

EXHIBIT C

GENERAL WARRANTY DEED
AND DECLARATION OF COVENANTS

THE STATE OF TEXAS)

COUNTIES OF WALKER) ss
and SAN JACINTO)

KNOW ALL MEN BY THESE PRESENTS:

THAT, WATERWOOD IMPROVEMENT ASSOCIATION, INC., a Texas non-profit corporation ("Grantor", also referred to sometimes hereinafter as "the Association"), for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration to it in hand paid by HORIZON DEVELOPMENT CORPORATION, a Delaware corporation, qualified to do business in Texas ("Grantee"), the receipt and sufficiency of which are hereby acknowledged, has GRANTED, SOLD and CONVEYED and by these presents does GRANT, SELL and CONVEY unto Grantee, subject to the remaining terms and provisions hereof, those certain tracts or parcels of land situated in the Counties of Walker and/or San Jacinto, State of Texas, and more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes, together with, all and singular, the rights and appurtenances thereto in anywise belonging.

TO HAVE AND TO HOLD unto the said Grantee, its successors and assigns, forever; and Grantor hereby binds itself, its successors and assigns, to WARRANT and FOREVER DEFEND all and singular the title thereto against every person whomsoever lawfully claiming or to claim the same, or any part thereof, subject, however, to all rights-of-way, easements, reservations, encumbrances and other exceptions of record and further subject to the provisions, covenants, easements, reservations and restrictions contained in the Articles set forth below:

ARTICLE I

Definitions

For the purposes hereof, unless the context otherwise requires, the terms defined in this Article have the following meanings:

1.1. "Association" means the Waterwood Improvement Association, Inc., a Texas non-profit corporation, and any non-profit corporation which succeeds to all or substantially all its assets by any merger, consolidation or transfer of assets.

1.2. "Board" means the Board of Directors of the Association.

1.3. "Commercial Lot" means any Lot permitted or designated by any restrictions of record covering the Land to be used for commercial or industrial purposes.

1.4. "Community Properties" means any property, real or personal, hereafter conveyed to or otherwise acquired by the Association except such property conveyed by this General Warranty Deed and Declaration of Covenants.

1.5. "Grantee" means Horizon Development Corporation, a Delaware

corporation, and any entity which succeeds to all or substantially all its assets by any merger, consolidation or transfer of assets.

1.6. "Land" means those certain tracts or parcels of land described in Exhibit "A" attached hereto, and any other parcel of land owned as of the date hereof or later acquired by the Grantee and subjected to the terms of this Declaration.

1.7. "Living Unit" means any building or portion thereof situated upon a Multi-family Lot and designed and intended for use and occupancy by a single family.

1.8. "Lot" means any parcel or subdivided portion of the Land (whether described by metes and bounds or by lot and block number in accordance with a plat filed of record) which is held by an Owner.

1.9. "Multi-family Lot" means any Lot permitted by any restrictions of record covering the Land to be used for multi-family purposes.

1.10. "Owner" means any person or entity (whether one or more) who is purchasing or has purchased under contract for deed, deed or other instrument, any parcel of the Land, but Owner shall not mean (i) the United States of America, the State of Texas, or any municipal corporation or political subdivision or agency of the State of Texas; (ii) any person or entity holding only a lien, easement, mineral interest or royalty interest burdening such parcel; (iii) the Association; or (iv) the Grantee.

1.11. "Single Family Lot" means any Lot required by any restrictions of record covering the Land to be used for single family purposes only.

1.12. "Lot Improvement" means any improvement or landscaped area situated upon a lot held by an owner constructed in accordance with restrictions of record applicable to such lot.

ARTICLE II

Assessment of Charges

2.1. The Association, by action of the Board, shall have the right to levy and collect certain charges described hereinafter (sometimes referred to herein as "Charges") against each Lot to obtain such funds as the Board shall deem reasonably necessary to satisfy the purposes stated in Section 2.11, 2.12, 2.15 including reasonable reserves for contingencies and for capital improvements to Community Properties, replacements and repairs. Each Owner of a Lot, by execution of a contract for deed covering such Lot, or by acceptance of a deed or other conveyance therefore, whether or not it shall be so expressed in any such contract for deed, deed or other conveyance, shall be deemed to covenant and agree to pay the Association the Charges, which shall be charged on and secured by a continuing lien on the Lot against which such Charges are made. Such Charges, together with such interest thereon and the cost of collection thereof as are hereinafter provided for, shall also constitute the personal obligation of the Owner of such Lot as such charges accrue or become due and payable, notwithstanding

any subsequent transfer of such Lot. Such personal obligation shall not pass to such Owner's successors in interest unless expressly assumed by them, but shall be secured by the continuing lien referred to above.

2.2. In each calendar year, a Charge herein sometimes called the "Annual Charge" shall become due and payable on such Lot on the thirty-first day of December of said year, and delinquent on March 31 of the following calendar year. The amount of the Annual Charge on any Lot in the year in which such Lot is purchased or otherwise acquired from the Grantee by the Owner thereof shall be an amount which bears the same relationship to the Annual Charge as the remaining number of months of such year bears to twelve, commencing with the first day of the first calendar month after such purchase or acquisition. The Annual Charge for such year shall be due and payable on December 31 of such year and delinquent on March 31 of the following year.

2.3. The Annual Charge shall be levied on a uniform basis as follows:

(i) The Annual Charge for each Single Family Lot shall be \$120.00.

(ii) The Annual Charge for each Multi-family Lot shall be \$180.00, so long as there are no Living Units constructed thereon, and upon application for issuance of a building permit for each such Living Unit the Annual Charge shall be \$60.00 per Living Unit provided that in no event shall the Annual Charge for a Multi-family Lot be less than \$180.00. The \$60.00 per Living Unit Annual Charge shall accrue in the year following the issuance of said building permit.

(iii) The Annual Charge for each Commercial Lot shall be \$180.00, unless a lot improvement is constructed thereon in which case the Annual Charge shall be \$.01 per square foot of lot improvement and in the event the lot improvement shall exceed the total square foot area of such Lot, then such excess floor area shall be subject to the Annual Charge of \$.01 per square foot to compute the total Annual Charge. The Annual Charge in excess of \$180.00 shall accrue in the year following the issuance of said building permit, provided that in no event shall the Annual Charge for a commercial lot be less than \$180.00.

(iv) Property on which a use is allowed other than residential (single or multi-family, town houses, condominiums, or co-ops) shall be classified as commercial and the Annual Charge made accordingly

2.4. The Board will cause to be prepared a roster of all Lots showing the amount of each Annual Charge, which roster shall be kept in the Office of the Association and shall be open to inspection by any Owner. For a reasonable fee to be paid at the time a request is made, the Association shall furnish, upon request of any Owner, a certificate in writing signed by an officer of the Association setting forth whether there are any unpaid Annual Charges against said Lot and the amount of unpaid Annual Charges, if any. Such certificates shall be conclusive evidence of payment of any Annual Charge therein stated to have been paid, as to any

third party who in good faith relies thereon to his economic detriment.

2.5. If the Annual Charge is not paid by March 31 immediately following the December 31 on which it becomes due, such Annual Charge shall automatically (without notice) become delinquent, and together with interest at the rate of ten percent per annum and the cost of collection provided for herein shall thereupon be secured by a continuing lien upon the Lot against which the Annual Charge was levied, including improvements thereon, which shall bind such property in the hands of the then Owner thereof, his heirs, devisees, personal representatives, successors and assigns; and the Association may bring an action at law against the Owner personally obligated to pay the same or an action at law to foreclose the lien securing the Annual Charge, and there shall be added to the amount of such Annual Charge all reasonable expenses of collection, including the cost of preparing and filing the petition, reasonable attorneys' fees and costs of court.

2.6. The lien securing any Annual Charge provided for herein shall be subordinate to the lien of any mortgage(s) now or hereafter placed upon any of the Land subject to the Annual Charge for the purpose of securing the indebtedness incurred to purchase or improve any of such Land (including any vendor's lien, right of re-entry or other remedy retained by Grantee as seller of any parcel of such Land pursuant to any contract for deed covering same); provided, however, that such subordination shall apply only to the Annual Charges which have become due and payable prior to a sale or transfer of such property pursuant to a decree of foreclosure, a foreclosure by trustee's sale under a deed of trust, a conveyance in lieu of foreclosure or a right of re-entry or repossession by Grantee pursuant to a contract for deed. Such sale or transfer shall not release such property from liability for any Annual Charge thereafter becoming due, nor from the lien securing any such subsequent Annual Charge. In addition to the automatic subordination provided for herein, the Association in the discretion of the Board, may subordinate the lien securing any Annual Charge provided for herein to any other mortgage, lien or encumbrance, subject to such limitations, if any, as the Board may determine.

2.7. With respect to any Lot upon which the Owner thereof erects a lot improvement, the Association shall have the right to levy and collect a one-time Charge herein sometimes called the "Capital Improvement Charge". The Capital Improvement Charge shall become due and payable upon any Owner's application for a permit from the Architectural Control Board or other entity authorized to issue building permits pursuant to any restrictions of record applicable to such Owner's Lot in order to erect any improvement upon such Owner's Lot, and such Architectural Control Board shall not issue such permit unless and until the Capital Improvement Charge is paid in full. The provisions of this Paragraph 2.7 and the following Paragraph 2.8 (and Paragraph 2.9 to the extent applicable to Capital Improvement Charges) shall apply to any parcel of the Land held by the Grantee, or any municipal corporation or political subdivision or agency of the State of Texas or the United States of America.

2.8. The Capital Improvement Charge shall be levied against each Lot upon which a lot improvement is proposed.

A. As to any lot (set forth by schedule in Exhibit A) where the Association shall provide or cause to be provided a fully paved street fronting on such lot as well as access, power, telephone, water and sewer service to said lot:

(i) The Capital Improvement Charge for each Single Family Lot (a) if less than 8,000 square feet shall be \$2,000.00; (b) if 8,000 square feet or more, but less than 20,000 square feet shall be \$2,500.00; and (c) if 20,000 square feet or more shall be \$3,000.00.

(ii) The Capital Improvement Charge for each Multi-family Lot shall be \$1,000.00 for each Living Unit for which a building permit has been applied for.

(iii) The Capital Improvement Charge for each Commercial Lot shall be \$.10 per square foot of lot improvement and in the event the lot improvement shall exceed the total square foot area of such lot, then such excess floor area shall be subject to the Capital Improvement Charge of \$.10 per square foot to compute the total of such charge.

(iv) The Capital Improvement Charge for each commercial lot which may, under the restrictions of record applicable to such lot, be used for other than a commercial purpose shall be classified according to its' use and such charge made accordingly.

B. As to lots (set forth by schedule in Exhibit A) where the Association has no obligation to provide a paved street as well as access, power, telephone, water and sewer service to said lot, and such shall be provided by an entity other than the Association:

(i) The Capital Improvement Charge for each Commercial Lot shall be \$.02 per square foot of lot improvement and in the event the lot improvement shall exceed the total square foot area of such Lot, then such excess floor area shall be subject to the Capital Improvement Charge of \$.02 per square foot to compute the total of such charge.

(ii) The Capital Improvement Charge for each Single Family and Multi-family Lot shall be \$500.00 for each Living Unit for which application for the issuance of a building permit is made.

2.9. Annually, the Board shall increase or decrease the Charges set forth in Section 2.3 and 2.8 above by a fraction the numerator of which is the then current Engineering News Record Cost Index of the Engineering News Record (published by McGraw-Hill), or any successor index and the denominator of which is said Index as of January 1, 1973. In the event publication of said Index (or any successor index) is discontinued by the publisher at any time, the applicable index for determining increases or decreases hereunder shall be designated by the Board.

2.10. The Association shall not be obligated to spend in any calendar year any part of or all the funds collected in such

year by way of Charges, or otherwise, and shall carry forward as surplus any balances remaining; nor shall the Association be obligated to apply any such surpluses to the reduction of the amount of the Charges in the succeeding year, but shall carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the effectuation of its purposes.

2.11. The Association shall apply requisite funds received by it, from whatever source, for the purposes set forth below:

A. To repay all principal and interest, when due, and premium, if any, on any notes, bonds, debentures, or other evidences of indebtedness issued and sold by the Association and to meet all contractual obligations of the Association with any municipal utility district;

B. To pay all costs and expenses of the Association;

C. To maintain roads and pathways as constructed by Horizon Properties Corporation, its successors or assigns.

2.12. Subject to the provisions of Paragraphs 2.8A, 2.14 and only after the receipt by the Association of the tenth annual charge due and payable on the lot purchased from the Grantee and upon the lot owner complying with every condition set forth in Paragraph 2.13 below and furnishing evidence of such compliance satisfactory to the Board and within one year after the Board's receipt of a demand by such owner, the Association shall provide or cause to be provided to such owner's lot, from funds received by it from whatever source, the following facilities and services as set forth below:

A. In the event such lot fronts a street right-of-way, 50 feet or less in width, a fully paved street, including curb and gutter, directly fronting on such lot and consisting of a base suitable for 1½" asphaltic pavement wearing surface or equal and to be twenty-eight feet wide back to back of curb.

B. In the event such lot fronts a road right-of-way 51 feet or more in width, a road with a four inch caliche or equivalent all weather surface twenty-four feet in width, which road the Association shall be obligated to maintain or cause to be maintained in good and passable condition, and at such time as all streets (with a right-of-way of 50 feet or less) connecting such road have been paved, such road to be fully paved twenty-four feet in width with a base suitable for 1½" asphaltic paved wearing surface or equal and with a 5 foot single penetration asphalt shoulder on each side.

C. Water and sanitary sewage facilities by extension of the central water and sewerage system directly to the front of such Lot; provided, however, that if in the sole and uncontrolled judgment of the Board it is economically unfeasible to extend any or all of such facilities to such Lot, the Association shall have the right to substitute therefor (but at no cost to such Owner) an alternate facility which the Board, acting upon the advise

of a qualified engineer, determines to be economically feasible until such time as such central facility can be extended, such alternate facilities to include but not to be limited to individual water wells, individual storage tanks, individual septic tanks and individual sewage holding tanks.

D. Electric service facilities by request to a utility entity servicing the local area for the extension of service to abut such lot in the capacity as required to meet the needs of the lot improvement.

E. Telephone service facilities by request to a utility entity serving the local area for the extension of service to abut the lot.

2.13. The rights granted to the Owners set forth above in Paragraph 2.12 shall not accrue to any Owner until such Owner has presented the Board with written evidence satisfactory to the Board of each of the following:

(i) That such Owner has paid in full the Capital Improvement Charge attributable to the Lot for which such Owner is requesting facilities;

(ii) That such Owner has received from the Architectural Control Committee or other entity authorized to issue building permits a permit authorizing the construction of a Lot improvement(s).

2.14. Notwithstanding any other provision of this Declaration, failure (in whole or in part) or delay on the part of the Association or the Board or the Grantee in the performance of any of the obligations imposed upon any of them hereunder shall be excused and neither the Association, the Board nor the Grantee shall be liable for damages or otherwise on account thereof, when such failure or delay is the direct or indirect result of any of the following causes (herein called "Force Majeure") whether or not existing at the date hereof, and whether or not reasonably within the contemplation of said entities at the date hereof, namely: Acts of God, earthquakes, fire, flood or the elements, malicious mischief, insurrection, riot, strikes, slow-downs, lockouts, boycotts, picketing, labor or employment difficulties; acts of enemies, wars, hostilities, public disorders, sabotage; or compliance with any federal, state, municipal or other law, or with any regulation, order, rules, recommendation, request or suggestion of governmental agencies, authorities or representatives of any government act under claim or color of authority.

2.15. The Association shall apply funds received by it, from whatever source, for the benefit of the land in the manner set forth below, it being understood, however, that unless projected future revenues and funds remaining in hand are sufficient for the purposes set forth in Paragraphs 2.11 and 2.12 nothing herein shall require the Association to apply any funds for any of the purposes set forth below:

A. To improve, beautify, maintain, manage and otherwise develop the Land, and to promote the recreation, health, safety,

convenience and welfare of the Owners by the acquisition, construction, reconstruction, alteration, enlargement, laying, renewing, replacement, repaid, maintenance, operation and subsidizing of any of the following: projects, facilities, studies, programs, systems and properties relating to parks, recreational areas or services, including lakes, dams, parks, golf courses, tennis courts, zoos, playgrounds, boat basins, marinas, equestrian centers, skeet ranges and bowling alleys; trees, flowers and landscaping, fountains, benches and shelters; water supply and distribution systems, drain systems, facilities for the collection, treatment and disposal of garbage, refuse and sewerage; individual septic tanks, cesspools and water wells; sewerage holding tanks; streets, roads, highways, bridges, walkways, curbing, gutters, sidewalks and streets, road and highway lighting facilities; traffic engineering programs and parking facilities; directional and informational signs; mass transit systems, stations and terminals, air fields, airports, air-terminals and associated facilities; facilities for fighting and preventing fire; public utility systems; including plants, systems, facilities or properties used or useful in connection with the manufacture, production, distribution, delivery and storage of electric power and manufacture of natural gas or any other potential power source, and any integral part thereof, utility lines, poles, surface and underground facilities, relay station, cables, pipes, pipelines, ducts, meters and equipment and appurtenances, and/or properties, rights, easements and franchises relating thereto; communication systems and facilities, including all buildings, systems, facilities and properties used or useful in connection with the operation of communications networks and facilities, stations, towers, relay systems and facilities, cables, underground and surface ducts, lines, poles, receiving and transmitting and relay equipment, and appurtenances and all properties, rights, easements and franchises relating thereto; auditoriums, galleries, halls, amphitheaters, theaters, arenas and stadiums, educational buildings and facilities, including equipment, supplies and accessories in connection therewith; office buildings, buildings, storage and maintenance yards, garages and other buildings and facilities deemed necessary or desirable by the Board in connection with the administration, management, control and operation of the Association; hospitals and clinics, including equipment, medicines, supplies and accessories in connection therewith; libraries, including equipment, books, supplies and accessories in connection therewith; facilities for animal rescue and shelter; and any and all other improvements, facilities and services that the Board shall find to be necessary, desirable or beneficial to the interest of the Owners of the Land.

Nothing in Paragraph 2.11, 2.12 and 2.15, however, shall be construed to restrict the rights and powers of the Association to:

(i) assign and pledge all or any part of any funds received by it from any source whatsoever;

(ii) enter into a contract with the holders of any notes, bonds, debentures or other evidence of indebtedness issued and sold by the Association, or with any municipal utility district holding contracts with the Association securing the bonds of such district, agreeing for the benefit of such holders (a) to assess or collect the Charges when the same shall become due and payable; to establish sinking funds or other security deposits; to apply

all funds received by the Association first to the payment of the costs of collection and then to the payment of all principal and interest, when due, on any such evidences of indebtedness; (b) to establish such collections, payments and lien enforcement procedures as may be required by such holders; and (c) to provide for the custody and safeguarding of all funds received by the Association.

ARTICLE III

Rights of Enjoyment in Community Properties

3.1. Subject to the provisions of Section 3.2, Grantee and every Owner shall have a common right and easement of enjoyment in the Community Properties, and such rights shall be appurtenant to and shall pass with every Lot.

3.2. The rights and easements of enjoyment created hereby in favor of Grantee and the Owners shall be subject to the rights and easements now existing in favor of Grantee or others as referred to or provided for herein, and shall also be subject to the following rights of the Association:

(i) The Association shall have the right to borrow money and in aid thereof to mortgage Community Properties, and the enjoyment rights granted under this Article III shall be subordinate to the rights of any such mortgagee;

(ii) The Association shall have the right to take such steps as are reasonably necessary to protect the Community Properties against a foreclosure of any such mortgage;

(iii) The Association shall have the right to suspend the enjoyment rights of any Owner for any period during which any Annual Charge or other amount owed by such Owner to the Association remains unpaid;

(iv) The Association shall have the right to promulgate reasonable rules and regulations governing the Owners' use and enjoyment of the Community Properties, and to suspend the enjoyment rights of any Owner for any period not to exceed sixty days for any infraction of such rules and regulations;

(v) The Association shall have the right to assess and collect the Annual Charge provided for herein and to charge reasonable admission and other fees for the use of any facilities which are a part of the Community Properties and in charging such admission and other fees, to establish reasonable classifications among Owners for the purpose of implementing any rules and regulations promulgated by the Association hereunder;

(vi) The Association shall have the right to rent or lease any part of the Community Properties for the operation (for profit or otherwise) of any service activity intended to serve a substantial number of Owners, such as, but not limited to, child care nurseries.

3.3. Subject to the provisions of (iv) and (v) above, each Owner shall have the right to extend rights and easements of enjoyment

vested in him hereunder to the members of his family and/or to his tenants who reside on the Land and to such other persons as may be permitted by the Association.

ARTICLE IV

Term

4.1. Except as provided in Paragraph 4.2 below, all covenants set forth or provided for herein shall be deemed covenants running with the Land and/or charges and liens upon the Land and any and every conveyance or transfer of any part of the Land shall be absolutely subject to said covenants whether or not it shall be so expressed in the deed, lease or other conveyance thereof. These covenants shall continue in full force and effect until January 1, 2010, and shall automatically be extended thereafter for successive periods of ten years provided, however, that the holders of fee simple title to two-thirds of the area of the Land may revoke, amend or supplement this Declaration of Covenants on January 1, 2010, or at the end of any successive ten-year period thereafter, by executing and acknowledging an appropriate agreement or agreements, in writing, for such purpose and filing the same for record in the office of the County Clerks of Walker and San Jacinto Counties, Texas, at least five years prior to January 1, 2010, or at any time prior to five years preceding the expiration of any successive ten-year period thereafter.

4.2. Notwithstanding any provision of this Declaration, the right of the Association to levy and collect the Charges shall not be subject to termination or reduction by any revocation, amendment or supplement of this Declaration; provided, however, that the Board shall have the authority at any time and from time to time to reduce or eliminate the assessment of the Charges if the Board determines within its sole discretion that the funds received from the collection of the Charges are no longer needed because (i) all obligations have been fulfilled or (ii) adequate funds are available and assured from other sources.

ARTICLE V

Miscellaneous

5.1. It is expressly provided that Grantee shall have the right (but not the obligation) to impress the terms and charges imposed by this Declaration upon any other tracts belonging to or later acquired by the Grantee; and that the Grantor shall have the further right to apply the charges collected against the tracts described in Exhibit "A" hereto, and the charges collected against any such other tracts, for the benefit of any or all the Land without distinction among tracts so long as the terms of this Declaration are otherwise complied with in such application of Charges, it being understood, however, that the amounts of such charges may vary depending upon the obligation of WATERWOOD IMPROVEMENT ASSOCIATION assumed as to any property of Grantee later impressed as provided herein.

5.2. No change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions hereof.

5.3. The determination of any court that any provisions hereof are unenforceable or void shall not affect the validity of any other provision hereof.

5.4. The Association shall be empowered to assign its rights hereunder to any successor non-profit corporation and upon any such assignment, such successor shall have the rights and be subject to all the duties of the Association hereunder and shall be deemed to have agreed to be bound by all the provisions hereof, to the same extent as if such successor had been the original party hereto, and all references herein to the "Board" shall thereupon refer to the Board of Directors of such successor corporation. Any such assignment must be accepted by such successor corporation under written agreement pursuant to which such successor corporation expressly assumes all duties and obligations of the Association hereunder. If for any reason the Association shall cease to exist without having first assigned its rights hereunder, the covenants, easements, charges and liens imposed herein shall nevertheless continue, and any Owner may petition a court of competent jurisdiction to appoint a trustee for the purpose of organizing a non-profit corporation and assigning to it the rights of the Association hereunder.

5.5. All titles and headings to the Articles herein are for the purpose of reference and shall not be deemed to limit, modify or otherwise affect any of the provisions hereof.