

15538

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR HARBOR LAKES

THIS DECLARATION is made on the date hereinafter set forth by Lumbermen's Investment Corporation, a Delaware corporation, hereinafter referred to as the "Declarant".

WITNESSETH

WHEREAS, the Declarant is the owner of certain real property in the City of Granbury, Hood County, Texas, which is described in Exhibit "A" attached hereto and made a part hereof.

WHEREAS, Declarant desires to create an exclusive planned community known as Harbor Lakes of which the Affected Lots are a part and such other land as may be added thereto pursuant to the terms and provisions of this Declaration;

NOW, THEREFORE, the Declarant declares that the Affected Lots (hereinafter described) shall be held, sold and conveyed subject to the restrictions, covenants and conditions declared below, all of which shall be deemed to be covenants running with the land and imposed on and intended to benefit and burden each Affected Lot and other portions of the Property (hereinafter described) in order to maintain within the Property a planned community of high standards. All of such covenants shall be binding on all parties having any right, title or interest therein or any part thereof, their respective heirs, personal representatives, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE I
DEFINITIONS

Section 1. "Property" shall mean and refer to the real property described in Exhibit "A", and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to this Declaration.

Section 2. "Association" shall mean and refer to the Harbor Lakes Homeowners Association, Inc., a Texas not-for-profit corporation established for the purpose set forth herein.

Section 3. "Lot" shall mean and refer to any plot of land indicated upon any recorded subdivision map of the Property or any part thereof creating single-family homesites, with the exception of the Common Area and areas deeded to a governmental authority or utility, together with all improvements thereon.

Section 4. "Affected Lot" shall mean and refer to those Lots now existing on the Property or such lots that are hereafter added to the membership of the Association from time to time as allowed by this Declaration.

Section 5. "Unit" shall mean and refer to any residential dwelling situated upon any Lot.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Affected Lot, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation.

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07200**AMENDED AND RESTATED****DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR HARBOR LAKES
(WITH JOINDER OF CURRENT OWNERS)**

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR HARBOR LAKES (WITH JOINDER OF CURRENT OWNERS) (the "Restated Declaration") is made on the date hereinafter set forth by Lumbermen's Investment Corporation, a Delaware corporation, hereinafter referred to as the "Declarant" and the Current Owners (as hereinafter defined).

WITNESSETH

WHEREAS, on December 28, 2000, Declarant caused to be recorded in Volume 1726, Page 0001 of the Real Property Records of Hood County, Texas, that certain Declaration of Covenants, Conditions and Restrictions for Harbor Lakes dated December 27, 2000 (the "Original Declaration") covering the real property described in Exhibit "A-1" which is attached hereto and incorporated herein for all purposes (the "Original Property");

WHEREAS, since the recording of the Original Declaration, Declarant has sold three (3) Affected Lots (hereinafter described) that were a part of the Original Property to the Current Owners, such Affected Lots being described in Exhibit "A-2", which is attached hereto and incorporated herein for all purposes (hereinafter referred to as the "Sold Lots");

WHEREAS, Declarant, being the owner of the Original Property, other than the three (3) Sold Lots, pursuant to Article IX of the Original Declaration, desires to annex and subject additional property more particularly described on Exhibit "A-3", attached hereto and incorporated herein (the "Additional Property") to the terms of the Original Declaration, as amended and restated by this Restated Declaration;

WHEREAS, Declarant, with the consent and joinder of the Current Owners, desire to amend and restate the Original Declaration in its entirety to provide, among other matters, a third class of membership to use the Swim Club Facilities (as hereinafter defined) with the existing Class A and Class B Members and to provide for a method of assessments for such new class of members (the "Non-Resident Members").

WHEREAS, Declarant desires to create an exclusive planned community known as Harbor Lakes of which the Affected Lots are a part and such other land as may be added thereto pursuant to the terms and provisions of this Declaration;

NOW, THEREFORE, the Declarant declares with the joinder and consent of the Current Owners of the Sold Lots that the Original Declaration is hereby amended and restated in its entirety, that the Additional Property is hereby added to and subjected to all of the terms of this Restated Declaration and that the Affected Lots shall be held, sold and conveyed subject to the restrictions, covenants and conditions declared below, all of which shall be deemed to be covenants running with the land and imposed on and intended to benefit and burden each Affected Lot and other portions of the Property (hereinafter described) in order to maintain within the Property a planned community of high standards.

**AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR HARBOR LAKES
(WITH JOINDER OF CURRENT OWNERS) - Page 1**

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AFTER RECORDING, PLEASE RETURN ^{COPY} TO:

Excel Association Management
PO box 260997
Plano, Texas 75026

00539

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**CERTIFICATE AND MEMORANDUM OF RECORDING
OF ASSOCIATION DOCUMENTS FOR HARBOR LAKES
HOMEOWNERS ASSOCIATION**

STATE OF TEXAS §
 §
COUNTY OF HOOD §

The undersigned, as Managing Agent for Harbor Lakes Homeowners Association, for the purpose of complying with Section 202.006 of the Texas Property Code and to provide public notice of the following instruments affecting the owners of property described on Exhibits "A-1", and "A-2" attached hereto (collectively, the "Property"), hereby states that the instruments attached hereto are true and correct copies of the following:

- (a) *Articles of Incorporation for Harbor Lakes Homeowners Association* (Exhibit "A-1");
- (b) *By-Laws of Harbor Lakes Homeowners Association* (Exhibit "A-2")

All persons or entities holding an interest in and to any portion of Property are subject to the foregoing documents.

IN WITNESS WHEREOF, the Harbor Lakes Homeowners Association has caused this Certificate and Memorandum of Recording of Association Documents to be recorded in the Land Records of Hood County, Texas.

**HARBOR LAKES
HOMEOWNERS ASSOCIATION**

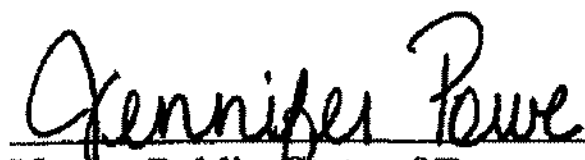
By: Patrick Clark
Name: Patrick Clark
Title: Managing Agent

Copy provided by Central Texas Title

STATE OF TEXAS §
 §
COUNTY OF HOOD §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Judd A. Austin, Jr., attorney for Cambridge Place at Preston Trail Homeowners Association, known to me to be the person whose name is subscribed on the foregoing instrument and acknowledged to me that he executed the same for the purposes therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND AFFIRMED SEAL OF OFFICE on this 8th day of January 2003.



Notary Public, State of Texas



**BYLAWS
OF
HARBOR LAKES HOMEOWNERS ASSOCIATION, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is Harbor Lakes Homeowners Association, Inc. hereinafter referred to as the "Association". The principal office of the Association shall be initially located at 5495 Beltline Road, Suite 225, Dallas, Texas 75240 but meetings of members and directors may be held at such places within the State of Texas, Counties of Hood, Tarrant or Dallas, as may be designated by the Board of Directors. Lumbermen's Investment Corporation at 5495 Beltline Road, Suite 225, Dallas, Texas 75240, constitutes the initial registered agent and office, respectively, of the Association.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Harbor Lakes Homeowners Association, Inc., a Texas Non-Profit Corporation, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Harbor Lakes recorded in Volume 1755, Pages 738, of the Real Property Records of Hood County, Texas, and such additions thereto as may be brought within the jurisdiction of the Association under the provisions of said Declaration or the Charter of the Association.

Section 3. "Common Area" shall mean all real property conveyed by the Declarant to, and owned by, the Association for the common use and enjoyment of the Owners as more particularly set forth in the Declaration.

Section 4. "Lot" shall mean and refer to that portion of any of the plots of land shown upon any recorded subdivision map of the Properties of any part thereof creating single-family homesites on which there is or will be built a single-family dwelling. There is excepted herefrom the Common Area along with other reserves as may be noted on said subdivision maps.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to Lumbermen's Investment Corporation, a Delaware corporation, and its successors and assigns who are designated as such in writing by Declarant, who accept such designation in writing.

Section 7. "Declaration" shall mean and refer to the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Harbor Lakes applicable to the Properties recorded in Volume 1755, Page 738, of the Real Property Records of Hood County, Texas.

ARTICLE III

MEMBERSHIP

Section 1. Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. Class A members shall be all of the Owners with the exception of Declarant and Class B members shall be Declarant. The foregoing is not intended to include persons or entities who hold interest merely as security for the performance of an obligation. No owner shall have more than one membership. Membership shall be appurtenant to and may not be separate from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership.

Section 2. Non-Resident Membership. Subject to the terms of the Declaration, in the event the golf course immediately adjacent to the Swim Club and tentatively known as Harbor Lakes Golf Club (the "Golf Club") becomes a private membership club or a semi-private membership club, the Golf Club shall have the right to designate up to 750 of its full paying dues members to be Non-Resident Members of the Association with the right to use the Swim Club and its attendant facilities, subject however to payment of the Annual General Assessments and Special Swim Club Assessments and subject to the rules and regulations of the Association promulgated from time to time. If at any time the Golf Club ceases to be a private membership club or semi-private membership club, then in such event there shall be no Non-Resident Members and no one other than Class A and Class B members of the Association and their immediate family and guests as permitted by the Bylaws or the rules of the Association shall be permitted to use the Swim Club Facilities, except as otherwise provided in this Restated Declaration. Non-Resident Members are not entitled to notice of regular or special meeting of the Members and shall not be entitled to participate in Association Meetings unless the Board of Directors or a majority of the Class A and Class B Members present at the meeting vote to permit a Non-Resident Member to participate in such meeting.

Section 3. Suspension of Membership. During any period in which a member shall be in default in the payment of any annual or special assessment levied by the Association, the voting rights and right to use of the recreational facilities of such member may be suspended by the Board of Directors until such assessment has been paid. Such rights of a member may also be suspended after notice and hearing, for a period not to exceed 60 days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Area and facilities.

ARTICLE IV

PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

Section 1. Each Class A and Class B member shall be entitled to the use and enjoyment of the Common Areas as provided in the Declaration. Any Class A and Class B member may delegate his rights of enjoyment of the Common Area and facilities to the Class A and Class B members of his family, his tenants or contract purchasers, who reside on the property. Such Class A and Class B member shall notify the Secretary of the Association in writing of the name of any such delegee. The rights and privileges of such delegee are subject to the same extent as those of the member.

Section 2. Each Non-Resident Member shall be entitled to use and enjoy the Swim Club Facilities as provided in the Declaration; however, a Non-Resident Member's right to use the Swim Club Facilities is a contractual right only and is subject to the terms of the Declaration, these Bylaws and the rules and regulations of the Association. Non-Resident Members have no property rights with respect to the Swim Club Facilities.

ARTICLE V

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of the Association shall be managed by a Board of three (3) Directors, who need not be members of the Association.

Section 2. Election. At the first annual meeting the members, the Class A and Class B members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years, and one (1) director for a term of three (3) years; and at each annual meeting thereafter the members shall elect the director(s) for a term of three (3) years to fill each expiring term. Any vacancy in the initial Board of Directors which occurs prior to the first annual meeting of the members shall be filled by election by the remaining Directors. The initial three (3) members of the Board of Directors shall be designated in the Articles of Incorporation of the Association. Non-Resident Members have no voting rights.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the entire Class A membership and the entire Class B membership of the Association. In the event of death, resignation or removal of a director, his successors shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice, at such place (or by telephonic conference) and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two (2) directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting by the Class A and Class B members. The Nominating Committee shall consist of a Chairman, who shall be a

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member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members and non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot cast at the annual meeting. At such election, the Class A and Class B members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power, for and on behalf of the Association;

- (a) To adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) To exercise for the Association all power, duties and authority vested in or delegated to this Association and are not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;
- (c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without just cause having been furnished to and accepted by the Board;
- (d) To establish, and disburse and maintain such petty cash fund as necessary for efficiently carrying on the business of the Association;
- (e) To engage the services of a manager, an independent contractor, or such employees as it deems necessary, and to prescribe the conditions, compensation and duties of their work. Such power shall include authority to enter into management agreements with other parties to manage, operate or perform all or any part of the affairs and business of the Association;
- (f) To establish and maintain a working capital and/or contingency fund for capital repairs to and replacement of the Common Area, or any part thereof;
- (g) To sue and/or defend in any court of law on behalf of the Association;
- (h) To establish and collect penalties and fines for defaults by Owners under these Bylaws or the Declaration;
- (i) To acquire and maintain the Common Area and to grant easements, licenses or other rights in, on, over and/or across such properties;

- (j) To enter into contracts for legal, accounting and other professional services;
- (k) To establish and maintain one or more bank accounts;
- (l) To delegate any of its rights, powers or duties to committees, managers or contractors who are competent to exercise the rights and powers and/or perform the duties so delegated;
- (m) To generally provide for maintenance and preservation of the Properties and the Common Areas and promote the health, safety and welfare of the Owners and to take such acts in connection therewith as the Board deems necessary;
- (n) To prescribe reasonable regulations, fines and policies governing access to and use of the Common Areas, and to charge reasonable expense reimbursements and/or deposits (e.g., key, access card and/or radio transmitter device deposits) related to the access, use operation and maintenance of the Common Properties;
- (o) To enter into and execute contracts with the owner-operators of any community antenna television system ("CATV") or other similar operations for the purpose of extending cable or utility or security service on, over or under the Common Properties to ultimately provide service to one or more of the Lots;
- (p) To grant permits, licenses and easements over the Common Areas for utilities, roads and other purposes necessary for the proper operation of utilities and services reasonable and necessary for the enjoyment of the residential homeowners;
- (q) To establish and maintain a working capital and/or contingency fund for repair, maintenance and replacement of the sidewalks and alley network within the Common Areas or any part thereof; and
- (r) To establish rules and regulations for the use of the Swim Club and the rights and privileges of the Non-Resident Members.

Section 2. Duties. It shall be the duty of the Board of Directors:

- (a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;
- (b) As more fully provided herein, and in the Declaration:
 - 1) In the event the amount of any annual assessment permitted under the Declaration (including but not limited to General Annual Assessments and Waterway Assessments) shall change, the Board of Directors shall fix the amount of any such annual assessment (30) days in advance of the applicable annual assessment period, as hereinafter provided in Article XII, and
 - 2) To send written notice of each such assessment to every Owner and Non-Resident Member subject thereto at least thirty (30) days in advance of the applicable annual assessment period;

(c) To issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether any assessment has been paid. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. Such certificates shall be conclusive evidence of any assessment therein stated to have been paid;

(d) To procure and maintain adequate liability and hazard insurance on property owned by the Association:

(e) To cause all officers, employees or agents, having fiscal responsibility to be bonded, as it may deem appropriate;

(f) To cause the Common Area to be maintained, repaired and replaced, including, but not limited to the entry way features, gate houses, landscaping, streets, sidewalks and a ley network within the Common Areas; and.

(g) To designate from time to time by Board Resolution such officer or officers as it deems necessary to sign and deliver checks and execute promissory notes on behalf of the Association.

Section 3. Use of Common Areas. The Association shall have the power and authority to prescribe rules and regulations applicable to the Common Areas. No person or entity shall use any portion of the Common Areas to:

- (a) solicit, promote or conduct business, religious, political or propaganda matters;
- (b) distribute handbills, newsletters, flyers, circulars or other printed materials;
- (c) display or install signs, flags or banners,

without the prior written consent of the Association (which consent may be withheld in its sole and absolute discretion).

Section 4. Community Services Arrangements. The Association may from time to time arrange for the employment and utilization of unarmed community services personnel. Although the existence and visibility of community services personnel may discourage the commission of criminal acts (e.g., burglary, theft, etc.) within the Property, nevertheless, neither the Declarant nor the Association will warrant or guarantee that: (a) the community services personnel are sufficient and adequate to diminish or eliminate the commission of crimes against persons or property; and (b) such acts will not be attempted or actually occur within the Property. Any community services arrangements are not designed or intended to replace the conventional police and fire protection and paramedical services available from the City of Granbury.

Each Owner, tenant and Non-Resident Member expressly understands, covenants and agrees with the Association that:

- (a) Neither Declarant nor the Association have any responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and personal property of each owner, tenant, member and invitee;
- (b) Each Owner, tenant and Non-Resident Member should, from time to time and at various times, consult with reputable insurance industry representatives of each Owner's, tenant's and Non-Resident Member's own selection to consider, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of

insurance deemed satisfactory to each Owner, tenant and Non-Resident Member covering his or her real and/or personal property;

(c) Each Owner, tenant and Non-Resident Member releases and holds Declarant and the Association harmless from any uninsured liability, claims, causes of action or damages of any kind or character whatsoever arising out of or related (directly or indirectly) to any and all aspects of the community services system and private streets within the Property, including, without limitation:

- (1) the interviewing, hiring, training, licensing (if any), bonding (if any) and employment of community services personnel (if any);
- (2) the instructions, directions and guidelines issued to or by the community services personnel (if any);
- (3) the duties, performance, actions, inactions or omission of or by the community services personnel (if any); and

(d) Each Owner, tenant, Non-Resident Member and invitee will cooperate with the Declarant and the Association in connection with the establishment, evolution and maintenance of reasonable controls on the pedestrian and vehicular and watercraft traffic into and within the Property and abide by any and all rules and regulations of the Association, as adopted and promulgated from time to time, related to the entry upon and use of any private streets and other Common Areas within the Property.

ARTICLE IX

COMMITTEES

Section 1. The Association shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purposes, which may include for example, but not by way of limitation, the following:

(a) A Recreation Committee to advise the Board of Directors on all matters pertaining to the recreational program and activities of the Association and to perform other such functions as the Board in its discretion determines;

(b) A Maintenance Committee to advise the Board on all matters pertaining to the maintenance, repair or improvement of the Properties, and to perform such other functions as the Board in its discretion determines;

(c) A Publicity Committee to inform the members of all activities and functions of the Association and after consulting with the Board, to make such public releases and announcements as are in the best interest of the Association;

(d) An Audit Committee to supervise the annual audit of the Association's books and approve the annual budget and statement of income and expenditures to be presented to the membership at its annual meeting, as provided in Article XI, Section 8(d). The Treasurer shall be an ex-officio member of this committee when formed; and

(e) A Harbor Committee to advise the Board on all matters pertaining to the canals, waterways, bulkheads, sea walls, piers, docks, moorings and boathouses and to perform such other functions as the Board in its discretion determines.

Section 2. It shall be a function of each committee to receive complaints from members on any matter involving Association duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, director or officer of the Association as is further concerned with the matter presented.

ARTICLE X

MEETINGS OF CLASS A AND CLASS B MEMBERS

Section 1. Annual Class A and Class B Meetings. The first annual meeting of the Class A and Class B members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Class A and Class B members shall be held in the same month of each year thereafter, on the day and at the hour reasonably designated in the notice of such meeting given pursuant to Section 3 of this Article X.

Section 2. Special Class A and Class B Meetings. Special meetings of the Class A and Class B members may be called at any time by the president or by the Board of Directors, or upon written request of the Class A and Class B members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A and Class B membership or Class A Members who are entitled to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of Class A and Class B Meetings. Except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws, written notice of each meeting of the Class A and Class B members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage paid, at least 15 days before such meeting to each Class A and Class B member entitled to vote thereat, addressed to the Class A and Class B member's address last appearing on the books of the Association, supplied by such Class A and Class B member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of the Class A and Class B members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership (excluding the Non-Resident Members) shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Class A and Class B members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid, shall be present to be represented.

Section 5. Proxies. At all meetings of the Class A and Class B members, each Class A and Class B member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Class A and Class B member of his Lot.

ARTICLE XI

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first annual meeting of the Board following each annual meeting of members.

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Section 3. Term. The officers of this Association shall be elected annually by the Board and shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any the other offices except in case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign all checks and promissory notes.

Vice-President

(b) The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; keep proper books of account; as from time to time directed by the Board of Directors to cause the annual report of the Association books to be made at the completion of each fiscal year; and shall prepare an annual budget and a statement of

income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy to the members.

ARTICLE XII

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. By the Declaration each Class A member is deemed to covenant and agree to pay to the Association: (i) the Annual General Assessment charges, (ii) the Special Assessments for capital improvements, (iii) the Special Swim Club Assessment; (iv) the Annual Waterway Assessments (provided the Class A member is an Owner of a Waterway Lot as defined in the Declaration), (v) the Special Waterway Assessments, (vi) any special individual assessments and (vii) any individual fines (collectively the "Assessments"). Each Non-Resident Member covenants and agrees to pay to the Association the Assessments described in (i), (iii), (vi) and (vii) above. With respect to a member who is an Owner, the Assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall run with the land and be a continuing lien upon the property against which each such Assessment is made. Each applicable Assessment, together with such interest, costs and reasonable attorneys' fees shall also be the personal obligation of each Non-Resident Member and a personal obligation of each person who was the Owner of such property at the time the Assessment fell due and shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The Assessments levied by the Association, except as otherwise set forth in the Declaration, shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents in the Properties and for the improvement and maintenance of the Common Area owned by the Association and areas affecting the Units situated upon the Properties.

Section 3. Assessments. The provisions regarding each category of assessment including initial assessments are specifically set forth in Sections 3, 3.A, 3.B, 4 and 5 of the Declaration which is incorporated herein.

Section 4. Exempt Property. All properties dedicated to and accepted by a local public authority; and all property designated as Common Area; and all properties owned by a charitable or nonprofit organization are exempt from the Assessment created herein. However, no land or improvements devoted to dwelling use shall be exempt from said Assessments.

Section 5. Miscellaneous.

(a) The proceeds of the regular Annual General Assessments shall not be used to reimburse Declarant for any capital expenditures incurred in construction or other improvements of common facility, nor for the operation or maintenance of such facilities incurred prior to conveyance unencumbered to the Association.

(b) Attendant to the rights of the Class A and Class B members is the right to inspect the books upon proper notice of fifteen (15) days to the Secretary of the Association.

Section 6. User Fees and Charges. The Association may levy and collect special charges and fees for any and all extraordinary operation and maintenance of the Common Areas and services which the Association determines to be necessary for the advancement, benefit and welfare of the Owners,

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tenants and Non-Resident Members. Examples (by way of illustration, and not limitation) of these special charges and fees would include: additional security personnel for parties or special events; valet parking arrangements; post-part/ trash pick-up and removal; extraordinary utility consumption; management overtime services; and additional insurance conditions or requirements. In establishing special user fees, the Association may formulate reasonable classifications of users. Such fees should be uniform within each class but need not be uniform from class to class. If an Owner shall fail to pay a charge or fee when due and payable, said unpaid charge or fee shall be delinquent and upon written notice to said Owner shall become a personal debt of Non-Resident Members and each Owner and, with respect to an Owner, shall be secured by a lien described in the Declaration. Failure of any Non-Resident Member and/or Owner to pay said fee and charge when due and payable, in addition, shall be a breach of these Bylaws.

ARTICLE XIII

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any members at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XIV

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Harbor Lakes Homeowners Association, Inc.

ARTICLE XV

FISCAL YEAR

The Fiscal Year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XVI

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the members, by a vote of a majority, in the aggregate, of a quorum of Class A and Class B members present or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is a Class B membership.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XVII


GENDER AND GRAMMAR

The singular, wherever used herein, shall be construed to mean the plural when applicable, and necessary grammatical changes required to make the provision hereof apply either to corporations of individuals, men or women, shall in all cases be assumed as though in case fully expressed.

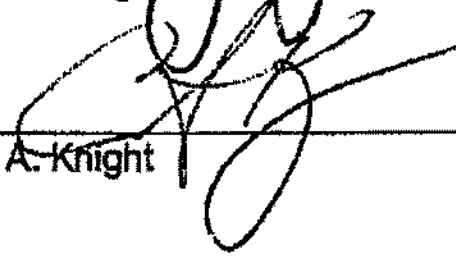
IN WITNESS WHEREOF, we being all the Directors of Harbor Lakes Homeowners Association, Inc. have hereunto set our hands effective as of the 14th day of February, 2001.



John K. Pierret



Robert Young



Craig A. Knight

EXHIBIT "A-Z"

FILED
In the Office of the
Secretary of State of Texas

ARTICLES OF INCORPORATION
OF
HARBOR LAKES HOMEOWNERS ASSOCIATION, INC

FEB 12 2001

Corporations Section

The undersigned, acting as incorporator of a corporation under the Texas Non-Profit Corporation Act, does hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE I

NAME

The name of the corporation is HARBOR LAKES HOMEOWNERS ASSOCIATION, INC. hereinafter called the "Association".

ARTICLE II

TYPE OF CORPORATION

The Association is a non-profit corporation and has no capital stock.

ARTICLE III

DURATION

The period of duration is perpetual.

ARTICLE IV

PURPOSES AND POWERS

The Association does not contemplate pecuniary gain or profit to its members, and the purposes for which it is formed are to provide for maintenance and preservation of the residence lots and common area within that certain real property described in that certain Declaration of Covenants, Conditions and Restrictions for Harbor Lakes located in Hood County, Texas (hereinafter called "said Declaration"), and such additional properties as may be added thereto from time to time by annexation or otherwise as provided in said Declaration and in these Articles; and to promote the health, safety and welfare of the residents within such properties and for these purposes the Association shall have the following powers:

(a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in said Declaration and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;

(b) To fix, levy and collect (enforcing payment by any lawful means) all charges and assessments pursuant to the terms of said Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including for example, but not by way of limitation, all

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licenses, taxes or governmental charges levied or imposed against the property of the Association:

(c) To purchase, receive, lease or otherwise own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property or to dedicate, sell or transfer all or any part of such real or personal property to a public agency for utilities or other purposes in accordance with applicable laws, rules and regulations in connection with the affairs of the Association;

(d) To borrow money, and with the assent of two-thirds (2/3) of Class A and Class B members to mortgage or pledge any or all of its real or personal property as security for money borrowed or debts incurred;

(e) To engage the services of agents, independent contractors or employees to manage, operate or perform all or any part of the affairs and business of the Association; and

(f) To have and exercise any and all powers, rights and privileges which a corporation organized under the Texas Non-Profit Corporation Act may now or hereafter have or exercise, and to do and perform any and all lawful things and acts which in its discretion are necessary or desirable in carrying out any or all of the purposes for which the Association is formed, and pay the costs and/or expenses in connection therewith.

Further, the Association shall have and exercise any and all powers, rights and privileges which may now and hereafter have or exercise.

ARTICLE V

MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee interest in any lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No owner shall have more than one membership. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment by the Association. Ownership of such lot shall be the sole qualification of membership.

The Bylaws of the Association may provide for suspension of membership for failure to pay assessments and for violation of the Rules and Regulations established by the Board of Directors.

ARTICLE VI

VOTING RIGHTS

The Association shall have two classes of voting membership:

Class A. Class A members shall be all those Owners (as defined in the Declaration) with the exception of Declarant. Class A members shall be entitled to one vote for each lot in which they hold the

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interest required for membership by Article V. When more than one person holds such interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any lot.

Class B. The Class B members shall be the Declarant (as defined in the Declaration), and shall be entitled to three (3) votes for each lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) One Hundred Twenty (120) days after the conveyance of the lot which causes the total votes outstanding in the Class A membership to equal the total votes outstanding in the Class B membership; or

(b) Ten (10) years after conveyance by Declarant of the first Affected Lot (as defined in the Declaration);

provided however, that the Class B membership shall be reinstated upon annexation to the properties of any additional residential property and/or common area, but subject to further cessation in accordance with the limitations set forth in the preceding paragraphs (a) and (b) of this Article VI, whichever occurs first.

ARTICLE VII

AGENT AND OFFICES

Mark V. Murray, Esq., c/o Glast, Phillips & Murray, P.C., 717 North Harwood, Suite 1700, Dallas, Texas 75201 constitutes the initial registered office and agent, respectively, of the Association. The principal office of the Association is located at 5495 Beltline Road, Suite 225, Dallas, Texas 75240.

ARTICLE VIII

BOARD OF DIRECTORS

The affairs of the Association shall be managed by a board of three (3) directors, who need not be members of the Association. The number of directors may be changed by amendment of the Bylaws of the Association. The names and addresses of the persons who are to serve until the election of their successors are:

| <u>Director</u> | <u>Address:</u> |
|-----------------|--|
| John K. Pierret | 5495 Beltline Road Suite 225 Dallas, Texas 75240 |
| Robert Young | 5495 Beltline Road Suite 225 Dallas, Texas 75240 |
| Craig A. Knight | 5495 Beltline Road Suite 225 Dallas, Texas 75240 |

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At the first annual meeting the members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years, and one (1) director for a term of three (3) years; and at each annual meeting thereafter the members shall elect the director(s) for a term a three (3) years to fill each expiring term.

ARTICLE IX

MERGERS AND CONSOLIDATIONS

To the extent permitted by law, the Association may participate in mergers and consolidations with other non-profit corporations organized for the same purposes, provided that any such merger or consolidation shall have the assent of two-thirds of each class of voting membership; all subject, however, to the provisions relating to annexation as set forth in said Declaration.

ARTICLE X

AUTHORITY TO MORTGAGE

After same has been conveyed to the Association, any mortgage by the Association of the common area defined in said Declaration shall have the assent of two-thirds (2/3) of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any.

ARTICLE XI

AUTHORITY TO DEDICATE

The Association shall have power to dedicate, sell or transfer all or any part of the common area (after same has been conveyed to it) to any public agency, authority, or utility for such purpose and subject to such conditions as may be agreed to by the members. No such dedication or transfer may be effective unless an instrument has been signed by members entitled to cast two-thirds (2/3) of the votes of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any, agreeing to such dedication, sale or transfer.

ARTICLE XII

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any. Upon dissolution of the Association, the assets both real and personal of the Association, shall be dedicated to an appropriate public agency to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to those purposes and uses that would most nearly reflect the purposes and uses for which they were required to be devoted by the Association.

ARTICLE XIII

MEETINGS FOR ACTIONS GOVERNED BY ARTICLES IX THROUGH XIII

In order to take actions under Articles IX through XIII, there must be a duly held meeting. Written notice, setting forth the purpose of the meeting shall be given to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The presence of members or of proxies entitled to cast two-thirds (2/3) of the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth above, and the required quorum at such subsequent meeting shall be two-thirds (2/3) of the required quorum of the preceding meeting. The Association may call as many subsequent meetings as may be required to achieve a quorum (the quorum requirement being reduced for each such subsequent meeting in accordance with the terms and provisions of the immediately preceding sentence). No such meeting shall be held more than sixty (60) days following the preceding meeting. In the event that voters constituting the required quorum are not present in person or by proxy, members not present may give their written consent to the action taken thereat.

ARTICLE XIV

AMENDMENTS

Amendments of these Articles shall require the assent of not less than three-quarters (3/4) of the entire membership, in the aggregate, of the Association.

ARTICLE XV

FHA/VA APPROVAL

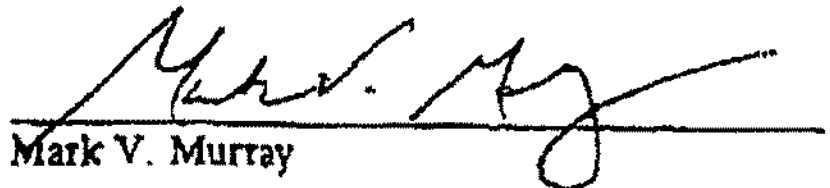
As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties (except with respect to the annexation of certain property as set forth in of Article IX of said Declaration), mergers and consolidations, mortgaging of common area, dedication of common area, dissolution and amendment of these Articles.

ARTICLE XVI

INCORPORATOR

The name and address of the incorporator: Mark V. Murray, 717 North Harwood, Suite 1700, Dallas, Texas 75201.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of February, 2001.


Mark V. Murray



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The State of Texas
Secretary of State

CERTIFICATE OF INCORPORATION

OF

HARBOR LAKES HOMEOWNERS ASSOCIATION, INC.
CHARTER NUMBER 01616365

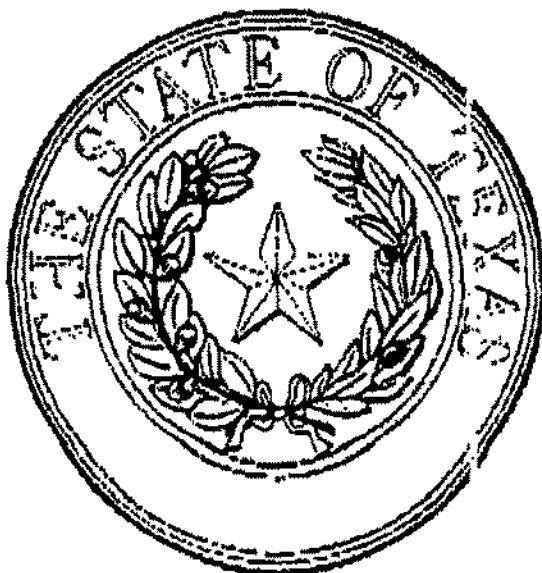
THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF INCORPORATION FOR THE
ABOVE NAMED CORPORATION HAVE BEEN RECEIVED IN THIS OFFICE AND ARE
FOUND TO CONFORM TO LAW.

ACCORDINGLY, THE UNDERSIGNED, AS SECRETARY OF STATE, AND BY VIRTUE
OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS
CERTIFICATE OF INCORPORATION.

ISSUANCE OF THIS CERTIFICATE OF INCORPORATION DOES NOT AUTHORIZE
THE USE OF A CORPORATE NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF
ANOTHER UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW,
THE ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED FEB. 12, 2001

EFFECTIVE FEB. 12, 2001



Henry Cuellar
Henry Cuellar, Secretary of State

Any provision herein which restricts the sale, rental, or use of
this instrument or real property because of color or race is invalid
to the extent prohibited under Federal law.
STATE OF TEXAS COUNTY OF HOOD
I, _____, County Clerk, certify that this instrument was filed on the date and at
the place stamped hereon by me and was duly RECORDED in
the PUBLIC RECORDS OF HOOD COUNTY
in the Volume and Page as shown hereon.



Sally C.ubre

SALLY CUBRE, County Clerk
Hood County, Texas

FILED FOR RECORD
AT _____ 11:00 P. M.

JAN 10 2003

Sally C.ubre
County Clerk, Hood County, TX

All of such covenants shall be binding on all parties having any right, title or interest therein or any part thereof, their respective heirs, personal representatives, successors and assigns, and shall inure to the benefit of each Owner thereof. The Current Owners hereby join Declarant in this Restated Declaration and covenant and irrevocably agree that their respective Sold Lots shall be held, transferred and owned subject to the terms and conditions of this Restated Declaration and all such covenants shall be binding upon the Current Owners and their respective heirs, personal representatives, successors and assigns and shall inure to the benefit of each subsequent Owner of a Sold Lot.

ARTICLE I DEFINITIONS

Section 1. "Property" shall mean and refer to the Original Property described in Exhibit "A-1", the Sold Lots described in Exhibit "A-2", the Additional Property described in Exhibit "A-3" and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to this Restated Declaration.

Section 2. "Association" shall mean and refer to the Harbor Lakes Homeowners Association, Inc., a Texas not-for-profit corporation established for the purpose set forth herein.

Section 3. "Lot" shall mean and refer to any plot of land indicated upon any recorded subdivision map of the Property or any part thereof creating single-family homesites, with the exception of the Common Area and areas deeded to a governmental authority or utility, together with all improvements thereon.

Section 4. "Affected Lot" shall mean and refer to those Lots now existing on the Property or such lots that are hereafter added to the membership of the Association from time to time as allowed by this Restated Declaration.

Section 5. "Unit" shall mean and refer to any residential dwelling situated upon any Lot.

Section 6. "Owner" shall mean and refer to the record owner, whether one of more persons or entities, of a fee simple title to any Affected Lot, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation.

Section 7. "Declarant" shall mean and refer to Lumbermen's Investment Corporation, a Delaware corporation, its successors and assigns who are specifically designated as the successor-in-interest to the Declarant in writing by the Declarant, and who consent in writing to assume the duties and obligations of the Declarant with respect to the Lots acquired by such successor or assign.

Section 8. "Common Areas" shall mean and refer to (i) the wall(s) and landscaping, as shown on any recorded subdivision map of the Property or any part thereof, (ii) that portion of the property hereinafter depicted as the "Swim Club" by the Declarant and recorded in the Real Property Records of Hood County, Texas, and all related fixtures, machinery, equipment, appliances and utility facilities now or hereafter installed therein or attached thereto and (iii) any and all entry features and entrance monuments, (iv) waterways and canals (regardless of whether or not the Association owns such waterways), sea walls, bulkheads, boat ramps and boat ramp areas, and (v) all other property hereafter

designated by the Declarant as "Common Areas". The concept of Common Areas will also include: (i) any and all public right-of-way lands for which the City of Granbury or any other governmental authority has required that the Association expend private, non-reimbursable time and monies to care for and maintain, such as but not limited to: streets, street medians, street scape, canals, waterways, sea walls, bulkheads, boat ramps and boat ramp areas and quasi-governmental service facilities; and (ii) any and all facilities provided by the Association to or for the benefit of the local police, fire and similar governmental departments for which no reimbursement via public funds is requested or anticipated.

Section 9. "Common Maintenance Areas" shall mean and refer to the Common Areas and the entrance monuments, drainage facilities, detention ponds, right-of-way landscaping, canals, waterways, sea walls, bulkheads, boat rams and such other areas lying within dedicated public easements or right-of-way as deemed appropriate by the Board of Directors of the Association for the preservation, protection and enhancement of the property values and the general health, safety or welfare of the Owners.

Section 10. "Restated Declaration" shall mean and refer to this Amended and Restated Declaration of Covenants, Conditions and Restrictions for Harbor Lakes, and any amendments, annexations and supplements thereto made in accordance with its terms.

Section 11. "Non-Resident Members" shall mean those individuals and their immediate family that: (i) are neither Class A nor Class B Members; (ii) are full members of the Golf Club; (iii) have been designated by the owner of the Harbor Lakes Golf Club to be Non-Resident Members of the Association; and (iv) are qualified hereunder and under the Bylaws and Rules and Regulations of the Association to be Non-Residential Members of the Association.

Section 12. "Golf Club" shall refer to the Harbor Lakes Golf Course located within or immediately adjacent to the Harbor Lakes Subdivision.

Section 13. "Swim Club Facilities" shall mean the swimming pool, amenity center and attendant amenities to the swimming pool and amenity center.

Section 14. "Voting Members" shall mean Class A Members in good standing and the Class B Members. Under no circumstances shall the Non-Resident Members be Voting Members of the Association.

Section 15. "Current Owners" shall mean those Owners of the Sold Lots whose names appear on the signature page of this Restated Declaration.

ARTICLE II HARBOR LAKES HOMEOWNERS ASSOCIATION, INC.

Section 1. Membership. The Declarant and every other Owner of an Affected Lot shall be a member of the Association ("Member"). Membership by Declarant and every other Owner of an Affected Lot shall be appurtenant to and shall not be separated from ownership of any Affected Lot. Every Member shall have the right at all reasonable times during business hours to inspect the books of the Association.

Section 2. Membership of Non-Resident Members. Subject to the terms hereof, in the event the golf course immediately adjacent to the Swim Club and tentatively known as Harbor Lakes Golf Club (the "Golf Club") becomes a private membership club or a semi-private membership club, the Golf Club shall have the right to designate up to 750 of its full paying dues members to be Non-Resident Members of the Association with the right to use the Swim Club and its attendant facilities, subject however to payment of Annual General Assessments and Special Swim Club Assessments and the rules and regulations of the Association. If at any time the Golf Club ceases to be a private membership club or semi-private membership club, then in such event there shall be no Non-Resident Members and no one other than Class A and Class B Members of the Association and their immediate family and guests as permitted by the Bylaws or the rules of the Association shall be permitted to use the Swim Club Facilities, except as otherwise provided in this Restated Declaration.

Section 3. Funding. Subject to the terms of this Article, Declarant, for each Affected Lot owned by Declarant, hereby covenants to pay, and each Owner of any Affected Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees to pay (as a portion of the consideration and purchase money paid by each such Owner for such Affected Lot) to the Association: (1) Annual General Assessment (as hereinafter defined) or charges, (2) Special Assessments (as hereinafter defined) for capital improvements, (3) Special Swim Club Special Assessments (as hereinafter defined), (4) Annual Waterway Assessments (as hereinafter defined) with respect to Owners of Waterway Lots (as hereinafter defined), and (5) Special Waterway Assessments (as hereinafter defined) with respect to Owners of Waterway Lots for capital improvements related to the waterway, such assessments to be established and collected as hereinafter provided. In addition to the foregoing, each Non-Resident Member agrees to pay (1) the Annual General Assessment and (2) any Swim Club Special Assessment. Such assessments will remain effective for the full term (and extended term, if applicable) of this Restated Declaration. With respect to the Class A Members, assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall run with the land and be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees shall also be the personal obligation of the person who was the Owner of such Affected Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to the successors in title of such Owner unless expressly assumed by them. With respect to Non-Resident Members, Annual General Assessments and Special Swim Club Assessments, together with interest, costs and reasonable attorney's fees shall be a personal obligation of each Non-Resident Member.

Section 3.A. Assessments.

(a) **General Assessments.** Subject to the terms of this Article, each Affected Lot and each Non-Resident members is hereby subject to an initial maximum annual general assessment (the "Annual General Assessment") of \$360.00 per annum (until such assessment shall be increased in accordance with the By-Laws of the Association (provided that the maximum annual assessment may be increased each year not more than 10% above the maximum General Assessment for the previous year without a vote of the Voting Members of the Association, as provided in the By-Laws of the Association)), for the purpose of creating a fund to be designated and known as the "General Assessment Fund." The Annual General Assessment will be paid by the Owner of each Affected Lot (which Owner is also a Class A Member) in advance commencing as to an Affected Lot on the earlier to occur of (i) one hundred twenty (120) days after the conveyance of such Affected Lot to a Class A Member by Declarant or (ii) completion of the Unit on such Affected Lot owned by a Class A

Member; however, Affected Lots owned by Declarant or any other Class B Member shall not be subjected to any Annual General Assessment, Special Assessment, Special Swim Club Assessment, Annual Waterway Assessment or Special Waterway Assessment unless and until Declarant or such other Class B Member(s) complete construction of a Unit on such Affected Lot or unless otherwise required to obtain necessary approval of the FHA or VA for FHA or VA mortgage financing. The Annual General Assessment will be paid by each Non-Residential Members and will not be pro-rated, regardless of when a Non-Resident Member becomes a member of the Association. The rate at which each Affected Lot will be assessed, and whether such Annual General Assessment shall be payable monthly, quarterly or annually, will be determined by the Board of Directors of the Association at least thirty (30) days in advance of each affected assessment period. Said rate may be adjusted from time to time by the Board of Directors as the needs of the Association may, in the judgment of the Directors, require. The assessment for each Affected Lot and on each Non-Resident Members shall be uniform. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment has been paid for the assessment period.

(b) Purpose of General Assessment Fund. The Association shall establish a General Assessment Fund (herein so called) composed of Owners and Non-Resident Members' Annual General Assessments and shall use the proceeds of such fund providing for normal, recurring maintenance charges for the Common Maintenance Areas for the use and benefit of all Members of the Association. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: normal, recurring maintenance of the Common Maintenance Areas (including, but not limited to, cleaning, mowing, edging, watering, clipping, sweeping, pruning, raking, and otherwise caring for existing landscaping, the Swim Club Facilities and related facilities) and the improvements to such Common Maintenance Areas, such as sprinkler systems, and private streets, if any, provided the Association shall have no obligation (except as expressly provided hereinafter) to make capital improvements to the Common Maintenance Areas; normal, recurring maintenance of the waterways, canals, sea walls, bulkheads and boat ramps related to the waterways and capital improvements thereto; payment of all legal and other costs and expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the property to which the assessment fund applies, including without limitation costs and expenses paid or incurred in connection with insuring such property and the payment of any and all taxes thereon; payment of all reasonable and necessary expenses in connection with the collection and administration of the assessments; employment of policemen and watchmen, if any, engagement of a manager or management firm to operate and/or maintain all or any portion of the Common Maintenance Areas, waterways, boat ramps and sea walls, including without limitation the Swim Club Facilities; caring for vacant lots; and doing any other thing or things necessary or desirable in the opinion of the Board of Directors of the Association to keep the Property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board of Directors in the expenditure of said funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith. The Association shall, in addition, establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement

of improvements of the Common Maintenance Area and waterways, boat ramps and sea walls. The fund shall be established and maintained out of regular annual General Assessments.

(c) Special Assessment Fund for Working Capital, Nonrecurring Maintenance and Capital Improvements. In addition to the Annual General Assessments authorized above, the Association may, by a vote of two-thirds (2/3) of Voting Members of the Association, in the aggregate, who are voting in person or by proxy at a meeting called for this purpose, levy Special Assessments as follows: in any assessment year, a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Area (excluding the Swim Club Facilities), waterways, sea walls, bulkheads and/or boat ramp and boat ramp areas, including fixtures and personal property related thereto may be assessed. The Association shall from time to time establish a Special Assessment Fund (herein so called) and shall not commingle the proceeds of such Special Assessment Fund with the General Assessment Fund, the Special Swim Club Fund, the Waterway Fund or the Special Waterway Fund. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or improvements in question. Non-Resident Members will not be required to pay any portion of any Special Assessment.

(d) Special Swim Club Assessment Fund for Working Capital, Nonrecurring Maintenance and Capital Improvements. In addition to the Annual General Assessments authorized above, the Association may, by a vote of two-thirds (2/3) of the Voting Members of the Association, in the aggregate, who are voting in person or by proxy at a meeting called for this purpose, levy Special Swim Club Assessments as follows: in any assessment year, a Special Swim Club Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement related to the Swim Club Facilities, including fixtures and personal property related thereto may be assessed. The Association shall from time to time establish a Special Swim Club Fund (herein so called) and shall not commingle the proceeds of such Special Swim Club Assessment with the General Assessment Fund, the Special Assessment Fund, the Waterway Fund or the Special Waterway Fund. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or improvements related to the Swim Club Facilities.

(e) Special Individual Assessment. Special individual assessments levied against individual Owners and Non-Resident Members to reimburse the Association for extra or unusual costs incurred for items such as (but not limited to): maintenance and repairs to portions of the Common Property caused by the willful or negligent acts of the individual Owner, Non-Resident Members, their family or their invitee(s); the remedy, cure or minimizing of problems caused by, or as a result of, violations of these covenants by an Owner, Non-Resident Member, their tenants or their invitee(s).

(f) Individual Fines. Individual assessments and fines levied against an individual Owner, their family, their tenants and invitees, Non-Resident Members, their family or their invitee(s) for violations of rules and regulations pertaining to the Association and/or the Common Property.

Section 3.B. Waterway Assessments.

(a) **Units Owned by Class A Members.** Subject to the terms of this Article, each Affected Lot is hereby subject to an additional assessment for the maintenance, repair and dredging of the waterway immediately adjacent and contiguous with the Property and boat ramps located on the Property. The Waterway Assessment shall be assessed solely against Affected Lot which are immediately adjacent to and contiguous with a navigable waterway ("Waterway Lots") and shall initially be \$100.00 per Waterway Lot per annum [until such Waterway Assessment shall be increased in accordance with the By-Laws of the Association (provided that the maximum annual Waterway Assessment may be increased each year not more than 10% above the maximum Waterway Assessment for the previous year without a vote of those Class A Members that are Waterway Lot Owners and the Class B Members (regardless of whether the Class B Member owns any Waterway Lots), as provided in the By-Laws of the Association)], for the purpose of creating a fund to be designated and known as the "Waterway Assessment Fund", which Waterway Assessment will be paid by the Owner of each Waterway Lot (which Owner is also a Class A member) in advance, commencing as to a Waterway Lot on the earlier to occur of (i) one hundred twenty (120) days after the conveyance of such Affected Lot to a Class A Member by Declarant or (ii) completion of the Unit on such Waterway Lot owned by a Class A Member; however, Waterway Lots owned by Declarant or any other Class B Member shall not be subjected to any Waterway Assessments unless and until Declarant or such other Class B Member(s) complete construction of a Unit on such Waterway Lot or unless otherwise required to obtain necessary approval of the FHA or VA for FHA or VA mortgage financing. The rate at which each Waterway Lot will be assessed, and whether such Waterway Assessment shall be payable monthly, quarterly or annually, will be determined by the Board of Directors of the Association at least thirty (30) days in advance of each affected assessment period. Said rate may be adjusted from time to time by the Board of Directors as the needs of the Association may, in the judgment of the Directors, require. The Waterway Assessment for each Waterway Lot shall be uniform. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment has been paid for the assessment period. Non-Resident Members shall not be required to pay any portion of the Waterway Assessment.

(b) **Purpose of Waterway Assessment Fund.** The Association shall establish an Waterway Assessment Fund composed of Waterway Lot Owners' Annual Waterway Assessments and shall use the proceeds of such fund providing for normal, recurring maintenance charges for the waterways, canals, sea walls, bulkheads and dredging of the waterways for the use and benefit of all members of the Association. The Waterway Assessment Fund shall not be used for general Common Area Maintenance that is not directly related to the waterways; however, nothing contained herein shall limit the use of the General Assessment Fund and Special Assessment Fund (to the extent expressly budgeted for in such fund) for maintenance of the waterways, canals, sea walls and dredging of the waterways. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: (i) normal, recurring maintenance of the waterways, sea walls and the improvements to such waterways, including dredging, provided the Association shall have no obligation (except as expressly provided hereinafter) to make capital

improvements to the waterways (ii) payment of legal and other costs and expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the property to which the Waterway Assessment Fund applies, including without limitation costs and expenses paid or incurred in connection with insuring such property and the payment of any and all taxes thereon; (iii) payment of all reasonable and necessary expenses in connection with the collection and administration of the Waterway Assessments; and (iv) doing any other thing or things necessary or desirable in the opinion of the Board of Directors of the Association to keep the waterways and sea walls neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board of Directors in the expenditure of said Waterway Funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith. The Association shall, in addition, establish and maintain an adequate reserve Waterway Fund for the periodic maintenance, repair and replacement of improvements of the waterways, sea walls and bulkheads. The Waterway Fund shall be established and maintained out of regular annual Waterway Assessments.

(c) Special Waterway Assessment Fund for Working Capital, Nonrecurring Maintenance and Capital Improvements. In addition to the annual Waterway Assessments authorized above, the Association may, by a vote of two-thirds (2/3) of the Waterway Lot Owners and Class B Members of the Association, in the aggregate, who are voting in person or by proxy at a meeting called for this purpose, levy special waterway assessments against the Waterway Lots as follows: in any assessment year, a Special Waterway Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any area within the waterway, sea walls and bulkheads, including fixtures and personal property related thereto may be assessed. The Association shall establish a Special Waterway Fund (herein so called) for the Special Waterway Assessment and shall not commingle the proceeds of such Special Waterway Fund with the Waterway Fund, the General Assessment Fund, the Special Assessment Fund or the Special Swim Club Fund. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or improvements in question and shall be the obligation of the Waterway Lot Owners and their Waterway Lots only.

Section 4. Non-payment of Assessments: Remedies of the Association. Any assessment not paid within ten (10) days after the due date shall bear interest from the due date at the highest non-usurious rate of interest allowed by Texas law or 18% per annum, whichever is less. The Association shall have the authority to impose late charges to compensate for the administrative and processing costs of late payments on such terms as it may establish by duly adopted resolutions and the Association may bring an action at law against the Owner or Non-Resident Member personally obligated to pay the same, or with respect to an Owner, foreclose the lien retained herein against the Owner's Affected Lot, in accordance with the terms and provisions of Section 51.002 of the Texas Property Code, as amended, or otherwise. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his property. No Non-Resident Member may waive or otherwise escape liability for the Annual General Assessment or Swim Club special Assessment by non-use of the Swim Club. If at any time a Non-Resident Member ceases to be a member by tendering his or her resignation or otherwise being terminated as a Non-

Resident Member, if the terminated Non-Resident Member seeks to be reinstated (which the Association shall have no obligation to reinstate), the Board of Directors may, at their option, require that such Non-Residential Member pay all Annual General Assessments and/or Special Swim Club Assessments for the period of time since such Non-Resident Member's termination from the Association, notwithstanding the fact such Non-Residential Member did not use the Swim Club Facilities during such period.

Section 5. Subordinated Lien to Secure Payment and Performance. To secure the payment of the assessments established hereby with respect to the Class A Members and to be levied on individual Affected Lots as above provided, and the performance by the Owners of the Affected Lots of all of the duties, obligations and indebtedness of such Owners as set forth herein and in the Bylaws of the Association, there is hereby reserved a lien for the benefit of the Association, said lien to be enforceable through appropriate proceedings at law or in equity by such beneficiary; provided, however, that each such lien shall be specifically made secondary, subordinate and inferior to all liens, present and future, given, granted, and created by or at the insistence and request of the Owner of any such Affected Lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such Affected Lot; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Affected Lot upon which there is an outstanding valid and subsisting first mortgage lien, said beneficiary shall give the holder of such first mortgage sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of the lienholder by prepaid U.S. registered mail, to contain the statement of the delinquent maintenance charges upon which the proposed action is based. Upon the request of any such first mortgage lienholder, any such beneficiary shall acknowledge in writing its obligation to give the foregoing notice with respect to the particular property covered by such first mortgage lien to the holder thereof. Sale or transfer of an Affected Lot shall not affect the assessment lien. However, the sale or transfer of any Affected Lot pursuant to mortgage foreclosure shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer. No sale, foreclosure or transfer shall relieve such Affected Lot from liability for any assessments thereafter becoming due or from the lien thereof. The Association shall have the right to file notices of liens in favor of such Association in the Real Property Records of Hood County, Texas.

Section 6. Voting Rights. The Association shall have two classes of voting membership:

(a) **Class A.** Class A members shall be all Owners with the exception of Declarant and shall be entitled to one (1) vote for each Affected Lot owned. When more than one person holds an interest in any Affected Lot, all such persons shall be members, but the vote for such Affected Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Affected Lot.

(b) **Class B.** The Class B member shall be the Declarant who shall be entitled to three (3) votes for each unoccupied Affected Lot owned by it. The Class B membership shall cease and be converted to Class A membership one hundred twenty (120) days after the conveyance of the Affected Lot which causes the total votes outstanding in the Class A membership to equal the total votes outstanding in the Class B membership, or ten (10) years after conveyance of the first Affected Lot by Declarant, whichever occurs earlier. Class B membership shall be reinstated at any time before the expiration of twenty (20) years from the date of conveyance of the first Affected Lot if additional Affected Lots owned by a Class B member are annexed to this Restated

Declaration in sufficient numbers to restore a ratio of at least one Class B Lot for each three Class A Lots in the Property.

(c) Non-Resident Members. Non-Resident Members shall have no voting rights.

(d) Suspension. All voting rights of an Owner shall be suspended during any period in which such Owner is delinquent in the payment of any assessment duly established pursuant to this Article or is otherwise in default hereunder or under the By-Laws or Rules and Regulations of the Association and such suspension shall apply to the proxy authority of the Voting Representative, if any.

Section 7. Notice and Quorum. Written notice of any meeting called for the purpose of taking any action authorized herein shall be sent to all members, or delivered to their residences, not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At any such meeting called, the presence of members or of proxies or Voting Representatives entitled to cast two-thirds (2/3) of all the votes of each class of membership entitled to vote shall constitute a quorum. If the required quorum of the membership entitled to vote is not present, another meeting may be called subject to the same notice requirement, and the required quorum of the membership entitled to vote at such subsequent meeting shall be two-thirds (2/3) of the quorum requirement for such prior meeting. The Association may call as many subsequent meetings as may be required to achieve a quorum (the quorum requirement being reduced for each such meeting in accordance with the terms and provisions of the immediately preceding sentence). No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

ARTICLE III GENERAL POWERS AND DUTIES OF BOARD OF DIRECTORS OF THE ASSOCIATION

Section 1. Purpose of Assessment Fund. The Board shall provide and shall pay out of the General Assessment Fund provided for in Article II above the following:

(a) Taxes and assessments and other liens and encumbrances which shall properly be assessed or charged against the Common Areas rather than against the individual Owners, if any.

(b) Care and preservation of the Common Maintenance Area and Common Area.

(c) The services of a professional person or management firm to manage the Association or any separate portion thereof to the extent deemed advisable by the Board, (provided that any contract for management of the Association shall be terminable by the Association, with no penalty upon ninety days prior written notice to the managing party) and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager.

(d) Legal and accounting services.

(e) A policy or policies of insurance insuring the Association against any liability to the public or to the Owners and Non-Resident Members (and/or invitees or tenants) incident to the operation of the Association in any amount or amounts as determined by the Board of Directors, including a policy or policies of insurance as provided herein in Article IV.

(f) Workers compensation insurance to the extent necessary to comply with any applicable laws.

(g) Such fidelity bonds as may be required by the By-Laws or as the Board may determine to be advisable.

(h) Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments (including taxes or assessments assessed against an individual Owner) which the Board is required to obtain or pay for pursuant to the terms of this Restated Declaration or by law or which in its opinion shall be necessary or proper for the enforcement of this Restated Declaration.

Section 2. Powers and Duties of Board. The Board shall have the following general powers and duties, in addition to the specific powers and duties provided for herein and in the By-Laws of the Association:

(a) To execute all declarations of ownership for tax assessment purposes with regard to the Common Areas, if any, on behalf of all Owners.

(b) To borrow funds to pay costs of operation secured by assignment or pledge of rights against delinquent Owners and delinquent Non-Resident members if the Board sees fit.

(c) To enter into contracts, maintain one or more bank accounts, and generally to have all the power necessary or incidental to the operation and management of the Association.

(d) To protect or defend the Common Areas from loss or damage by suit or otherwise, as the Board sees fit, and to provide adequate reserves for replacements, as the Board sees fit.

(e) To make reasonable rules and regulations for the operation of the Common Maintenance Areas and to amend them from time to time; provided that, any rule or regulation may be amended or repealed by an instrument in writing signed by Owners constituting a majority of the votes of the Association, or with respect to a rule applicable to less than all of the Common Areas, by a majority of the votes of the Owners in the portions affected.

(f) To make available for inspection by Owners within sixty (60) days after the end of each year an annual report and to make all books and records of the Association available for inspection by Owners at reasonable times and intervals.

(g) To adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property, and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency.

(h) To enforce the provisions of any rules made hereunder and to enjoin and seek damages from any Owner for violation of such provisions or rules, as the Board sees fit.

(i) To collect all assessments and enforce all penalties for non-payment including the filing of liens and institution of legal proceedings, as the Board sees fit.

(j) To make reasonable rules and regulations regarding membership qualification for Non-Resident Members not inconsistent with the provisions set forth herein; provided no initiation fee may be charged Non-Resident Members and Non-Resident Members shall not be charged any amounts in excess of the Annual General Assessments and Special Swim Club Assessments charged Class A Members.

(k) To make reasonable rules and regulations regarding use of the canals and waterways by the Owners and the construction of docks, boathouses, walkways, slips, moorings and piers.

Section 3. Board Powers Exclusive. The Board shall have the exclusive right to contract for all goods, services and insurance, payment of which is to be made from the assessment fund and the exclusive right and obligation to perform the functions of the Board except as otherwise provided herein.

Section 4. Maintenance Contracts. The Board, on behalf of the Association, shall have full power and authority to contract with any Owner, Non-Resident Member or other person or entity for the performance by the Association of services which the Board is not otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association, and in compliance with all applicable laws, rules and regulations.

ARTICLE IV TITLE TO COMMON AREAS

Section 1. Conveyance/Association to Hold. The Declarant may hereafter, in Declarant's sole option, grant and convey unto the Association all of the right, title and interest of the Declarant in and to the Common Areas, whereupon the Association shall assume all maintenance obligations with respect to any Common Areas which may then exist or thereafter be established. Nothing contained herein shall create an obligation on the part of Declarant to establish any additional Common Areas.

Section 2. Liability Insurance. From and after the date on which title to any Common Area vests in the Association, the Association shall purchase and carry a general comprehensive public liability insurance policy for the benefit of the Association and its members, covering occurrences on the Common Areas. The policy limits shall be as determined by the Board of Directors of the Association. The Association shall use its best efforts to see that such policy shall contain, if available, cross-liability

endorsements or other appropriate provisions for the benefit of the members, Directors, and the management company and other insureds, as their interests may be determined.

Section 3. Condemnation. In the event of condemnation or a sale in lieu thereof of all or any portion of the Common Areas, the funds payable with respect thereto shall be payable to the Association and shall be used by the Association to purchase additional Common Areas to replace that which has been condemned or to take whatever steps are it deems reasonably necessary to repair or correct any damage suffered as a result of the condemnation. In the event that the Board of Directors of the Association determines that the funds cannot be used in such a manner due to lack of available land for additional Common Areas or for whatever reason, any remaining funds may be utilized by the Association for the general assessment fund.

Section 4. Obligations of Owners. Each Owner, tenant and Non-Resident Member expressly understands, covenants and agrees with the Association that:

(a) Neither Declarant nor Declarant and the Association have any responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and personal property of each Owner, tenant, Non-Resident Member and invitee;

(b) Each Owner, tenant and Non-Resident Member should, from time to time and at various times, consult with reputable insurance industry representatives of each Owner's, tenant's and Non-Resident Member's own selection to consider, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of insurance deemed satisfactory to each Owner, tenant and Non-Resident Member covering his or her real and personal property;

(c) Each Owner, tenant and Non-Resident Member releases and holds Declarant and the Association harmless from any uninsured liability, claims, causes of action or damages of any kind or character whatsoever arising out of or related (directly or indirectly) to any and all aspects of the community services system, private streets, canals, waterways and golf course within the Property, including, without limitation:

(1) the interviewing, hiring, training, licensing (if any), bonding (if any) and employment of community services personnel (if any);

(2) the instructions, directions and guidelines issued to or by the community services personnel (if any);

(3) the duties, performance, actions, inactions or omission of or by the community services personnel (if any); and

(d) Each Owner, tenant, Non-Resident Member and invitee will cooperate with the Declarant and the Association in connection with the establishment, evolution and maintenance of reasonable controls on the pedestrian, vehicular traffic and watercraft traffic into and within the Common Areas and Common Maintenance Area and abide by any and all rules and regulations of the Association, as adopted and promulgated from time to time, related to the entry upon and use of any private streets, canals, waterways and other Common Areas and Common Maintenance Areas within the Property.

**ARTICLE V
EASEMENTS**

Section 1. Utility Easements. As long as Class B membership shall be in effect, the Declarant hereby reserves the right to grant perpetual, nonexclusive easements for the benefit of the Declarant or its designees, upon, across, over, through and under any portion of the Common Area or any portion of any Affected Lot outside of the permitted building area of such Affected Lot as reasonably required for the providing of ingress and egress in connection with the installation, replacement, repair, maintenance, use and operation of all utility and service lines and service systems, public and private, including, without limitation, cable television, to the Property. Declarant, for itself and its designees, reserves the right to retain title to any such easements. Upon cessation of Class B membership, the Association shall have the right to grant the easements described herein.

Section 2. Declarant's Easement to Correct Drainage. As long as Class B membership shall be in effect, Declarant hereby reserves a blanket easement on, over and under the ground within the Property to reasonably maintain and correct drainage of surface waters and other erosion controls in order to maintain reasonable standards of health, safety and appearance and shall be entitled to remove trees or vegetation, without liability for replacement or damages, as may be reasonably necessary to provide adequate drainage for any portion of the Property. Notwithstanding the foregoing, nothing herein shall be interpreted to impose any duty upon Declarant to correct or maintain any drainage facilities within the Property.

Section 3. Easement for Unintentional Encroachment. The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon the Common Area caused by or resulting from, construction, repair, shifting, settlement or movement of any portion of the Property, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

Section 4. Entry Easement. In the event that the Owner fails to maintain the Affected Lot as required herein, or in the event emergency repairs are required, the Declarant hereby reserves an easement to enter upon any such Affected Lot and to do the work reasonably necessary for the proper maintenance and operation of the Property. Entry upon the Affected Lot as provided herein shall not be deemed a trespass, and the Association shall not be liable for any damage so created unless such damage is caused by the Association's willful misconduct or gross negligence.

Section 5. Utility and Wall Easements. Easements for the installation and maintenance of walls, utilities, storm water retention, detention ponds, sea walls, bulkheads and canals and/or a conservation area are reserved as may be shown on the recorded plat. Within these easement areas, no structure, plant or material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of walls or utilities, or which may hinder or change the direction or flow of drainage channels or slopes in the easements. The easement area of each Affected Lot and all improvements contained therein shall be maintained continuously by the Owner of the Affected Lot, except for those improvements for which a public authority, utility company or the Association is responsible.

Section 6. Temporary Completion Easement. All Affected Lots shall be subject to easement of ingress and egress for the benefit of the Declarant, its employees, subcontractors, successors and

assigns, over and upon the front, side and rear yards of the Property as may be reasonably expedient or necessary for the construction, servicing and completion of dwellings and landscaping upon Affected Lots adjacent to the Property, provided that such easement shall terminate twelve (12) months after the date such Affected Lot is conveyed to the Owner by the Declarant.

ARTICLE VI USE AND OCCUPANCY

All Affected Lots and dwellings shall be used and occupied for single-family residence purposes. No Affected Lot or dwelling may be used for commercial, institutional or other non-residential purpose if such use involves the attendance or entry of non-residents upon the Lot or otherwise diminishes the residential character of the Lot or neighborhood. This prohibition shall not apply to "garage sales" conducted with prior written consent of the Association provided that no Owner shall conduct more than two (2) garage sales of no more than two (2) days duration each during any twelve (12) month period.

ARTICLE VII PROPERTY RIGHTS

Section 1. Owners' Easement of Enjoyment. Every Owner shall have a right and easement in and to the Common Areas and a right and easement of ingress and egress to, from and through said Common Areas, and such easement shall be appurtenant to and shall pass with the title to every Affected Lot and every Non-Resident Member shall have a right and easement in and to the Swim Club Facilities over dedicated streets, subject to the following provisions:

(a) The right of the Association to establish and publish rules and regulations governing the use of the Common Areas (including without limitation the Swim Club, waterways and canals) affecting the welfare of Association members and their families and invitees;

(b) The right of the Association to suspend the right of use of the Common Areas and the voting rights of an Owner for any period during which any assessment against his Affected Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) The right of the Association, subject to the provisions hereof, to dedicate or transfer all or any part of the Common Areas, if any, to any public agency, authority or utility for such purposes and subject to the conditions as may be agreed by the Association. No such dedication or transfer shall be effective unless an instrument signed by Owners entitled to cast two-thirds (2/3) of the votes of each class of membership has been recorded agreeing to such dedication or transfer;

(d) The rights of the Association set forth in Section 2 of this Article VII;

(e) The right of the Association to enter into and execute contracts with any party for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Association and/or this Restated Declaration;

(f) The right of the Association to enter into and execute contracts with the owner-operators of any community antenna television system ("CATV") or other similar operations for the purpose of extending cable or utility or security service on, over or under the Common Properties to ultimately provide service to one or more of the Lots; and

(g) The right of the Association to grant permits, licenses and easements over the Common Areas for utilities, roads and other purposes necessary for the proper operation of utilities and services reasonable and necessary for the enjoyment of the residential homeowners.

(h) The right of the Association to suspend the right of use of the Swim Club Facilities for any period during which Annual General Assessments and/or Swim Club Special Assessments are unpaid by any Member and to terminate a Non-Resident Member forever for any infraction of its published rules and regulations.

All easements herein described are easements appurtenant to and running with the land; they shall at all times inure to the benefit of and be binding upon the Owners, and all of their grantees, and their respective heirs, successors, personal representatives and assigns, perpetually and in full force;

Section 2. Swim Club. Notwithstanding anything set forth or implied herein to the contrary, the rights of the Owners set forth in Section 1 of this Article VII with respect to the Swim Club are nonexclusive, and the Association may elect to permit owners of homes in subdivisions other than the Property and Non-Residential Members to have access to and to use and enjoy the Swim Club upon terms and conditions reasonably established by the Association and with respect to Non-Residential Members, not otherwise inconsistent with the terms of the Restated Declaration. The Association shall have the right to suspend and terminate Non-Resident Members for failure to pay Annual General Assessments and Swim Club Assessments or upon violation of the rules and regulations of the Association.

Section 3. Effect of Restated Declaration. Reference in any deed, mortgage, trust deed or any other recorded documents to the easements, restrictions and covenants herein described or to this Restated Declaration shall be sufficient to create and reserve such easements and covenants to the respective grantees, mortgagees, or trustees of said parcels as fully and completely as if those easements, restrictions and covenants were fully related and set forth in their entirety in said documents.

Section 4. Rezoning Prohibited. No Affected Lot shall be rezoned to any classification allowing commercial, institutional or other non-residential use without the express consent of the Association and Declarant (as long as Declarant owns any Affected Lot subject to this Restated Declaration), which may be withheld in Declarant's sole discretion. Declarant or the Association may enforce this covenant by obtaining an injunction against any unapproved rezoning at the expense of the enjoined party.

Section 5. Damage to the Common Areas. Each Owner shall be liable to the Association for any damage to any portion of the Common Areas caused by the negligence or willful misconduct of the Owner or his family, tenants and invitees.

Section 6. Use of Common Areas. The Association shall have the power and authority to prescribe rules and regulations applicable to the Common Areas, including, but not limited to, the Swim

Club and canals, waterways and sea walls and the construction of boathouses, docks, piers, pilings and slips and regulation of the size of watercraft permitted to be docked on a canal. No person or entity shall use any portion of the Common Areas to:

- (a) solicit, promote or conduct business, religious, political or propaganda matters;
- (b) distribute handbills, newsletters, flyers, circulars or other printed materials;
- (c) display or install signs, flags or banners,

without the prior written consent of the Association (which consent may be withheld in its sole and absolute discretion).

Section 7. User Fees and Charges. The Association may levy and collect special charges and fees for any and all extraordinary operation and maintenance of the Common Areas and services which the Association determines to be necessary for the advancement, benefit and welfare of the Owners or tenants. Examples (by way of illustration, and not limitation) of these special charges and fees would include: additional gate and/or security personnel for parties or special events; valet parking arrangements; post-party trash pick-up and removal; extraordinary utility consumption; management overtime services; and additional insurance conditions or requirements. In establishing special user fees, the Association may formulate reasonable classifications of users. Such fees should be uniform within each class but need not be uniform from class to class. If an Owner shall fail to pay a charge or fee when due and payable, said unpaid charge or fee shall be delinquent and upon written notice to said Owner shall become a personal debt of said Owner and shall be secured by the Payment and Performance Lien described herein. Failure of any Owner to pay said fee and charge when due and payable, in addition, shall be a breach of these Covenants.

Section 8. Adjacent Waterway, Waterway and Lake. Owners acknowledges that neither Declarant nor the Association own or control the waterway, or lake developed in close proximity to the Property. As a material inducement to cause Declarant to enter into and execute this Restated Declaration and to consummate the transactions contemplated hereby, each Owner, on behalf of himself, herself and/or itself and all of its successors and assigns (including, but not limited to, any future purchasers of any houses constructed on any of the Lots), hereby (a) waives, releases and relinquishes any and all claims it or they may now or hereafter have against Declarant, the Association, the City of Granbury, Texas, and their respective heirs, executors, personal representatives, successors or assigns (the "Released Parties") and (b) indemnifies each and all of the Released Parties from and against any and all losses, damages, costs, claims, liabilities, actions, causes of action, or expenses of any kind or character, arising out of or resulting from any activities related to the waterway or lake. Each Owner also covenants and agrees that it will include in any contract for the sale of any Lot to any third party that such contract shall expressly include the waiver, release and indemnity provisions contained in this Section 8.

Section 9. Adjacent Golf Course. By acceptance of a deed conveying title to any Lot, each Owner, on behalf of himself, herself and/or itself and all of its successors, assigns, guests and invitees (including, but not limited to, any future purchasers of any houses constructed on any of the Lots), hereby (a) waives, releases and relinquishes any and all claims it or they may now or hereafter have against Declarant, the Association, the City of Granbury, Texas, any owner and/or operator of the said golf course (located adjacent to the Property) and the architect(s) who designed or redesigned in whole or part any portion of the golf course and their respective heirs, executors, personal representatives,

successors or assigns (the "Released Parties") and (b) indemnifies each and all of the Released Parties from and against any and all losses, damages, costs, claims, liabilities, actions, causes of action, or expenses of any kind or character, arising out of or resulting from any activities or matters related to the golf course, including, but not necessarily limited to, any caused or occasioned by any errant golf balls. Each Owner also covenants and agrees that it will include in any contract for the sale of any Lot to any third party the waiver, release and indemnity provisions contained in this Section 9.

ARTICLE VIII USE RESTRICTIONS/MINIMUM DWELLING UNIT SIZES

Section 1. Nuisances. No noxious or offensive activity shall be carried on upon any Affected Lot, nor shall anything be done which may be or may become an annoyance or nuisance to the neighborhood.

Section 2. Development Activity. Notwithstanding any other provision herein, Declarant and its successors and assigns shall be entitled to conduct on the Property all activities normally associated with and reasonably convenient to the development of the Property and the construction and sale of dwelling units on the Property, including without limitation the right to place and maintain on the Property construction trailers, model homes, marketing facilities, signage, lighting, construction trucks, equipment and other similar items necessary for the construction on and marketing of the Property.

Section 3. Temporary Structures. Except as otherwise expressly set forth herein, no structures of a temporary character, including, without limiting the generality thereof, any trailer, tent, shack, garage, barn, motor home or mobile home or other outbuilding, shall be used on any Affected Lot at any time as a residence, either temporarily or permanently.

Section 4. Signs and Picketing. No sign or emblem of any kind may be kept or placed upon any Affected Lot or mounted, painted or attached to any Unit, fence or other improvement upon such Affected Lot so as to be visible from public view except the following:

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

(b) **Declarant's Signs.** Signs or billboards may be erected by the Declarant or builder(s) building houses on any Lots in the ordinary course of such builder's business.

(c) **Political Signs.** Political signs may be erected upon an Affected Lot by the Owner of such Affected Lot advocating the election of one or more political candidates or the sponsorship of a political party, issue or proposal provided that such signs shall not be erected more than a reasonable period of time [in no event to exceed one hundred eighty (180) days] in advance of the election to which they pertain and are removed within fifteen (15) days after the election.

In addition to the foregoing, to protect the safety and harmony of the community, no person shall engage in picketing on any Affected Lot, easement, right-of-way or Common Area within or

adjacent to the Property, nor shall any vehicle parked, stored or driven in or adjacent to the Property bear or display any signs, slogans, symbols, words or decorations intended to create controversy, invite ridicule or disparagement, or interfere in any way with the exercise of the property rights, occupancy or permitted business activities of any Owner or Declarant.

Section 5. Campers, Trucks, Boats, and Recreational Vehicles. No campers, vans, pickup trucks, boats (except as otherwise hereinafter permitted), boat trailers, recreational vehicles and other types of non-passenger vehicles, equipment, implements or accessories may be kept on any Affected Lot unless the same are fully enclosed within the garage located on such Lot and/or said vehicles and accessories are screened from view by a screening structure or fencing and said vehicles and accessories are in an operable condition. Notwithstanding the foregoing, a Waterway Lot Owner's personal watercraft may be docked or moored immediately adjacent to the sea wall or canal bulkhead of such Waterway Lot Owner's Waterway Lot, provided the dock, pier, slip, walkway or mooring has been approved by the Architectural Standards Committee and the watercraft is in good operating condition, is neat and attractive in appearance and the watercraft when docked does not obstruct or otherwise hinder navigation within the canal. Notwithstanding the foregoing, the Committee has the right to restrict or prohibit the docking or mooring of boats on the canals immediately adjacent to a Waterway Lot where the canal narrows under a bridge.

Section 6. Livestock and Poultry. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Affected Lot, except that dogs, cats, or other household pets may be kept, provided that they are not kept, bred, or maintained for any commercial purpose.

Section 7. Garbage and Refuse Disposal. No Affected Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept except in sanitary containers. All incinerators or other equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition.

Section 8. Sight Distance at Intersections. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain on any corner Affected Lot within the triangular area formed by the street boundary lines and a line connecting them at points twenty-five (25) feet from the intersection of the street boundary lines, or in the case of a rounded property corner, from the intersection of the street boundary lines extended. The same sight line limitations shall apply on any Lot within ten (10) feet from the intersection of a street boundary line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distance of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

Section 9. Parking. No vehicles, trailers, implements or apparatus may be driven or parked in the Common Maintenance Area, Common Area or on any easement.

Section 10. Commercial or Institutional Use. No Affected Lot, and no building erected or maintained on any Affected Lot shall be used for manufacturing, industrial, business, commercial, institutional or other non-residential purposes.

Section 11. Building Standards. No building shall be erected or maintained on any Affected Lot unless it complies with all applicable governmental ordinances, laws, rules and regulations. In addition, no building, structure, fence wall or improvement shall be erected or maintained on any Affected Lot

unless same has been approved by the Committee (hereinafter defined) pursuant to the terms and provisions of Section 24 of this Article VIII.

Section 12. Detached Buildings and Boathouses. No detached accessory buildings (including, but not limited to, storage buildings), save and except for detached garages and boathouses (provided the design and material of each boathouse has been approved by the Committee, is permitted by applicable governmental regulations and statutes and is located immediately adjacent to and contiguous with a waterway or canal) approved by a majority of the members of the the Committee as set forth in Section 24 of this Article VIII, shall be erected, placed or constructed upon, adjacent to or in close proximity to any Affected Lot, without the prior written consent of the Board of Directors.

Section 13. Parking, Garage Requirements & Limitations on Garage Conversions. A minimum of a two car garage shall be provided and maintained on site for each dwelling unit. All required parking must be behind all required setback lines. A garage may be converted into a living area only if another garage can be added to comply with the requirement to have a minimum of a two car garage in compliance with the foregoing. No front entry garages are permitted unless the Architectural Standards Committee in its discretion grants a written variance on a Lot by Lot basis.

Section 14. Fences. No fence, wall or hedge shall be erected or maintained on any Affected Lot nearer to the street than the building setback lines for the front and side yards. The location and type of any fence or wall must be approved by the Committee and must be constructed of wrought iron, masonry, brick, wood or other material approved by the Committee and must comply with all applicable governmental requirements and ordinances. No fence or wall shall be permitted to extend nearer to the front street than (i) forty-five (45) feet from the front street, or (ii) the front of the house except as approved by the Committee, whichever distance is farther. No portion of any fence shall exceed eight (8) feet in height as measured from the lowest point of the Lot, except as approved by the Committee. Notwithstanding the foregoing all rear fences on Waterway Lots shall be constructed of tubular steel and/or brick (provided, however, not more than fifteen percent (15%) of such fence shall be composed of brick) and such rear fences shall not exceed four (4) feet in height across the rear of such Lots and on the sides for a distance of fifteen (15) feet from the rear of such Lots, thereafter, the side fences shall be permitted to increase to a height of eight (8) feet provided the increase in height does not exceed eight (8) inches for every linear five (5) feet of fence up to a maximum of eight (8) feet in height. The exact location, design and material must be approved by the Committee. The rear setback line for fences on Waterway Lots shall be established by the Committee in writing.

Section 15. Antennae, Satellite Dishes and Solar Collectors. No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar implement or apparatus, or solar collector panels or equipment upon any Affected Lot unless such apparatus is erected and maintained in such a way that it is screened from public view at a point in the center of the public right-of-way directly in front of (and, in the case of a corner lot, also screened from public view at a point in the center of the public right-of-way to the side of) the house erected on such Affected Lot.

Section 16. Chimneys. All fireplaces flues, smoke stacks, and spark arresters that front a public street shall be completely enclosed and concealed from public view in finished chimneys of materials architecturally compatible with the principal finish material of the exterior walls of the dwelling and all other fireplaces, flues, smoke stacks and spark arrestors shall be completely enclosed and concealed from public view in finished chimneys of materials architecturally compatible with the exterior walls or roof of the dwelling.

Section 17. Clothes Hanging Devices. Exterior clothes hanging devices shall not be permitted.

Section 18. Window Treatment. No aluminum foil, reflective film or similar treatment shall be placed on window or glass doors.

Section 19. Water Wells. The drilling, operating or maintaining of any water wells on any Affected Lot shall not be permitted.

Section 20. Dwelling Unit Size and Additional Requirements.

(a) Single family residential dwelling units ("Unit") constructed on any Lot must comply with all applicable governmental requirements applicable thereto, including, but not necessarily limited to, the City of Granbury, Texas.

(b) All exterior walls on all buildings, including accessory buildings and detached garages shall have a minimum masonry exterior of ninety percent (90%) of the first floor and seventy-five (75%) percent overall when there is more than one floor, except for windows and doors. This requirement shall include accessory and/or attached buildings and/or detached garages.

(c) The minimum dwelling unit area for each dwelling unit located on Lots 1-13, Block 1 of Harbor Lakes Phase 1A, Lots 14-27, Block 1 of Harbor Lakes Phase 1B, Lots 28-32, Block 1, Lots 1-10, Block 2, Lots 1-7, Block 3, Lots 1-27, Block 4 and Lots 1-5, Block 5 of Harbor Lakes Phase 2 shall be the greater of 2,400 square feet or minimum residential dwelling unit square footage required by applicable governmental requirements (the "Initial Lots"). The minimum dwelling unit area for dwelling units located on any other portion of the Property (excluding the Initial Lots) shall be the greater of the minimum residential dwelling unit square footage required by applicable governmental requirements or such minimum square footage requirements as established by Declarant from time to time by the filing of one or more supplemental declarations.

(d) All retaining walls constructed on the Property must be constructed with properly engineered concrete, masonry or other material(s) approved in writing by the Committee and meeting at a minimum the minimum standards required by all applicable governmental requirements applicable thereto, including, but not necessarily limited to, the City of Granbury, Texas.

(e) The Owner of each Waterway Lot must construct and thereafter maintain a sidewalk to be located across the rear of each such Waterway Lot with the exact location, design and material to be used to be approved in writing by a majority of the members of the Committee as set forth in Section 22 of this Article VIII and in compliance with all governmental requirements. The Owner of a Waterway Lot may not fence the sidewalk in and the Owner grants to the Association an easement on and across such sidewalk for purpose of maintaining the sea wall and the waterway.

Section 21. Oil and Mining Operations. No oil drilling or development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Affected Lot nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Affected Lot. No

derrick or other structure designed for use in boring for oil or natural gas or other minerals shall be erected, maintained or permitted upon any Affected Lot.

Section 22. Canals and Slips. The Owner of each Waterway Lot shall be responsible for maintaining that portion of any canal contiguous to his Waterway Lot and any boat slip, dock or pier permitted by rules and regulations of the Association immediately adjacent to and contiguous with the Waterway Lot shall be free of all debris, trash, rubbish, garbage, or any other unsightly or unsanitary material and the boat slips, dock, mooring or pier shall be in good repair at all times and shall not cause any hazard to navigation, provided, however, that improvement, maintenance, repair and other care for the canals, channels, sea walls and bulkheads within the Subdivision shall be the responsibility of the Association. The canals and waterways in the Subdivision shall not be used for dumping any foreign matter of any type and nothing shall at any time be deposited or left in any canal other than properly tended or moored boats. No Owner of any Lot, or any guest of such Owner, shall moor his boat in any area of any canal, except in that portion of the canal contiguous to such Owner's Lot. The Owners of all Lots in the Subdivision shall strictly observe a no-wake and/or five mile per hour (5 M.P.H.) speed limit in all canals and shall endeavor to enforce all others using such canals to observe such speed limit. No watercraft used for commercial fishing purposes shall be moored in any slip or canal within the Subdivision. No slip or dock may be rented or leased. Only watercraft registered in the name of the Waterway Lot Owner may use the slip or dock except for guests of such Waterway Lot Owner who must register such watercraft with the Association and the number of days the watercraft of such guest may remain docked in the canal may be limited by the rules and regulations of the Association.

Section 23. Docks, Piers and Slips. Except as may be more restrictive with respect to Governmental Authority rules, regulations and statutes, boat docks, piers, slips, walkways and moorings of any type shall not be permitted unless the design, location, specifications and manner of construction are approved by the Committee. The Committee may restrict the location of docks and moorings on Waterway Lots immediately adjacent to a bridge. No docks, piers, walkways or moorings may be constructed perpendicular to and contiguous with the bulkhead without the express written consent of the Committee which may be withheld in its sole and absolute discretion. No opening or cut may be made through a bulkhead, including, but not limited to, drilling for electricity and water lines or conduits, anchor ties or cleats without the express written consent of the Committee, which consent may be withheld in its absolute discretion. Furthermore, any expressly permitted cutting or drilling of bulkheads will be under the direct supervision of an engineer approved by the Committee with the expense of the engineer being the responsibility of the Owner. No pier, walkway, dock or mooring will be anchored, attached or affixed to a bulkhead, unless otherwise expressly consented to by the Committee in writing, which consent may be withheld in its absolute discretion. No improvements whatsoever are permitted to be built over and across a bulkhead without the express written consent of the Committee.

Section 24. Architectural Standards Committee. The Architectural Standards Committee (hereinafter called the "Committee") shall be composed of three (3) individuals selected and appointed by the Association, each generally familiar with residential and community development design matters and knowledgeable about the Association's concern for a high level of taste and design standards within the Property. The Committee shall function as the representative of the Owners of the Affected Lots for the purposes herein set forth as well as for all other purposes consistent with the creation and preservation of a first-class community development. The Committee shall use its best efforts to promote and ensure a high level of taste, design, quality, harmony and conformity throughout the Property.

In the event of the death or resignation of any member of the Committee, the Association shall have full authority to designate and appoint a successor. No member of the Committee shall be liable for, and shall be indemnified against, claims, causes of action or damages (except where occasioned by gross negligence or arbitrary and capricious conduct) arising out of services performed pursuant to this Restated Declaration. The Committee shall be entitled, at any time and from time to time, to seek and obtain professional advice and counsel (including but not limited to architects, attorneys, designers, engineers and landscape technicians) in connection with the performance of its duties and all reasonable costs and expenses related thereto paid for or reimbursed by the Association. The Association shall have the right and power to impose and collect a reasonable fee from each Owner for the review and approval/disapproval process and services rendered by the Committee.

No building, structure, fence, wall or improvement of any kind or nature shall be erected, placed or altered on any Affected Lot until all plans and specifications, a plot plan and one or more surveys have been submitted to and approved in writing by the Committee, or a majority of its members, as to:

- (i) quality of workmanship and materials; adequacy of site dimensions; adequacy of structural design; proper facing of main elevation with respect to nearby streets;
- (ii) minimum finished floor elevation, mandatory brick shelf elevation, and proposed footprint of the dwelling;
- (iii) conformity and harmony of the external design, color, type and appearance of exterior surfaces and landscaping;
- (iv) location with respect to topography and finished grade elevation and effect of location and use on neighboring Affected Lots and improvements situated thereon; drainage arrangements; and
- (v) the other standards set forth within this Restated Declaration (and any amendments hereto) or as may be set forth within bulletins promulgated by the Committee, or matters in which the Committee has been vested with the authority to render a final interpretation and decision.

The Committee is authorized and empowered to consider and review any and all aspects of dwelling construction which may, in the reasonable opinion of the Committee, adversely affect the living enjoyment of one or more Owners or the general value of the Property.

Final plans, specifications and surveys shall be submitted in duplicate to the Committee for approval or disapproval. The Committee is authorized to request the submission of samples of proposed construction materials. At such time as the plans, specifications and surveys meet the approval of the Committee, one complete set of plans, specifications and surveys will be retained by the Committee and the other complete set will be marked "Approved" and returned to the Owner or his designated representative. If found not to be in compliance with this Restated Declaration, one set of such plans, specifications and surveys shall be returned "Disapproved," accompanied by a reasonable statement of items found not to comply with this Restated Declaration. Any modification or change to the approved set of plans, specifications and surveys must again be submitted to the Committee for its inspection and approval. The Committee's approval or disapproval, as required herein, shall be evidenced in writing. If the Committee fails to approve or disapprove such plans, specifications and surveys within fifteen (15)

days after the date of submission, then such instruments shall be submitted by such Owner to the Board of Directors of the Association. If the Board of Directors fails to approve or disapprove such plans, specifications and surveys within fifteen (15) days, then the Committee and Association approval shall be presumed. Once any plans and specifications for a house (the "House Plans") have been approved by the Committee or the Board of Directors (or deemed approved), such plans and specifications may continue to be utilized by the party submitting same for other houses to be constructed on other Affected Lots without the necessity of having said House Plans reapproved provided that any material modifications to such previously approved House Plans must once again be submitted to the Committee for approval as herein above provided.

The Committee may from time to time publish and promulgate architectural standards bulletins and/or lot information sheets which shall be fair, reasonable and uniformly applied and shall carry forward the spirit and intention of this Restated Declaration. Unless otherwise indicated herein, the Committee shall not have unbridled discretion with respect to taste, design and any standards specified herein, and the Committee shall be responsive to technological advances or general changes in architectural designs and materials and related conditions in future years and use its best efforts to balance the equities between matters of taste and design (on the one hand) and use of private property (on the other hand). Such bulletins and lot information sheets shall supplement this Restated Declaration and are incorporated herein by reference. **EACH OWNER SHALL SEEK AND OBTAIN AND BECOME THOROUGHLY FAMILIAR WITH ANY AND ALL ARCHITECTURAL STANDARDS BULLETINS AND LOT INFORMATION SHEETS PRIOR TO ACQUISITION OF, AND CONSTRUCTION ON, ANY AFFECTED LOT.**

ARTICLE IX ANNEXATION

Section 1. Annexation by Declarant. At any time during the initial term of this Restated Declaration, the Declarant may, at its sole option, annex additional property to this Restated Declaration to be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Annexation shall be evidenced by a written Declaration of Annexation executed by Declarant setting forth the legal description of the property being annexed and the restrictive covenants to be applied to such annexed property.

Section 2. Annexation by Action of Members. At any time the Board of Directors may request approval of the membership for the annexation of additional property into the Association to be subject to all of the terms of this Restated Declaration to the same extent as if originally included herein. No such annexation shall be effective unless approved in writing by members entitled to cast two-thirds (2/3) of the total votes in both classes of membership. Any property that is contiguous to existing property to this Restated Declaration may be annexed hereto according to the foregoing requirements, provided however, that no such annexation shall be effective without the consent and joinder of the owners of the property to be annexed. Such annexation must be evidenced by a Declaration of Annexation as set forth in Subsection 1a above executed by the parties herein described.

Section 3. No Duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any member to annex any property to this Restated Declaration.

Section 4. Effect of Annexation on Class B Membership. In determining the number of Affected Lots owned by Declarant for the purpose of Class B Membership status according to Article II, Section 6, the total number of Affected Lots covered by the Restated Declaration including all Affected Lots annexed thereto shall be considered. If Class B Membership has previously expired but annexation of additional property restores the ratio of Affected Lots owned by Declarant to the number required for Class B Membership, such Class B Membership shall be reinstated.

**ARTICLE X
GENERAL**

Section 1. Remedies. In the event of any default by any Owner under the provisions of this Restated Declaration, By-Laws or rules and regulations of the Association, the Association and/or any Owner shall have each and all of the rights and remedies which may be provided for in this Restated Declaration, the By-Laws and said rules and regulations, and those which may be available at law or in equity (including without limitation the rights and remedies set forth in Section 51.002 of the Texas Property Code, as amended), and may prosecute any action or other proceedings against such defaulting Owner and/or others for enforcement of any lien, statutory or otherwise, including foreclosure of such lien and the appointment of a receiver for the Affected Lot and ownership interest of such Owner, or for damages or injunction, or specific performance, or for judgement for the payment of the money and collection thereof, or for any combination of the remedies, or for any other relief. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. In the event of any default by a Non-Resident Member under the provisions of this Restated Declaration, the Bylaws or rules and regulations of the Association, the Association shall have all rights and remedies provided for under this Restated Declaration, the Bylaws, the rules and regulations of the Association or those available at law and equity. All expenses of the Association in connection with any such actions or proceedings, including court costs and attorney's fees and other fees and expenses, and all damages, permitted by law from the due date until paid, shall be charged to and assessed against such defaulting Owner or Non-Resident Member, and shall be added to and deemed part of the respective maintenance assessment (to the same extent as the lien provided herein for unpaid assessments) and with respect to an Owner upon the Affected Lot and upon all of his additions and improvements thereto, and upon all of his personal property upon the Affected Lot. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or any Owner.

Section 2. Term and Amendments. The covenants and restrictions of this Restated Declaration shall run with and bind the land for a term of ten (10) years from the date this Restated Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless seventy-five percent (75%) of the total votes, in the aggregate, of the outstanding votes shall have voted to terminate the covenants and restrictions of this Restated Declaration upon the expiration of the initial ten (10) year period or any extension thereof, which termination shall be by written instrument signed by seventy-five percent (75%) of the total Owners, in the aggregate, and properly recorded in the Real Property Records of Hood County, Texas. This Restated Declaration may be amended by an instrument signed by Owners constituting not less than seventy-five percent (75%) of the total votes, in the aggregate, of the Association. Any amendment must be recorded. Notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, (i) modify, amend, or repeal this Restated Declaration at any time prior to the closing of the sale of the first Affected Lot, provided said amendment, modification,

or repeal is in writing and properly recorded in the Real Property Records of Hood County, Texas and/or (ii) amend this Restated Declaration to cause this Restated Declaration to be in compliance with any and all applicable laws, rules and regulations (including without limitation any and all applicable laws, rules and regulations of the Federal Housing Administration and/or the Veterans Administration) and/or (iii) amend or otherwise supplement this Restated Declaration to establish supplemental or additional minimum dwelling unit square footage requirements with respect to those Lots that have not been sold by Declarant and are not otherwise already described in Article VIII, Section 20 above as the "Initial Lots". Notwithstanding the foregoing, no amendment of this Restated Declaration may affect the rights of Non-Resident Members without the express written consent of Lumbermen's Investment Corporation which may be withheld for any reason. As long as Declarant or an affiliate of Declarant owns the Golf Club, Declarant has the absolute right to amend this Restated Declaration in order to modify, amend or eliminate the rights of the Non-Resident Members.

Section 3. Severability. Invalidation of any one of these covenants or restrictions by judgement or court order shall in no way affect any other provisions, which shall remain in full force and effect.

Section 4. Rights and Obligations. The provisions of this Restated Declaration and the Articles of Incorporation and By-Laws and the rights and obligations established thereby shall be deemed to be covenants running with the land and shall inure to the benefit of, and be binding upon, each and all of the Owners and their respective heirs, representatives, successors, assigns, purchasers, grantees and mortgagees. By the recording or the acceptance of a deed conveying a Affected Lot of any ownership interest in the Affected Lot whatsoever, the person to whom such Affected Lot or interest is conveyed shall be deemed to accept and agree to be bound by and subject to all of the provisions of this Restated Declaration and the Articles of Incorporation and By-Laws, whether or not mention thereof is made in said deed.

Section 5. Miscellaneous Provisions. Any provisions of this Restated Declaration or of the Articles of Incorporation and By-Laws to the contrary notwithstanding, the following provisions shall control:

(a) **FHA/VA Approval.** If any prospective Owner applies for FHA or VA mortgage financing and receives a commitment therefor, the following actions will require approval of the Federal Housing Administration or the Veterans Administration, as applicable: (1) addition of properties except as set forth in Article X, (2) dedication of Common Areas, and (3) amendment of this Restated Declaration.

(b) The following actions will require notice to all institutional holders of first mortgage liens who have notified the Association in writing of their address to which such notices are to be delivered: (1) abandonment or termination of the Association; or (2) material amendment to the Restated Declaration.

(c) Upon the request of any first mortgagee of a dwelling on an Affected Lot, the Association shall furnish to such mortgagee a written notice of any default by the Owner of such dwelling in the performance of such Owner's obligations under this Restated Declaration or the By-Laws or Association rules and regulations which is not cured within thirty (30) days. Any first mortgagee of a dwelling who comes into possession of such dwelling pursuant to the remedies provided in the mortgage, a foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure, shall take such property free of any claims for unpaid assessments or charges in favor of the

Association against the mortgaged dwelling which accrued prior to the time such holder comes into possession of the dwelling.

(d) Unless at least seventy-five percent (75%) [or such lesser percentage as is allowed or permitted by applicable FHA or VA regulations from time to time] of the first mortgagees (based upon one vote for each mortgage) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

(i) by act or omission seek to abandon, partition, encumber, or transfer the Common Areas, if any, or any portion thereof of interest therein (the granting of easements for public utilities or other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause);

(ii) substantially change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner by the Association;

(iii) by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance of the dwellings or maintenance of the dwellings or Lots;

(iv) fail to maintain liability and extended coverage insurance on insurable property comprising a part of the Common Areas on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs).

(e) All personal pronouns used in this Restated Declaration, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa.

Section 6. Headings. The headings contained in this Restated Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Restated Declaration.

Section 7. Conflicts. In the event of conflict between the terms of this Restated Declaration and the Bylaws, rules, regulations or Articles of Incorporation of the Association, this Restated Declaration shall control.

Section 8. Floodplain. In the event any of the Affected Lots are located partially within a floodplain or flood prone area, such Affected Lots, and the construction of any improvements thereon, must conform with the rules, regulations and guidelines set forth in all applicable City of Granbury, Texas, flood management ordinance(s) and other applicable laws, rules and regulations.


Section 9. Enforceability by City of Granbury. All rights granted or retained by the Association hereunder shall inure to the benefit of, and be enforceable by, the City of Granbury, Texas.

Section 10. Counterparts. This Restated Declaration may be executed in one or more counterparts, all of which, when taken together, shall constitute one and the same Restated Declaration.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed on its behalf, attested and its corporate seal to be hereunto affixed as of the 15TH day of JUNE, 2001.

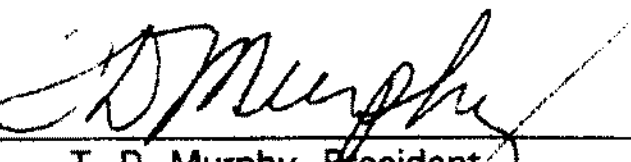
DECLARANT:

LUMBERMEN'S INVESTMENT CORPORATION,
a Delaware corporation

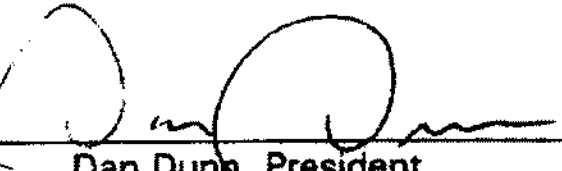
By: 
Name: GARY McATEE
Title: V. PRESIDENT

CURRENT OWNERS:

T. D. MURPHY CONSTRUCTION COMPANY, INC.

By: 
T. D. Murphy, President

HOMES BY DAN DUNN, INC.

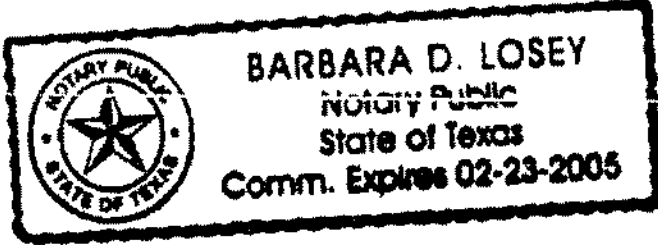
By: 
Dan Dunn, President

CHRIS THOMAS CUSTOM HOMES, INC.

By: 
Chris Thomas

THE STATE OF TEXAS §
§
COUNTY OF DALLAS §

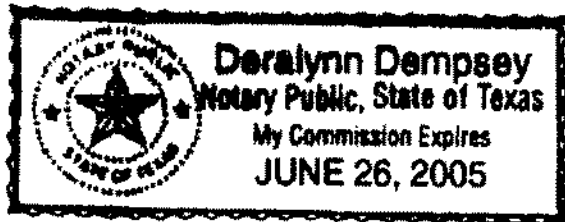
This instrument was acknowledged before me on the 15th day of June, 2001, by Gary McStee, as Vice President of LUMBERMEN'S INVESTMENT CORPORATION, a Delaware corporation, on behalf of said corporation.



Barbara D. Losey
Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF Hood §

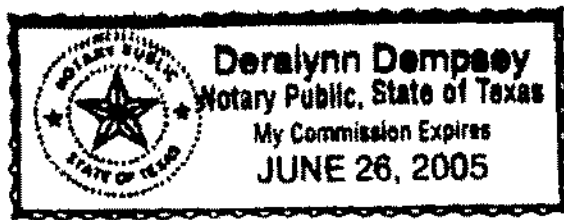
This instrument was acknowledged before me on the 18th day of June, 2001, by T. D. Murphy, President of T. D. Murphy Construction Company, Inc., on behalf of said corporation.



Deralynn Dempsey
Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF Hood §

This instrument was acknowledged before me on the 18th day of June, 2001, by Dan Dunn, President of Homes By Dan Dunn, Inc., on behalf of said corporation.



Deralynn Dempsey
Notary Public, State of Texas

THE STATE OF TEXAS §
 §
COUNTY OF Hood §

This instrument was acknowledged before me on the 18th day of June, 2001, by Chris Thomas of Chris Thomas Custom Homes, Inc., on behalf of said corporation.

Doralynn Dempsey
Notary Public, State of Texas

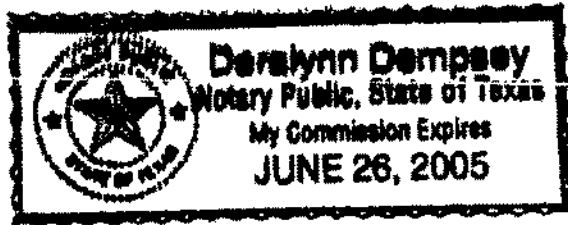


EXHIBIT "A-1"

BEING a 4.239 acre tract of land in the James C. Armstrong Survey, Abstract No.3, situated in the City of Granbury, Hood County, Texas, said tract also being a portion of that tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 383 of the Deed Records of Hood County, Texas (DRHCT), and also being a portion of that tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 362 of the DRHCT, said 4.239 acre tract being more particularly described as follows:

Commencing at a 5/8" iron pin found on the northerly right-of-way line of Water's Edge Drive (50' ROW), said iron pin also being the original easterly northeast corner of Water's Edge, an addition to the City of Granbury, Hood County, Texas as recorded in Cabinet A, Slide 282 of the Plat Records of Hood County, Texas (PRHCT), said iron pin also being the southeast corner of said tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 383 DRHCT; THENCE along the said northerly right-of-way line of Water's Edge Drive and a circular curve to the right having a radius of 542.50 feet, a central angle of $04^{\circ}31'30''$, a chord length of 42.83 feet and a chord bearing of $S 88^{\circ}37'31'' W$, an arc distance of 42.84 feet to a capped 1/2" iron pin set at the Point of Beginning of the herein described tract;

THENCE continuing along the said northerly right-of-way line of Water's Edge Drive and a circular curve to the right having a radius of 542.50 feet, a central angle of $06^{\circ}12'47''$, a chord length of 58.80 feet and a chord bearing of $N 86^{\circ}00'21'' W$, an arc distance of 58.83 feet to a capped 1/2" iron pin set;

THENCE $N 83^{\circ}00'02'' W$ along the said northerly right-of-way line of Water's Edge Drive, a distance of 280.03 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the right having a radius of 572.50 feet and a central angle of $52^{\circ}59'42''$ and being subtended by a chord which bears $N 56^{\circ}32'00'' W$, 510.85 feet;

THENCE along the said northerly right-of-way line of Water's Edge Drive and said curve to the right, a distance of 529.53 feet to a capped 1/2" iron pin set;

THENCE $N 30^{\circ}03'50'' W$ along the said northerly right-of-way line of Water's Edge Drive, a distance of 184.43 feet to a 5/8" iron pin found, said pin also being the Point of Curvature of a circular curve to the right having a radius of 470.94 feet and a central angle of $31^{\circ}47'52''$ and being subtended by a chord which bears $N 14^{\circ}10'36'' W$, 258.02 feet;

THENCE along the said northerly right-of-way line of Water's Edge Drive and along said curve to the right, a distance of 261.36 feet to a capped 1/2" iron pin set;

THENCE $S 88^{\circ}16'40'' E$ departing the said northerly right-of-way line of Water's Edge Drive, a distance of 155.00 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Curvature of a non-tangent circular curve to the left having a radius of 315.94 feet and a central angle of $31^{\circ}47'52''$ and being subtended by a chord which bears $S 14^{\circ}10'36'' E$, 173.10 feet;

THENCE along said curve to the left, a distance of 175.34 feet to a capped 1/2" iron pin set;

THENCE S 30°03'50" E, a distance of 184.54 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the left having a radius of 417.50 feet and a central angle of 52°59'42" and being subtended by a chord which bears S 56°32'00" E, 372.54 feet;

THENCE along said curve to the left, a distance of 386.16 feet to a capped 1/2" iron pin set;

THENCE S 83°00'02" E, a distance of 280.39 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Curvature of a circular curve to the left having a radius of 387.50 feet and a central angle of 06°12'47" and being subtended by a chord which bears S 86°00'21" E, 42.00 feet;

THENCE along said curve to the left, a distance of 42.02 feet to a capped 1/2" iron pin set;

THENCE S 00°53'16" W, a distance of 155.00 feet to the Point of Beginning and containing 184,653 square feet or 4.239 acres of land, more or less.

EXHIBIT "A-2"

Block 1, Lot 11 of Harbor Lakes Phase 1A, an addition to the City of Granbury, Hood County, Texas, according to the plat recorded at Slide B-130 of the Plat Records of Hood County, Texas.

Block 1, Lot 12 of Harbor Lakes Phase 1A, an addition to the City of Granbury, Hood County, Texas, according to the plat recorded at Slide B-130 of the Plat Records of Hood County, Texas.

Block 1, Lot 13 of Harbor Lakes Phase 1A, an addition to the City of Granbury, Hood County, Texas, according to the plat recorded at Slide B-130 of the Plat Records of Hood County, Texas.

Harbor Lakes Phase 1B
Exhibit "A-3"

Owner's Certificate

WHEREAS, Lumbermen's Investment Corporation is the owner of a 4.216 acre tract of land in the James C. Armstrong Survey, Abstract No.3, situated in the City of Granbury, Hood County, Texas, said tract also being a portion of that tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 383 of the Deed Records of Hood County, Texas (DRHCT), and also being a portion of that tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 362 of the DRHCT, said 4.216 acre tract being more particularly described as follows:

Beginning at a 5/8" iron pin found on the northerly right-of-way line of Water's Edge Drive (50' ROW), said iron pin also being the original easterly northeast corner of Water's Edge, an addition to the City of Granbury, Hood County, Texas as recorded in Cabinet A, Slide 282 of the Plat Records of Hood County, Texas (PRHCT), said iron pin also being the southeast corner of said tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 383 DRHCT; THENCE along the said northerly right-of-way line of Water's Edge Drive and a circular curve to the right having a radius of 542.50 feet, a central angle of 04°31'30", a chord length of 42.83 feet and a chord bearing of S 88°37'31" W, an arc distance of 42.84 feet to a capped 1/2" iron pin set;

THENCE N 00°53'16" E, a distance of 155.00 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the left having a radius of 387.50 feet, a central angle of 37°37'18" and being subtended by a chord which bears N 72°04'37" E, 249.89 feet;

THENCE along said curve to the left a distance of 254.44 feet to a capped 1/2" iron pin set;

THENCE N 53°15'58" E, a distance of 50.00 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the right having a radius of 690.00 feet, a central angle of 18°51'27" and being subtended by a chord which bears N 62°41'41" E, 226.07 feet;

THENCE along said curve to the right a distance of 227.10 feet to a capped 1/2" iron pin set;

THENCE N 72°07'25" E, a distance of 50.00 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the left having a radius of 335.00 feet, a central angle of 48°12'01" and being subtended by a chord which bears N 48°01'24" E, 273.58 feet;

THENCE along said curve to the left a distance of 281.82 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Curvature of a non-tangent reverse circular curve to the right

which bears N 19°19'04" E, 149.27 feet;

THENCE along said curve to the right a distance of 153.91 feet to a point;
THENCE N 52°46'17" E, a distance of 56.05 feet to a point;

THENCE N 70°03'30" E, a distance of 52.15 feet to a point;

THENCE S 82°28'20" E, a distance of 111.40 feet to a point;

THENCE S 24°39'00" W, a distance of 127.94 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a non-tangent circular curve to the left having a radius of 50.00 feet, a central angle of 176°27'06" and being subtended by a chord which bears S 26°25'27" W, 99.95 feet;

THENCE along said curve to the left a distance of 153.98 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the right having a radius of 490.00 feet, a central angle of 52°36'40" and being subtended by a chord which bears S 45°49'05" W, 434.30 feet;

THENCE along said curve to the right a distance of 449.94 feet to a capped 1/2" iron pin set;

THENCE S 72°07'25" W, a distance of 50.00 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the left having a radius of 535.00 feet, a central angle of 18°51'27" and being subtended by a chord which bears S 62°41'41" W, 175.29 feet;

THENCE along said curve to the left a distance of 176.08 feet to a capped 1/2" iron pin set;

THENCE S 53°15'58" W, a distance of 50.00 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the right having a radius of 542.50 feet, a central angle of 33°05'48" and being subtended by a chord which bears S 69°48'52" W, 309.03 feet;

THENCE along said curve to the right a distance of 313.37 feet to the Point of Beginning and containing 183,650 square feet or 4.216 acres of land, more or less.

Owner's Certificate

WHEREAS, Lumbermen's Investment Corporation is the owner of a 25.629 acre tract of land in the James C. Armstrong Survey, Abstract No.3, situated in the City of Granbury, Hood County, Texas, said tract also being a portion of that tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1588, Page 4 of the Deed Records of Hood County, Texas (DRHCT), and also being a portion of that tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 362 of the DRHCT, said 25.629 acre tract being more particularly described as follows:

BEGINNING at a 5/8" iron pin found on the northerly right-of-way line of Water's Edge Drive (50' ROW), said iron pin also being the original easterly northeast corner of Water's Edge, an addition to the City of Granbury, Hood County, Texas as recorded in Cabinet A, Slide 282 of the Plat Records of Hood County, Texas (PRHCT), said iron pin also being the southeast corner of said tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 383 DRHCT, said iron pin also being the Point of Curvature of a circular curve to the left having a radius of 542.50 feet, a central angle of $33^{\circ}05'48''$ and being subtended by a chord which bears $N 69^{\circ}48'52'' E$, 309.03 feet;

THENCE along said curve to the left, a distance of 313.37 feet to a capped 1/2" iron pin set;

THENCE $N 53^{\circ}15'58'' E$ tangent to said curve, a distance of 50.00 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Curvature of a circular curve to the right having a radius of 535.00 feet, a central angle of $18^{\circ}51'27''$ and being subtended by a chord which bears $N 62^{\circ}41'41'' E$, 175.29 feet;

THENCE along said curve to the right, a distance of 176.08 feet to a capped 1/2" iron pin set;

THENCE $N 72^{\circ}07'25'' E$ tangent to said curve, a distance of 50.00 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Curvature of a circular curve to the left having a radius of 490.00 feet, a central angle of $52^{\circ}36'40''$ and being subtended by a chord which bears $N 45^{\circ}49'05'' E$, 434.30 feet;

THENCE along said curve to the left, a distance of 449.94 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Non-tangent Reverse Curvature of a circular curve to the right having a radius of 50.00 feet, a central angle of $176^{\circ}27'06''$ and being subtended by a chord which bears $N 26^{\circ}25'27'' E$, 99.95 feet;

THENCE along said curve to the left, a distance of 153.98 feet to a capped 1/2" iron pin set;

THENCE $N 24^{\circ}39'00'' E$ radial to said curve, a distance of 127.94 feet capped 1/2" iron pin set;

THENCE $S 86^{\circ}05'02'' E$, a distance of 134.49 feet to a capped 1/2" iron pin set;

THENCE S 86°05'02" E, a distance of 309.99 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Curvature of a circular curve to the right having a radius of 65.00 feet, a central angle of 92°53'11" and being subtended by a chord which bears S 39°36'39" E, 94.21 feet;

THENCE along said curve to the right, a distance of 105.38 feet to a capped 1/2" iron pin set;

THENCE S 83°09'27" E, a distance of 70.78 feet to a capped 1/2" iron pin set, said iron pin also being on the shoreline of Lake Granbury;

THENCE S 06°50'47" W along the shoreline of Lake Granbury, a distance of 28.67 feet to a 1/2" iron pin found;

THENCE S 59°05'16" E along the shoreline of Lake Granbury, a distance of 17.23 feet to a capped 1/2" iron pin set;

THENCE S 00°13'06" W along the shoreline of Lake Granbury, a distance of 48.50 feet to a 1/2" iron pin found;

THENCE S 15°21'43" W along the shoreline of Lake Granbury, a distance of 41.16 feet to a capped 1/2" iron pin set;

THENCE S 21°13'27" W along the shoreline of Lake Granbury, a distance of 183.94 feet to a 1/2" iron pin found;

THENCE S 10°20'50" E along the shoreline of Lake Granbury, a distance of 107.28 feet to a capped 1/2" iron pin set;

THENCE S 30°46'51" W along the shoreline of Lake Granbury, a distance of 49.81 feet to a capped 1/2" iron pin set;

THENCE S 31°36'31" W along the shoreline of Lake Granbury, a distance of 72.50 feet to a capped 1/2" iron pin set;

THENCE S 49°25'38" W along the shoreline of Lake Granbury, a distance of 38.07 feet to a capped 1/2" iron pin set;

THENCE S 38°53'12" W along the shoreline of Lake Granbury, a distance of 57.78 feet to a capped 1/2" iron pin set;

THENCE S 30°37'27" W along the shoreline of Lake Granbury, a distance of 49.55 feet to a capped 1/2" iron pin set;

THENCE S 38°10'29" W along the shoreline of Lake Granbury, a distance of 60.38 feet to a capped 1/2" iron pin set;

THENCE S 48°47'51" W along the shoreline of Lake Granbury, a distance of 65.76 feet to a capped 1/2" iron pin set;

THENCE S 51°33'26" W along the shoreline of Lake Granbury, a distance of 47.60 feet to a capped 1/2" iron pin set;

THENCE S 49°09'19" W along the shoreline of Lake Granbury, a distance of 66.52 feet to a capped 1/2" iron pin set;

THENCE S 54°53'15" W along the shoreline of Lake Granbury, a distance of 92.96 feet to a capped 1/2" iron pin set;

THENCE S 64°22'14" W along the shoreline of Lake Granbury, a distance of 85.17 feet to a capped 1/2" iron pin set;

THENCE S 60°11'05" W along the shoreline of Lake Granbury, a distance of 64.93 feet to a capped 1/2" iron pin set;

THENCE S 59°23'10" W along the shoreline of Lake Granbury, a distance of 57.50 feet to a capped 1/2" iron pin set;

THENCE S 70°58'27" W along the shoreline of Lake Granbury, a distance of 61.60 feet to a capped 1/2" iron pin set;

THENCE S 55°13'30" W along the shoreline of Lake Granbury, a distance of 92.41 feet to a capped 1/2" iron pin set;

THENCE S 56°59'40" W along the shoreline of Lake Granbury, a distance of 44.43 feet to a capped 1/2" iron pin set;

THENCE S 61°38'54" W along the shoreline of Lake Granbury, a distance of 56.30 feet to a capped 1/2" iron pin set;

THENCE S 69°40'50" W along the shoreline of Lake Granbury, a distance of 167.62 feet to a capped 1/2" iron pin set;

THENCE S 84°16'04" W along the shoreline of Lake Granbury, a distance of 48.74 feet to a capped 1/2" iron pin set;

THENCE S 52°54'31" W along the shoreline of Lake Granbury, a distance of 56.50 feet to a capped 1/2" iron pin set;

THENCE S 69°11'51" W along the shoreline of Lake Granbury, a distance of 59.12 feet to a capped 1/2" iron pin set;

THENCE S 72°52'47" W along the shoreline of Lake Granbury, a distance of 66.04 feet to a capped 1/2" iron pin set;

THENCE S 79°24'24" W along the shoreline of Lake Granbury, a distance of 66.39 feet to a capped 1/2" iron pin set;

THENCE S 89°33'59" W along the shoreline of Lake Granbury, a distance of 59.74 feet to a capped 1/2" iron pin set;

THENCE S 86°40'18" W along the shoreline of Lake Granbury, a distance of 60.68 feet to a capped 1/2" iron pin set;

THENCE S 85°22'24" W along the shoreline of Lake Granbury, a distance of 67.56 feet to a capped 1/2" iron pin set;

THENCE S 77°12'26" W along the shoreline of Lake Granbury, a distance of 9.33 feet to a capped 1/2" iron pin set, said iron pin also being the northwest corner of said Water's Edge;

THENCE N 10°52'19" E departing the shoreline of Lake Granbury and along the north line of said Water's Edge, a distance of 18.80 feet to a 1/2" iron pin found;

THENCE N 03°05'31" W along the north line of said Water's Edge, a distance of 598.17 feet to the Point of Beginning and containing 1,116,412 square feet or 25.629 acres of land, more or less.

1755 0777
VOL. PG.

After Recording
Please Return to:

Lumbermen's Investment Corp.
5495 Beltline Rd. #225
Dallas, TX 75240
ATTN: Barbara Losey

Any provision herein which restricts the sale, rental, or use of the described real property because of color or race is invalid and unenforceable under Federal law.
STATE OF TEXAS COUNTY OF HOOD
I hereby certify that this instrument was filed on the date and at the time stamped hereon by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF HOOD COUNTY TEXAS, in the Volume and Page as shown hereon.



Sally Quere
SALLY QUERE, County Clerk
HOOD COUNTY, TEXAS

FILED FOR RECORD
AT 12:00 P M.

JUN 18 2001

Sally Quere
County Clerk, Hood County, TX

Section 7. "Declarant" shall mean and refer to Lumbermen's Investment Corporation, a Delaware corporation, its successors and assigns who are specifically designated as the successor-in-interest to the Declarant in writing by the Declarant, and who consent in writing to assume the duties and obligations of the Declarant with respect to the Lots acquired by such successor or assign.

Section 8. "Common Areas" shall mean and refer to (i) the wall(s) and landscaping, as shown on any recorded subdivision map of the Property or any part thereof, (ii) that portion of the property hereinafter depicted as the "Swim Club" by the Declarant and recorded in the Real Property Records of Hood County, Texas, and all related fixtures, machinery, equipment, appliances and utility facilities now or hereafter installed therein or attached thereto and (iii) any and all entry features and entrance monuments, (iv) waterways (regardless of whether or not the Association owns such waterways), sea walls, boat ramps and boat ramp areas, and (v) all other property hereafter designated by the Declarant as "Common Areas". The concept of Common Areas will also include: (i) any and all public right-of-way lands for which the City of Granbury or any other governmental authority has required that the Association expend private, non-reimbursable time and monies to care for and maintain, such as but not limited to: streets, street medians, street scape, canals, waterways, sea walls, boat ramps and boat ramp areas and quasi-governmental service facilities; and (ii) any and all facilities provided by the Association to or for the benefit of the local police, fire and similar governmental departments for which no reimbursement via public funds is requested or anticipated.

Section 9. "Common Maintenance Areas" shall mean and refer to the Common Areas and the entrance monuments, drainage facilities, detention ponds, right-of-way landscaping, canals, waterways, boat ramps and such other areas lying within dedicated public easements or right-of-way as deemed appropriate by the Board of Directors of the Association for the preservation, protection and enhancement of the property values and the general health, safety or welfare of the Owners.

Section 10. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for Harbor Lakes, and any amendments, annexations and supplements thereto made in accordance with its terms.

ARTICLE II HARBOR LAKES HOMEOWNERS ASSOCIATION, INC.

Section 1. Membership. The Declarant and every other Owner of an Affected Lot shall be a member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Affected Lot. Every member shall have the right at all reasonable times during business hours to inspect the books of the Association.

Section 2. Funding. Subject to the terms of this Article, Declarant, for each Affected Lot owned by Declarant, hereby covenants to pay, and each Owner of any Affected Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees to pay (as a portion of the consideration and purchase money paid by each such Owner for such Affected Lot) to the Association: (1) annual General Assessment (as hereinafter defined) or charges, (2) Special Assessments (as hereinafter defined) for capital improvements, (3) annual Waterway Assessments (as hereinafter defined) with respect to Owners of Waterway Lots (as hereinafter defined), and (4) Special Waterway Assessments (as hereinafter defined) with respect to Owners of Waterway Lots for capital improvements related to the waterway, such assessments to be established and collected as hereinafter provided. Such assessments will remain effective for the full term (and extended term, if applicable) of this Declaration. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall run with the land and be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable

Declar5

attorney's fees shall also be the personal obligation of the person who was the Owner of such Affected Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to the successors in title of such Owner unless expressly assumed by them.

Section 3.A. Assessments.

(a) Units Owned by Class A Members. Subject to the terms of this Article, each Affected Lot is hereby subject to an initial maximum general assessment (the "General Assessment") of \$360.00 per annum [until such assessment shall be increased in accordance with the By-Laws of the Association (provided that the maximum annual assessment may be increased each year not more than 10% above the maximum General Assessment for the previous year without a vote of the membership of the Association, as provided in the By-Laws of the Association)], for the purpose of creating a fund to be designated and known as the "General Assessment Fund", which General Assessment will be paid by the Owner of each Affected Lot (which Owner is also a Class A member) in advance commencing as to an Affected Lot on the earlier to occur of (i) one hundred twenty (120) days after the conveyance of such Affected Lot to a Class A Member by Declarant or (ii) completion of the Unit on such Affected Lot owned by a Class A Member; however, Affected Lots owned by Declarant or any other Class B Member shall not be subjected to any General Assessment or Special Assessment unless and until Declarant or such other Class B Member(s) complete construction of a Unit on such Affected Lot or unless otherwise required to obtain necessary approval of the FHA or VA for FHA or VA mortgage financing. The rate at which each Affected Lot will be assessed, and whether such General Assessment shall be payable monthly, quarterly or annually, will be determined by the Board of Directors of the Association at least thirty (30) days in advance of each affected assessment period. Said rate may be adjusted from time to time by the Board of Directors as the needs of the Association may, in the judgment of the Directors, require. The assessment for each Affected Lot shall be uniform. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment has been paid for the assessment period.

(b) Purpose of General Assessment Fund. The Association shall establish a General Assessment Fund composed of Owners' annual General Assessments and shall use the proceeds of such fund providing for normal, recurring maintenance charges for the Common Maintenance Areas for the use and benefit of all members of the Association. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: normal, recurring maintenance of the Common Maintenance Areas (including, but not limited to, cleaning, mowing, edging, watering, clipping, sweeping, pruning, raking, and otherwise caring for existing landscaping and related facilities) and the improvements to such Common Maintenance Areas, such as sprinkler systems, and private streets, if any, provided the Association shall have no obligation (except as expressly provided hereinafter) to make capital improvements to the Common Maintenance Areas; normal, recurring maintenance of the waterways, canals, sea walls and boat ramps related to the waterways and capital improvements thereto; payment of all legal and other costs and expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the property to which the assessment fund applies, including without limitation costs and expenses paid or incurred in connection with insuring such property and the payment of any and all taxes thereon; payment of all reasonable and necessary expenses in connection with the collection and administration of the assessments; employment of policemen and watchmen, if any, engagement of a manager or management firm to operate and/or maintain all or any portion of the Common Maintenance Areas, waterways,

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boat ramps and sea walls, including without limitation the Swim Club; caring for vacant lots; and doing any other thing or things necessary or desirable in the opinion of the Board of Directors of the Association to keep the Property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board of Directors in the expenditure of said funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith. The Association shall, in addition, establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements of the Common Maintenance Area and waterways, boat ramps and sea walls. The fund shall be established and maintained out of regular annual General Assessments.

(c) Special Assessment for Working Capital Fund, Nonrecurring Maintenance and Capital Improvements. In addition to the annual General Assessments authorized above, the Association may, by a vote of two-thirds (2/3) of members, in the aggregate, who are voting in person or by proxy at a meeting called for this purpose, levy Special Assessments as follows: in any assessment year, a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Area, waterways, sea walls and/or boat ramp and boat ramp areas, including fixtures and personal property related thereto may be assessed. The Association shall not commingle the proceeds of such Special Assessment with the General Assessment Fund. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or improvements in question.

(d) Special Individual Assessment. Special individual assessments levied against individual Owners to reimburse the Association for extra or unusual costs incurred for items such as (but not limited to): maintenance and repairs to portions of the Common Property caused by the willful or negligent acts of the individual Owner or their invitee(s); the remedy, cure or minimizing of problems caused by, or as a result of, violations of these covenants by an Owner, tenants or their invitee(s).

(e) Individual Fines. Individual assessments and fines levied against an individual Owner, their tenants or invitee(s) for violations of rules and regulations pertaining to the Association's Common Property.

Section 3.B. Waterway Assessments.

(a) Units Owned by Class A Members. Subject to the terms of this Article, each Affected Lot is hereby subject to an additional assessment for the maintenance, repair and dredging of the waterway immediately adjacent and contiguous with the Property and boat ramps located on the Property. The Waterway Assessment shall be assessed solely against Affected Lot which are immediately adjacent to and contiguous with a navigable waterway ("Waterway Lots") and shall initially be \$100.00 per Waterway Lot per annum (until such Waterway Assessment shall be increased in accordance with the By-Laws of the Association (provided that the maximum annual Waterway Assessment may be increased each year not more than 10% above the maximum Waterway Assessment for the previous year without a vote of those Class A Members that are Waterway Lot Owners and the Class B Members (regardless of whether the Class B Member owns any Waterway Lots), as provided in the By-Laws of the Association), for the purpose of creating a fund to be designated and known as the "Waterway Assessment Fund", which Waterway Assessment will be paid by the Owner of each Waterway Lot (which Owner is also a Class A member) in advance, commencing as to a Waterway Lot on the earlier to

occur of (i) one hundred twenty (120) days after the conveyance of such Affected Lot to a Class A Member by Declarant or (ii) completion of the Unit on such Waterway Lot owned by a Class A Member; however, Waterway Lots owned by Declarant or any other Class B Member shall not be subjected to any Waterway Assessments unless and until Declarant or such other Class B Member(s) complete construction of a Unit on such Waterway Lot or unless otherwise required to obtain necessary approval of the FHA or VA for FHA or VA mortgage financing. The rate at which each Waterway Lot will be assessed, and whether such Waterway Assessment shall be payable monthly, quarterly or annually, will be determined by the Board of Directors of the Association at least thirty (30) days in advance of each affected assessment period. Said rate may be adjusted from time to time by the Board of Directors as the needs of the Association may, in the judgment of the Directors, require. The Waterway Assessment for each Waterway Lot shall be uniform. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment has been paid for the assessment period.

(b) Purpose of Waterway Assessment Fund. The Association shall establish an Waterway Assessment Fund composed of Waterway Lot Owners' annual Waterway Assessments and shall use the proceeds of such fund providing for normal, recurring maintenance charges for the waterways, canals, sea walls and dredging of the waterways for the use and benefit of all members of the Association. The Waterway Assessment Fund shall not be used for general Common Area Maintenance that is not directly related to the waterways; however, nothing contained herein shall limit the use of the General Maintenance Fund and Special Maintenance Fund (to the extent expressly budgeted for in such fund) for maintenance of the waterways, canals, sea walls and dredging of the waterways. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: (i) normal, recurring maintenance of the waterways, sea walls and the improvements to such waterways, including dredging, provided the Association shall have no obligation (except as expressly provided hereinafter) to make capital improvements to the waterways (ii) payment of legal and other costs and expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the property to which the Waterway Assessment Fund applies, including without limitation costs and expenses paid or incurred in connection with insuring such property and the payment of any and all taxes thereon; (iii) payment of all reasonable and necessary expenses in connection with the collection and administration of the Waterway Assessments; and (iv) doing any other thing or things necessary or desirable in the opinion of the Board of Directors of the Association to keep the waterways and sea walls neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board of Directors in the expenditure of said Waterway Funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith. The Association shall, in addition, establish and maintain an adequate reserve Waterway Fund for the periodic maintenance, repair and replacement of improvements of the waterways and sea walls. The Waterway Fund shall be established and maintained out of regular annual Waterway Assessments.

(c) Special Waterway Assessment for Working Capital Fund, Nonrecurring Maintenance and Capital Improvements. In addition to the annual Waterway Assessments authorized above, the Association may, by a vote of two-thirds (2/3) of members, in the aggregate, who are voting in person or by proxy at a meeting called for this purpose, levy special waterway assessments as follows: In any assessment year, a Special Waterway Assessment applicable to that year only for the purpose of defraying, in

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whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any area within the waterway and the sea walls, including fixtures and personal property related thereto may be assessed. The Association shall not commingle the proceeds of such Special Waterway Assessment with the Waterway Assessment Fund. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or improvements in question.

Section 4. Non-payment of Assessments; Remedies of the Association. Any assessment not paid within ten (10) days after the due date shall bear interest from the due date at the highest non-usurious rate of interest allowed by Texas law or 18% per annum, whichever is less. The Association shall have the authority to impose late charges to compensate for the administrative and processing costs of late payments on such terms as it may establish by duly adopted resolutions and the Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien retained herein against the property, in accordance with the terms and provisions of Section 51.002 of the Texas Property Code, as amended, or otherwise. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his property.

Section 5. Subordinated Lien to Secure Payment and Performance. To secure the payment of the assessments established hereby and to be levied on individual Affected Lots as above provided, and the performance by the Owners of the Affected Lots of all of the duties, obligations and indebtedness of such Owners as set forth herein and in the Bylaws of the Association, there is hereby reserved a lien for the benefit of the Association, said lien to be enforceable through appropriate proceedings at law or in equity by such beneficiary; provided, however, that each such lien shall be specifically made secondary, subordinate and inferior to all liens, present and future, given, granted, and created by or at the insistence and request of the Owner of any such Affected Lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such Affected Lot; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Affected Lot upon which there is an outstanding valid and subsisting first mortgage lien, said beneficiary shall give the holder of such first mortgage sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of the lienholder by prepaid U.S. registered mail, to contain the statement of the delinquent maintenance charges upon which the proposed action is based. Upon the request of any such first mortgage lienholder, any such beneficiary shall acknowledge in writing its obligation to give the foregoing notice with respect to the particular property covered by such first mortgage lien to the holder thereof. Sale or transfer of an Affected Lot shall not affect the assessment lien. However, the sale or transfer of any Affected Lot pursuant to mortgage foreclosure shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer. No sale, foreclosure or transfer shall relieve such Affected Lot from liability for any assessments thereafter becoming due or from the lien thereof. The Association shall have the right to file notices of liens in favor of such Association in the Real Property Records of Hood County, Texas.

Section 6. Voting Rights. The Association shall have two classes of voting membership:

(a) Class A. Class A members shall be all Owners with the exception of Declarant and shall be entitled to one (1) vote for each Affected Lot owned. When more than one person holds an interest in any Affected Lot, all such persons shall be members, but the vote for such Affected Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Affected Lot.

(b) Class B. The Class B member shall be the Declarant who shall be entitled to three (3) votes for each unoccupied Affected Lot owned by it. The Class B membership shall cease and be converted to Class A membership one hundred twenty

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(120) days after the conveyance of the Affected Lot which causes the total votes outstanding in the Class A membership to equal the total votes outstanding in the Class B membership, or ten (10) years after conveyance of the first Affected Lot by Declarant, whichever occurs earlier. Class B membership shall be reinstated at any time before the expiration of twenty (20) years from the date of conveyance of the first Affected Lot if additional Affected Lots owned by a Class B member are annexed to this Declaration in sufficient numbers to restore a ratio of at least one Class B Lot for each three Class A Lots in the Property.

(c) Suspension. All voting rights of an Owner shall be suspended during any period in which such Owner is delinquent in the payment of any assessment duly established pursuant to this Article or is otherwise in default hereunder or under the By-Laws or Rules and Regulations of the Association and such suspension shall apply to the proxy authority of the Voting Representative, if any.

Section 7. Notice and Quorum. Written notice of any meeting called for the purpose of taking any action authorized herein shall be sent to all members, or delivered to their residences, not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At any such meeting called, the presence of members or of proxies or Voting Representatives entitled to cast two-thirds (2/3) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at such subsequent meeting shall be two-thirds (2/3) of the quorum requirement for such prior meeting. The Association may call as many subsequent meetings as may be required to achieve a quorum (the quorum requirement being reduced for each such meeting in accordance with the terms and provisions of the immediately preceding sentence). No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

ARTICLE III GENERAL POWERS AND DUTIES OF BOARD OF DIRECTORS OF THE ASSOCIATION

Section 1. Purpose of Assessment Fund. The Board, for the benefit of the owners, shall provide and shall pay out of the assessment fund provided for in Article II above the following:

- (a) Taxes and assessments and other liens and encumbrances which shall properly be assessed or charged against the Common Areas rather than against the individual Owners, if any.
- (b) Care and preservation of the Common Maintenance Area and Common Area.
- (c) The services of a professional person or management firm to manage the Association or any separate portion thereof to the extent deemed advisable by the Board, (provided that any contract for management of the Association shall be terminable by the Association, with no penalty upon ninety days prior written notice to the managing party) and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager.
- (d) Legal and accounting services.
- (e) A policy or policies of insurance insuring the Association against any

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liability to the public or to the Owners (and/or invitees or tenants) incident to the operation of the Association in any amount or amounts as determined by the Board of Directors, including a policy or policies of insurance as provided herein in Article IV.

(f) Workers compensation insurance to the extent necessary, to comply with any applicable laws.

(g) Such fidelity bonds as may be required by the By-Laws or as the Board may determine to be advisable.

(h) Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments (including taxes or assessments assessed against an individual Owner) which the Board is required to obtain or pay for pursuant to the terms of this Declaration or by law or which in its opinion shall be necessary or proper for the enforcement of this Declaration.

Section 2. Powers and Duties of Board. The Board, for the benefit of the Owners, shall have the following general powers and duties, in addition to the specific powers and duties provided for herein and in the By-Laws of the Association:

(a) To execute all declarations of ownership for tax assessment purposes with regard to the Common Areas, if any, on behalf of all Owners.

(b) To borrow funds to pay costs of operation secured by assignment or pledge of rights against delinquent Owners if the Board sees fit.

(c) To enter into contracts, maintain one or more bank accounts, and generally to have all the power necessary or incidental to the operation and management of the Association.

(d) To protect or defend the Common Areas from loss or damage by suit or otherwise, as the Board sees fit, and to provide adequate reserves for replacements, as the Board sees fit.

(e) To make reasonable rules and regulations for the operation of the Common Maintenance Areas and to amend them from time to time; provided that, any rule or regulation may be amended or repealed by an instrument in writing signed by Owners constituting a majority of the votes of the Association, or with respect to a rule applicable to less than all of the Common Areas, by a majority of the votes of the Owners in the portions affected.

(f) To make available for inspection by Owners within sixty (60) days after the end of each year an annual report and to make all books and records of the Association available for inspection by Owners at reasonable times and intervals.

(g) To adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property, and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency.

(h) To enforce the provisions of any rules made hereunder and to enjoin and seek damages from any Owner for violation of such provisions or rules, as the Board sees fit.

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(i) to collect all assessments and enforce all penalties for non-payment including the filing of liens and institution of legal proceedings, as the Board sees fit.

Section 3. Board Powers Exclusive. The Board shall have the exclusive right to contract for all goods, services and insurance, payment of which is to be made from the assessment fund and the exclusive right and obligation to perform the functions of the Board except as otherwise provided herein.

Section 4. Maintenance Contracts. The Board, on behalf of the Association, shall have full power and authority to contract with any Owner or other person or entity for the performance by the Association of services which the Board is not otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association, and in compliance with all applicable laws, rules and regulations.

ARTICLE IV TITLE TO COMMON AREAS

Section 1. Conveyance/Association to Hold. The Declarant may hereafter, in Declarant's sole option, grant and convey unto the Association all of the right, title and interest of the Declarant in and to the Common Areas, whereupon the Association shall assume all maintenance obligations with respect to any Common Areas which may then exist or thereafter be established. Nothing contained herein shall create an obligation on the part of Declarant to establish any additional Common Areas.

Section 2. Liability Insurance. From and after the date on which title to any Common Area vests in the Association, the Association shall purchase and carry a general comprehensive public liability insurance policy for the benefit of the Association and its members, covering occurrences on the Common Areas. The policy limits shall be as determined by the Board of Directors of the Association. The Association shall use its best efforts to see that such policy shall contain, if available, cross-liability endorsements or other appropriate provisions for the benefit of the members, Directors, and the management company and other insureds, as their interests may be determined.

Section 3. Condemnation. In the event of condemnation or a sale in lieu thereof of all or any portion of the Common Areas, the funds payable with respect thereto shall be payable to the Association and shall be used by the Association to purchase additional Common Areas to replace that which has been condemned or to take whatever steps are it deems reasonably necessary to repair or correct any damage suffered as a result of the condemnation. In the event that the Board of Directors of the Association determines that the funds cannot be used in such a manner due to lack of available land for additional Common Areas or for whatever reason, any remaining funds may be utilized by the Association for the general assessment fund.

Section 4. Obligations of Owners. Each Owner, tenant and member expressly understands, covenants and agrees with the Association that:

(a) Neither Declarant nor Declarant and the Association have any responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and personal property of each owner, tenant, member and invitee;

(b) Each Owner, tenant and member should, from time to time and at various times, consult with reputable insurance industry representatives of each Owner's, tenant's and

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member's own selection to consider, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of insurance deemed satisfactory to each Owner, tenant and member covering his or her real and personal property;

(c) Each Owner, tenant and member releases and holds Declarant and the Association harmless from any uninsured liability, claims, causes of action or damages of any kind or character whatsoever arising out of or related (directly or indirectly) to any and all aspects of the community services system and private streets within the Property, including, without limitation:

(1) the interviewing, hiring, training, licensing (if any), bonding (if any) and employment of community services personnel (if any);

(2) the instructions, directions and guidelines issued to or by the community services personnel (if any);

(3) the duties, performance, actions, inactions or omission of or by the community services personnel (if any); and

(d) Each Owner, tenant, member and invitee will cooperate with the Declarant and the Association in connection with the establishment, evolution and maintenance of reasonable controls on the pedestrian and vehicular traffic into and within the Common Areas and abide by any and all rules and regulations of the Association, as adopted and promulgated from time to time, related to the entry upon and use of any private streets and other Common Areas within the Property.

ARTICLE V EASEMENTS

Section 1. Utility Easements. As long as Class B membership shall be in effect, the Declarant hereby reserves the right to grant perpetual, nonexclusive easements for the benefit of the Declarant or its designees, upon, across, over, through and under any portion of the Common Area or any portion of any Affected Lot outside of the permitted building area of such Affected Lot as reasonably required for the providing of ingress and egress in connection with the installation, replacement, repair, maintenance, use and operation of all utility and service lines and service systems, public and private, including, without limitation, cable television, to the Property. Declarant, for itself and its designees, reserves the right to retain title to any such easements. Upon cessation of Class B membership, the Association shall have the right to grant the easements described herein.

Section 2. Declarant's Easement to Correct Drainage. As long as Class B membership shall be in effect, Declarant hereby reserves a blanket easement on, over and under the ground within the Property to reasonably maintain and correct drainage of surface waters and other erosion controls in order to maintain reasonable standards of health, safety and appearance and shall be entitled to remove trees or vegetation, without liability for replacement or damages, as may be reasonably necessary to provide adequate drainage for any portion of the Property. Notwithstanding the foregoing, nothing herein shall be interpreted to impose any duty upon Declarant to correct or maintain any drainage facilities within the Property.

Section 3. Easement for Unintentional Encroachment. The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon the Common Area caused

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by or resulting from, construction, repair, shifting, settlement or movement of any portion of the Property, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

Section 4. Entry Easement. In the event that the Owner fails to maintain the Affected Lot as required herein, or in the event emergency repairs are required, the Declarant hereby reserves an easement to enter upon any such Affected Lot and to do the work reasonably necessary for the proper maintenance and operation of the Property. Entry upon the Affected Lot as provided herein shall not be deemed a trespass, and the Association shall not be liable for any damage so created unless such damage is caused by the Association's willful misconduct or gross negligence.

Section 5. Utility and Wall Easements. Easements for the installation and maintenance of walls, utilities, storm water retention, detention ponds, and/or a conservation area are reserved as may be shown on the recorded plat. Within these easement areas, no structure, plant or material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of walls or utilities, or which may hinder or change the direction or flow of drainage channels or slopes in the easements. The easement area of each Affected Lot and all improvements contained therein shall be maintained continuously by the Owner of the Affected Lot, except for those improvements for which a public authority, utility company or the Association is responsible.

Section 6. Temporary Completion Easement. All Affected Lots shall be subject to easement of ingress and egress for the benefit of the Declarant, its employees, subcontractors, successors and assigns, over and upon the front, side and rear yards of the Property as may be reasonably expedient or necessary for the construction, servicing and completion of dwellings and landscaping upon Affected Lots adjacent to the Property, provided that such easement shall terminate twelve (12) months after the date such Affected Lot is conveyed to the Owner by the Declarant.

ARTICLE VI USE AND OCCUPANCY

All Affected Lots and dwellings shall be used and occupied for single-family residence purposes. No Affected Lot or dwelling may be used for commercial, institutional or other non-residential purpose if such use involves the attendance or entry of non-residents upon the Lot or otherwise diminishes the residential character of the Lot or neighborhood. This prohibition shall not apply to "garage sales" conducted with prior written consent of the Association provided that no Owner shall conduct more than two (2) garage sales of no more than two (2) days duration each during any twelve (12) month period.

ARTICLE VII PROPERTY RIGHTS

Section 1. Owners' Easement of Enjoyment. Every Owner shall have a right and easement in and to the Common Areas and a right and easement of ingress and egress to, from and through said Common Areas, and such easement shall be appurtenant to and shall pass with the title to every Affected Lot, subject to the following provisions:

- (a) The right of the Association to establish and publish rules and regulations governing the use of the Common Areas (including without limitation the Swim Club) affecting the welfare of Association members;
- (b) The right of the Association to suspend the right of use of the Common

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Areas and the voting rights of an Owner for any period during which any assessment against his Affected Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) The right of the Association, subject to the provisions hereof, to dedicate or transfer all or any part of the Common Areas, if any, to any public agency, authority or utility for such purposes and subject to the conditions as may be agreed by the Association. No such dedication or transfer shall be effective unless an instrument signed by Owners entitled to cast two-thirds (2/3) of the votes of each class of membership has been recorded agreeing to such dedication or transfer;

(d) The rights of the Association set forth in Section 2 of this Article VII;

(e) The right of the Association to enter into and execute contracts with any party for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Association and/or this Declaration;

(f) The right of the Association to enter into and execute contracts with the owner-operators of any community antenna television system ("CATV") or other similar operations for the purpose of extending cable or utility or security service on, over or under the Common Properties to ultimately provide service to one or more of the Lots; and

(i) The right of the Association to grant permits, licenses and easements over the Common Areas for utilities, roads and other purposes necessary for the proper operation of utilities and services reasonable and necessary for the enjoyment of the residential homeowners.

All easements herein described are easements appurtenant to and running with the land; they shall at all times inure to the benefit of and be binding upon the Owners, and all of their grantees, and their respective heirs, successors, personal representatives and assigns, perpetually and in full force;

Section 2. Swim Club. Notwithstanding anything set forth or implied herein to the contrary, the rights of the Owners set forth in Section 1 of this Article VII with respect to the Swim Club are nonexclusive, and the Association may elect to permit owners of homes in subdivisions other than the Property to have access to and to use and enjoy the Swim Club upon terms and conditions reasonably established by the Association.

Section 3. Effect of Declaration. Reference in any deed, mortgage, trust deed or any other recorded documents to the easements, restrictions and covenants herein described or to this Declaration shall be sufficient to create and reserve such easements and covenants to the respective grantees, mortgagees, or trustees of said parcels as fully and completely as if those easements, restrictions and covenants were fully related and set forth in their entirety in said documents.

Section 4. Rezoning Prohibited. No Affected Lot shall be rezoned to any classification allowing commercial, institutional or other non-residential use without the express consent of the Association and Declarant (as long as Declarant owns any Affected Lot subject to this Declaration), which may be withheld in Declarant's sole discretion. Declarant or the Association may enforce this covenant by obtaining an injunction against any unapproved rezoning at the expense of the enjoined party.

Section 5. Damage to the Common Areas. Each Owner shall be liable to the Association for any damage to any portion of the Common Areas caused by the negligence or willful misconduct of the Owner or his family, tenants and invitees.

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Section 6. Use of Common Areas. The Association shall have the power and authority to prescribe rules and regulations applicable to the Common Areas. No person or entity shall use any portion of the Common Areas to:

- (a) solicit, promote or conduct business, religious, political or propaganda matters;
- (b) distribute handbills, newsletters, flyers, circulars or other printed materials;
- (c) display or install signs, flags or banners,

without the prior written consent of the Association (which consent may be withheld in its sole and absolute discretion).

Section 7. User Fees and Charges. The Association may levy and collect special charges and fees for any and all extraordinary operation and maintenance of the Common Areas and services which the Association determines to be necessary for the advancement, benefit and welfare of the Owners or tenants. Examples (by way of illustration, and not limitation) of these special charges and fees would include: additional gate and/or security personnel for parties or special events; valet parking arrangements; post-party trash pick-up and removal; extraordinary utility consumption; management overtime services; and additional insurance conditions or requirements. In establishing special user fees, the Association may formulate reasonable classifications of users. Such fees should be uniform within each class but need not be uniform from class to class. If an Owner shall fail to pay a charge or fee when due and payable, said unpaid charge or fee shall be delinquent and upon written notice to said Owner shall become a personal debt of said Owner and shall be secured by the Payment and Performance Lien described herein. Failure of any Owner to pay said fee and charge when due and payable, in addition, shall be a breach of these Covenants.

Section 8. Adjacent Waterway, Waterway and Lake. Owners acknowledges that neither Declarant nor the Association own or control the waterway, or lake developed in close proximity to the Property. As a material inducement to cause Declarant to enter into and execute this Declaration and to consummate the transactions contemplated hereby, each Owner, on behalf of himself, herself and/or itself and all of its successors and assigns (including, but not limited to, any future purchasers of any houses constructed on any of the Lots), hereby (a) waives, releases and relinquishes any and all claims it or they may now or hereafter have against Declarant, the Association, the City of Granbury, Texas, and their respective heirs, executors, personal representatives, successors or assigns (the "Released Parties") and (b) indemnifies each and all of the Released Parties from and against any and all losses, damages, costs, claims, liabilities, actions, causes of action, or expenses of any kind or character, arising out of or resulting from any activities related to the waterway or lake. Each Owner also covenants and agrees that it will include in any contract for the sale of any Lot to any third party that such contract shall expressly include the waiver, release and indemnity provisions contained in this Section 8.

Section 9. Adjacent Golf Course. By acceptance of a deed conveying title to any Lot, each Owner, on behalf of himself, herself and/or itself and all of its successors, assigns, guests and invitees (including, but not limited to, any future purchasers of any houses constructed on any of the Lots), hereby (a) waives, releases and relinquishes any and all claims it or they may now or hereafter have against Declarant, the Association, the City of Granbury, Texas, any owner and/or operator of the said golf course (located adjacent to the Property) and the architect(s) who designed or redesigned in whole or part any portion of the golf course and their respective heirs, executors, personal representatives, successors or assigns (the "Released Parties") and (b) indemnifies each and all of the Released Parties from and against any and all losses, damages, costs, claims, liabilities, actions, causes of action, or expenses of any kind or character, arising out of or resulting from any activities or matters related to any canals, lakes or waterways located or developed in close proximity to the Lots or the said golf course, including, but not necessarily limited to, any caused or occasioned by any errant golf balls. Each Owner also covenants and agrees that it will include in any contract for the sale of any Lot to any third party the waiver, release and

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indemnity provisions contained in this Section 9.

**ARTICLE VIII
USE RESTRICTIONS/MINIMUM DWELLING UNIT SIZES**

Section 1. Nuisances. No noxious or offensive activity shall be carried on upon any Affected Lot, nor shall anything be done which may be or may become an annoyance or nuisance to the neighborhood.

Section 2. Development Activity. Notwithstanding any other provision herein, Declarant and its successors and assigns shall be entitled to conduct on the Property all activities normally associated with and reasonably convenient to the development of the Property and the construction and sale of dwelling units on the Property, including without limitation the right to place and maintain on the Property construction trailers, model homes, marketing facilities, signage, lighting, construction trucks, equipment and other similar items necessary for the construction on and marketing of the Property.

Section 3. Temporary Structures. Except as otherwise expressly set forth herein, no structures of a temporary character, including, without limiting the generality thereof, any trailer, tent, shack, garage, barn, motor home or mobile home or other outbuilding, shall be used on any Affected Lot at any time as a residence, either temporarily or permanently.

Section 4. Signs and Picketing. No sign or emblem of any kind may be kept or placed upon any Affected Lot or mounted, painted or attached to any Unit, fence or other improvement upon such Affected Lot so as to be visible from public view except the following:

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

(b) **Declarant's Signs.** Signs or billboards may be erected by the Declarant or builder(s) building houses on any Lots in the ordinary course of such builder's business.

(c) **Political Signs.** Political signs may be erected upon an Affected Lot by the Owner of such Affected Lot advocating the election of one or more political candidates or the sponsorship of a political party, issue or proposal provided that such signs shall not be erected more than a reasonable period of time [in no event to exceed one hundred eighty (180) days] in advance of the election to which they pertain and are removed within fifteen (15) days after the election.

In addition to the foregoing, to protect the safety and harmony of the community, no person shall engage in picketing on any Affected Lot, easement, right-of-way or Common Area within or adjacent to the Property, nor shall any vehicle parked, stored or driven in or adjacent to the Property bear or display any signs, slogans, symbols, words or decorations intended to create controversy, invite ridicule or disparagement, or interfere in any way with the exercise of the property rights, occupancy or permitted business activities of any Owner or Declarant.

Section 5. Campers, Trucks, Boats, and Recreational Vehicles. No campers, vans, pickup trucks, boats, boat trailers, recreational vehicles and other types of non-passenger vehicles, equipment, implements or accessories may be kept on any Affected Lot unless the same are fully enclosed within the garage located on such Lot and/or said vehicles and accessories are screened from view by a screening structure or fencing and said vehicles and accessories are in an operable condition.

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Section 6. Livestock and Poultry. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Affected Lot, except that dogs, cats, or other household pets may be kept, provided that they are not kept, bred, or maintained for any commercial purpose.

Section 7. Garbage and Refuse Disposal. No Affected Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept except in sanitary containers. All incinerators or other equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition.

Section 8. Sight Distance at Intersections. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain on any corner Affected Lot within the triangular area formed by the street boundary lines and a line connecting them at points twenty-five (25) feet from the intersection of the street boundary lines, or in the case of a rounded property corner, from the intersection of the street boundary lines extended. The same sight line limitations shall apply on any Lot within ten (10) feet from the intersection of a street boundary line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distance of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

Section 9. Parking. No vehicles, trailers, implements or apparatus may be driven or parked in the Common Maintenance Area, Common Area or on any easement.

Section 10. Commercial or Institutional Use. No Affected Lot, and no building erected or maintained on any Affected Lot shall be used for manufacturing, industrial, business, commercial, institutional or other non residential purposes.

Section 11. Building Standards. No building shall be erected or maintained on any Affected Lot unless it complies with all applicable governmental ordinances, laws, rules and regulations. In addition, no building, structure, fence wall or improvement shall be erected or maintained on any Affected Lot unless same has been approved by the Committee (hereinafter defined) pursuant to the terms and provisions of Section 22 of this Article VIII.

Section 12. Detached Buildings and Boathouses. No detached accessory buildings (including, but not limited to, storage buildings), save and except for detached garages and boathouses (provided such boathouses are immediately adjacent to and contiguous with a waterway or navigable waterway) approved by a majority of the members of the the Committee as set forth in Section 22 of this Article VIII, shall be erected, placed or constructed upon, adjacent to or in close proximity to any Affected Lot, without the prior written consent of the Board of Directors.

Section 13. Parking, Garage Requirements & Limitations on Garage Conversions. A minimum of a two car garage shall be provided and maintained on site for each dwelling unit. All required parking must be behind all required setback lines. A garage may be converted into a living area only if another garage can be added to comply with the requirement to have a minimum of a two car garage in compliance with the foregoing. No front entry garages are permitted unless the Architectural Standards Committee in its discretion grants a written variance on a Lot by Lot basis.

Section 14. Fences. No fence, wall or hedge shall be erected or maintained on any Affected Lot nearer to the street than the building setback lines for the front and side yards. The location and type of any fence or wall must be approved by the Committee and must be constructed of wrought iron, masonry, brick, wood or other material approved by the Committee and must comply with all applicable governmental requirements and ordinances. No fence or wall shall be permitted to extend nearer to the front street than (i) forty-five (45) feet from the front street, or (ii) the front of the house except as approved

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by the Committee, whichever distance is farther. No portion of any fence shall exceed eight (8) feet in height as measured from the lowest point of the Lot, except as approved by the Committee. Notwithstanding the foregoing all rear fences on Waterway Lots shall be constructed of tubular steel and/or brick (provided, however, not more than fifteen percent (15%) of such fence shall be composed of brick) and such rear fences shall not exceed four (4) feet in height across the rear of such Lots and on the sides for a distance of fifteen (15) feet from the rear of such Lots, thereafter, the side fences shall be permitted to increase to a height of eight (8) feet provided the increase in height does not exceed eight (8) inches for every linear five (5) feet of fence up to a maximum of eight (8) feet in height. The exact location, design and material must be approved by the Committee. The rear setback line for fences on Waterway Lots shall be established by the Committee in writing.

Section 15. Antennae, Satellite Dishes and Solar Collectors. No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar implement or apparatus, or solar collector panels or equipment upon any Affected Lot unless such apparatus is erected and maintained in such a way that it is screened from public view at a point in the center of the public right-of-way directly in front of (and, in the case of a corner lot, also screened from public view at a point in the center of the public right-of-way to the side of) the house erected on such Affected Lot.

Section 16. Chimneys. All fireplaces flues, smoke stacks, and spark arrestors that front a public street shall be completely enclosed and concealed from public view in finished chimneys of materials architecturally compatible with the principal finish material of the exterior walls of the dwelling and all other fireplaces, flues, smoke stacks and spark arrestors shall be completely enclosed and concealed from public view in finished chimneys of materials architecturally compatible with the exterior walls or roof of the dwelling.

Section 17. Clothes Hanging Devices. Exterior clothes hanging devices shall not be permitted

Section 18. Window Treatment. No aluminum foil, reflective film or similar treatment shall be placed on window or glass doors.

Section 19. Water Wells. The drilling, operating or maintaining of any water wells on any Affected Lot shall not be permitted.

Section 20. Dwelling Unit Size and Additional Requirements.

(a) Single family residential dwelling units ("Unit") constructed on any Lot must comply with all applicable governmental requirements applicable thereto, including, but not necessarily limited to, the City of Granbury, Texas.

(b) All exterior walls on all buildings, including accessory buildings and detached garages shall have a minimum masonry exterior of ninety percent (90%) of the first floor and seventy-five (75%) percent overall when there is more than one floor, except for windows and doors. This requirement shall include accessory and/or attached buildings and/or detached garages.

(c) The minimum dwelling unit area for each dwelling unit located on Lots 1-13, Block 1 of Harbor Place at Granbury, Phase 1A, Lots 14-27, Block 1 of Harbor Place at Granbury, Phase 1B, Lots 28-32, Block 1, Lots 1-10, Block 2, Lots 1-7, Block 3, Lots 1-27, Block 4 and Lots 1-5, Block 5 of Harbor Place at Granbury, Phase 2 shall be the greater of 2,400 square feet or minimum residential dwelling unit square footage required by applicable governmental requirements (the "Initial Lots"). The minimum dwelling unit area for dwelling units located on any other portion of the Property (excluding the Initial Lots) shall be the greater of the minimum residential dwelling unit square footage required by

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applicable governmental requirements or such minimum square footage requirements as established by Declarant from time to time by the filing of one or more supplemental declarations.

(d) All retaining walls constructed on the Property must be constructed with properly engineered concrete, masonry or other material(s) approved in writing by the Committee and meeting at a minimum the minimum standards required by all applicable governmental requirements applicable thereto, including, but not necessarily limited to, the City of Granbury, Texas.

(e) The Owner of each Waterway Lot must construct and thereafter maintain a sidewalk to be located across the rear of each such Waterway Lot with the exact location, design and material to be used to be approved in writing by a majority of the members of the Committee as set forth in Section 22 of this Article VIII and in compliance with all governmental requirements. The Owner of a Waterway Lot may not fence the sidewalk in and the Owner grants to the Association an easement on and across such sidewalk for purpose of maintaining the sea wall and the waterway.

Section 21. Oil and Mining Operations. No oil drilling or development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Affected Lot nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Affected Lot. No derrick or other structure designed for use in boring for oil or natural gas or other minerals shall be erected, maintained or permitted upon any Affected Lot.

Section 22. Architectural Standards Committee. The Architectural Standards Committee (hereinafter called the "Committee") shall be composed of three (3) individuals selected and appointed by the Association, each generally familiar with residential and community development design matters and knowledgeable about the Association's concern for a high level of taste and design standards within the Property. The Committee shall function as the representative of the Owners of the Affected Lots for the purposes herein set forth as well as for all other purposes consistent with the creation and preservation of a first-class community development. The Committee shall use its best efforts to promote and ensure a high level of taste, design, quality, harmony and conformity throughout the Property.

In the event of the death or resignation of any member of the Committee, the Association shall have full authority to designate and appoint a successor. No member of the Committee shall be liable for, and shall be indemnified against, claims, causes of action or damages (except where occasioned by gross negligence or arbitrary and capricious conduct) arising out of services performed pursuant to this Declaration. The Committee shall be entitled, at any time and from time to time, to seek and obtain professional advice and counsel (including but not limited to architects, attorneys, designers, engineers and landscape technicians) in connection with the performance of its duties and all reasonable costs and expenses related thereto paid for or reimbursed by the Association. The Association shall have the right and power to impose and collect a reasonable fee from each Owner for the review and approval/disapproval process and services rendered by the Committee.

No building, structure, fence, wall or improvement of any kind or nature shall be erected, placed or altered on any Affected Lot until all plans and specifications, a plot plan and one or more surveys have been submitted to and approved in writing by the Committee, or a majority of its members, as to:

- (i) quality of workmanship and materials; adequacy of site dimensions; adequacy of structural design; proper facing of main elevation with respect to nearby streets;
- (ii) minimum finished floor elevation, mandatory brick shelf elevation, and

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proposed footprint of the dwelling;

(iii) conformity and harmony of the external design, color, type and appearance of exterior surfaces and landscaping;

(iv) location with respect to topography and finished grade elevation and effect of location and use on neighboring Affected Lots and improvements situated thereon; drainage arrangements; and

(v) the other standards set forth within this Declaration (and any amendments hereto) or as may be set forth within bulletins promulgated by the Committee, or matters in which the Committee has been vested with the authority to render a final interpretation and decision.

The Committee is authorized and empowered to consider and review any and all aspects of dwelling construction which may, in the reasonable opinion of the Committee, adversely affect the living enjoyment of one or more Owners or the general value of the Property.

Final plans, specifications and surveys shall be submitted in duplicate to the Committee for approval or disapproval. The Committee is authorized to request the submission of samples of proposed construction materials. At such time as the plans, specifications and surveys meet the approval of the Committee, one complete set of plans, specifications and surveys will be retained by the Committee and the other complete set will be marked "Approved" and returned to the Owner or his designated representative. If found not to be in compliance with this Declaration, one set of such plans, specifications and surveys shall be returned "Disapproved," accompanied by a reasonable statement of items found not to comply with this Declaration. Any modification or change to the approved set of plans, specifications and surveys must again be submitted to the Committee for its inspection and approval. The Committee's approval or disapproval, as required herein, shall be evidenced in writing. If the Committee fails to approve or disapprove such plans, specifications and surveys within fifteen (15) days after the date of submission, then such instruments shall be submitted by such Owner to the Board of Directors of the Association. If the Board of Directors fails to approve or disapprove such plans, specifications and surveys within fifteen (15) days, then the Committee and Association approval shall be presumed. Once any plans and specifications for a house (the "House Plans") have been approved by the Committee or the Board of Directors (or deemed approved), such plans and specifications may continue to be utilized by the party submitting same for other houses to be constructed on other Affected Lots without the necessity of having said House Plans reapproved provided that any material modifications to such previously approved House Plans must once again be submitted to the Committee for approval as herein above provided.

The Committee may from time to time publish and promulgate architectural standards bulletins and/or lot information sheets which shall be fair, reasonable and uniformly applied and shall carry forward the spirit and intention of this Declaration. Unless otherwise indicated herein, the Committee shall not have unbridled discretion with respect to taste, design and any standards specified herein, and the Committee shall be responsive to technological advances or general changes in architectural designs and materials and related conditions in future years and use its best efforts to balance the equities between matters of taste and design (on the one hand) and use of private property (on the other hand). Such bulletins and lot information sheets shall supplement this Declaration and are incorporated herein by reference. EACH OWNER SHALL SEEK AND OBTAIN AND BECOME THOROUGHLY FAMILIAR WITH ANY AND ALL ARCHITECTURAL STANDARDS BULLETINS AND LOT INFORMATION SHEETS PRIOR TO ACQUISITION OF, AND CONSTRUCTION ON, ANY AFFECTED LOT.

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ARTICLE IX
ANNEXATION

Section 1. Annexation by Declarant. At any time during the initial term of this Declaration, the Declarant may, at its sole option, annex additional property to this Declaration to be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Annexation shall be evidenced by a written Declaration of Annexation executed by Declarant setting forth the legal description of the property being annexed and the restrictive covenants to be applied to such annexed property.

Section 2. Annexation by Action of Members. At any time the Board of Directors may request approval of the membership for the annexation of additional property into the Association to be subject to all of the terms of this Declaration to the same extent as if originally included herein. No such annexation shall be effective unless approved in writing by members entitled to cast two-thirds (2/3) of the total votes in both classes of membership. Any property that is contiguous to existing property to this Declaration may be annexed hereto according to the foregoing requirements, provided however, that no such annexation shall be effective without the consent and joinder of the owners of the property to be annexed. Such annexation must be evidenced by a Declaration of Annexation as set forth in Subsection 1a above executed by the parties herein described.

Section 3. No Duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any member to annex any property to this Declaration.

Section 4. Effect of Annexation on Class B Membership. In determining the number of Affected Lots owned by Declarant for the purpose of Class B Membership status according to Article II, Section 6, the total number of Affected Lots covered by the Declaration including all Affected Lots annexed thereto shall be considered. If Class B Membership has previously expired but annexation of additional property restores the ratio of Affected Lots owned by Declarant to the number required for Class B Membership, such Class B Membership shall be reinstated.

ARTICLE X
GENERAL

Section 1. Remedies. In the event of any default by any Owner under the provisions of this Declaration, By-Laws or rules and regulations of the Association, the Association and/or any Owner shall have each and all of the rights and remedies which may be provided for in this Declaration, the By-Laws and said rules and regulations, and those which may be available at law or in equity (including without limitation the rights and remedies set forth in Section 51.002 of the Texas Property Code, as amended), and may prosecute any action or other proceedings against such defaulting Owner and/or others for enforcement of any lien, statutory or otherwise, including foreclosure of such lien and the appointment of a receiver for the Affected Lot and ownership interest of such Owner, or for damages or injunction, or specific performance, or for judgement for the payment of the money and collection thereof, or for any combination of the remedies, or for any other relief. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. All expenses of the Association in connection with any such actions or proceedings, including court costs and attorney's fees and other fees and expenses, and all damages, permitted by law from the due date until paid, shall be charged to and assessed against such defaulting Owner, and shall be added to and deemed part of the respective maintenance assessment (to the same extent as the lien provided herein for unpaid assessments) upon the Affected Lot and upon all of his additions and improvements thereto, and upon all of his personal property upon the Affected Lot. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or any Owner.

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Section 2. Term and Amendments. The covenants and restrictions of this Declaration shall run with and bind the land for a term of ten (10) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless seventy-five percent (75%) of the total votes, in the aggregate, of the outstanding votes shall have voted to terminate the covenants and restrictions of this Declaration upon the expiration of the initial ten (10) year period or any extension thereof, which termination shall be by written instrument signed by seventy-five percent (75%) of the total Owners, in the aggregate, and properly recorded in the Real Property Records of Hood County, Texas. This Declaration may be amended by an instrument signed by Owners constituting not less than seventy-five percent (75%) of the total votes, in the aggregate, of the Association. Any amendment must be recorded. Notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, (i) modify, amend, or repeal this Declaration at any time prior to the closing of the sale of the first Affected Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Real Property Records of Hood County, Texas and/or (ii) amend this Declaration to cause this Declaration to be in compliance with any and all applicable laws, rules and regulations (including without limitation any and all applicable laws, rules and regulations of the Federal Housing Administration and/or the Veterans Administration) and/or (iii) amend or otherwise supplement this Declaration to establish supplemental or additional minimum dwelling unit square footage requirements with respect to those Lots that have not been sold by Declarant and are not otherwise already described in Article VIII, Section 20 above as the "Initial Lots".

Section 3. Severability. Invalidation of any one of these covenants or restrictions by judgement or court order shall in no way affect any other provisions, which shall remain in full force and effect.

Section 4. Rights and Obligations. The provisions of this Declaration and the Articles of Incorporation and By-Laws and the rights and obligations established thereby shall be deemed to be covenants running with the land and shall inure to the benefit of, and be binding upon, each and all of the Owners and their respective heirs, representatives, successors, assigns, purchasers, grantees and mortgagees. By the recording or the acceptance of a deed conveying a Affected Lot of any ownership interest in the Affected Lot whatsoever, the person to whom such Affected Lot or interest is conveyed shall be deemed to accept and agree to be bound by and subject to all of the provisions of this Declaration and the Articles of Incorporation and By-Laws, whether or not mention thereof is made in said deed.

Section 5. Miscellaneous Provisions. Any provisions of this Declaration or of the Articles of Incorporation and By-Laws to the contrary notwithstanding, the following provisions shall control:

(a) **FHA/VA Approval.** If any prospective Owner applies for FHA or VA mortgage financing and receives a commitment therefor, the following actions will require approval of the Federal Housing Administration or the Veterans Administration, as applicable: (1) addition of properties except as set forth in Article X, (2) dedication of Common Areas, and (3) amendment of this Declaration.

(b) The following actions will require notice to all institutional holders of first mortgage liens who have notified the Association in writing of their address to which such notices are to be delivered: (1) abandonment or termination of the Association; or (2) material amendment to the Declaration.

(c) Upon the request of any first mortgagee of a dwelling on an Affected Lot, the Association shall furnish to such mortgagee a written notice of any default by the Owner of such dwelling in the performance of such Owner's obligations under this Declaration or the By-Laws or Association rules and regulations which is not cured within thirty (30) days. Any first mortgagee of a dwelling who comes into possession of such dwelling pursuant to the remedies provided in the mortgage, a foreclosure of the

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mortgage, or deed (or assignment) in lieu of foreclosure, shall take such property free of any claims for unpaid assessments or charges in favor of the Association against the mortgaged dwelling which accrued prior to the time such holder comes into possession of the dwelling.

(d) Unless at least seventy-five percent (75%) [or such lesser percentage as is allowed or permitted by applicable FHA or VA regulations from time to time] of the first mortgagees (based upon one vote for each mortgage) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

(i) by act or omission seek to abandon, partition, encumber, or transfer the Common Areas, if any, or any portion thereof of interest therein (the granting of easements for public utilities or other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause);

(ii) substantially change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner by the Association;

(iii) by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance of the dwellings or maintenance of the dwellings or Lots;

(iv) fail to maintain liability and extended coverage insurance on insurable property comprising a part of the Common Areas on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs).

(e) All personal pronouns used in this Declaration, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa.

Section 6. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration.

Section 7. Conflicts. In the event of conflict between the terms of this Declaration and the Bylaws, rules, regulations or Articles of Incorporation of the Association, this Declaration shall control.

Section 8. Floodplain. In the event any of the Affected Lots are located partially within a floodplain or flood prone area, such Affected Lots, and the construction of any improvements thereon, must conform with the rules, regulations and guidelines set forth in all applicable City of Granbury, Texas, flood management ordinance(s) and other applicable laws, rules and regulations.

Section 9. Enforceability by City of Granbury. All rights granted or retained by the Association hereunder shall inure to the benefit of, and be enforceable by, the City of Granbury, Texas.

Section 10. Counterparts. This Declaration may be executed in one or more counterparts, all of which, when taken together, shall constitute one and the same Declaration.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed on its behalf,

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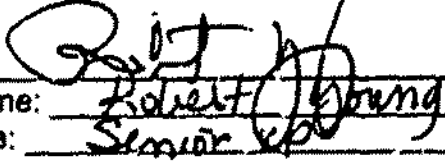
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attested and its corporate seal to be hereunto affixed as of the 27th day of December 2000.

DECLARANT:

LUMBERMEN'S INVESTMENT CORPORATION,
a Delaware corporation

By: 
Name: Robert Young
Title: Senior VP

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THE STATE OF TEXAS
COUNTY OF DALLAS

§
§
§

This instrument was acknowledged before me on the 27th day of December, 2000, by Robert Young, as Senior VP of LUMBERMEN'S INVESTMENT CORPORATION, a Delaware corporation, on behalf of said corporation

Barbara D Losey
Notary Public, State of Texas



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EXHIBIT "A"

BEING a 4.239 acre tract of land in the James C. Armstrong Survey, Abstract No.3, situated in the City of Granbury, Hood County, Texas, said tract also being a portion of that tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 383 of the Deed Records of Hood County, Texas (DRHCT), and also being a portion of that tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 362 of the DRHCT, said 4.239 acre tract being more particularly described as follows:

Commencing at a 5/8" iron pin found on the northerly right-of-way line of Water's Edge Drive (50' ROW), said iron pin also being the original easterly northeast corner of Water's Edge, an addition to the City of Granbury, Hood County, Texas as recorded in Cabinet A, Slide 282 of the Plat Records of Hood County, Texas (PRHCT), said iron pin also being the southeast corner of said tract conveyed to Lumbermen's Investment Corporation by deed recorded in Volume 1611, Page 383 DRHCT; THENCE along the said northerly right-of-way line of Water's Edge Drive and a circular curve to the right having a radius of 542.50 feet, a central angle of 04°31'30", a chord length of 42.83 feet and a chord bearing of S 88°37'51" W, an arc distance of 42.84 feet to a capped 1/2" iron pin set at the Point of Beginning of the herein described tract;

THENCE continuing along the said northerly right-of-way line of Water's Edge Drive and a circular curve to the right having a radius of 542.50 feet, a central angle of 06°12'47", a chord length of 58.80 feet and a chord bearing of N 86°00'21" W, an arc distance of 58.83 feet to a capped 1/2" iron pin set;

THENCE N 83°00'02" W along the said northerly right-of-way line of Water's Edge Drive, a distance of 280.03 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the right having a radius of 572.50 feet and a central angle of 52°59'42" and being subtended by a chord which bears N 56°32'00" W, 510.85 feet;

THENCE along the said northerly right-of-way line of Water's Edge Drive and said curve to the right, a distance of 529.53 feet to a capped 1/2" iron pin set;

THENCE N 30°03'50" W along the said northerly right-of-way line of Water's Edge Drive, a distance of 184.43 feet to a 5/8" iron pin found, said pin also being the Point of Curvature of a circular curve to the right having a radius of 470.94 feet and a central angle of 31°47'52" and being subtended by a chord which bears N 14°10'36" W, 258.02 feet;

THENCE along the said northerly right-of-way line of Water's Edge Drive and along said curve to the right, a distance of 261.36 feet to a capped 1/2" iron pin set;

THENCE S 88°16'40" E departing the said northerly right-of-way line of Water's Edge Drive, a distance of 155.00 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Curvature of a non-tangent circular curve to the left having a radius of 315.94 feet and a central angle of 31°47'52" and being subtended by a chord which bears S 14°10'36" E, 173.10 feet;

THENCE along said curve to the left, a distance of 175.34 feet to a capped 1/2" iron pin set;

THENCE S 30°03'50" E, a distance of 184.54 feet to a capped 1/2" iron pin set, said pin also being the Point of Curvature of a circular curve to the left having a radius of 417.50 feet and a central angle of 52°59'42" and being subtended by a chord which bears S 56°32'00" E, 372.54 feet;

THENCE along said curve to the left, a distance of 386.16 feet to a capped 1/2" iron pin set;

THENCE S 83°00'02" E, a distance of 280.39 feet to a capped 1/2" iron pin set, said iron pin also being the Point of Curvature of a circular curve to the left having a radius of 387.50 feet and a central angle of 06°12'47" and being subtended by a chord which bears S 86°00'21" E, 42.00 feet;

THENCE along said curve to the left, a distance of 42.02 feet to a capped 1/2" iron pin set;

THENCE S 00°53'16" W, a distance of 155.00 feet to the Point of Beginning and containing 184,653 square feet or 4.239 acres of land, more or less.

Any provision herein which restricts the sale, rental, or use of the described real property on the basis of color or race is invalid and unenforceable under Federal law.
STATE OF TEXAS COUNTY OF HOOD
I hereby certify that this instrument was filed on the date and at the time stamped hereon by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF HOOD COUNTY TEXAS, in the Volume and Page as shown hereon.



Sally Oubre
SALLY OUBRE, County Clerk
Hood County, Texas

FILED FOR RECORD
AT 10:55 A M.

DEC 28 2000

Sally Oubre
COUNTY CLERK, HOOD COUNTY, TX

Ret. To.
Lumbermens Invest. Corp.
5495 Belt Line Rd.
Suite 225
Dallas, TX. 75240
Attn: Barbara Losey