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DECLARATION OF RESTRICTIONS

WATERWOOD LAKEVIEW ESTATES

STATE OF TEXAS

§

COUNTY OF SAN JACINTO

§

This Declaration, made on the date hereinafter set forth by HORIZON DEVELOPMENT CORPORATION authorized to do business in the State of Texas, hereinafter referred to as "Declarant".

WITNESSETH:

Whereas, Declarant is the owner of that certain property known as WATERWOOD LAKEVIEW ESTATES, a subdivision in San Jacinto County, Texas, according to the plat thereof recorded in Volume 7, page 4, of the Plat Records of San Jacinto County, Texas; and,

Whereas, it is the desire of Declarant to place certain restrictions, covenants, conditions, stipulations and reservations upon and against such property in order to establish a uniform plan of the development, improvement and sale of such property, and to insure the preservation of such uniform plan for the benefit of both the present and future owners of Lots in said subdivision:

NOW, THEREFORE, Declarant hereby adopts, establish and impose upon WATERWOOD LAKEVIEW ESTATES, and declares the following reservations, easements, restrictions, covenants and conditions, applicable thereto, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the land, which reservations, easements, covenants, restrictions and conditions shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest therein, or any part thereof, and shall inure to the benefit of each owner thereof;

ARTICLE I

Definitions

Section 1. "Association" shall mean and refer to the Waterwood Property Owner's Association, its successors and assigns, provided for in Article V hereof.

Section 2. "Properties" shall mean and refer to WATERWOOD LAKEVIEW ESTATES.

Section 3. "Lot" and/or "Lots" shall mean and refer to the Lots shown upon the Subdivision Plat which are restricted hereby to use for single family residential dwellings only.

Section 4. "Owner" shall mean and refer to the record owner whether one or more persons or entities, of fee simple title to any Lot which is a part of the Properties, but in the event of the execution of a contract for sale covering any Lot, the "Owner" shall be the purchaser named in the contract, but excluding those having such interest merely as security for the performance of an obligation and those having only an interest in the mineral estate.

Section 5. "Subdivision Plat" shall mean and refer to the plat of WATERWOOD LAKEVIEW ESTATES, recorded in Volume 7, page 4, of the Plat Records of San Jacinto County, Texas.

Section 6. "Architectural Control Board" shall mean and refer to the Architectural Control Board provided for in Article IV hereof.

Section 7. "Golf Course Lot" shall mean a Lot which abuts the Golf Course.

Section 8. "Interior Lot" shall mean a Lot which does not abut the Golf Course.

Section 9. "Golf Course" shall mean the Golf Course that now exists adjoining Waterwood Lakeview Estates.

ARTICLE II

Restriction, Exceptions and Dedications

Section 1. The Subdivision Plat dedicates for use as such, subject to the limitations set forth therein, the streets and easements shown thereon and such Subdivision Plat, further establishes certain restrictions applicable to the Properties, including, without limitation, certain minimum setback lines. All dedications, limitations, restrictions and reservations shown on the Subdivision Plat are incorporated herein and made a part hereof as if fully set forth herein, and shall be construed as being adopted in each and every contract, deed, or conveyance executed or to be executed by or on behalf of Declarant, conveying said property or any part thereof, whether specifically referred to therein or not.

Section 2. Declarant reserves the easements and rights-of-way as shown on the Subdivision Plat for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, CATV lines and telephone line or lines, gas, sanitary and storm sewers, water or any other utility Declarant sees fit to install in, across and/or under the Properties.

Section 3. Declarant reserves the right to make changes in and additions to the above easements for the purpose of most efficiently and economically installing the improvements.

Section 4. Declarant reserves the right, during construction, of the streets as shown on the Subdivision Plat, to enter onto any Lot or Lots for the purpose of disposing of street excavation, including the removal of any trees, if necessary, whether or not the Lot or Lots have been conveyed to and/or contracted for to any other Owner or Owners.

Section 5. Neither Declarant nor any utility company using the easements herein referred to, shall be liable for any damages done by them or their assigns, their agents, employees or servants to fences, shrubbery, trees or flowers or any other property of the Owner situated on the land covered by said easements.

Section 6. It is expressly agreed and understood that the title conveyed by Declarant to any Lot or parcel of land within the Properties by contract, deed or other conveyance shall be subject to any easement affecting same for roadways or drainage, water, gas, sanitary sewer, storm sewer, electric light, electric power, CATV lines or telephone lines and shall convey no interest in any pipes, lines, poles or conduits, or in any utility facility or appurtenance thereto constructed by or under Declarant or any easement owner, or their agents through, along, or upon the premises affected thereby, or any part thereof, to serve said land or any other portion of the Properties, and where not affected, the right to maintain, repair, sell or lease such appurtenances to any municipality, or other governmental agency or to any public service corporation or to any other party, and such right is hereby expressly reserved.

ARTICLE IIIUse RestrictionsSection 1. Land Use and Building Type.

A. Residential Lots. No structure shall be erected, altered, placed or permitted to remain on any Lot other than one (1) single-family dwelling, a detached or an attached garage or carport for not less than two (2) cars nor more than four (4) cars. A detached garage or carport shall not exceed one (1) story in height. Bona fide servants quarters shall not exceed the main dwelling in height or number of stories and this structure may be occupied only by a member of the family occupying the main residence on the building site or by domestic servants employed on the premises. The main dwelling shall not exceed a height of thirty-five (35) feet, without the written approval of the Architectural Control Board.

B. Residential Nature of Improvements. No Lot may be used for duplex houses, garage apartments, or apartment houses; and no Lot shall be used for business or professional purposes of any kind, nor for any commercial or manufacturing purposes, except that a single family residential unit may be constructed on any Lot for the purpose of renting the same for residential occupancy only. No building of any kind or character shall ever be moved onto any Lot within said Sub-division, without written permission of the Architectural Control Board.

Section 2. Architectural Control. No building shall be erected, placed or altered on any Lot until the construction plans and specifications and a plot plan showing the location of the structure thereon have been approved by the Architectural Control Board as to harmony with existing structures with respect to exterior design and color with existing structures as to location with respect to topography and finished grade elevation and as to compliance with minimum construction standards more fully provided for in Article III hereof.

Section 3. Dwelling Size. The total living area of the main residential structure on any interior Lot, exclusive of open porches, garages, and/or carports, and servants quarters, shall be not less than 1,500 square feet. The total living area of the main residential structure of a one and one-half (1-1/2), or a two (2) story dwelling shall not be less than 1,700 square feet. The total living area of the main residential structure on any Golf Course Lot, exclusive of open porches, garages, and/or carports and servants quarters shall not be less than 1,800 square feet. The total living area of the main residential structure of a one and one-half (1-1/2) story or a two (2) story dwelling on a Golf Course Lot shall not be less than 1,900 square feet.

Section 4. Type of Construction, Materials and Landscape.

A. No residence shall have less than twenty five percent (25%) masonry construction or its equivalent on its exterior wall area, unless approved in writing by the Architectural Control Board, except that detached garages may have wood siding of a type and design approved by the Architectural Control Board.

B. No external roofing material other than wood shingles, built up tar and gravel or asphalt shingles which are no lighter than 340 pounds per square and which are applied in accordance with the manufacturers specifications and which are installed on a roof which has no greater than a five in twelve pitch shall be used on any building in any part of the properties without the written approval of the Architectural Control Board.

C. No window or wall type air conditioners shall be permitted to be used, erected, placed or maintained on or in any building in any part of the Properties.

D. Before any landscaping shall be done in the front of any newly constructed dwelling, the landscape layout and plans shall have been first approved by the Architectural Control Board. Such landscaping is to be done in the front of the Lot at the time the dwelling is being completed and before occupancy.

Section 5. Building Location on Interior Lots and Golf Course Lots.

No building shall be located on any Lot nearer to any Lot line than the minimum building setback lines shown on the recorded plat, however, provided it does not encroach on an easement or buffer zone, a garage may be located no closer than five (5) feet from the rear property line on Interior Lots. For the purpose of these covenants, eaves, steps and open porches shall not be considered as a part of the building, provided, however, that this shall not be construed to permit any portion of a building on any Lot to encroach upon another Lot, except that any Owner of one or more adjoining lots (or portions thereof) may, with the written permission of the Architectural Control Board, consolidate such lots or portions into one building site with the privilege of placing or constructing improvements on such resulting site, in which case side setback lines shall be measured from the resulting side property lines rather than the Lot lines as indicated on the recorded plat and such composite building site shall thereupon be regarded as a "Lot" for the purposes of this Article III, Section 5 only. For the purpose of these restrictions, the front of each Lot shall coincide with and be the property line having the smallest or shortest dimension abutting a street, however, the front of Lots 1 through 13 in Block 1 shall be the property line abutting Troon, the front of Lots 4 through 50 in Block 2 shall be the property line abutting Muirfield, the front of Lots 53 through 58 in Block 2 shall be the property line abutting Muirfield Court and the front of Lots 25 through 41 in Block 2 shall be the property line abutting Waterwood Parkway.

Section 6. Minimum Lot Area. No Lot shall be resubdivided without the express written approval of the Architectural Control Board. No building may be erected on any Lot which as a result of such subdividing has an area of less than square feet.

Section 7. Annoyance or Nuisances. No noxious or offensive activity shall be carried on upon any Lot nor shall anything be done thereon which may become an annoyance to the neighborhood. The display or shooting of firearms, fireworks, or firecrackers is expressly forbidden.

Section 8. Temporary Structures. No structure of a temporary character, whether trailer, basement, tent, shack, garage, barn or other outbuilding shall be maintained or used on any Lot at any time as a residence, or for any other purpose, either temporarily or permanently; provided, however, that Declarant reserves the exclusive right to erect, place and maintain such facilities in or upon any portions of the Properties as in its sole discretion may be necessary or convenient while selling lots, selling or constructing residences and constructing other improvements upon the Properties. Such facilities may include, but not necessarily be limited, to sales, construction and other offices, storage areas, model units, signs and portable toilet facilities. The Declarants, and Builder Owners may use a residence as a temporary office. No garage or servants' quarters shall be erected, placed or maintained on any Lot until construction of the main residential dwelling has commenced. Any structure on which construction has commenced must be completed within a reasonable length of time. No boat trailers, boats, travel trailers, inoperative automobiles, campers, vehicles of any kind, or portable buildings are to be permanently or semi-permanently stored in the public street right-of-way or on driveways. Permanent and semi-permanent storage of such items and vehicles must be screened from public view, either within the garage or behind a fence which encloses the rear of the Lot.

Section 9. Signs and Billboards. No signs, billboards, posters, or advertising devices of any character shall be erected, permitted or maintained on any Lot without the express prior written consent of the Declarant, except for a Builder Owner, who may place on each Lot owned by such Builder Owner during the construction and sales period of improvements, not more than one sign of not more than five (5) square feet of sign space. Declarant or their agents shall have the right to remove any sign not complying with the above restrictions, and, in so doing, shall not be liable and are expressly relieved from any liability for trespass or other tort in connection therewith, or arising from such removal. The right is reserved by Declarant or its agent to construct and maintain such signs, billboards or advertising devices as is customary in connection with the general sale of property.

Section 10. Oil and Mining Operations. No oil drilling or development operation, soil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

Section 11. Storage and Disposal of Garbage and Refuse. No Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage, or other waste materials shall not be kept except in sanitary containers constructed of metal, plastic, or masonry materials with sanitary covers or lids. Equipment for the storage or disposal of such waste materials shall be kept in clean and sanitary condition. No Lot shall be used for the open storage of any materials whatsoever, which storage is visible from the street, except that new building materials used in the construction of improvements erected upon any Lot may be placed upon such Lot at the time construction is commenced and may be maintained thereon for a reasonable time, so long as the construction progresses without undue delay, until the completion of the improvements, after which these materials shall either be removed from the Lot or stored in a suitable enclosure on the Lot.

Section 12. Utility Easement Areas, Electric Service. The utility easement areas dedicated and shown on the recorded map of WATERWOOD LAKEVIEW ESTATES, may be cleared and kept clear by any utility of all trees, bushes, and other growth, including overhanging branches from trees or protrusions from structures located upon adjacent property, without payment to Owners by such utility for such clearance, cutting or trimming. The provisions of this paragraph shall constitute a covenant running with the land as to each Lot and Owner in this subdivision.

Individual underground electrical service drops shall be installed to each residence. The Owners of each residence will, therefore, comply with the Utility Company's policy regarding such underground service installations, and the Owners do hereby agree to pay any charges which might be incurred for the installation of the underground service as set forth in the Company policy.

Section 13. Walls, Fences and Hedges. No walls or fences shall be erected or maintained nearer to the front of any Lot than the front building line. The rear yards of golf course lots may not be fenced unless such fence is used to enclose a small patio which is an integral part of the house structure. All walls and fences on any lot must not exceed six (6) feet tall and must be of ornamental iron, wood or masonry construction. All fences must be approved by the Architectural Control Board. The Architectural Control Board may approve the installation of chain link fence if not visible from the street.

Section 14 .ot Maintenance The Owne or occupants of all Lots shall at all times keep all wecus and grass thereon cut in a sanitary, healthful and attractive manner. The front yard of houses at the time the house is built must be sodded solid with St. Augustine, Bermuda or an equal grass from the front of the house to the curb of the street in front of the house and must be properly maintained at all times.

Owners of Golf Course Lots may not grow, nor permit to grow, varieties of grasses or other vegetation which, in the opinion of the Golf Course Greenskeeper, is inimical to Golf Course grasses or vegetation, in the area of lots adjacent to the Golf Course. Such owners may, however, with the prior approval of the Greenskeeper, install barriers which will prevent the spread of otherwise prohibited grasses and vegetation adjacent to the Golf Course. In no event shall any Lot be used for storage of materials and equipment except for normal residential requirements or incident to construction of improvements thereon as herein permitted or permit the accumulation of garbage, trash, or rubbish of any kind thereon and shall not burn anything (except by use of an incinerator and then only during such hours as permitted by Law).

The drying of clothes in full public view is prohibited and the Owners or occupants of any Lots at the intersection of the streets or adjacent to parks, playgrounds, Golf Course or other facilities where the rear yard or portion of the Lot is visible to full public view shall construct and maintain a drying yard or other suitable enclosure to screen the following from public view: the drying of clothes, yard equipment, wood piles or storage piles which are incident to the normal residential requirements of a typical family.

In no event shall any Lot be used for storage of materials and equipment except for normal residential requirements of incident to construction of improvements thereon as herein permitted or permit the accumulation of garbage, trash, or rubbish of any kind thereon and shall not burn anything (except by use of an incinerator and then only during such hours as permitted by Law).

In the event of default on the part of the Owner or occupant of any Lot in observing the above requirements or any such default continuing after ten (10) days written notice, the Declarant or its assignees may, at their option, without liability to the Owner or occupant, trespass or otherwise enter upon said Lot and cause to be cut weeds and grass and remove or cause to be removed such garbage, trash and rubbish or do any other thing necessary to secure compliance with these restrictions so as to place said Lot in a neat, attractive, healthful and sanitary condition and may charge the Owner or occupant of such Lot for the cost of such work. The Owner or occupant, as the case may be, agrees by the purchase or occupancy of the property to pay such statement immediately upon receipt thereof. The payment of such statement shall be secured by a Vendor's Lien retained as hereinafter set forth in Article VI, Section 3.

Section 15. Unlicensed Motor Vehicles. No unlicensed motor vehicles shall be allowed within the subdivision. No motor bikes, motorcycles, motor scooters or other vehicles of that type shall be permitted in the subdivision if they are a nuisance by reason of noise or manner of use in sole judgment of the Declarant.

Section 16. Sewage Disposal. Sewage disposal shall be by a grinder pump system in accordance with specifications and approval of the Waterwood Municipal Utility District No. 1. The grinder system must connect to the central sewer system collection lines. No septic tank may be installed on any Lot.

Section 17. Pets. No horses, cows, hogs, poultry or livestock of any kind (other than house pets of reasonable kind and number) may be kept on any Lot. No pets are to run at large.

Section 18. Drainage. Natural drainage of streets, Lots or roadway ditches will not be impaired by any person or persons. Driveway culverts will be of sufficient size to afford proper drainage of ditches without backing water up into ditch or diverting flow. In no event shall culverts be less than fifteen (15) inches. Declarant may remove any culvert that obstructs the flow of water through the street ditches. The breaking of curbs for drive

installations will be accomplished in a good and workmanship-like manner and such break will be recemented without hindrance to drainage and such work is subject to the inspection and approval of the Architectural Control Board.

Section 19. Antennas. Exterior antennas which project above the highest point of the roof line must have written permission from the Architectural Control Board. Broadcast antennas must not interfere with television or radio reception.

ARTICLE IV

Architectural Control Board

Section 1. Approval of Building Plans. All plans and specifications for any structure or improvement whatsoever to be erected on or moved upon or to any portion of any lot, and the proposed location thereof, the construction material, the roofs and exterior color schemes, and any later changes or additions thereto shall be subject to and shall require the approval in writing of the Architectural Control Board, hereinafter called "Board", as the same from time to time is composed, before any such work is commenced. The Board shall be composed of three (3) members to be appointed by Horizon Development Corporation and any vacancies from time to time existing shall be filled by appointment of Horizon Development Corporation; provided, however, that at any time hereafter Horizon Development Corporation may, at its sole option, relinquish to the WATERWOOD PROPERTY OWNERS' ASSOCIATION, the power of appointment and removal herein reserved to Horizon Development Corporation. Such transfer of powers shall be evidenced in writing.

There shall be submitted to the Board on forms approved by the Board an application for a permit to build, together with two complete sets of plans and specifications for any and all proposed improvements and alterations which are desired and no improvements of any kind shall be erected, placed or maintained upon any lot until the final plans, elevations and specifications therefor have received such written approval as herein provided. Such plans shall include plot plans showing the location on the lot of the building, wall, fence, landscaped areas (including any proposed rearrangement of the native vegetation), or other improvement proposed to be constructed, altered, placed or maintained, together with the plans for roofs and exteriors thereof. Such applications shall be accompanied by a reasonable filing fee to be determined and set by the Board, said fee to defray the Board's expenses.

The Board shall approve or disapprove plans, specifications and details within forty-five (45) days after receipt thereof. One set of such plans and specifications and details with the approval or disapproval endorsed thereon shall be returned to the person submitting them and the other copy thereof shall be retained by the Board for its permanent files. The Board shall advise the applicant of the reason for the disapproval and suggest acceptable changes. In the event the Board fails to approve or disapprove any plans which have been submitted to it within forty-five (45) days from receipt thereof, approval shall not be required and the related covenants shall be deemed to have been fully complied with.

The Board shall have the right to disapprove any plans, specifications or details submitted to it in the event the same are not in accordance with all of the provisions of these restrictions, if the design or color scheme of the proposed improvements is not in harmony with the general surroundings of the real property or with existing adjacent improvements and natural environment, if the plans and specifications submitted are incomplete, or in the event the board deems the plans, specifications or details or any part thereof to be contrary to the interest, welfare or the rights of owners of the lots covered hereby. The decisions of the Board shall be final.

Neither the Board, Horizon Development Corporation nor any architect or agent thereof shall be responsible in any way for any defects of any plans or specifications submitted, revised or approved in accordance with the foregoing provisions, nor for any structural or

other defects in any work done according to such plans and specifications.

ARTICLE V

Waterwood Property Owners' Association

Section 1. Membership. There shall be one membership in the Waterwood Property Owners' Association for each Lot in the Properties, and the Owner or Owners of each Lot must designate in writing which Owner shall have the membership for that Lot. When a single Lot has more than one Owner, additional memberships may be available upon the approval of the Association's Board of Trustees, provided, however, that for each additional membership approved by the Board of Trustees, an additional annual maintenance charge must be paid for the Lot owned by the additional member, and further provided that regardless of the number of additional memberships approved by the Board of Trustees only one vote shall be cast with respect to any one Lot. Each member and the member's spouse and minor children shall be entitled to use the following facilities operated and maintained by the Declarant: Club House and Swimming Pool, Tennis Courts, Boat Ramps, Poole Creek Pool and Park, and Equestrian Center and Bridle Paths.

Membership shall be appurtenant to and may not be separated from ownership of the property which is subject to assessment by the said Waterwood Property Owners' Association. Ownership of such property and (i) written designation as the Owner entitled to membership in the Association or (ii) Board of Trustees approval of an additional membership and payment of the additional maintenance charge required, shall be the only qualifications for membership.

Section 2. Voting Rights. The Corporation shall have two (2) classes of voting membership:

Class A. Class A members shall be all those members as hereinabove defined with the exception of those designated below as Class B members. Class A members shall be entitled to one (1) vote for each Lot in which they are the designated member. When more than one person holds such interest in any Lot, the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B member shall be HORIZON DEVELOPMENT CORPORATION, authorized to do business in the State of Texas. So long as any Class B member remains the record owner of any property which is subject to a maintenance charge assessment by the Waterwood Property Owners' Association, no member shall be entitled to vote except the Class B member, provided, however, that at any time the Class B member's exclusive voting rights may be relinquished by the written consent of the Class B member. At such time as the Class B member's exclusive voting rights are so relinquished, or when no Class B member remains as the record owner of property which is subject to a maintenance charge assessment by the Waterwood Property Owners' Association, the Class B membership shall cease and be converted into Class A membership and all voting rights shall be vested in the Class A members.

The Class A and Class B members shall have no rights as such to vote as a class, except where required by the Texas Non-Profit Corporation Act.

Section 3. Non-Profit Corporation. Waterwood Property Owners' Association, is a non-profit corporation and all duties, obligations, benefits, liens and rights created hereunder in favor of the Association shall vest in the said Corporation.

Section 4. Inspection of Records. The books, records and papers of the Association shall at all times be subject to inspection by any member during reasonable business hours. The Declarations, the Articles of Incorporation and the By-Laws of the Association shall be

available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE VI

Maintenance Charges

Section 1. Waterwood Property Owners Association Maintenance Fund. Each lot in this subdivision is hereby subjected to an annual maintenance charge and assessment for the purpose of creating a fund to be designated and known as the "maintenance fund", which maintenance charge and assessment will be paid by the Owner or Owners of each Lot within this subdivision, to the Waterwood Property Owners' Association. Maintenance charges assessed against Lots of which the Declarant is the Owner shall be payable at the option of the Declarant. The rate at which each Lot will be assessed will be determined annually, and may be adjusted from year to year by the Association as the needs of the Association may, in the judgment of the Association, require; provided that an equal amount of maintenance charge will be assessed against each Lot. The maintenance charge payable annually in advance (or at the option of Declarant, monthly in advance), provided; however, that the Declarant shall have the option of paying such maintenance charge for its Lots annually in advance, monthly in advance or not at all, as the Declarant so elects.

The Association shall use the proceeds of said maintenance fund for the use and benefit of all residents of this subdivision as well as all other sections of Waterwood, provided, however, that each section of Waterwood to be entitled to the benefit of this maintenance fund, must be impressed with and subject to a like annual maintenance charge and assessment to be determined by Declarant, which is payable to the Association, and further made subject to the jurisdiction of the Association. The uses and benefits to be provided by said Association shall include, by way of clarification and not limitation and at its sole option, payment of dues charged by the Declarant for use of the Club House and Swimming Pool, Tennis Courts, Boat Ramps and Poole Creek Pool and Park, operated and maintained by the Horizon Development Corporation, payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment, and doing any other thing or things necessary or desirable which, in the opinion of the Association, is considered of general benefit to the Owners or other occupants of the Properties, it being understood that the judgment of the Association in the expenditure of said funds shall be final and conclusive so long as such judgment is exercised in good faith.

Additionally, and from time to time, the Association may impose special assessments, the proceeds to be used for such special purposes as designated by the Association, provided same shall be consistent with the uses and purposes of the annual maintenance charge.

Section 2. Subdivision Unit Maintenance Fund. Each lot in this subdivision is hereby subjected to an annual maintenance charge and assessment for the purpose of creating a fund to be designated and known as the "maintenance fund", which maintenance charge and assessment will be paid by the Owner or Owners of each Lot within this subdivision, to Horizon Properties Corporation. Maintenance charges assessed against Lots of which the Declarant is the Owner shall be payable at the option of the Declarant. The rate at which each Lot will be assessed will be determined annually, and may be adjusted from year to year by Horizon Properties Corporation as the needs of the subdivision may, in the judgment of Horizon Properties Corporation, require; provided that an equal amount of maintenance charge will be assessed against each Lot, and provided that the increase shall not exceed the percentage increase in the consumer price index for the previous year. The initial annual charge is set at \$102.00 payable in monthly installments of \$8.50. The maintenance charge is payable annually in advance (or at the option of Horizon Properties Corporation, monthly in advance), provided, however, that the Declarant shall have the option of paying such maintenance charge for its Lots annually in advance, monthly in advance or not at all, as the Declarant so elects.

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Horizon Properties Corporation shall use the proceeds of said maintenance fund for the use and benefit of all residents of this subdivision. The uses and benefits to be provided by said Horizon Properties Corporation shall include, by way of clarification and not limitation and at its sole option, any and all of the following: installing, maintaining and operating street lights, roads, permanent right-of-ways, easements, esplanades and other public areas; payment of all legal and other expenses incurred in connection with the collection and enforcement of all charges and assessments, covenants, restrictions and conditions affecting the Properties to which the maintenance fund applies; payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment; providing security and doing any other thing or things necessary or desirable in the opinion of Horizon Properties Corporation to keep the Properties in the subdivision neat and in good order, or which is considered of general benefit to the Owners or other occupants of the Properties, it being understood that the judgment of Horizon Properties Corporation in the expenditure of said funds shall be final and conclusive so long as such judgment is exercised in good faith. Horizon Properties Corporation may assign its rights and obligations hereunder to Waterwood Property Owners Association or its successor should it elect to undertake the services set forth herein.

Section 3. To secure the payment of the annual maintenance charge and assessment established hereby and to be levied on individual Lots, as well as the special assessments and any and all other charges which may be levied against Owners or other occupants of such Lots, there shall be reserved in each Deed (whether specifically stated therein or not) by which the Declarant shall convey such Lots, a Vendor's Lien for the benefit of the Association and Horizon Properties Corporation, said lien to be enforceable through appropriate legal proceedings by such beneficiary; provided, however, that each lien shall be secondary, subordinate, and inferior to all liens, present and future, giving, granted and created by or at the instance and request of the Owner of any such Lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the construction of improvements on any such Lot to the extent of any such maintenance charge or other charge accrued and unpaid prior to foreclosure of any such purchase money lien or construction lien; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Lot upon which there is an outstanding valid and subsisting first mortgage lien for the aforesaid purpose or purposes, the Association or Horizon Properties Corporation shall give the holder of such first mortgage lien sixty (60) days written notice of such proposed action, which notice shall be sent to the nearest office of such first mortgage holder by prepaid U. S. Certified Mail, and shall contain a statement of the delinquent maintenance or other charges upon which the proposed action is based. Upon the request of any such first mortgage lienholder, the Association and Horizon Properties Corporation shall acknowledge in writing its obligation to give the foregoing notice with respect to the particular Lot covered by such first mortgage lien to the holder thereof.

Section 4. The above maintenance charges and assessments will remain effective for the full term (and extended term, if applicable) of the covenants contained hereof.

Section 5. It is specifically stated and agreed that for any Lot sold by the Declarant to persons or entities by contract for sale of land, or deed with lien and note, or other instrument, where the Owner defaults in the contract or note payments in any manner and said Lot is repossessed, foreclosed or such contract is cancelled by Declarant, its successors or assigns, the Association and Horizon Properties Corporation will release their right to collect the past due maintenance or other charges, assessments and penalties on such Lots from the Declarant. Nothing herein contained, however, shall relieve the Owner in default from whom the Lot was repossessed from his obligation to pay such delinquent charges, assessments and penalties to the Association or Horizon Properties Corporation.

ARTICLE VII

General Provisions

Section 1. Term. These covenants shall run with the land and shall be binding upon all parties and all persons claiming under them for a period of forty (40) years from the date these covenants are recorded after which time said covenants shall be automatically extended for successive periods of ten (10) years each, unless at the end of forty (40) years or any time thereafter, an instrument signed by a majority of the then Owners of the Lots has been recorded agreeing to change or terminate said covenants in whole or in part. These covenants may be amended at any time except as to Article V and VI by the recordation in the office of the San Jacinto County Clerk of the amendment executed by the owners of a majority of the lots in Waterwood Lakeview Estates. Each lot shall have one vote regardless of the number of owners thereof. Upon any violation or attempt to violate any of the covenants herein, it shall be lawful for any lot owner to prosecute the proceedings at law or in equity against the person or persons violating or attempting to violate any such covenants and either to prevent him or them from doing so or to recover damages of other dues from such violations. The Declarants reserve the right to enforce these restrictions.

Section 2. Servability. Invalidation of any one of these covenants, judgment or further court order shall in no way affect any of the other provisions which shall remain in full force and effect.

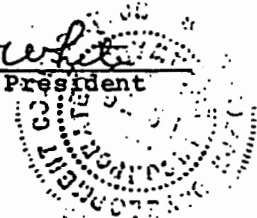
Executed this 1 day of July, 1981, A.D.

ATTEST:

HORIZON DEVELOPMENT CORPORATION

Diane Hendrickson
Assistant Secretary

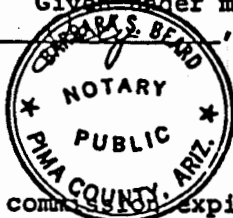
By Donald C. White, President



STATE OF ARIZONA)
COUNTY OF PIMA) SS

Before me, the undersigned authority, in and for said County and State, on this day personally appeared Donald C. White, President of Horizon Development Corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as President of said corporation, and the act and deed of said corporation and for the purpose and consideration herein expressed.

Given under my hand and seal of office this 1 day of July, 1981.



Charles S. Beard
Notary Public

My commission expires:
My Commission Expires April 23, 1983

File No. 3818 -11-
This instrument was filed for record on the 9th day of July 1981 9:30 A.M. and duly recorded in Vol. 205 150 et seq. of the Deed. Mrs. Imogene H. Trapp

AMENDMENT TO DECLARATION OF RESTRICTIONS
WATERWOOD LAKEVIEW ESTATES

STATE OF TEXAS)
) ss.
 COUNTY OF SAN JACINTO)

THIS DECLARATION OF AMENDMENT is made on the date hereinafter set forth by HORIZON PROPERTIES CORPORATION, Successor-In-Interest to HORIZON DEVELOPMENT CORPORATION, authorized to do business in the State of Texas, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of a majority of the lots in the property known as WATERWOOD LAKEVIEW ESTATES, a subdivision in San Jacinto County, Texas, according to the plat thereof recorded in Volume 7, Page 4, of the plat records of San Jacinto County, Texas; and

WHEREAS, it is the desire of Declarant to amend those certain restrictions, covenants, conditions, stipulations and reservations upon and against such property which were executed on the 1st day of July, 1981, A.D. and recorded on the 9th day of July, 1981, A.D. at 9:30 A.M., in Volume 205, Page 150, et. seq., of the deed records of the Office of the County Clerk of San Jacinto County, Texas; Declarant hereby amends the said restrictions, covenants, conditions, stipulations and reservations upon and against the property, in the following manner:

Section 2, Architectural Control shall be amended by striking the words "and specifications" from said paragraph. All other portions of said paragraph shall remain as written and recorded.

The paragraph entitled Section 3, Dwelling Size is hereby deleted, and in its place is set forth the following:

"Section 3, Dwelling Size. The total living area of the main residential structure on all lots, except Lots 10 through 18 and 37 through 85 in Block 1; Lots 1 through 10 in Block 8; Lots 6, 7 and 10 through 20 in Block 7; Lots 7 through 10 in Block 6; and Lots 11 through 12 in Block 2, exclusive of open porches, garages and/or carports, and servants' quarters, shall be not less than 1000 square feet. The total living area of the main residential structure of a one and one-half (1-1/2) or a two (2) story dwelling shall not be less than 1200 square feet. As to the above-excepted lots, the total living area of the main residential structure, exclusive of open porches, garages and/or carports, and servants' quarters, shall not be less than 1800 square feet. The total living area of the main residential structure of a one and one-half (1-1/2) or a two (2) story dwelling on said lot shall not be less than 1900 square feet."

Section 6, Minimum Lot Area shall be amended by adding "6300" in the blank preceeding the words "square feet".

The following portion of Section 14, page 6, paragraph 2, is hereby deleted:

"In no event shall any Lot be used for storage of materials and equipment, except for normal residential requirements or incident to construction of improvements thereon as herein permitted, or permit the accumulation of garbage, trash or rubbish of any kind thereon, and shall not burn anything (except by use of an incinerator, and then only during such hours as permitted by law)."

Section 14, page 6, paragraph 4, shall be amended by changing the words "of incident" in the second line of said paragraph to "or incident".

The first paragraph of Article IV, Section 1, Approval of Building Plans shall be deleted and the following paragraph substituted in its place:

"Section 1. Approval of Building Plans. All plans for any structure or improvement whatsoever to be erected on or moved upon or to any portion of any lot, and the proposed location thereof, the construction material, the roofs and exterior color schemes, and any later changes or additions thereto shall be subject to and shall require the approval, in writing, of the Architectural Control Board, hereinafter called "Board", as the same from time to time is composed, before any such work is commenced. The Board shall be composed of three (3) members to be appointed by HORIZON PROPERTIES CORPORATION, and any vacancies from time to time existing shall be filled by appointment of HORIZON PROPERTIES CORPORATION, provided, however, that at any time hereafter HORIZON PROPERTIES CORPORATION may, at its sole option, relinquish to THE WATERWOOD PROPERTY OWNERS' ASSOCIATION the power of appointment and removal herein reserved to HORIZON PROPERTIES CORPORATION. Such transfer of powers shall be evidenced in writing."

The second paragraph of Article IV, Section 1, Approval of Building Plans shall be deleted and the following paragraph substituted in its place:

"There shall be submitted to the Board, on forms approved by the Board, an application for a permit to build, together with two (2) complete sets of final plans, including elevation and color schemes, for any and all proposed improvements and alterations which are desired, and no improvements of any kind shall be erected, placed or maintained upon any lot until the final plans therefor have received such written approval as herein provided. Such plans shall include plot plans showing the location on the lot of the building, wall, fence, landscaped areas (including any

proposed rearrangement of the native vegetation), or other improvements proposed to be constructed, altered, placed or maintained, together with the plans for roofs and exteriors thereof. Such applications shall be accompanied by a reasonable filing fee to be determined and set by the Board, said fee to defray the Board's expenses."

The third paragraph of Article IV, Section 1, Approval of Building Plans shall be amended by striking the words "and specifications" from line 3 thereof.

The fourth paragraph of Article IV, Section 1, Approval of Building Plans shall be amended by striking the words "and specifications" and "specifications" wherever they appear.

The fifth paragraph of Article IV, Section 1, Approval of Building Plans shall be stricken, and the following paragraph substituted in its place:

"Neither the Board, HORIZON PROPERTIES CORPORATION, nor any architect or agent thereof shall be responsible in any way for any defects of any plans submitted, revised or approved in accordance with the foregoing provisions, nor for any structural or other defects in any work done according to such plans."

The paragraph entitled Class B of Article V, Section 2, Voting Rights shall be amended by substituting the words "HORIZON PROPERTIES CORPORATION, Successor-in-Interest to HORIZON DEVELOPMENT CORPORATION", in place of "HORIZON DEVELOPMENT CORPORATION".

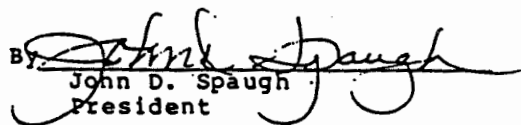
The second paragraph of Article VI, Section 1, Waterwood Properties Association Maintenance Fund shall be amended by striking the words "Horizon Development Corporation" and substituting the words "HORIZON PROPERTIES CORPORATION, Successor-in-Interest to HORIZON DEVELOPMENT CORPORATION."

Except as hereinabove modified, the covenants and restrictions imposed by said Declaration of Restrictions shall remain in full force and effect.


EXECUTED this 12 day of March, 1985, A.D.

HORIZON PROPERTIES CORPORATION

By:


John D. Spaugh
President

Attest:

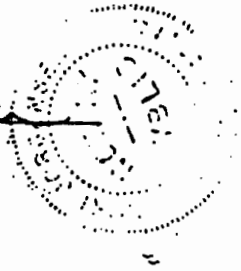

Richard R. Lovinger, Secretary

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

Before me, the undersigned authority in and for said county and state, on this date personally appeared JOHN D. SPAUGH, President of HORIZON PROPERTIES CORPORATION, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as President of said corporation, in the act and deed of said corporation and for the purpose and consideration herein expressed.

GIVEN UNDER MY HAND and seal of office this 12th day of March, 1985, A.D.


1-12-88
Notary Expiration Date

Lois Jorgensen
Notary Public


FILED FOR RECORD
1985 MAR 13 PM 3:26
Lois Jorgensen
COUNTY CLERK
SAN JUAN COUNTY, TEXAS
BY

NOTARY PUBLIC
I hereby certify that this instrument was filed in the Public Records of the County of San Juan, Texas, on this 13th day of March, 1985, at the office of the Public Records of San Juan County, Texas.

MAR 13 1985


Lois Jorgensen
Notary Public
STATE OF ARIZONA