to such Annexed Property in a manner consistent with the remainder of the Community Association Area, until such time as the Annexed Property becomes subject to assessment in a manner consistent with the remainder of the Community Association Area owned by Owners, other than Declarant, as applicable.

Section 3.4. Government Mortgage Agency Approvals. As long as the Declarant has Class B membership rights and provided further that one or more Government Mortgage Agencies is insuring or guaranteeing loans or has agreed to insure or guarantee loans on any portion of the Community Association Area, the following actions require the prior approval of those Government Mortgage Agencies insuring or guaranteeing loans or having agreed to insure or guarantee loans on any portion of the Community Association Area: (i) annexation of additional properties into the Community Association Area, (ii) dedication of the Common Area, (iii) mergers and consolidations of the Community Association, (iv) mortgaging of the Common Area, and (v) amendment of this Community Declaration.

Section 3.5. Withdrawal of Annexed Property. All or any portion of the Annexable Area which has been annexed by a Supplemental Declaration may be withdrawn from the Community Association Area and from this Community Declaration by the Owners of such Annexed Property to correct a surveyor error or other technical or clerical error or otherwise, in the manner described below; provided, however, Annexed Property that is not then owned by Declarant may be withdrawn only if no assessments have then commenced with respect to such Annexed Property. The withdrawal of Annexed Property shall be accomplished by the execution, acknowledgment and Recordation of a withdrawal notice ("Notice of Withdrawal"). The Notice of Withdrawal (i) shall be executed and acknowledged by all of the Owner(s) of the Annexed Property to be withdrawn; (ii) shall, if the Annexed Property to be withdrawn is not then owned by Declarant, contain the executed and acknowledged written consent of Declarant for so long as

Declarant owns any property in the Project Area and has the power to annex additional property into the Community Association Area; (iii) shall contain an adequate legal description of the Annexed Property; (iv) shall contain a reference to the Supplemental Declaration for such Annexed Property which reference shall state the date thereof, the date of Recordation thereof and the recording reference in the office of the Clerk and Recorder of Galveston County, Texas, where the Supplemental Declaration was recorded; and (v) shall contain a statement and declaration that all or any portion of the Annexable Area which is being withdrawn is withdrawn from the Community Association Area and shall not be thereafter subject to this Community Declaration or the Supplemental Declaration for such Annexed Property.

The withdrawal shall be effective upon recordation of the Notice of Withdrawal and, upon recordation of the Notice of Withdrawal, the Annexed Property described therein shall no longer be part of the Community Association Area or subject to the Community Declaration or the Supplemental Declaration for such Annexed Property. Any Annexed Property which is withdrawn from the Community Association Area and the Community Declaration pursuant to a Notice of Withdrawal may be annexed at any subsequent time in one or more annexations, and the withdrawal of such Annexed Property does not create any future impediment to any number of annexations or withdrawals of such Annexed Property.

The withdrawal of such Annexed Property shall not impair the validity of any action taken by the Board, Delegates or Community Association notwithstanding the exercise by the Owners of such Annexed Property of any voting rights hereunder. Additionally, the Owners of such Annexed Property shall be liable for their prorata share of any Assessments imposed against such Annexed Property prior to the date of Recordation of the Notice of Withdrawal, and the Association shall not be obligated to refund any portion of any Assessment paid by the Owners of such Annexed Property.

Section 3.6. Vacating of Plat or Correction of Plat by Declarant and Owners. No provision of this Community Declaration shall preclude the Declarant and/or Owners of Annexed Property from vacating any plat of such Annexed Property or filing a replat to correct any error in the original platting or replatting of such Annexed Property provided that such vacating or replatting is done in accordance with Texas Revised Civil Statutes, Article 974a, such as an error in any course or distance shown on the prior plat, an error in the description of the real property shown on the prior plat or any other type of scrivener or clerical error or omission in the description of the real property on the prior plat or otherwise. Additionally, the Declarant and each Owner of any Annexed Property which is not platted as a subdivision which is affected by one or more of the following errors may, without the joinder of any other Owner, file a Supplemental Declaration correcting such errors ("Correc-

tion Supplemental Declaration") provided that the property rights of any other Owner are not adversely affected by such Correction Supplemental Declaration: (i) to correct an error in any course or distance described in the prior Supplemental Declaration; (ii) to add any course or distance that was omitted in the prior Supplemental Declaration; (iii) to correct an error in the description of the real property described in the prior Supplemental Declaration; (iv) to indicate monuments set after death, disability, or retirement from practice of the engineer surveyor charged with responsibilities for setting monuments; (v) to indicate the proper location or character of any monument which has been changed in location or character or which originally was described at the wrong location or incorrectly as to its character on the prior Supplemental Declaration; (vi) to correct any other type of scrivener or clerical error or omission; such errors or omissions may include, but are not limited to, the lot numbers, unit numbers, parking spaces, building site numbers, acreage, street names and identification of adjacent Annexed Property; (vii) to correct an error in courses and distances of lot lines between two adjacent Privately Owned Sites when both Owners join the application of such correction, provided that such amendment does not intend to remove such Privately Owned Sites from the operation of this Community Declaration or any Supplemental Declaration; or (viii) to relocate a lot line in order to cure the inadvertent encroachment of a building or improvement on a lot line or on an easement.

ARTICLE IV

COMMUNITY ASSOCIATION OPERATION

Section 4.1. Community Association. The Community Association will be formed as a Texas non-profit corporation under the Texas Non-Profit Corporation Act. The Community Association shall have the duties, powers and rights set forth in this Community Declaration and in its Articles of Incorporation and Bylaws. As more specifically set forth hereinafter, the Community Association shall have a Board of Directors to manage its affairs; the Board of Directors shall be elected by Delegates representing Delegate Districts within the Community Association Area, and Delegates shall be elected by Owners within each Delegate District, acting in their capacity as Members of the Community Association.

Section 4.2. Community Association Board of Directors. The affairs of the Community Association shall be managed by a Board of Directors. The number, term and qualifications of the Board of Directors shall be fixed in the Articles of Incorporation and Bylaws. The Board of Directors may, by resolution, delegate portions of its authority to an executive committee or to other committees, to officers of the Community Association or to agents and employees of the Community Association but such

delegation of authority shall not relieve the Board of Directors of the ultimate responsibility for management of the affairs of the Community Association. Action by or on behalf of the Community Association may be taken by the Board of Directors or any duly authorized executive committee, officer, agent or employee without a vote of Members or Delegates, except as otherwise specifically provided in this Community Declaration.

Section 4.3. Membership in Community Association.

Each Owner within the Community Association Area shall be a Member of the Community Association. The Person or Persons who constitute the Owner of a Privately Owned Site shall automatically be the holder of the Membership appurtenant to that Privately Owned Site. Initially, the Owners, other than Declarant, shall hold one membership in the Community Association for each Privately Owned Site within the Community Association Area as a "Class A Member", and Declarant shall hold one membership in the Community Association for each Privately Owned Site owned by Declarant as a Class B Member, subject to the provisions of Section 4.5 hereof. Membership in the Community Association shall not be assignable separate and apart from fee simple title to a Privately Owned Site except that an Owner may assign some or all of his rights as an Owner and may arrange for a tenant to perform some or all of such Owner's obligations as provided in this Community Declaration, but no Owner shall be permitted to relieve himself of the responsibility for fulfillment of the obligations of an Owner under this Community Declaration, notwithstanding any such arrangement.

Section 4.4. Establishment of Delegate Districts. The Community Association Area shall be divided into Delegate Districts, as hereinafter described, and each Delegate District shall elect one (1) Delegate to the Community Association to exercise the voting power of all the Members in such Delegate District. If a Subassociation is created by the Recordation of a Supplemental Declaration, then all of the Annexed Property within the jurisdiction of the Subassociation shall constitute a Delegate District and no other Annexed Property shall be included within such Delegate District, except as otherwise provided in such Supplemental Declaration. In the event that a Subassociation is not created for one or more portions of the Annexed Property, then the Delegate Districts for such portions of the Annexed Property shall be established by Declarant at the time such portions of the Annexed Property become part of the Community Association Area by the Recordation of a Supplemental Declaration or other written instrument signed by Declarant. Additional portions of Annexed Property may be added to existing Delegate Districts by a Supplemental Declaration or other written instrument signed by Declarant. Such Supplemental Declaration(s) or other instrument(s) shall contain a legal description of the portion of the Annexed Property which shall comprise all or a portion of a Delegate District for purposes of this Community Declaration.

Section 4.5. Voting Rights of Members. Each Member shall have the right to cast votes for the election of a Delegate to the Community Association to exercise the voting power of the Delegate District in which the Member's Privately Owned Site is located. If such Delegate District is within the jurisdiction of a Subassociation, then the Member shall have the same voting rights for the election of the Delegate from that Delegate District as are provided for the election of the Board of Directors of the Subassociation, subject to the provisions of Article XII of the Bylaws relating to suspension of voting rights. If such Delegate District is not subject to the jurisdiction of a Subassociation, then the Member shall have the hereinafter described voting rights for the election of a Delegate to represent the Delegate District. There shall be two classes of Members, Class A Members and Class B Members. Initially, Class A Members shall be all Owners, with the exception of Declarant, and each Class A Member shall be entitled to one (1) vote for each Privately Owned Site restricted to single family residential use owned by such Class A Member within a Delegate District. Each Class A Member owning a Privately Owned Site restricted to residential use, other than single-family residential use, or restricted as a Commercial Site, Industrial Site or otherwise shall be entitled to the following number of votes: (i) one (1) vote for each three (3) apartment units located on a Privately Owned Site (with a full vote being assigned for any extra one (1) or two (2) apartment units not constituting a multiple of three (3) apartment units, in lieu of assigning a fractional vote); (ii) one (1) vote for each three (3) individually numbered hotel or motel guest rooms (or any extra one (1) or two (2) individually numbered hotel or motel guest rooms) located on a Privately Owned Site; and (iii) one (1) vote for each 2,500 square feet (or extra part thereof) of enclosed floor area (as determined by the set of "as-built" plans delivered to the Architectural Committee at the time of the delivery of the Notice of Completion, which plans [the "Completion Plans"] contain the Architect's certification of the total of the above-described enclosed floor area in such Improvement to Property), (a) of common rooms and facilities, service rooms and facilities or administrative offices within an apartment complex, hotel or motel, or (b) within a shopping center, office building, Industrial Site, office/warehouse facility, or other commercial building on a Privately Owned Site. For example, if a shopping center, or office building, or other commercial building contains 102,000 square feet of enclosed floor area, then the Owner of such shopping center, office building, or other commercial building shall be entitled to forty-one (41) votes for such Privately Owned Site. Prior to the development of Improvements on such Privately Owned Sites, each Class A Member shall be entitled to one (1) vote for each acre or fraction thereof of the aggregate of unimproved property on such Class A Member's Privately Owned Sites, other than Residential Sites restricted to single family use. The Improvements on such Privately Owned Site shall be deemed to be completed, with an

CC-80-1977

appropriate change in such Owner's voting rights being made, on the date that the Owner delivers a Notice of Completion to the Architectural Committee provided that such Improvement is, in fact, completed as of the date of delivery of such Notice of Completion.

Declarant shall be the sole Class B Member, and Declarant shall be entitled to three (3) times the number of votes for each Privately Owned Site owned by Declarant that a Class A Member would be entitled to exercise if such Class A Member owned such Privately Owned Site, except for Declarant Owned Acreage and Privately Owned Sites (other than Residential Sites restricted to single family use) owned by Declarant on which Improvements to Property have not been completed. Declarant shall be entitled to five (5) votes for each acre or fraction thereof of the aggregate of Declarant Owned Acreage or Privately Owned Sites (other than Residential Sites restricted to single family use) on which Improvements to Property have not been completed in which Declarant holds an interest required for membership by Article IV hereof. All Declarant Owned Acreage which is not included in a Delegate District created by a Supplemental Declaration shall be deemed to constitute a separate Delegate District (the "Declarant's Delegate District"), until such Declarant Owned Acreage is annexed into the Community Association, at which time such Declarant Owned Acreage shall be transferred into the Delegate District referred to in such Supplemental Declaration. Declarant's status as a Class B Member in each such Delegate District shall cease and be converted to a Class A Membership (with Declarant being entitled to three (3) times the number of votes for each Privately Owned Site within such Delegate District owned by Declarant that all other Class A Members are entitled to exercise by virtue of their ownership of Privately Owned Sites) on the happening of either of the following events, whichever event first occurs: (i) when the total votes outstanding in the Class A Membership for such Delegate District equal or exceed the total votes outstanding in the Class B Membership for such Delegate District; (ii) ten (10) years from the date of Recordation of the Supplemental Declaration or other written instrument creating the Delegate District; or (iii) at the option of Declarant by written notice thereof to the Board of Directors. No Member, other than Declarant, shall be a Class B Member. The Delegate elected to represent any Delegate District which is not subject to the jurisdiction of a Subassociation shall be elected by Members holding a majority of the voting power in such Delegate District. The Bylaws of the Community Association shall provide for the manner, time, place, conduct and voting procedures for Member meetings for the purpose of electing a Delegate in any such Delegate District.

Section 4.6. Voting Rights of Delegates. Each Delegate may cast (1) one vote for each vote held by the Owners of Privately Owned Sites within such Delegate's Delegate District as determined pursuant to Section 4.5 of this Community Declaration.

CC1-80-1978

The Delegate may cast votes for each Privately Owned Site, as described above, as long as the voting rights of the Owner of such Privately Owned Site have not been suspended pursuant to Article XII of the Bylaws, the provisions of any Supplemental Declaration or any other instrument, whichever is applicable.

Each Delegate shall cast the votes which he represents in such manner as he may, in his sole discretion, deem appropriate, acting on behalf of all the Members owning Privately Owned Sites in his Delegate District; provided, however, that in the event that at least a majority in interest of the Members in any Delegate District shall determine at any duly constituted meeting of the Members in such Delegate District to instruct their Delegate as to the manner in which he is to vote on any issue to be voted on by the Delegates, then the Delegate representing such Delegate District shall cast all of the voting power in such Delegate District in the same proportion, as nearly as possible without counting fractional votes, as the Members in such Delegate District shall have cast their voting power "for" and "against" such issue in person or by proxy. A Delegate shall have the authority, in his sole discretion, to call a special meeting of the Members owning Privately Owned Sites in his Delegate District, in the manner provided in the Bylaws, for the purpose of obtaining instructions as to the manner in which he is to vote on any issue to be voted on by the Delegates. When a Delegate is voting in his own discretion, without instruction from the Members whom he represents, then such Delegate may cast all of the votes which he represents as a unit or such Delegate may apportion some of such votes in favor of a given proposition and some of such votes in opposition to such proposition. It will be conclusively presumed for all purposes of Community Association business that any Delegate casting votes on behalf of the Members owning Privately Owned Sites in his Delegate District will have acted with the authority and consent of all such Members. All agreements and determinations lawfully made by the Community Association in accordance with the voting procedures established herein, and in the Bylaws, shall be deemed to be binding on all Members, and their successors and assigns.

Section 4.7. Delegates As Advisory Committee for Recreation Cost Center. The Delegates representing those Members who are entitled to use any Recreation Cost Center shall act as an advisory committee to the Board, with respect to the operation and maintenance of such Recreation Cost Center. Such Delegates, representing the applicable percentage of the Owners of such Privately Owned Sites, may propose to the Board (i) rules and regulations respecting the use and operation of the Recreation Cost Center, (ii) increases or reductions in RFCA's attributable to the Recreation Cost Center, (iii) Improvements to Property relating to the Recreation Cost Center, (iv) Mortgaging or conveying the Improvements in such Recreation Cost Center, or (v) any other authorized action under this Community Declaration pertaining to such Recreation Cost Center. The Board shall adopt

any such proposal, unless it determines, in its sole discretion, that the proposal, if adopted, would substantially and adversely affect any Member or group of Members not represented by such Delegates. Those Delegates making any such proposal must represent a percentage of Owners of Privately Owned Sites entitled to use such Recreation Cost Center, which equals or exceeds the percentage set forth elsewhere in this Community Declaration for similar action or approvals by the Membership of the Community Association at large; provided, however, if no percentage is stated in this Community Declaration for similar action or approvals by the Membership of the Community Association at large, then the Board shall adopt any proposal made by those Delegates representing a majority in interest of the Owners of Privately Owned Sites entitled to use such Recreation Cost Center.

ARTICLE V

DUTIES AND POWERS OF COMMUNITY ASSOCIATION

Section 5.1. General Duties and Powers of Association. The Community Association has been formed to further the common interests of the Members. The Community Association, acting through the Board or Persons to whom the Board had delegated such powers (and subject to the provisions of the Bylaws), shall have the duties and powers hereinafter set forth and, in general, the power to do anything that may be necessary or desirable to further the common interests of the Members, to maintain, improve and enhance Community Association Properties and to improve and enhance the attractiveness, desirability and safety of the Community Association Area.

Section 5.2. Duty to Accept Property and Facilities Transferred by Declarant. The Community Association shall accept title to any property, including any Improvements thereon and personal property transferred to the Community Association by Declarant, and equipment related thereto, together with the responsibility to perform any and all Administrative Functions, and Recreation Functions associated therewith (collectively herein referred to as "Functions"), provided that such property and Functions are not inconsistent with the terms of this Community Declaration. Property interests transferred to the Community Association by Declarant may include fee simple title, easements, leasehold interests and licenses to use such property. Any property or interest in property transferred to the Community Association by Declarant shall be within the boundaries of the Annexable Area. Any property or interest in property transferred to the Community Association by Declarant shall, except to the extent otherwise specifically approved by resolution of the Board of Directors, be transferred to the Community Association free and clear of all liens and mortgages (other than the lien of property taxes and assessments not then due and payable), but shall be subject to the terms of this Community Declaration, the

any such proposal, unless it determines, in its sole discretion, that the proposal, if adopted, would substantially and adversely affect any Member or group of Members not represented by such Delegates. Those Delegates making any such proposal must represent a percentage of Owners of Privately Owned Sites entitled to use such Recreation Cost Center, which equals or exceeds the percentage set forth elsewhere in this Community Declaration for similar action or approvals by the Membership of the Community Association at large; provided, however, if no percentage is stated in this Community Declaration for similar action or approvals by the Membership of the Community Association at large, then the Board shall adopt any proposal made by those Delegates representing a majority in interest of the Owners of Privately Owned Sites entitled to use such Recreation Cost Center.

ARTICLE V

DUTIES AND POWERS OF COMMUNITY ASSOCIATION

Section 5.1. General Duties and Powers of Association.

The Community Association has been formed to further the common interests of the Members. The Community Association, acting through the Board or Persons to whom the Board had delegated such powers (and subject to the provisions of the Bylaws), shall have the duties and powers hereinafter set forth and, in general, the power to do anything that may be necessary or desirable to further the common interests of the Members, to maintain, improve and enhance Community Association Properties and to improve and enhance the attractiveness, desirability and safety of the Community Association Area.

Section 5.2. Duty to Accept Property and Facilities

Transferred by Declarant. The Community Association shall accept title to any property, including any Improvements thereon and personal property transferred to the Community Association by Declarant, and equipment related thereto, together with the responsibility to perform any and all Administrative Functions, and Recreation Functions associated therewith (collectively herein referred to as "Functions"), provided that such property and Functions are not inconsistent with the terms of this Community Declaration. Property interests transferred to the Community Association by Declarant may include fee simple title, easements, leasehold interests and licenses to use such property. Any property or interest in property transferred to the Community Association by Declarant shall be within the boundaries of the Annexable Area. Any property or interest in property transferred to the Community Association by Declarant shall, except to the extent otherwise specifically approved by resolution of the Board of Directors, be transferred to the Community Association free and clear of all liens and mortgages (other than the lien of property taxes and assessments not then due and payable), but shall be subject to the terms of this Community Declaration, the

terms of the Supplemental Declaration annexing such property to the Community Association Area, and easements, covenants, conditions, restrictions and equitable servitudes or other encumbrances which do not materially affect the use and enjoyment of such property by the Community Association or by Owners authorized to use such property. Except as otherwise specifically approved by resolution of the Board of Directors, no property or interest in property transferred to the Community Association by Declarant shall impose upon the Community Association any obligation to make monetary payments to Declarant or any affiliate of Declarant including, but not limited to, any purchase price, rent, charge or fee. The property or interest in property transferred to the Community Association by Declarant shall not impose any unreasonable or special burden on the Community Association other than the normal burdens of ownership of property, including the management, maintenance, replacement and operation thereof.

Section 5.3. Duty to Manage and Care for Property.

The Community Association shall manage, operate, care for, maintain and repair all Community Association Property and keep the same in a safe, attractive and desirable condition for the use and enjoyment of the Members.

Section 5.4. Duty to Pay Taxes.

The Community Association shall pay all taxes and assessments levied upon the Community Association Properties and shall have the right to contest any such taxes or assessments provided that the Community Association shall contest the same by appropriate legal proceedings which shall have the effect of preventing the collection of the tax or assessment and the sale of foreclosure of any lien for such tax or assessment and provided that the Community Association shall keep and hold sufficient funds to pay and discharge the taxes and assessments, together with any interest and penalties which may accrue with respect thereto, if the contest of such taxes is unsuccessful.

Section 5.5. Duty to Maintain Casualty Insurance.

The Community Association shall obtain and keep in full force and effect at all times, to the extent reasonably obtainable, casualty, fire and extended coverage insurance with respect to all insurable Improvements and personal property owned by the Community Association including coverage for vandalism and malicious mischief and, if available and if deemed appropriate, coverage for flood, earthquake and war risk. Casualty, fire and extended coverage insurance with respect to insurable Improvements shall, to the extent reasonably obtainable, be for the full insurable value based on current replacement cost.

Section 5.6. Duty to Maintain Liability Insurance.

The Community Association shall obtain and keep in full force and effect at all times, to the extent reasonably obtainable, broad form comprehensive liability insurance covering public liability for bodily injury and property damage including, if the Community

Association owns or operates motor vehicles, public liability for bodily injury and property damage arising as a result of the ownership and operation of motor vehicles. Public liability insurance for other than motor vehicle liability shall, to the extent reasonably obtainable, have limits of not less than Three Million Dollars (\$3,000,000.00) combined single limit coverage.

Section 5.7. General Provisions Respecting Insurance.

Insurance obtained by the Community Association may contain such deductible provisions as good business practice may dictate. Insurance obtained by the Community Association shall, to the extent reasonably possible without undue cost, cover each Member without each Member necessarily being specifically named. Insurance obtained by the Community Association shall, to the extent reasonably possible without undue cost, contain a waiver of rights of subrogation as against the Community Association, each Member and any Person claiming by, through or under such Member and as against any officer, director, agent or employee of any of the foregoing. Insurance obtained by the Community Association shall, to the extent reasonably possible, and provided Declarant reimburses the Community Association for any additional premium payable on account thereof, name Declarant as an additional insured and shall contain a waiver of rights of subrogation as against Declarant. Insurance policies and insurance coverage shall be reviewed at least annually by the Board of Directors to ascertain whether coverage under the policies is sufficient in the light of the current values of the Community Association Properties and in light of the possible or potential liabilities of the Community Association. Casualty, fire and extended coverage insurance may be provided under blanket policies covering the Community Association Properties and property of Declarant.

Section 5.8. Fidelity Bonds Required. The Community Association shall obtain and keep in force at all times a fidelity bond or bonds for any Person handling funds of the Community Association including, but not limited to, employees of the Manager. Each such bond shall name the Community Association as obligee and shall not be less than the estimated maximum of funds, including reserve bonds, in the custody of the Community Association or the Manager, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than a sum equal to six (6) months' aggregate "AFCA's" and "RFCA's" (as hereinafter defined) assessments on all Units plus the amount then deposited in all Reserve Funds.

Section 5.9. Other Insurance and Bonds. The Community Association shall obtain such other insurance as may be required by law, including workmen's compensation insurance, and shall have the power to obtain such other insurance and such fidelity, indemnity or other bonds as the Community Association shall deem necessary or desirable.

Section 5.10. Insurance and Bonds Required by Government Mortgage Agencies. The Community Association shall obtain and keep in full force and effect such insurance and bonds as may be required by Government Mortgage Agencies to the extent that any such Government Mortgage Agency holds, or has agreed to insure or to guarantee, any Mortgage of any Privately Owned Site within the Community Association Area, except to the extent such insurance or bond is not available or has been waived in writing by such Government Mortgage Agency.

Section 5.11. Duty to Prepare Budgets. The Community Association shall prepare Budgets for the Community Association as elsewhere provided in this Community Declaration.

Section 5.12. Duty to Levy and Collect Assessments. The Community Association shall levy and collect Assessments as elsewhere provided in this Community Declaration.

Section 5.13. Duty to Provide Audit. The Community Association shall provide for an annual independent audit of the accounts of the Community Association. Copies of the report of the audit shall be made available to any Member who requests a copy of the same upon payment of such Member of the reasonable cost of copying the same.

Section 5.14. Duties with Respect to Architectural Approvals. The Community Association shall perform functions to assist the Architectural Committee as elsewhere provided in Article X of this Community Declaration.

Section 5.15. Power to Acquire Property and Construct Improvements. The Community Association may acquire property or an interest in property for the common benefit of Owners including improvements and personal property. The Community Association may construct improvements on property and may demolish existing improvements.

Section 5.16. Power to Adopt Rules and Regulations. The Community Association may adopt, amend, repeal and enforce Rules and Regulations, fines, levies and enforcement provisions as may be deemed necessary or desirable with respect to the interpretation and implementation of the Community Declaration, the operation of the Community Association, the use and enjoyment of the Community Association Properties and the use of any other property within the Community Association Area, including Privately Owned Sites. Any such Rules and Regulations shall be reasonable and uniformly applied (as to all Owners, if applicable, and to Owners of similarly restricted Privately Owned Sites). Such Rules and Regulations shall be effective only upon adoption by resolution of the Board of Directors. Notice of the adoption, amendment or repeal of any Rule and Regulation shall be given by posting any such Rule or Regulation for thirty (30) days after

CC-1-80-1953

the date of adoption in the Association office, and copies of the currently effective Rules and Regulations shall be made available to each Member upon request and payment of the reasonable expense of copying the same. Each Member shall comply with such Rules and Regulations and shall see that Persons claiming through such Member comply with such Rules and Regulations. Such Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Community Declaration. In the event of conflict between the Rules and Regulations and the provisions of this Community Declaration, the provisions of this Community Declaration shall prevail.

Section 5.17. Power to Enforce Declaration and Rules and Regulations. The Community Association shall have the power to enforce the provisions of this Community Declaration and of Rules and Regulations and shall take such action as the Board deems necessary or desirable to cause such compliance by each Member and each Person claiming by, through or under such Member ("Related User"). Without limiting the generality of the foregoing, the Community Association shall have the power to enforce the provisions of this Community Declaration and of Rules and Regulations of the Community Association by any one or more of the following means: (i) by entry upon any property within the Community Association Area after Notice and Hearing (unless a bona fide emergency exists in which event this right of entry may be exercised without notice [written or oral] to the Owner in such manner as to avoid any unreasonable or unnecessary interference with the lawful possession, use or enjoyment of the improvements situated thereon by the Owner or any other Person), without liability by the Community Association to the Owner thereof, for the purpose of enforcement of this Community Declaration or Rules and Regulations; (ii) by commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the provisions of this Community Declaration or the Rules and Regulations, by mandatory injunction or otherwise; (iii) by commencing and maintaining actions and suits to recover damages for breach of any of the provisions of this Community Declaration or the Rules and Regulations; (iv) by exclusion, after Notice and Hearing, of any Member or Related User from use of any recreation facilities on the Community Association Properties during and for up to sixty (60) days following any breach of this Community Declaration or such Rules and Regulations by such Member or any Related User, unless the breach is a continuing breach in which case such exclusion shall continue for so long as such breach continues; (v) by suspension, after Notice and Hearing, of the voting rights of a Member during and for up to sixty (60) days following any breach by such Member or a Related User of such Member of this Community Declaration or such Rules and Regulations, unless the breach is a continuing breach in which case such suspension shall continue for so long as such breach continues; (vi) by levying and collecting, after Notice and Hearing, a Reimbursement Assessment against any Member

for breach of this Community Declaration or such Rules and Regulations by such Member or a Related User of such Member; and (vii) by levying and collecting, after Notice and Hearing, reasonable and uniformly applied fines and penalties, established in advance in the Rules and Regulations of the Community Association, from any Member or Related User for breach of this Community Declaration or such Rules and Regulations by such Member or a Related User of such Member.

Section 5.18. Power to Provide Public Functions. The Community Association shall have the power, but no obligation, to acquire, construct, operate, manage, maintain, repair and replace utilities, roads and other public facilities, and to provide other public functions as more particularly described in this Community Declaration.

Section 5.19. Power to Provide Services to Subassociations. The Community Association shall have the power, but no obligation, to provide services to Subassociations. Such services to any Subassociation shall be provided pursuant to an agreement in writing between the Community Association and such Subassociation which shall provide for the payment by such Subassociation to the Community Association of the reasonably estimated expenses of the Community Association of providing such services to the Subassociation. Such services may include, without limitation, (i) the construction, care, operation, management, maintenance, repair, and replacement of Community Association Properties; (ii) the providing of public functions to the area owned by the Community Association; (iii) the enforcement of the provisions of any Supplemental Declaration for, on behalf of, and in the name of the Subassociation; (iv) the collection of assessments for, in the name of, and on behalf of a Subassociation; (v) the payment of taxes for a Subassociation with funds of the Subassociation; (vi) the obtaining of insurance for a Subassociation; (vii) the collection of charges for use of facilities of a Subassociation; (viii) the appointment and supervision of a Manager or Managers for a Subassociation; and (ix) the collection from the Subassociation of the Subassociation's fair share of the Community Association's overhead expenses with respect to such services.

Section 5.20. Power to Provide Special Services for Members. The Community Association shall have the power, but no obligation, to provide services to a Member or group of Members. Any service or services to a Member or group of Members shall be provided pursuant to an agreement in writing, or through one or more Supplemental Declarations, which shall provide for payment to the Community Association by such Member or group of Members of the reasonably estimated costs and expenses of the Community Association of providing such services, including a fair share of the overhead expenses of the Community Association and shall contain reasonable provisions assuring that the obligation to pay

CC-1-80-1965

for such services shall be binding upon any heirs, personal representatives, successors or assigns of the Member or group of Members and that the payment for such services shall be secured by a lien on the property of the Member or group of Members.

Section 5.21. Power to Charge for Facilities and Services. The Community Association shall have the power to establish reasonable and uniformly applied (as to each group of Members, Related Users, guests or invitees using the particular facilities or receiving such services) charges for the use of facilities and services. The charges may include reasonable admission or other fees for any special or extraordinary use of property or facilities or services of the Community Association such as special parking privileges, special recreation facilities, conference rooms, instruction, day-care or child-care services or similar uses beyond the ordinary use of Community Association Properties, facilities and services. Such charges or fees shall be set forth in schedules of charges and fees adopted from time to time by the Board of Directors.

Section 5.22. Power to Grant Easements. In addition to any blanket easements described in a Supplemental Declaration, the Community Association shall have the power to grant access, utility, drainage, water facility and other such easements in, on, over or under Community Association Properties. Additionally, the Community Association, from and after the termination of the Declarant's rights and reservations described in Article VII of this Community Declaration, shall have the power to grant access, utility, drainage, water facility and other such easements in, on, over and under Privately Owned Sites provided that such easements do not unreasonably interfere with the rights of the Owner of such Privately Owned Sites.

Section 5.23. Power to Convey and Dedicate Property to Government Agencies. In addition to the power to convey property to a public or governmental agency or authority in lieu of such property being condemned by such public or governmental agency or authority, which power may be exercised by the Board of Directors of the Community Association or Board of Directors of the Subassociation in which such property is located, the Community Association, with the approval of Delegates representing not less than two-thirds (2/3rds) of the entire voting power within the Community Association, shall have the power to grant, convey, dedicate or transfer any Community Association Properties or facilities to any public or governmental agency or authority for such purposes and subject to such terms and conditions as the Community Association shall deem appropriate, subject to the provisions elsewhere contained in this Community Declaration for approval of the same, by Declarant with respect to property transferred to the Community Association by Declarant, and by Delegates representing the Owners of Residential Sites within any particular Recreation Cost Center.

Section 5.24. Power to Borrow Money and Mortgage Property. The Community Association shall have the power to borrow money and to encumber Community Association Properties as security for such borrowing, subject to provisions elsewhere in this Community Declaration and the Bylaws with respect to required approvals and consents to such action. With respect to any mortgage encumbering Community Association Properties, the Lender's rights thereunder shall be limited to a right, after taking possession of such Community Association Properties, to charge reasonable admission and other fees as a condition to the continued enjoyment by the Members and, if necessary, to open the enjoyment of such Community Association Properties to a wider public until the mortgage debt is satisfied, whereupon the possession of such Community Association Properties shall be returned to the Community Association and all rights of the Members hereunder shall be fully restored.

Section 5.25. Power to Employ Managers. The Community Association shall have the power to retain and pay for the services of a Manager or Managers to undertake any of the management or Administrative Functions, Recreation Functions or Public Functions for which the Community Association has responsibility under this Community Declaration to the extent deemed advisable by the Community Association, and may delegate any of its duties, powers or functions to any such Manager. Any contract or agreement with any such Manager shall be terminable by the Association for cause on no more than thirty (30) days prior written notice, and shall be terminable by the Community Association without cause and without payment of a termination fee on no more than ninety (90) days prior written notice. Any such contract or agreement shall be for a term of no more than one (1) year but may be subject to renewal for succeeding terms of no more than one (1) year each. Notwithstanding any delegation to a Manager of any duties, powers or functions of the Community Association, the Community Association and its Board of Directors shall remain ultimately responsible for the performance and exercise of such duties, powers and functions.

Section 5.26. Power to Engage Employees, Agents and Consultants. The Community Association shall have the power to hire and discharge employees and agents and to retain and pay for legal, accounting and other professional services as may be necessary or desirable in connection with the performance of any duties or the exercise of any powers of the Community Association under this Community Declaration.

Section 5.27. General Corporate Powers. The Community Association shall have all of the ordinary powers and rights of Texas non-profit corporation formed under the Texas Non-Profit Corporation Act, including, without limitation, entering into partnership and other agreements, subject only to such limitations upon such powers as may be set forth in this Community Declaration or in the Articles of Incorporation or Bylaws. The