

Community Association shall also have the power to do any and all lawful things which may be authorized, required or permitted to be done under this Community Declaration or the Articles of Incorporation and Bylaws and to do and perform any and all acts which may be necessary or desirable for, or incidental to, the exercise of any of the express powers or rights of the Community Association under this Community Declaration and the Articles of Incorporation and Bylaws.

ARTICLE VI

COMMUNITY ASSOCIATION PROPERTIES

Section 6.1. Members' Rights of Use and Enjoyment, Generally. Each Supplemental Declaration shall specify, in the manner set forth in Section 3.3 of this Community Declaration, which Members or other Persons may utilize which Community Association Properties, or portion thereof, and the manner in which such Members shall contribute to the cost of operating and maintaining such Community Association Properties. All Members may use the Community Association Properties, unless otherwise provided in the Supplemental Declaration governing the Site of any such Member or in the Supplemental Declaration governing a particular Community Association Property, or both.

Section 6.2. Right of Association to Regulate Use. The Community Association, acting through the Board, shall have the power to regulate use of Community Association Properties by Members to further and enhance the overall rights of use and enjoyment of all Members, including imposing reasonable limits on the times of use and numbers of guests permitted to use Community Association Properties (subject to the right of the Delegates described in Section 4.7 hereof to propose rules, regulations and other matters affecting Recreation Cost Centers).

Section 6.3. Right of Association to Allow Public Use. The Community Association, acting through the Board, shall have the right to allow members of the general public to use Community Association Properties, subject to reasonable limitations, and provided that use by the general public does not unreasonably interfere with or impair the rights of use and enjoyment of Owners.

Section 6.4. No Partition of Community Association Properties. No Owner shall have the right to partition or seek partition of the Community Association Properties or any part thereof.

Section 6.5. Liability of Owners for Damage by Member. Each Member shall be liable to the Community Association for any damage to Community Association Properties or for any expense or liability incurred by the Community Association, to the extent

not covered by insurance, which may be sustained by reason of the negligence or willful misconduct of such Member or Related User and for any violation by such Member or such Related User of this Community Declaration or any Rule or Regulation adopted by the Board. The Community Association shall have the power, as elsewhere provided in this Community Declaration to levy and collect a Reimbursement Assessment against a Member, after Notice and Hearing, to cover the costs and expenses incurred by the Community Association on account of any such damage or any such violation of this Community Declaration or of such Rules and Regulations or for any increase in insurance premiums directly attributable to any such damage or any such violation.

Section 6.6. Association Duties in the Event of Damage or Destruction to Community Association Properties. In the event of damage to Community Association Properties by fire or other casualty or in the event any governmental authority shall require any repair, reconstruction or replacement of any Community Association Properties, the Community Association shall have the duty to repair, reconstruct or replace the same with comparable improvements. Any insurance proceeds payable by reason of damage or destruction of Community Association Properties by fire or other casualty shall be paid to the Community Association and shall be used, to the extent necessary, to pay the costs of repair, reconstruction or replacement. If funds from insurance proceeds or from reserves for replacement are insufficient to pay all costs of repair, reconstruction or replacement of improvements damaged or destroyed, or if the Community Association is required to make repairs, replacements or improvements by governmental authorities, the Community Association may, as elsewhere provided in this Community Declaration, in order to make up any deficiency in the insurance proceeds or to pay for the required repair, replacement or improvement, levy a Special Assessment on all Owners, or if a Member or group of Members is liable for such damage, levy a Reimbursement Assessment against the Member or group of Members responsible therefor, to provide the necessary additional funds. Repair, reconstruction or replacement of Community Association Properties shall be done under such contracting and bidding procedures as the Community Association shall determine are appropriate. If insurance proceeds available to the Community Association on account of damage or destruction exceed the cost of repair, reconstruction and replacement, the Community Association may use the same for future maintenance, repair, improvement and operation of other Community Association Properties.

Section 6.7. Association Powers in the Event of Condemnation. If any Community Association Properties or interest therein are taken under exercise of the power of eminent domain or by private purchase in lieu thereof, the award in condemnation or the price payable shall be paid to the Community Association, except to the extent payable to any other Person with an interest

in such property including any Mortgagee of such Property. The Community Association shall have the exclusive right to participate in such condemnation proceedings and to represent the interests of all Owners therein. Any award or funds received by the Community Association shall be held by the Community Association in the appropriate Maintenance Fund as determined by the Board, as a reserve for future maintenance, repair, reconstruction or replacement of Community Association Properties or may be used for Improvements or additions to, or operation of, Community Association Properties. No Owner shall be entitled to participate as a party or otherwise in any condemnation proceedings.

Section 6.8. Title to Community Association Properties on Dissolution of Community Association. In the event of dissolution of the Community Association, the Community Association Properties shall, to the extent reasonably possible, be conveyed or transferred to an appropriate public or governmental agency or agencies to be used for the common benefit of Owners for similar purposes for which the particular Community Association Property was held by the Community Association, or to a non-profit corporation, association, trust or other organization. To the extent the foregoing is not possible, the Community Association Properties shall be sold or disposed of and the proceeds from the sale or disposition shall be distributed to Members in proportion to the number of AFCA Units of each Member, as determined in Section 8.9 of this Community Declaration; provided, however, that the proceeds from the sale or disposition of any recreational facilities in a separate Recreation Cost Center shall be distributed to those Members entitled to use such facility in proportion to the number of RFCA Units of such Members.

ARTICLE VII

DECLARANT'S RIGHTS AND RESERVATIONS

Section 7.1. Period of Declarant's Rights and Reservations. Declarant shall have, retain and reserve certain rights as hereinafter set forth with respect to the Community Association, Community Association Properties and Community Association Area from the date hereof, until the earlier to occur of (i) the time that all property in the Annexable Area has become part of the Community Association Area and the last Privately Owned Site within the Community Association Area has been sold and conveyed by Declarant or (ii) Declarant's written notice to the Community Association of Declarant's termination of the reservation and/or retention of one or more of the rights described in Article VII hereof. The rights and reservations hereinafter set forth shall be deemed excepted and reserved in each conveyance of property by Declarant to the Community Association whether or not specifically stated therein and in each deed or other instrument by which any property within the Community Association Area is conveyed by Declarant. The rights, reservations and easements

CC1-80-1950

hereinafter set forth shall be prior and superior to any other provisions of this Community Declaration and may not, without Declarant's prior written consent, be modified, amended, rescinded or affected by any amendment of this Community Declaration. Declarant's consent to any one such amendment shall not be construed as consent to any other or subsequent amendment.

Section 7.2. Right to Construct Additional Improvements on Community Association Properties. Declarant shall have and hereby reserves the right (without the consent of any other Owner), but shall not be obligated, to construct additional Improvements on Community Association Properties at any time and from time to time in accordance with this Community Declaration for the improvement and enhancement thereof and for the benefit of the Community Association and Owners, so long as such construction does not directly result in the imposition of a Special Assessment or an increase in the then current and applicable Common Assessments by more than twenty percent (20%); provided, however, if Declarant agrees, in writing, at the time such additional Improvements are constructed on Community Association Properties, to contribute to the Community Association the amount of money in excess of such twenty percent (20%) increase in the Common Assessments for the current calendar year and one (1) additional calendar year, then Declarant shall have the right, without the consent of any other Owner, to construct additional Improvements on Community Association Properties which would otherwise be prohibited by this sentence. Thereafter, Declarant shall not be obligated to continue to make such contributions to the Community Association, unless otherwise provided herein. Declarant shall convey or transfer such Improvements to the Community Association and the Community Association shall be obligated to accept title to, care for and maintain the same as elsewhere provided in this Community Declaration.

Section 7.3. Declarant's Rights to Use Community Association Properties in Promotion and Marketing of Project Area. Declarant shall have and hereby reserves the right to reasonable use of Community Association Properties and of services offered by the Community Association in connection with the promotion and marketing of property within the boundaries of the Project Area. Without limiting the generality of the foregoing, Declarant may erect and maintain on any part of the Community Association Properties such signs, temporary buildings and other structures as Declarant may reasonably deem necessary or proper in connection with the promotion, development and marketing of real property within the Project Area; may use vehicles and equipment on Community Association Properties for promotional purposes; and may permit prospective purchasers of property within the boundaries of the Project Area, who are not Owners or Members of the Community Association, to use Community Association Properties at reasonable times and in reasonable numbers; and may refer to the Community Association and to the Community Association Properties

and services offered by the Community Association in connection with the development, promotion and marketing of property within the boundaries of the Project Area.

Section 7.4. Declarant's Rights to Complete Development of Project Area. No provision of this Community Declaration shall be construed to prevent or limit Declarant's right (or require Declarant to obtain any approval) to (i) complete development of property within the boundaries of the Project Area; (ii) construct, alter, demolish or replace Improvements on any property owned by Declarant within the Project Area; (iii) maintain model homes, storage areas, offices for construction, initial sales, resales or leasing purposes or similar facilities on any property owned by Declarant or owned by the Community Association within the Project Area; (iv) post signs incidental to development, construction, promotion, marketing, sales or leasing of property within the boundaries of the Project Area; (v) excavate, cut, fill or grade any property owned by Declarant; or (vi) require Declarant to seek or obtain the approval of the Architectural Committee or of the Community Association for any such activity or improvement to Property by Declarant on any property owned by Declarant. Nothing in Article VII of this Community Declaration shall limit or impair the reserved rights of Declarant as elsewhere provided in this Community Declaration.

Section 7.5. Declarant's Approval of Conveyances or Changes in Use of Community Association Properties. Until Declarant has lost the right to appoint a majority of the members of the Architectural Committee, the Community Association shall not, without first obtaining the prior written consent of Declarant, which consent shall not be unreasonably withheld, convey, change or alter the use of any of the Community Association Properties, Mortgage the Community Association Properties or use Community Association Properties other than solely for the benefit of Members.

Section 7.6. Declarant's Rights to Grant and Create Easements. Declarant shall have and hereby reserves the right, without the consent of any other Owner, to grant or create temporary or permanent easements, for access, utilities, drainage, water and other purposes incident to development, sale, operation and maintenance of the Project Area, located in, on, under, over and across (i) Privately Owned Sites owned by Declarant and (ii) the Community Association Area.

Section 7.7. Declarant's Rights to Convey Additional Property to Community Association. Declarant shall have and hereby reserves the right, but shall not be obligated to, convey additional real property and Improvements thereon to the Community Association at any time and from time to time in accordance with this Community Declaration, without the consent of any other

Owner, so long as any conveyance does not directly result in an increase in the then current and applicable Common Assessments by more than twenty percent (20%); provided, however, if Declarant agrees, in writing, at the time such additional real property and Improvements thereon are conveyed to the Community Association, to contribute to the Community Association the amount of money in excess of such twenty percent (20%) increase in the Common Assessments for the current calendar year and one (1) additional calendar year, then Declarant shall have the right, without the consent of any other Owner, to convey such additional real property and Improvements thereon to the Community Association which would otherwise be prohibited by this sentence. Thereafter, Declarant shall not be obligated to continue to make such contributions to the Community Association, unless otherwise provided herein.

ARTICLE VIII

ASSESSMENTS, BUDGETS AND FUNDS

Section 8.1. Maintenance Funds to be Established. The Community Association shall establish and maintain at least the following separate Maintenance Funds:

- (a) an Administrative Functions Operating Fund; and
- (b) a Recreation Functions Operating Fund for each Recreation Cost Center which has been completed and is available to be used by Owners entitled to use the same.

Each of the Maintenance Funds shall be established as one or more savings or checking accounts at any financial institution in which deposits are insured by an agency of the federal government or may be invested in any manner permitted by the Bylaws.

Section 8.2. Establishment of Other Funds. The Community Association may establish other funds as and when needed; for example, a fund for receipts and disbursements relating to services provided by the Community Association for a Subassociation or a subdivision created by a Supplemental Declaration. Nothing herein shall limit, preclude or impair the authority of the Community Association to establish other funds for specified purposes authorized by this Community Declaration or by any Supplemental Declaration. If the Community Association establishes any additional funds, the Board shall designate an appropriate title for the fund to distinguish it from other funds maintained by the Community Association.

Section 8.3. Deposits of Common Assessments to Maintenance Funds. Monies received by the Community Association from Common Assessments shall be deposited in the Maintenance Funds in accordance with the following provisions: (i) there shall be deposited to the Administrative Functions Operating Fund the Administrative Functions Common Assessments ("AFCAs") which, according to the Community Association Budget for the year, was budgeted for operating costs and expenses of the Administrative Functions and the Reserve Fund for Administrative Functions; and (ii) there shall be deposited to each Recreation Functions Operating Fund that portion of Recreation Function Common Assessments ("RFCAs") received from Owners entitled to use a Recreation Cost Center which was budgeted for operating costs and expenses of that Recreation Cost Center and the Reserve Fund for that Recreation Cost Center.

Section 8.4. Other Deposits to Maintenance Funds. The Community Association shall deposit monies received by the Community Association from sources other than Common Assessments in the Maintenance Fund determined by the Board of Directors to be most appropriate. For example, Reimbursement Assessments shall be deposited to the Maintenance Fund from which the costs and expenses were or will be paid which form the basis for the Reimbursement Assessment; Special Assessments for capital repairs, maintenance, replacement and Improvements shall be deposited to the Reserve Fund from which such capital costs have been or will be paid; and insurance proceeds for damage to, or condemnation awards for the taking of, a Recreation Cost Center shall be deposited to the Reserve Fund for that Facility. Interest and late charges received on account or delinquent assessments may be allocated among the Maintenance Funds in the same proportions as the delinquent assessments were allocated or, at the discretion of the Board of Directors, may be allocated to any one or more of the Maintenance Funds or other funds.

Section 8.5. Disbursements from Maintenance Funds. All amounts deposited in the Maintenance Funds shall be used solely for purposes authorized by this Community Declaration. Disbursements from particular Maintenance Funds shall be limited to specified purposes as follows: (i) disbursements from the Administrative Functions Operating Fund may be made for such purposes as are necessary or proper under this Community Declaration, except those purposes for which disbursements are to be made from other Maintenance Funds; and (ii) disbursements from a Recreation Function Operating Fund shall be made solely for the purpose of operating the particular Recreation Cost Center for which the Fund was created, including construction, repairs, replacements, painting and other restorative work to the particular Recreation Cost Center for which the Fund was created.

Section 8.6. No Commingling of Maintenance Funds. The Community Association shall not commingle any amounts deposited

CC1-80-1994

in any one Maintenance Fund for Administration Functions with amounts deposited in any Maintenance Fund established for Recreation Functions, or vice-versa, or commingle any amounts deposited in any one Maintenance Fund or other fund with amounts deposited in any other Maintenance Fund or other fund.

Section 8.7. Authority for Disbursements. The Board shall have the authority to make or to authorize an agent to make disbursements of any monies in the Maintenance Funds.

Section 8.8. Common Assessments. For each calendar year, the Community Association shall levy Common Assessments against Owners of the Privately Owned Sites; provided, however, Declarant Owned Acreage which is not platted or, if platted, constitutes a Reserve, shall not be subject to Common Assessments or Special Assessments. The Common Assessments shall include: (i) the AFCAs; (ii) any RFCAs necessary for any Recreation Cost Center; and (iii) any other Assessments authorized to be made under this Community Declaration or any Supplemental Declaration. Each Owner shall be obligated to pay the Common Assessments levied against, and allocated to, such Owner and the Privately Owned Site of such Owner as hereinafter more particularly set forth.

Section 8.9. Apportionment of Administrative Functions Common Assessments. For purposes of the AFCAs, each Residential Site (other than a Residential Site improved as a residential apartment) on which single family dwellings are constructed shall constitute one (1) AFCA Unit regardless of the size, value or location of such Residential Site. Each other type of Privately Owned Site shall be deemed to constitute the following number of AFCA Units: (i) each three (3) apartment units located on a Privately Owned Site shall constitute one (1) AFCA Unit, regardless of the size, value or location of such apartment units [with a full AFCA Unit assigned for any extra one (1) or two (2) apartments not constituting a multiple of three (3) apartment units, in lieu of assigning any fractional AFCA Units]; (ii) 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] on a Privately Owned Site shall constitute one (1) AFCA Unit regardless of the size, value or location of such hotel or motel rooms; (iii) each two thousand five hundred (2,500) square feet [or extra part thereof] (a) of enclosed floor area of common rooms and facilities, service rooms 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 shall constitute one (1) AFCA Unit regardless of the size, value or location of such Improvement [with the square footage of the completed Improvements described in (iii) (a) and (b) above determined by the Completed Plans]; and (iv) each one (1) acre or fraction thereof of Privately Owned Sites (other than Residential Sites restricted to single family

use) owned by Owners, other than Declarant, on which Improvements to Property have not been completed shall constitute one (1) AFCA Unit. An appropriate adjustment of the number of AFCA Units assigned to such Privately Owned Sites (other than Residential Sites restricted to single family use) owned by Owners, other than Declarant, on which Improvements to Property are being constructed shall be made when such Improvements to Property have been completed, which dates shall be established by the date such Owners deliver Notices of Completion to the Architectural Committee if such Improvements to Property are, in fact, completed as of the date of delivery of such Notice of Completion. For example, if an office building contains ten thousand two hundred (10,200) square feet of enclosed floor area [on one (1) or more floors], then such office building shall be assigned five (5) AFCA Units. The amount of the AFCAs for any one (1) year payable by an Owner for each Privately Owned Site of such Owner shall be computed by multiplying the "AFCA Unit Assessment" (as hereinafter defined) established by the Board for such year by the number of AFCA Units assigned to such Owner's Privately Owned Sites.

Section 8.10. Obligation for Recreation Function Common Assessments - How Established. If the Owner of any Privately Owned Site is to be obligated to pay a RFCA with respect to any Recreation Cost Center, the Supplemental Declaration covering the Privately Owned Site shall: (i) identify the Recreation Cost Center, if existing, or describe the same in general terms, if proposed; (ii) identify the Privately Owned Sites covered by the Supplemental Declaration which are entitled to use and which shall be obligated to pay RFCAs with respect to such Recreation Cost Center; and (iii) specify the number of RFCAs Units which shall be assigned to each such Privately Owned Site (which, in the case of Residential Sites, shall be assigned on the same basis as AFCA Units, as described in Section 8.9 of this Community Declaration); otherwise, the Board shall specify the RFCA Units for such Sites after the Improvements are completed. It is contemplated that the Owners in one (1) or more Delegate Districts or Subassociations will be entitled to use the same Recreation Cost Center. Although it is not anticipated that Owners of Commercial Sites, Industrial Sites or Miscellaneous Use Sites will be entitled to use any Recreational Cost Center, a Supplemental Declaration covering any such Site may provide otherwise, in which case the Supplemental Declaration shall specify the number of RFCA Units which shall be assigned to each such Site which shall, in no case, be less than one (1) RFCA Unit for each such Site.

Section 8.11. Apportionment of Recreation Function Common Assessments. No Owner of a Privately Owned Site shall be charged with any RFCA unless the Supplemental Declaration covering such Site provides, as stated, in the preceding Section of this Community Declaration, that the Site is entitled to use a

CC-1-80-1996

Recreation Cost Center and specifies the number of RFCA Units assigned to that Site. If a Site and an Owner are to be charged with a RFCA, the amount of the RFCA for any year payable by an Owner for each Privately Owned Site of such Owner shall be computed by multiplying the "RFCA Unit Assessment" (as hereinafter defined) established by the Board for such year by the number of RFCA Units assigned to the Site entitled to use the pertinent Recreation Cost Center.

Section 8.12. Annual Budgets and Common Assessments. The Board of Directors shall cause to be prepared and approved, at least sixty (60) days prior to the commencement of each calendar year, a Budget for such calendar year, including a reasonable provision for contingencies and deposits into the Maintenance Funds and Reserve Funds and the Common Assessments, including the AFCAs per AFCA Unit (the "AFCA Unit Assessment") and RFCAs per RFCA Unit (the "RFCA Unit Assessment"), for such calendar year. The AFCA Unit Assessment until January 1, 1983 shall be Seven Hundred Twenty and No/100 Dollars (\$720.00). The Budget shall show, in reasonable detail, the categories of expenses and the amount of expenses in each Maintenance Fund, and shall reflect any expected income of the Community Association for the coming calendar year and any expected surplus from the prior year. The Budget may include an amount of contingencies and amounts deemed necessary or desirable for deposits to create, replenish or add to the Reserve Fund for major capital repairs, replacements and improvements for Association Properties. The Board shall cause a copy of the Budget to be distributed to each Delegate promptly after the Budget is prepared and approved by the Board and shall cause a copy of the Budget to be posted at the principal office of the Community Association. In the event the Community Association does not have an address for any Delegate, such posting shall be deemed delivery to any such Delegate. At such time as the Community Association publishes a newsletter for Members, the Budget shall be published in such newsletter. Copies of the Budget shall be made available by the Community Association to any Members requesting a copy of the same upon payment of the reasonable expense of copying the same.

Section 8.13. No Disbursement to Abate Adjoining Nuisances. Nothing in this Community Declaration shall be construed so as to permit the Community Association to use any Assessments to abate any annoyance or nuisance emanating from outside the physical boundaries of the Community Association Area, without the approval of Delegates representing not less than sixty-six percent (66%) of the entire voting power within the Community Association (inclusive of the voting power exercisable by Declarant) at any meeting of the Delegates called for such purpose in accordance with the Bylaws.

Section 8.14. Payment of Common Assessments by Declarant. Recognizing that, to some degree, the cost of administration and maintenance of the Community Association Areas is

CC1-80-1997

related to the use of the Community Association Areas, which is in turn related to the number of Privately Owned Sites which are occupied, the Declarant may pay the Community Association, until the January 1, 1988, in lieu of any Common Assessments with respect to all Privately Owned Sites which Declarant continues to own subject to Assessment hereunder, the amount, if any, by which the "Actual Operating Expenses" (as hereinafter defined) incurred for any fiscal year or part thereof of the Community Association exceed the aggregate of the Common Assessments payable during such period by other Owners of Privately Owned Sites, less any portion thereof that is deposited or budgeted for deposit in a Reserve Fund during such period. If the amounts collected as Common Assessments from Owners other than Declarant, less any portion of thereof that is deposited or budgeted for deposit in a Reserve Fund, exceed such Actual Operating Expenses for such period, then such excess shall be taken into consideration in determining the Budget for the next fiscal year. For purposes of this Section 8.14, the term "Actual Operating Expenses" shall mean those expenses reasonably necessary for the normal maintenance and operation of the Community Association Area, but shall not include (i) capital expenditures (determined in accordance with generally accepted accounting principles), (ii) any amounts paid into a Reserve Fund or (iii) prepaid items, inventory or similar expenses that are attributable to periods after such fiscal year or part thereof.

Section 8.15. Maximum Administrative Functions and Recreation Functions Common Assessments. The Community Association, without the approval of the Delegates described in Section 8.17 hereof, shall not levy, for any year, an AFCA in excess of the Maximum AFCA hereinafter specified. The Maximum AFCA shall not exceed One Thousand Two Hundred and No/100 Dollars (\$1,200.00) per AFCA Unit per year until January 1, 1983, increased for 1983 and any year thereafter by twenty percent (20%) per year over the previous year. The Maximum RFCA for each Residential Site or Other Privately Owned Site subject to an RFCA shall be set forth in the Supplemental Declaration covering such Residential Site or other Privately Owned Site.

If the Board of Directors, by majority vote, determines that the important and essential functions of the Community Association may be properly funded by a Common Assessment less than the Maximum AFCA or RFCA, it may levy such lesser AFCA or RFCA. The levy of an AFCA or RFCA less than the Maximum AFCA and Maximum RFCA in any year shall not affect the right of the Board to levy an AFCA or RFCA in the full amount of the respective Maximum AFCA or RFCA in any subsequent year.

Section 8.16. Supplemental Common Assessments. Subject to the provisions of Section 8.15 of this Community Declaration, if the Board levies an AFCA or RFCA in an amount less than the Maximum AFCA or applicable Maximum RFCA for any calendar year, the Board by majority vote may thereafter levy one or more supplemental AFCA's or RFCA's during such calendar year,

if it determines that the important and essential functions of the Community Association cannot be funded by such lesser AFCA or applicable RFCA. The sum of the initial and supplemental AFCA or applicable RFCA, as the case may be, for a calendar year, shall not exceed the Maximum AFCA or applicable Maximum RFCA permitted for that year, except as permitted by the provisions of Section 8.17 of this Community Declaration. Such Supplemental Common Assessment shall be assessed against the Owner of each Privately Owned Site, in the same manner Common Assessments are originally assessed each year by the Board with respect to the particular Maintenance Fund. Written notice of any change in the amount of any annual Common Assessment or the levy of a Supplemental Common Assessment shall be sent to every Owner subject thereto, not less than thirty (30) days prior to the effective date of such change.

Section 8.17. Delegate Approval of Increase in Maximum Common Assessment. If the Board of Directors, by majority vote, determines that the important and essential functions of the Community Association will not be properly funded in any one (1) year or in any one (1) year and subsequent years by the amount of the Maximum AFCA or applicable RFCA, it may call a meeting of appropriate Delegates requesting approval of a specified increase in the Maximum AFCA, applicable Maximum RFCA, or both, for either one (1) year or for that one (1) year and one or more of all subsequent years. An increase in the Maximum AFCA for one year or for any one year and all subsequent years shall require the approval of Delegates representing not less than fifty-one percent (51%) of the entire voting power within the Community Association (inclusive of the voting power exercisable by Declarant), and any such increase in the Maximum RFCA shall require the approval of Delegates representing not less than fifty-one percent (51%) of the voting power of the Owners of Privately Owned Sites located in the applicable Recreation Cost Center (inclusive of the voting power exercisable by Declarant).

Section 8.18. Commencement of Common Assessments - Assessment Areas. Subject to the provisions of Section 8.14 of this Community Declaration, Common Assessments shall commence as to each Privately Owned Site within an Assessment Area on the first day of the first month following the date of Recordation of the first deed from the Declarant conveying a Privately Owned Site within that Assessment Area. The Common Assessments for the then such calendar year shall be prorated within an Assessment Area on the basis of the number of months in such calendar year remaining from the date of commencement of such Common Assessments to the end of such calendar year.

Section 8.19. Payment of Assessment. Common Assessments shall be due and payable in advance to the Community Association by the assessed Member during the calendar year in equal semi-annual installments, on or before January 1 and July 1 of each calendar year, or in such other manner and on such other

CC1-80-1999

dates as the Board of Directors may designate in its sole and absolute discretion. Notice of the amount of the Common Assessments shall be given to each Member prior to January 1 of each year.

Section 8.20. Failure to Fix Common Assessment. The failure by the Board of Directors to levy a Common Assessment for any year shall not be deemed a waiver or modification with respect to any of the provisions of this Community Declaration or a release of the liability of any Member to pay Assessments, or any installment thereof, for that or any subsequent year. In the event of such failure, each Owner shall continue to pay the Common Assessment per AFCA Unit Assessment and RFCA Unit Assessment established for the previous period until the new RFCA Unit Assessment and RFCA Unit Assessment are established. The new AFCAs and RFCAs established by the Board shall be applied retroactively to the commencement of the then current calendar year and any deficit shall be paid within thirty (30) days after receipt of a statement therefor.

Section 8.21. Special Assessment for Capital Expenditures. In addition to Common Assessments, the Board of Directors may, subject to the provisions of this Section, levy Special Assessments for the purpose of raising funds, not otherwise provided under the Budget from Common Assessments, to construct or reconstruct, repair or replace capital Improvements upon Community Association Properties, including necessary personal property related thereto; to add to the Community Association Properties; to provide for necessary facilities and equipment to offer the services authorized in this Community Declaration. The Board of Directors shall not, in any one (1) year, levy Special Assessments which, in the aggregate, exceed five percent (5%) of the estimated gross expenses of the Community Association attributable to the particular Administrative or Recreation Function related to the capital Improvements as set forth in the Budget for such year, without the approval of Delegates representing not less than sixty-six percent (66%) of the voting power of the Owners of Privately Owned Sites subject to the Special Assessment (inclusive of the voting power exercisable by Declarant). Special Assessments for capital Improvements which may be used by all Members of the Community Association shall be levied solely on the basis of, and in proportion to, the AFCA Units attributable to Privately Owned Sites of the Members. Special Assessments for capital Improvements relating to a Recreation Cost Center which may not be used by all Members shall be levied solely against the Member or group of Members who own Privately Owned Sites entitled to use the Recreation Cost Center and such Special Assessments shall be levied solely on the basis of, and in proportion to, the RFCA Units attributable to such Sites. The Community Association shall notify Members in writing of the amount of any Special Assessment and of the manner in which, and the dates on which, any such Special Assessment is payable and the Members shall pay

any such Special Assessment in the manner so specified. In the event that the Board shall levy a Special Assessment, the Board shall specify whether the Special Assessment is to provide Recreation Functions or Administrative Functions and the Special Assessment shall be apportioned accordingly.

Section 8.22. Reimbursement Assessments. The Board of Directors may, subject to the provisions hereof, levy an Assessment against any Member if the willful or negligent failure of the Member or Related User to comply with this Community Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations shall have resulted in the expenditure of the funds or the determination that funds will be expended by the Community Association to cause such compliance. Such Assessment and the Assessment established in Section 6.5 hereof shall be known as a Reimbursement Assessment and shall be levied only after Notice and Hearing. The amount of the Reimbursement Assessment shall be due and payable to the Community Association thirty (30) days after notice to the Member of the decision of the Board of Directors that the Reimbursement Assessment is owing.

Section 8.23. Late Charges and Interest. If any Common Assessment, Special Assessment or Reimbursement Assessment or any installment thereof is not paid within thirty (30) days after it is due, the Member obligated to pay the Assessment may be required to pay a reasonable late charge to be determined by the Board. Any Assessment or installment of an Assessment which is not paid within thirty (30) days after it is due shall bear interest from the due date at the highest rate permitted by law.

Section 8.24. Attribution of Payments. If any installment of a Common Assessment payment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Owner shall be credited in the following order of priority: (i) the Administrative Functions Reserve Fund until that portion of the Common Assessment has been satisfied, (ii) to the respective Recreation Functions Reserve Fund until that portion of the Common Assessment has been satisfied, (iii) to the Administrative Functions Operating Fund until that portion of the Common Assessment has been satisfied, and then (iv) to the respective Recreation Functions Operating Fund. In each of the foregoing cases, receipts shall be credited first to interest, attorneys' fees and other costs of collection, and next to principal reduction, satisfying the oldest obligations first followed by more current obligations, in accordance with the foregoing order of priority.

Section 8.25. Notice of Default and Acceleration of Assessments. If any Common Assessment, Special Assessment or Reimbursement Assessment or any installment thereof is not paid

within thirty (30) days after its due date, the Board of Directors may mail a notice of default to the Owner and to each first Mortgagee of the Privately Owned Site who has requested a copy of the notice. The notice shall specify (i) the fact that the installment is delinquent; (ii) the action required to cure the default; (iii) a date, not less than thirty (30) days from the date the notice is mailed to the Member, by which such default must be cured; and (iv) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the Assessment or the installments of the Assessment for the then current calendar year and the filing and foreclosure of the lien for the Assessment against the Privately Owned Site of the Member. The notice shall further inform the Member of any right to cure the default after acceleration. If the delinquent Assessment or installment and any late charges or interest thereon are not paid in full on or before the date specified in the notice, the Board, at its option, may declare all of the unpaid balance of the Assessment to be immediately due and payable without further demand and may enforce the collection of the full Assessment and all charges and interest thereon in any manner authorized by law or by this Community Declaration, subject to the protection afforded to Mortgagees under this Community Declaration.

Section 8.26. Remedies to Enforce Assessments. Each Assessment levied hereunder shall be a separate, distinct and personal debt and obligation of the Owner or Member against whom the same is assessed. In the event of a default in payment of any Assessment or installment thereof, whether Common, Special or Reimbursement, the Board may, in addition to any other remedies provided under this Community Declaration or by law, enforce such obligation on behalf of the Community Association by suit and/or by filing and foreclosure of a lien as hereinafter provided. In order to secure the payment of the Assessments hereby levied, a vendor's lien is hereby reserved in each Deed from the Declarant to the Owner of each Privately Owned Site, which lien shall be enforceable through appropriate judicial proceedings by the Community Association. As additional security for the payment of the Assessments hereby levied, each Owner of a Privately Owned Site, by such party's acceptance of a Deed thereto, hereby grants the Community Association a lien on such Privately Owned Site which may be foreclosed on by non-judicial foreclosure and pursuant to the provisions of Article 3810 of the Texas Revised Civil Statutes (or any successor statute); and each such Owner hereby expressly grants the Community Association a power of sale in connection therewith. The Community Association shall, whenever it proceeds with non-judicial foreclosure pursuant to the provisions of said Article 3810 (or any successor statute) and said power of sale, designate a nominee or trustee to post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. The trustee may be changed at any time and from time to time by the Community Association by

CC1-80-2402

means of a written instrument executed by the President or any Vice-President of the Community Association and filed for record (either prior to or following any action by such trustee) in the Official Public Records of Real Property of Galveston County, Texas. In the event that the Community Association has determined to non-judicially foreclose the lien provided herein pursuant to the provisions of said Article 3810 (or any successor statute) and to exercise the power of sale hereby granted, the Community Association shall mail to the defaulting Owner a copy of the Notice of Trustee's Sale no less than twenty-one (21) days prior to the date on which said sale is scheduled by posting such notice through the United States Postal Service, postage prepaid, registered and certified, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Community Association. Out of the proceeds of such sale, there shall first be paid all expenses incurred by the Community Association in connection with such default, including reasonable attorneys' fees and a reasonable trustee's fee; second, from such proceeds there shall be paid to the Maintenance Fund an amount equal to the amount in default; and, third, the remaining balance shall be paid to such Owner. Following any such foreclosure, each occupant of any such Privately Owned Site foreclosed on and each occupant of any improvements thereon shall be deemed to be a tenant-at-sufferance and may be removed from possession by any lawful means, including a judgment for possession and any action of forcible detainer and the issuance of writ of restitution thereunder.

Section 8.27. Lawsuit to Enforce Assessments. The Board may bring a suit at law to enforce any Assessment obligation. Any judgment rendered in such action shall include any late charge, interest and other costs of enforcement including reasonable attorneys' fees in the amount as the court may adjudge, against the defaulting Owner or Member.

Section 8.28. Lien to Enforce Assessments. In addition to the right of the Board to enforce the Assessments in the manners described in Sections 8.26 and 8.27 hereof, the Board may elect to file a claim or lien against the Privately Owned Site of the delinquent Owner or Member by recording a notice ("Notice of Lien") setting forth (a) the amount of the claim of delinquency, (b) the interest and costs of collection which have accrued thereon, (c) the legal description and street address of the Privately Owned Site against which the lien is claimed and (d) the name of the Record Owner thereof. Such Notice of Lien shall be signed and acknowledged by an officer of the Community Association or other duly authorized agent of the Community Association. The lien shall continue until the amounts secured thereby and all subsequently accruing amounts are fully paid or otherwise satisfied. When all amounts claimed under the Notice of Lien and all other costs and assessments which may have accrued subsequent to the filing of the Notice of Lien have been fully paid or

satisfied, the Community Association shall execute and Record a notice releasing the lien upon payment by the Owner of a reasonable fee as fixed by the Board of Directors to cover the preparation and Recordation of the release of such lien.

Section 8.29. Estoppel Certificates. Upon the payment of such reasonable fee as may be determined from time to time by the Board of Directors, and upon the written request of any Member and any Person with, or intending to acquire, any right, title or interest in the Privately Owned Site of such Member, the Association shall furnish a written statement setting forth the amount of any Assessments or other amount, if any, due and accrued and then unpaid with respect to a Privately Owned Site and the Owner thereof and setting forth the amount of any Assessment for the current year levied against such Site which is not yet due and payable. Such statement shall, with respect to the Person to whom it is issued, be conclusive against the Community Association and all Persons for all purposes, that no greater or other amounts were then due or accrued and unpaid and that no other Assessments have been levied.

Section 8.30. No Offsets. All Assessments shall be payable in the amounts specified in the levy thereof, and no offsets or reduction thereof shall be permitted by any reason including, without limitation, any claim that the Community Association or the Board of Directors is not properly exercising its duties and powers under this Community Declaration or claim by the Owner of non-use of the Community Association Properties or abandonment of his Privately Owned Site or claim by the Owner of inconvenience or discomfort arising from the making of repairs or Improvements to Community Association Properties or from any action taken to comply with any law or any determination of the Board of Directors or for any other reason.

Section 8.31. Subdivision or Subassociation Assessments. In addition to being liable for the Assessments described in this Article VIII, each Owner of a Privately Owned Site within a subdivision created by a Supplemental Declaration ("Subdivision") or a Subassociation shall be obligated to pay assessments, fees, or maintenance charges established by such Subdivision or Subassociation.

ARTICLE IX

GENERAL RESTRICTIONS APPLICABLE TO PROPERTY

All real property within the Community Association Area shall be held, used and enjoyed subject to the following limitations and restrictions, and subject to the exemptions of Declarant set forth in this Community Declaration.

Section 9.1. Maintenance of Property. No property within the Community Association Area shall be permitted to fall into disrepair, and all property within the Community Association Area, including any improvements and landscaping thereon, shall be kept and maintained in a clean, safe, attractive and sightly condition and in good repair. Maintenance, repair and upkeep of each Privately Owned Site shall be the responsibility of the Owner of the Privately Owned Site. Maintenance, repair and upkeep of Community Association Properties shall be the responsibility of the Community Association. Violation of this provision by an Owner (or any Person occupying such Privately Owned Site through such Owner) shall permit the Community Association, after Notice and Hearing, to enter onto the Privately Owned Site of the Owner and cure the violation or cause compliance with this provision and to levy and collect a Reimbursement Assessment for the costs and expenses of the Association in so doing; provided, however, that there shall be no entry into the interior of an Improvement intended for human occupancy without the consent of the Owner or occupant thereof unless a clear emergency exists.

Section 9.2. No Noxious or Offensive Activity. No noxious or offensive activity shall be carried on upon any property within the Community Association Area nor shall anything be done or placed thereon which is or may become a nuisance or cause an unreasonable embarrassment, disturbance or annoyance to others.

Section 9.3. Annoying Sounds or Odors. No sound or odor shall be emitted from any property within the Community Association Area which is noxious or unreasonably offensive to others. Without limiting the generality of the foregoing, no exterior speakers, horns, whistles, bells or other sound devices, other than security devices used exclusively for security purposes and intercoms, shall be located or used on any property except with the prior written approval of the Architectural Committee or as permitted by the Rules and Regulations.

Section 9.4. No Hazardous Activities. No activity shall be conducted on and no Improvements shall be construed on any property within the Community Association Area which is or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any property and no open fires shall be lighted or permitted on any property except in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed interior or exterior fireplace.

Section 9.5. No Unsightliness. No unsightliness shall be permitted on any Privately Owned Site which is visible from any other Privately Owned Site or from the Community Association Properties. Without limiting the generality of the foregoing, all unsightly conditions, structures, facilities, equipment, and

CC1-80-2105

objects and conditions shall be enclosed with a structure including snow removal equipment and garden or maintenance equipment except when in actual use.

Section 9.6. Restrictions on Garbage and Trash. No refuse, garbage, trash, lumber, grass, shrub or tree clippings, plant waste, compost, metal, bulk materials, scrap, refuse or debris of any kind shall be kept, stored or allowed to accumulate on any Privately Owned Site except within an enclosed structure or appropriately screened from view, except that any such container may be placed in a designated area for garbage or trash pickup no earlier than 6 p.m. on the day preceding trash pickup of such garbage and trash and shall be returned to an enclosed structure or an area appropriately screened from view no later than 12:01 p.m. on the day following the pickup of such garbage and trash.

Section 9.7. No Temporary Structures. No tent, shack, temporary structure or temporary building shall be placed upon any property within the Community Association Area except with the prior written consent of the Architectural Committee obtained in each instance or except as permitted by Section 7.3 hereof.

Section 9.8. Restrictions on Antennae, Pipes and Utility Lines. Pipes for water, gas, sewer, drainage or other purposes and wires, poles, antennae and other facilities for the transmission or reception of audio or visual signals or electricity, and utility meters or other utility facilities shall be kept and maintained, to the extent reasonably possible, underground or within an enclosed structure. No exterior radio antenna, television antenna, or other antennae of any type shall be erected or maintained in the Community Association Area except that on Commercial Sites or Industrial Sites an Owner may erect an antenna if such antenna is necessary to carry on the business conducted by Owner on the Site and provided that the Architectural Committee gives its consent to the erection of such antenna in accordance with the provisions of Article X hereof. A master antenna or cable television antenna or antennae may, but need not, be provided by the Community Association for use of all Owners or a group of Owners, and Declarant may grant easements for such purposes.

Section 9.9. Restrictions on Signs and Advertising Devices. No sign, poster, billboard, advertising device or display of any kind shall be erected or maintained anywhere within the Community Association Area so as to be evident to public view except signs as may be approved in writing by the Architectural Committee. A sign advertising a Privately Owned Site for sale or for lease may be placed on such Privately Owned Site; provided, however, that the Rules and Regulations shall determine the dimensions, color, style and location of such signs and no sign

CC1-80-2106

not complying with the Rules and Regulations may be placed or maintained in the Community Association Area.

Section 9.10. Restrictions on Mining or Drilling. No property within the Community Association Area shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing water, oil, gas or other hydrocarbons, minerals, rocks, stones, gravel or earth except (i) drilling, exploring for or removing underground water by Declarant or any Person designated by Declarant for the purpose of providing water service to property within the boundaries of the Project Area and (ii) mining, drilling or exploring by Declarant or other owners of mineral interests reserved prior to the Recordation of this Community Declaration or any Supplemental Declaration only at the drill sites designated in such recorded instruments, and (iii) if approved by the Architectural Committee, the necessary digging or removal of earth or other surface or subsurface material in conjunction with the landscaping or construction of Improvements within the Community Association Area.

Section 9.11. Maintenance of Drainage. There shall be no interference with the established drainage pattern over any property within the Community Association Area except as approved in writing by the Architectural Committee. Approval shall not be granted unless provision is made for adequate alternate drainage. The "established drainage pattern" shall mean the drainage pattern which exists at the time the overall grading of any property is completed and shall include any established drainage pattern shown on any plans approved by the Architectural Committee. The established drainage pattern may include the drainage pattern from Community Association Properties over any Privately Owned Site, from any Privately Owned Site over the Community Association Properties, or from any Privately Owned Site over another Privately Owned Site.

Section 9.12. Compliance with Insurance Requirements. Except as may be approved in writing by the Board of Directors, nothing shall be done or kept on property within the Community Association Area which may result in a material increase in the rates of insurance or would result in the cancellation of any insurance maintained by the Community Association.

Section 9.13. Compliance with Laws. Nothing shall be done or kept on any property within the Community Association Area in violation of any law, ordinance, rule or regulation of any governmental authority having jurisdiction.

Section 9.14. Restrictions on Sewage Disposal Systems. No septic or other sewage disposal system shall be installed within the Community Association Area without the prior written consent of the Architectural Committee, except a central sewer disposal system installed and maintained by a water district, municipal utility district or similar governmental agency. Any

CC1-80-2107

sewage disposal system installed for property within the Community Association Area shall be subject to applicable laws, rules and regulations of any governmental authority having jurisdiction.

Section 9.15. Restrictions on Water System. No individual water supply or water softener system shall be installed or maintained for any property within the Community Association Area unless such system is approved in writing by the Architectural Committee and is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any applicable water and sanitation district or other governmental authority having jurisdiction.

Section 9.16. Restoration in the Event of Damage or Destruction. Except as otherwise provided in a Supplemental Declaration, Condominium Declaration or Townhouse Declaration, in the event of damage or destruction of any Improvement on any Privately Owned Site, the Owner thereof shall promptly cause the damaged or destroyed Improvement to be restored or replaced to its original condition or such other condition as may be approved in writing by the Architectural Committee or the Owner shall promptly cause the damaged or destroyed Improvement to be demolished and the Privately Owned Site to be suitably landscaped subject to the approval of the Architectural Committee so as to present a pleasing and attractive appearance.

ARTICLE X

ARCHITECTURAL APPROVAL

Section 10.1. Approval of Improvements Required. The approval by a majority of the members of the Architectural Committee shall be required for any Improvement to Property before commencement of construction of such Improvement to Property, other than an Improvement to Property made by Declarant.

Section 10.2. Improvement to Property Defined. "Improvement to Property," requiring approval of the Architectural Committee, shall mean and include, without limitation: (i) the construction, installation, erection or expansion of any building, structure or other Improvement, including utility facilities; (ii) the demolition or destruction, by voluntary action, of any building, structure or other Improvements; (iii) the grading, excavation, filling or similar disturbance to the surface of the land in the Community Association Area including, without limitation, change of grade, change of ground level, change of drainage pattern or change of stream bed; and (iv) any change or alteration of any previously approved Improvement to Property, including any change of exterior appearance, color or texture not expressly permitted by a Supplemental Declaration or the Rules and Regulations.

CC1-80-2108

Section 10.3. Membership of Committee. The Architectural Committee shall initially consist of three (3) members, all of whom shall be appointed by Declarant. Declarant shall have the continuing right to appoint three (3) members during the "Appointment Period" (as hereinafter defined) of the Project Area. The Community Association shall have the right to appoint two (2) members during the Appointment Period, which appointment shall be made at the initial organization meeting of the Board of Directors. Thereafter, the Community Association shall have the right to appoint all members. The "Appointment Period" shall mean the period of time commencing as of the date of Recordation of this Community Declaration and continuing until the earliest occurrence of the following events:

(a) At such time as Declarant no longer has authority to unilaterally annex real property in the Annexable Area to the Community Association Area without the consent of the Delegates as authorized in Section 3.2 of this Community Declaration; or

(b) December 31, 2010; or

(c) Thirty (30) days after the Community Association receives written notice from Declarant of Declarant's unilateral termination of the Appointment Period.

Members of the Architectural Committee may, but shall not necessarily be Members of the Community Association. Members of the Architectural Committee appointed by Declarant may be removed at any time by Declarant and shall serve until resignation or removal by Declarant. Members of the Architectural Committee appointed by the Board of Directors may be removed at any time by the Board, and shall serve for such term as may be designated by the Board or until resignation or removal by the Board. During the Appointment Period, Declarant and the Community Association shall each give written notice to the other of the appointment or removal of any member of the Architectural Committee. After the Appointment Period, the Community Association may at any time, and from time to time, change the authorized number of members of the Architectural Committee, but the number of members shall always be an odd number and shall not be less than three (3).

Section 10.4. Address of Committee. The address of the Architectural Committee shall be at the principal office of the Community Association.

Section 10.5. Required Approval by any Subassociation Architectural Committee. In addition to approval of Improvement to Property by the Architectural Committee of the Community Association, architectural approval of an Improvement to Property shall also be required by the Architectural Committee of any Subassociation if and to the extent set forth in the Supplemental Declaration or other instrument creating such Subassociation.

CC1-80-2109

Section 10.6. Submission of Plans. Prior to commencement of work to accomplish any proposed Improvement to Property, the Person proposing to make such Improvement to Property ("Applicant") shall submit to the Architectural Committee at its offices two copies of such descriptions, surveys, plot plans, drainage plans, elevation drawings, construction plans, specifications and samples of materials and colors as the Architectural Committee shall reasonably request showing the nature, kind, shape, height, width, color, materials, and location of the proposed Improvement to Property. The Applicant shall be entitled to receive a receipt for the same from the Architectural Committee or its authorized agent. The Architectural Committee may require submission of additional plans, specifications or other information prior to approving or disapproving the proposed Improvement to Property. Until receipt by the Architectural Committee of all required materials in connection with the proposed Improvement to Property, the Architectural Committee may postpone review of any materials submitted for approval.

Section 10.7. Criteria for Approval. The Architectural Committee shall approve any proposed Improvement to Property only if it deems in its reasonable discretion that the Improvement to Property in the location indicated will not be detrimental to the appearance of the surrounding areas of the Community Association Area as a whole; that the appearance of the proposed Improvement to Property will be in harmony with the surrounding areas of the Community Association Area, including, without limitation, quality of materials and location with respect to topography and finished grade elevation; that the Improvement to Property will comply with the provisions of this instrument, the applicable Supplemental Declaration and any applicable plat, ordinance, governmental rule or regulation; that the Improvements to Property will not detract from the beauty, wholesomeness and attractiveness of the Community Association Area or the enjoyment thereof by Owners; and that the upkeep and maintenance of the proposed Improvement to Property will not become a burden on the Community Association. The Architectural Committee may condition its approval of any proposed Improvement to Property upon the making of such changes therein as the Architectural Committee may deem appropriate.

Section 10.8. Committee Guidelines or Rules. The Architectural Committee shall issue guidelines or rules relating to the procedures, materials to be submitted and additional factors which will be taken into consideration in connection with the approval of any proposed Improvement to Property.

Section 10.9. Architectural Review Fee. The Architectural Committee may, in its guidelines or rules, provide for the payment of a fee to accompany each request for approval of any proposed Improvement to Property. The Architectural Committee may provide that the amount of such fee shall be uniform for

CC1-80-2110

similar types of any proposed Improvement to Property or that the fee shall be determined in any other reasonable manner, such as based upon the reasonable cost of the proposed Improvement to Property.

Section 10.10. Decision of Committee. The decision of the Architectural Committee shall be made within sixty (60) days after receipt by the Architectural Committee of all materials required by the Architectural Committee. The decision shall be in writing and, if the decision is not to approve a proposed Improvement to Property, the reasons therefor shall be stated. The decision of the Architectural Committee shall be promptly transmitted to the Applicant at the address furnished by the Applicant to the Architectural Committee.

Section 10.11. Appeal to Association Board. If the Architectural Committee denies or refuses approval of a proposed Improvement to Property, the Applicant may appeal to the Board of Directors by giving written notice of such appeal to the Community Association and the Architectural Committee within twenty (20) days after such denial or refusal. The Board of Directors shall hear the appeal with reasonable promptness after reasonable notice of such hearing to the Applicant and the Architectural Committee and shall decide, with reasonable promptness, whether or not the proposed Improvement to Property shall be approved. The decision of the Board of Directors shall be final and binding on all Persons.

Section 10.12. Failure of Committee to Act on Plans. Any request for approval of a proposed Improvement to Property shall be deemed approved, unless disapproval or a request for additional information or materials is transmitted to the Applicant by the Architectural Committee within sixty (60) days after the date of receipt by the Architectural Committee of all required materials, (which date shall be evidenced by the Architectural Committee issuing a receipt to the Owner confirming that all required materials have been received by the Architectural Committee).

Section 10.13. Prosecution of Work After Approval. After approval of any proposed Improvement to Property, the proposed Improvement to Property shall be accomplished as promptly and diligently as possible and in strict conformity with the description of the proposed Improvement to Property and any materials submitted to the Architectural Committee. Failure to complete the proposed Improvement to Property within one (1) year after the date of approval, subject to delays for causes beyond the reasonable control of the Owner (provided that the Owner takes reasonable steps to minimize the effects of any circumstance causing such delay ["force majeure delays"]), or to complete the Improvements to Property in strict conformity with the description and materials furnished to the Architectural

CC-1-80-2011

Committee, shall operate automatically to revoke the approval of the proposed Improvement to Property.

Section 10.14. Notice of Completion. Promptly upon completion of the Improvement to Property, the Applicant shall deliver a Notice of Completion to the Architectural Committee and, for all purposes hereunder, the date of receipt of such Notice of Completion by the Architectural Committee shall be deemed to be the date of completion of such Improvement to Property, provided that the Improvement to Property is, in fact, completed as of the date of receipt of the Notice of Completion. The Owner's Completion Plans, certified by the Owner's Architect as to the number of square feet of enclosed floor area, shall be delivered to the Architectural Committee at the time the Applicant delivers the Notice of Completion.

Section 10.15. Inspection of Work. The Architectural Committee or its duly authorized representative shall have the right to inspect any Improvement to Property prior to or after completion, provided that the right of inspection shall terminate sixty (60) days after the Architectural Committee shall have received a Notice of Completion from the Applicant.

Section 10.16. Notice of Noncompliance. If, as a result of inspections or otherwise, the Architectural Committee finds that any Improvement to Property has been done without obtaining the approval of the Architectural Committee or was not done in strict conformity with the description and materials furnished by the Applicant to the Architectural Committee or was not completed within one (1) year after the date of approval by the Architectural Committee, subject to force majeure delays, the Architectural Committee shall notify the Applicant in writing of the noncompliance which notice (the "Notice of Noncompliance") shall be given, in any event, within sixty (60) days after the Architectural Committee receives a Notice of Completion from the Applicant. The Notice of Noncompliance shall specify the particulars of the noncompliance and shall require the Applicant to take such action as may be necessary to remedy the noncompliance.

Section 10.17. Failure of Committee to Act after Completion. If, for any reason other than the Applicant's act or neglect, the Architectural Committee fails to notify the Applicant of any noncompliance within sixty (60) days after receipt by the Architectural Committee of written Notice of Completion from the Applicant, the Improvement to Property shall be deemed in compliance if the Improvement to Property was, in fact, completed as of the date of Notice of Completion.

Section 10.18. Appeal to Association Board of Finding of Noncompliance. If the Architectural Committee gives any Notice of Noncompliance, the Applicant may appeal to the Board of Directors by giving written notice of such appeal to the Board

and the Architectural Committee within thirty (30) days after receipt of the Notice of Noncompliance by the Applicant. Additionally, if, after a Notice of Noncompliance, the Applicant fails to commence diligently to remedy such noncompliance, the Architectural Committee shall request a finding of noncompliance by the Board of Directors by giving written notice of such request to the Community Association and the Applicant within thirty (30) days after delivery to the Applicant of a Notice of Noncompliance from the Architectural Committee. In either event, the Board of Directors shall hear the matter with reasonable promptness after reasonable notice of such hearing to the Applicant and the Architectural Committee and shall decide, with reasonable promptness, whether or not there has been such noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. The decision of the Board of Directors shall be final and binding on all persons.

Section 10.19. Correction of Noncompliance. If the Board of Directors determines that a noncompliance exists, the Applicant shall remedy or remove the same within a period of not more than forty-five (45) days from the date of receipt by the Applicant of the ruling of the Board of Directors. If the Applicant does not comply with the Board ruling within such period, the Board may, at its option, record a Notice of Noncompliance against the real property on which the noncompliance exists, may remove the noncomplying Improvement to Property or may otherwise remedy the noncompliance, and the Applicant shall reimburse the Community Association, upon demand, for all expenses incurred therewith. If such expenses are not promptly repaid by the Applicant or Owner to the Community Association, the Board may levy a Reimbursement Assessment against the Owner of the Privately Owned Site for such costs and expenses. The right of the Community Association to remedy or remove any noncompliance shall be in addition to all other rights and remedies which the Community Association may have at law, in equity, or under this Community Declaration.

Section 10.20. No Implied Waiver or Estoppel. No action or failure to act by the Architectural Committee or by the Board of Directors shall constitute a waiver or estoppel with respect to future action by the Architectural Committee or the Board of Directors with respect to any Improvement to Property. Specifically, the approval by the Architectural Committee of any Improvement to Property shall not be deemed a waiver of any right or an estoppel to withhold approval or consent for any similar Improvement to Property or any similar proposals, plans, specifications or other materials submitted with respect to any other Improvement to Property by such Person or otherwise.

Section 10.21. Committee Power to Grant Variances. The Architectural Committee may authorize variances from compliance with any of the provisions of this Community Declaration or any

CC1-80-2113

Supplemental Declaration, including restrictions upon height, size, floor area or placement of structures [including set-back lines established on a plat(s) of the property comprising the Community Association Area], the time for completion of construction of Improvements to Property, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations may require. Such variances must be evidenced in writing and shall become effective when signed by at least a majority of the members of the Architectural Committee. If any such variance is granted, no violation of the provisions of this Community Declaration or any Supplemental Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted; provided, however, that the granting of a variance shall not operate to waive any of the provisions of this Community Declaration or any Supplemental Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall the granting of any variance affect the jurisdiction of any architectural control of a Subassociation or committee created by a Supplemental Declaration, nor shall the granting of a variance affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the property concerned, including, but not limited to, zoning ordinances or requirements imposed by any governmental authority having jurisdiction.

Section 10.22. Compensation of Members. The Members of the Architectural Committee shall be entitled to such compensation for services rendered and reimbursement for reasonable expenses incurred by them in the performance of their duties hereunder as may, from time to time, be authorized or approved by the Board of Directors. All such sums payable as compensation and/or reimbursements shall be payable only out of the Administrative Functions Operating Fund or Administrative Functions Reserve Fund.

Section 10.23. Meetings of Committee. The Architectural Committee shall meet from time to time as necessary to perform its duties hereunder. The Architectural Committee may, from time to time, by resolution in writing adopted by a majority of the members, designate a Committee Representative (who may, but need not, be one of its members) to take any action or perform any duties for or on behalf of the Architectural Committee, except the granting of approval to any Improvement to Property and granting of variances. The action of such Committee Representative within the authority of such Committee Representative or the written consent or the vote of a majority of the members of the Architectural Committee shall constitute action of the Architectural Committee for all purposes under this Community Declaration.

Section 10.24. Records of Action. The Architectural Committee shall report in writing to the Board of Directors all

CC1-80-2014

final action of the Architectural Committee and the Board shall keep a permanent record of such reported action.

Section 10.25. Estoppel Certificates. The Board of Directors shall, upon the reasonable request of any interested party and after confirming any necessary facts with the Architectural Committee, furnish a certificate with respect to the approval or disapproval of any Improvement to Property or with respect to whether any Improvement to Property was made in compliance herewith. Any Person, without actual notice to the contrary, shall be entitled to rely on said certificate with respect to all matters set forth therein.

Section 10.26. Nonliability for Committee Action. None of the Architectural Committee, any member of the Committee, any Committee Representative, the Community Association, any member of the Board of Directors or Declarant shall be liable for any loss, damage or injury arising out of or in any way connected with the performance of the duties of the Architectural Committee unless due to the willful misconduct or bad faith of the party to be held liable. In reviewing any matter, the Committee shall not be responsible for reviewing, nor shall its approval of an Improvement to Property be deemed approval of the Improvement to Property from the standpoint of safety, whether structural or otherwise, or conformance with building codes or other governmental laws or regulations.

Section 10.27. Construction Period Exception. During the course of actual construction of any permitted structure or Improvement to Property, and provided construction is proceeding with due diligence, the Architectural Committee shall temporarily suspend the provisions of Article IX contained in this Community Declaration as to the property upon which the construction is taking place to the extent necessary to permit such construction; provided that, during the course of any such construction, nothing is done which will result in a violation of any of the provisions of this Community Declaration upon completion of construction and nothing is done which will constitute a nuisance or unreasonable interference with the use and enjoyment of other property within the Community Association Area.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Term of Declaration. Unless amended as herein provided, each provision contained in this Community Declaration which is subject to the laws or rules sometimes referred to as the rule against perpetuities or the rule prohibiting unreasonable restraints on alienation shall continue and remain in full force and effect for the period of twenty-one (21) years following the death of the survivor of Charles, Prince of Wales, of the British Royal Family, Brian C. Rider of Houston,

Texas, and Bruce W. Merwin of Houston, Texas, and the now living children of said Persons, or until this Community Declaration is terminated as hereinafter provided, whichever first occurs. Unless amended as herein provided, all other provisions, covenants, conditions, restrictions and equitable servitudes contained in this Community Declaration shall be effective until December 31, 2032, and, thereafter, shall be automatically extended for successive periods of ten (10) years each unless terminated by (i) the vote, by written ballot, of Members holding at least seventy-five percent (75%) of the entire voting power of the Community Association (inclusive of the voting power exercisable by Declarant) present in person or by proxy at duly constituted meetings of the Delegate District or (ii) by written instrument, in recordable form, signed by Members of the Community Association holding at least seventy-five percent (75%) of the entire voting power of the Community Association (inclusive of the voting power exercisable by Declarant). The termination of this Community Declaration shall be effective upon the Recordation of a certificate, executed by the President or a Vice President and the Secretary of an Assistant Secretary of the Community Association stating that this Community Declaration has been terminated by the vote or written agreement of Members as provided herein.

Section 11.2. Amendment of Community Declaration by Declarant. Until the first Privately Owned Site subject to this Community Declaration has been conveyed by Declarant by Deed Recorded in the office of the County Clerk and Recorder of Galveston County, Texas, any of the provisions, covenants, conditions, restrictions and equitable servitudes contained in this Community Declaration may be amended or terminated by Declarant, without the joinder of any other Owner, by the Recordation of a written instrument, executed by Declarant, setting forth such amendment or termination.

Declarant reserves and shall have the continuing right until the termination of Appointment Period, without the consent of other Owners or the representatives of any Mortgagee (except as otherwise provided in this Section 11.2), to amend this Community Declaration or the By-laws for the purpose of clarifying or resolving any ambiguities or conflicts herein, or correcting any inadvertent misstatements, errors or omissions herein, provided that no such amendment shall change the voting rights of the Declarant or other Members, annexation rights of Declarant, any Owner's proportionate share of Assessments, or the property description of any Owner and such Owner's Mortgagee who do not join in the execution of such correction instrument. The amendment shall become effective upon the Recordation of a written instrument setting forth such amendment.

Section 11.3. Amendment of Community Declaration by Members. Except as otherwise provided in this Community Declaration, and subject to provisions elsewhere contained in this Community Declaration requiring the consent of Declarant or

others, any provision, covenant, condition, restriction or equitable servitude contained in this Community Declaration may be amended or repealed at any time and from time to time upon approval of the amendment or repeal by (i) the vote, by written ballot, of Members of the Community Association holding at least seventy-five percent (75%) of the entire voting power of the Community Association (inclusive of the voting power exercisable by Declarant) present in person or by proxy at duly constituted meetings of the Delegate Districts or (ii) by written instrument, in recordable form, signed by Members of the Community Association holding at least seventy-five percent (75%) of the voting power of Members of the Community Association (inclusive of the voting power exercisable by Declarant). Sections 2.47 and 2.48 hereof, as well as those provisions of Sections 8.1, 8.3, 8.5, 8.10, 8.11, 8.18, 8.19, 8.20, 8.25 or of any other Section of this Community Declaration pertaining solely to the rights and obligations of Members entitled to use an Improvement of any particular Recreation Cost Center, may be amended or repealed at any time and from time to time only upon the approval of the amendment or repeal by Members holding at least seventy-five percent (75%) of the voting power within each Delegate District entitled to use such Recreation Cost Center present in person or proxy at duly constituted meetings of such Delegate Districts. The approval of any amendment or repeal of any provision of this Community Declaration shall be evidenced by the certification by the Delegates from the appropriate Delegate Districts to the Board of Directors of the Community Association of the votes or written agreement of Members in the Delegate District. The amendment or repeal shall be effective upon the Recordation in the office of the Clerk and Recorder of Galveston County, Texas, of a certificate, executed by the President or a Vice President and the Secretary or an Assistant Secretary of the Community Association setting forth the amendment or repeal in full and certifying that the amendment or repeal has been approved by the Members and certified by the appropriate Delegates as set forth above.

So long as there is a Class B Membership, any amendment to this Community Declaration must have the prior written approval of all required Government Mortgage Agencies.

Section 11.4. Required Consent of Declarant to Amendment. Notwithstanding any other provision in this Community Declaration to the contrary, any proposed amendment or repeal of any provision of Article III or Article VII of this Community Declaration shall not be effective unless Declarant has given its written consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant of any certificate of amendment or repeal. The foregoing requirement for consent of Declarant to any amendment or repeal shall terminate upon the earlier to occur of the time that all property in the Project Area has become part of the Community Association Area and the last Privately Owned Site within the Community Association Area