

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE SANDS OF KAHALA BEACH
A SUBDIVISION IN GALVESTON COUNTY, TEXAS

THE STATE OF TEXAS §
 §
COUNTY OF GALVESTON §

This Declaration ("Declaration"), made on the date hereinafter set forth, by BRUCE REINHART and DEBBIE REINHART, hereinafter collectively referred to as "Declarant".

W I T N E S S E T H:

WHEREAS, Declarant is the owner of that certain property known as THE SANDS OF KAHALA BEACH, a subdivision in Galveston County, Texas, according to the map or plat thereof recorded in Volume 18, Page 622-23 of the Map Records of Galveston County, Texas (hereinafter sometimes called the "Property" or the "Subdivision");

and

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

NOW, THEREFORE, Declarant (joined herein by the lienholder upon the Property) hereby adopts, establishes and imposes upon the Property, and declares the following reservations, easements, restrictions, covenants, and conditions (sometimes referred to herein collectively as the "Covenants") applicable thereto, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Subdivision, which Covenants shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in the Property, 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 homeowner association whose membership is composed of all of the owners of lots within the Subdivision, and its successors and assigns, as described in Article IV of this Declaration.

Section 2. "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 part of the Property, including contract sellers, but excluding those who have such interest merely as security for the performance of an obligation. For purposes of membership in the Association, each lot shall only have one Owner, and if multiple parties own a Lot they shall designate the "Owner" for purposes hereof.

Section 3. "Property" shall mean and refer to the Property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Subdivision Plat" shall mean and refer to the map or plat of the Property, recorded in Volume ____, Page ____ of the Map Records of Galveston County, Texas, and any recorded replat thereof.

Section 5. "Lot" and/or "Lots" shall mean and refer to the Lots shown upon the Subdivision Plat (with the exception of the Common Properties).

Section 6. "Common Property" shall mean and refer to those areas of land within the Property as are now shown and identified on the Subdivision Plat as "Reserve 1 - Reserve 16", and a private street and entrance structure and two public dune walkovers which are to be maintained and regulated by the Association, together with such other property as the Association may, at any time or from time to time, acquire by purchase or otherwise, subject, however, to the easements, limitations, restrictions, dedications and reservations applicable thereto by virtue hereof and/or by virtue of the Subdivision Plat, and/or by virtue of grants or dedications by Declarant or Declarant's successors in title.

References herein to "the Common Properties in the Subdivision" shall mean and refer to Common Properties as defined respectively in this Declaration and all Supplemental Declarations.

Section 7. "Architectural Control Committee" shall mean and refer to the Association, provided for in Article VII hereof.

Section 8. "Declarant" shall mean and refer to BRUCE REINHART and DEBBIE REINHART, their heirs, executors, administrators, successors, and assigns.

Section 9. "Board of Directors" shall mean and refer to the Board of Directors of the Association.

ARTICLE II.

Reservations, Exceptions and Dedications

Section 1. Existing Easements. The Subdivision Plat dedicates for use as such, subject to the limitations set forth therein, certain streets and easements shown thereon, and such Subdivision Plat further establishes certain dedications, limitations, reservations, certain minimum setback lines, and restrictions applicable to the Property. All (i) dedications, limitations, restrictions, minimum setback lines, and reservations shown on the Subdivision Plat and (ii) grants and dedications of easements and related rights heretofore made by Declarant and/or Declarant's predecessors in title affecting the Property and currently of record in the Official Records of Galveston County, Texas and enforceable against the Property or are incorporated herein by reference and made a part of this Declaration for all purposes, 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 any part of the Property, whether specifically referred to therein or not.

Notwithstanding anything to the contrary contained on the Subdivision Plat, all structures constructed upon a lot must be constructed adjacent to the northerly building line shown upon the Subdivision Plat.

Notwithstanding anything to the contrary contained on the Subdivision Plat, decks shall be allowed to be constructed as the mostly southerly ten (10) feet of any improvements constructed on a lot, no covered structures or other view obstructing structures may be constructed as part of the most southerly ten (10) feet of improvements.

Section 2. Utility Easements and Rights-of-Way. Declarant reserves the easements and rights-of-way as shown on the subdivision Plat (collectively called the "Easements" and the portion of the Property designated on the Subdivision Plat for Easements being hereinafter sometimes called the "Easement Property") for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, telegraph, cable television, and telephone line or lines, sewers or any other utility Declarant sees fit to install in, across and/or under the Easement Property.

Section 3. Changes and Additions. Declarant reserves the right to make changes in and additions to the Easements for the purpose of most efficiently and economically installing the improvements and utilities within the Easement Property.

Section 4. Easements and Appurtenances. It is expressly agreed and understood that the title conveyed by Declarant to any Lot or parcel of land within the Property by contract, deed or other conveyance shall be subject to (a) the easements described in this Declaration for roadways or drainage, water, sewer, storm sewer, electric light, electric power, telegraph, cable television, telephone or other utility purposes and such conveyance shall not convey any interest in pipes, lines, poles or conduits, or in any utility facility or appurtenances thereto, constructed by or under Declarant or any easement owner, or their agents through, along or upon the Easement Property, or any part thereof, to serve the Property; and (b) the right of Declarant, its successors and assigns, to maintain, repair, sell or lease such appurtenances (subject to the provisions of this Declaration) 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).

Section 5. Installation and Maintenance.

There is hereby created an easement upon, across, over and under all of the Property for ingress and egress in connection with installing, replacing, repairing, and maintaining all utilities, including but not limited to, water, sewer, telephones, electricity, and appurtenances thereto. By virtue of this easement, it shall be expressly permissible for the utility companies and other entities supplying service to install and maintain pipes, wires, conduits, service lines, or other utility facilities or appurtenances thereto, on, across and under the Easement Property and within any other public utility easements from time to time created, and from service lines situated within such easements to the point of service on or in any structure. Notwithstanding anything contained in this Section 5 of Article II, no sewer, electrical lines, water lines, or other utilities or appurtenances thereto may be installed or relocated on the Property until approved by Declarant. The utility companies furnishing service shall have the right to remove all trees situated within the Easements shown on the Subdivision plat, and to trim overhanging trees and shrubs located on the portions of the Property abutting such Easements. 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 other property situated on the land covered by said Easements. With the exception of four utility poles with transformers located upon them, all utility systems shall be located underground.

Section 6. Emergency and Service Vehicles. An easement is hereby granted to all police, fire protection, ambulance and other emergency vehicles, and to garbage and trash collection vehicles, and other service vehicles to enter upon the Property (but not within buildings) in the performance of their duties. Further, an easement is hereby granted to the Association, its officers,

agents, employees and management personnel to enter the Property (but not within buildings) to render any service.

Section 7. Underground Electric System. An underground electric distribution system will be installed in the entire subdivision, herein sometimes called the Underground Residential Subdivision, which underground service area embraces all of the Lots which are platted in the Subdivision. The Owner of each Lot containing a single dwelling unit, shall, at his or its own cost, furnish, install, own and maintain (all in accordance with the requirements of local governing authorities and the National Electric Code) the underground service cable and appurtenances from the point of electric company's metering at the structure to the point of attachment at such company's installed transformers or energized secondary junction boxes, such point of attachment to be made available by the electric company at a point designated by such company at the property lines of each Lot. The electric company furnishing service shall make the necessary connections at said point of attachment and at the meter. Declarant has either by designation on the Subdivision Plat or by separate recorded instrument granted necessary easements to the electric company providing for the installation, maintenance and operation of its electric distribution system and has also granted to the various Lot Owners reciprocal easements providing for access to the area occupied by and centered on the service wires of the various Lot Owners to permit installation, repair and maintenance of each Lot Owner's owned and installed service wires. In addition, the Owner of each Lot containing a single dwelling unit, shall at his or its own cost, furnish, install, own and maintain a meter loop (in accordance with the then current standards and specifications of the electric company furnishing service) for the location and installation of the meter of such electric company for each dwelling unit involved. For so long as underground service is maintained in the Underground Residential Subdivision, the electric service to each dwelling unit therein shall be underground, uniform

the aforesaid vegetation as a result of any activity relating to the construction, maintenance, operation or repair of any facility in any such Easement Property.

Section 9. Dune Walkovers.

With the exception of Lots 5 and 6 and Lots 11 and 12, any Owner of a Lot constructing a dune walkover within a private beach access easement as shown on the Subdivision Plat shall be entitled to reimbursement within 30 days of completion of construction by the adjoining Lot Owner who shares such private beach access easement of one-half of the cost of construction of such dune walkover.

ARTICLE III.

Property Subject to this Declaration

Section 1. Description. The real property which is, and shall be, held, transferred, sold, conveyed, and occupied subject to this Declaration consists of all of the Property, according to the Subdivision Plat (or any subsequently recorded plat thereof), which real property is sometimes hereinafter referred to as the "Existing Property".

Section 2. Mineral Exception. There is hereby excepted from the Property and Declarant will hereafter except from all its sales and conveyances of the Property, or any part thereof, including the Lots and Common Properties, all oil, gas, and other minerals, in, on, and under the Properties; but each such reservation shall be subject to the provision and requirements of Article XIII of this Declaration.

Section 3. Additions to Existing Property. Additional lands may become subject to the scheme of this Declaration in the following manner:

(a) Additions by Declarant. The Declarant, their heirs, executors, administrators, successors and assigns, shall have the right to bring within the scheme of this Declaration additional properties in future stages of development ("Additional Property"), upon the approval of at least 67% of the Board of Directors present and voting, in its sole discretion. Any additions of Additional Property authorized under this and the succeeding subsection of

this Declaration, shall be made by filing of record in the Official Records of Galveston County, Texas, an amendment to this Declaration with respect to the Additional Property which shall extend the scheme of the Covenants of this Declaration to the Additional Property, and the execution thereof by all members of the Board of Directors shall constitute all requisite evidence of the required 67% approval thereof by the Board of Directors present and voting. Any such amendment to this Declaration must impose an annual maintenance charge assessment on the Additional Property, on a uniform, per lot basis, substantially equivalent to the maintenance charge and assessment imposed by this Declaration, and may contain such complementary additions and/or modifications of the covenants and restrictions contained in this Declaration as may be applicable to the Additional Property and approved by the Board of Directors.

(b) Other Additions. Upon the approval of 67% of the Board of Directors present and voting, in its sole discretion, the owner of any property who desires to add it to the scheme of this Declaration, and to subject it to the jurisdiction of the Association, may file of record in the Official Records of Galveston County, Texas a document, joined in by the Board of Directors, which shall be an amendment to this Declaration upon the satisfaction of the conditions specified in subsection (a) above.

(c) Mergers. Upon a merger of consolidation of the Association with another association, the Association's properties, rights, and obligations may be transferred to another surviving or consolidated association or, alternatively, the properties, rights, and obligations of another association may be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association shall administer the covenants and restrictions applicable to the properties of the other association as one scheme. No such merger or consolidation, however, shall effect any revocation, change or addition to the Covenants established by this Declaration or any amendment thereto.

ARTICLE IV.

The Association

Section 1. Organization. The Declarant will cause the Association to be organized and formed as a non-profit corporation under the laws of the State of Texas by January 1, 1997.

Section 2. Purpose. The purpose of the Association in general is to provide for and promote the health, safety, and welfare of the members ("Members" or "Owners"), to collect the annual maintenance charges and to administer the Maintenance Fund (as defined herein), to provide for the maintenance, repair, preservation, upkeep, and protection of the Common Property and such other purposes as are stated in the Articles of Incorporation and By-Laws consistent with the provisions of this Declaration and all amendments thereto.

Section 3. Directors. The Association shall act through a three (3) member Board of Directors, which shall manage the affairs of the Association. The initial Directors of the Association will be selected by Declarant by January 1, 1997. Each initial Director shall serve for an initial term of the earlier of (a) one (1) year from date of appointment, and thereafter, until his successor is duly elected and qualified or (b) until seventy-five percent of the Lots in the subdivision are sold, at which time an election shall be called to elect his successor. Upon the expiration of the term of the initial Directors, the Members shall elect a Board of Directors as provided for in the By-Laws. Any vacancy, from whatever cause, occurring in the Board of Directors during the initial three (3) year term shall be filled by appointment made by the remaining Director or Directors. The person appointed by the remaining Director or Directors to fill such vacancy shall serve for the remainder of the initial three (3) year term and until his successor is duly elected and qualified. The Directors shall have the power to select one or more advisors directors from the residents of the subdivision to serve for such periods of time as the Board of Directors shall deem appropriate for the purpose of providing advice and counsel to the Board c

Directors, provided that such advisory directors shall have no right to act on behalf of the Association.

Section 4. Members. Each Owner, whether one or more persons or entities, of a Lot shall, upon and by virtue of becoming such Owner, automatically become a Member of the Association and shall remain a Member thereof until his ownership ceases for any reason, at which time his membership in the Association shall automatically cease, but there shall only be one (1) vote per Lot. Membership in the Association shall be appurtenant to and shall automatically follow the legal ownership of each Lot and may not be separated from such ownership. Whenever the legal ownership of any Lot passes from one person to another, by whatever means, it shall not be necessary that any instrument provide for transfer of membership in the Association, and no certificate of membership will be issued.

Declarant shall be notified of each meeting of the Members and shall be entitled to attend such meetings even if Declarant no longer owns a Lot or Lots in the Subdivision for five (5) years after Declarant ceases to own Lots in the Subdivision.

Section 5. Title to Common Property. The Declarant may retain the legal title to the Common Property until such time as (i) Declarant no longer owns any portion of the Property or (ii) in the sole opinion of Declarant, the Association is able to operate and maintain the same, whereupon title to the Common Property shall be conveyed to the Association. Until title to such Common Property has been conveyed to the Association by Declarant, Declarant shall be entitled to exercise all rights and privileges relating to such Common Property granted to the Association in this Declaration and all amendments thereto.

ARTICLE V.

Property Rights in the Common Properties and Common Facilities

Section 1. Members' Easements of Enjoyment. Subject to the provisions of Section 2 of this Article V, every Member shall have a common right and easement of enjoyment in and to the Common

Property, and such right and easement shall be appurtenant to and shall pass with the title to each Lot.

Section 2. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in its discretion, to make, publish, and enforce reasonable rules and regulations shall be binding upon, complied with, and observed by each Member. These rules and regulations may include provisions to govern and control the use of such Common Property by guests or invitees of the Members, including, without limitation, the number of guests or invitees who may use such Common Property or any part thereof at the same time; and

(b) The right of the Association to grant or dedicate easements in, on, under or above such Common Property or any part thereof to any public or governmental agency or authority or to any utility facility or equipment situated in any part of such Common Property and owned by the Association to any public or political authority or agency or to any utility company rendering or to render service to the Subdivision or any part thereof; and

(c) The right of the Association to enter management and/or operating contracts or agreements relative to the maintenance and operation of such Common Property in such instances and on such terms as its Board of Directors may deem appropriate; and

(d) The right of the Association to suspend the voting rights of a Member or his right to use any recreational Common Property during the period he is in default in excess of thirty (30) days in the payment of any maintenance charge assessment against his Lot; and to suspend such rights for a period not to exceed sixty (60) days for any infractions of its published rules and regulations; and the aforesaid rights of the Association shall not be exclusive, but shall be cumulative of and in addition to all other rights and remedies which the Association may have in this Declaration and any amendment thereto or in its By-Laws or at law or in equity on account of any such default or infraction; and

installation, construction, erection, maintenance and relocation of improvements related to the enhancement and beautification of the Common Property, and any other areas provided by this Declaration or any amendment thereto to be developed or maintained by the Association, such as shrubbery, trees, walkways and street lights, and the construction, repair, maintenance and replacement of properties, services, improvements and facilities devoted to such purposes and related to the use and enjoyment of the Subdivision by the Members.

The Association may, in its sole discretion, give one or more of the purposes set forth in this Section 1 of Article VI preference over other purposes, and it is agreed that all expenses incurred and expenditures and decisions made by the Association in good faith shall be binding and conclusive on all Members.

Further, Declarant shall be entitled to be reimbursed from the maintenance fund for all ad valorem taxes and other assessments in the nature of property taxes fairly allocable to the Common Property and accrued subsequent to the recordation of this Declaration, and prior to the date on which title to such Common Property and improvements, if any, thereon is conveyed to the Association by Declarant, which have been actually paid by Declarant.

Section 2. Covenant for Assessments. Subject to the

provisions set forth below in Sections 3 and 4 of this Article VI relating to the rate at which the maintenance charge and assessments imposed herein shall be paid on unimproved Lots, each and every Lot is hereby severally subjected to and impressed with a regular annual maintenance charge or assessment in the amount of Five Hundred and No/100 Dollars (\$500.00) per annum per Lot (herein sometimes referred to as the "full maintenance charge") which shall run with the land, subject to increase and decrease and payable as provided in Section 5 below. Notwithstanding anything to the contrary contained herein, owners of vacant or unimproved Lot shall be charged and shall pay an additional mowing fee of \$250.00 per annum for each year that their Lot is unimproved.

Each Owner of a Lot, by his claim or assertion of ownership or by accepting a deed to any such Lot, whether or not it shall be so expressed in such deed, is hereby conclusively deemed to covenant and agree, as a covenant running with the land, to pay to the Association, its successors or assigns, each and all of the charges and assessments against his Lot and/or assessed against him by virtue of his ownership, thereof, as the same shall become due and payable, without demand. The charges and assessments herein provided for shall be a charge and a continuing lien upon each Lot, together with all improvements thereon, as hereinafter more particularly stated. Each assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of the Lot at the time the obligation to pay such assessment accrued, but no Member shall be personally liable for the payment of any assessment made or becoming due and payable after his ownership ceases. No Member shall be exempt or excused from paying any such charge or assessment by waiver of the use or enjoyment of the Common Properties, or any part thereof, or by abandonment of his Lot or his interest therein. The Declarant will not be assessed the Maintenance Charge of \$500.00 upon those lots which are owned by Declarant; however, Declarant will be assessed the annual mowing charge of \$250.00 for each unimproved lot owned by Declarant.

Section 3. The Annual Maintenance Charge. The annual assessments provided for herein shall commence on January 1, 1997. The first annual assessment shall be payable on the day fixed for commencement. The assessments for each calendar year after the first year shall be due and payable to the Association in advance on January 1st each year. Provided, however, that, upon the purchase of his Lot (as evidenced by the date of his contract of sale or deed, or his occupancy, whichever is earlier), each Member shall be obligated to pay to the Association a pro rata part of the applicable percentage (as determined pursuant to the terms hereof) of the regular annual maintenance charge assessed on such Lot, which shall bear the same ratio to the applicable percentage of the

full annual maintenance charge as the number of full calendar months remaining in the year of purchase bears to twelve (12), and which shall be payable in full upon such purchase.

The Board of Directors may, decrease or increase the amount of the regular annual maintenance charge or assessment provided for herein at any time and from time to time by the adoption of a resolution for such purpose, but no resolution increasing or decreasing the annual maintenance charge assessment shall become effective prior to the expiration of ninety (90) days from the date of its adoption, and the Owner of each Lot shall, within thirty (30) days from such effective date, pay to the Association or be credited by the Association for the proportionate part of such increase or decrease for the balance of the year in which such resolution is adopted; provided, however, that no resolution of the Board of Directors which fixes the amount of the regular annual maintenance charge or assessment at less than 90% of the amount assessed in the preceding calendar year, or in excess of one hundred ten (110%) per cent of the amount assessed in the preceding calendar year, shall become effective unless and until such resolution is ratified by the written assent of the Members of the Association who in the aggregate then own at least seventy-five (75%) per cent of the votes of the Members of the Association who are present and voting in person or by proxy at a special meeting of the membership of the Association called for his purpose and at which a quorum is present. The written assent or the vote of the Member must be given prior to the effective date of the resolution of the Board of Directors. No increase or decrease in the annual maintenance charge or assessment shall take effect retroactively.

If any resolution of the Board of Directors which requires ratification by the assent of the Members of the Association as above provided shall fail to receive such assent, then the amount of the regular annual maintenance charge or assessment last in effect shall continue in effect until duly changed in accordance with the above provisions.

Section 4. Quorum for any Action Authorized Under Section 3.

The Quorum required for any action authorized by Section 3 of this Article VI hereof shall be as follows:

At the first meeting called, as provided in Section 5 of this Article VI hereof, the presence at the meeting of Members, or of proxies, entitled to cast sixty (60%) per cent of all the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called and the required quorum at any such subsequent meeting shall be one-half (1/2) the required quorum at the preceding meeting, provided that such reduced quorum requirement shall not be applicable to any such subsequent meeting held more than sixty (60) days following the preceding meeting.

Section 5. Special Assessment for Capital Investments. In addition to the annual assessments authorized above, the Association may levy, 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 construction, reconstruction, repair or replacement of a capital improvement upon the Common Property, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of the Members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. Duties of the Board of Directors. The Board of Directors shall fix the date of commencement and the amount of the assessment against each Lot or Owner for each assessment period at least thirty (30) days in advance for such date or period and shall, at that time, prepare a roster of the properties and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner. Written notice of the assessment shall thereupon be sent to every Owner subject thereto. The Association (or its agent) shall, upon demand at any time, furnish to any Owner liable for said assessment

a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 7. Liens to Secure Assessments. The regular annual maintenance charges or assessments, as hereinabove provided for, shall constitute and be secured by a separate and valid and subsisting lien, hereby created and fixed, and which shall exist upon and against each Lot and all improvements thereon, for the benefit of the Association and all Members. The lien hereby created shall be subordinate and inferior to:

- (a) all liens for taxes or special assessments levied by the City, County, and State governments, or any political subdivision or special district thereof, and
- (b) all liens securing amounts due or to become due under any term contract of sale, or any mortgage, vendor's lien, or deed of trust filed for record, prior to the date payment of any such charges or assessments become due and payable, and
- (c) all liens, including, but not limited to, vendor's lien, deeds of trust, and other security instruments which secure any loan made by any lender to an Owner for any part of the purchase price of any Lot and the improvements thereon, if improved, when the same is purchased, or for any part of the cost of construction, repairing, adding to, or remodeling the residence and appurtenances situated on any Lot.

Any foreclosures of any such superior lien under the power of sale of any mortgage, deed of trust, or other security instrument, or through Court proceedings in which the Association has been made a party, shall cut off and extinguish the liens securing maintenance charges or assessments which become due and payable prior to such foreclosure date, but no such foreclosure shall free any Lot from the liens securing assessments thereafter becoming due and payable nor shall the liability of any Member personally obligated to pay

maintenance charges or assessments which become due prior to such foreclosure, be extinguished by any foreclosure.

Section 8. Effect of Non-Payment of Assessment. If any such annual charge or assessment is not paid within thirty (30) days from the date thereof, the same shall bear interest from the due date until paid at the highest interest rate allowed under the laws of the State of Texas, and, if placed in the hands of an attorney for collection or if suit is brought thereon or if collected through probate or other judicial proceedings, there shall be paid to the Association an additional reasonable amount, but not less than ten (10%) per cent of the amount owing, as attorney's fees. The Association, as a common expense of all Members, may institute and maintain an action at law or in equity against any defaulting Member to enforce collection and/or for foreclosure of the liens against his Lot. All such actions may be instituted and brought in the name of the Association and may be maintained and prosecuted by the Association in a like manner as an action to foreclose the lien of a mortgage or deed of trust on real property.

Section 9. Collection and Enforcement. Each Member, by his assertion of title or claim of ownership or by his acceptance of a deed to a Lot, whether or not it shall be so recited in such deed, shall be conclusively deemed to have expressly vested in the Association, and in its officers and agents, the right, power and authority to take all action which the Association shall deem proper for the collection of assessments and/or for the enforcement and foreclosure of the liens securing the same.

ARTICLE VII.

Architectural Control Committee

Section 1. Approval of Plans. No building, structure, dune walkover, fence, wall, or other improvements shall be commenced, erected, constructed, placed or maintained upon a Lot, nor shall any exterior addition to or change or alteration therein be made until the detailed plans and specifications therefor shall have been submitted to and approved in writing as to compliance with minimum structural and mechanical standards, location and situational

on the Lot, and as to harmony of external design or location in relation to property lines, building lines, easements, grades, surrounding structures, walks, and topography (including the orientation of the front and rear of any such building with respect to the Lot lines), by the Architectural Control Committee. The Architectural Control Committee may reasonably require, structural, mechanical, electrical, and plumbing detail and the nature, kind, shape, height, exterior color scheme, materials to be incorporated into, and location of the proposed improvements or alterations thereto. Without limitation of the powers herein granted, the Architectural Control Committee shall have the right to specify requirements for each Lot as follows: minimum setbacks; the location, height, and extent of fences, walls, or other screening devices; color schemes; and the orientation of structures with respect to garage access and major entry and frontage. The Architectural Control Committee also shall have full power and authority to reject any plans and specifications that do not comply with the restrictions herein imposed or meet its minimum construction requirements or architectural design requirements or that might not be compatible, in the sole discretion of the Architectural Control Committee, with the design or overall character and aesthetics of the Property. The Architectural Control Committee may require a reasonable fee, which is hereby initially set at \$250.00, for performing the functions herein prescribed and may disapprove plans, specifications, designs and plot plans for failure to pay such fee. Such fees shall be used by the Committee to discharge actual expenses incurred by the Committee and any excess may be paid into the Maintenance Fund established herein.

Section 2. Committee Membership. The Architectural Control Committee shall be initially composed of three (3) individuals who need not be members of the Association and who, by majority vote may designate a representative to act for them. The initial Architectural Control Committee shall be appointed by the Declarant.

Section 3. Term. The duties and powers of the Architectural Control Committee and of the designated representative shall cease on and after completion of construction of residences on all Lots in the Subdivision. Thereafter, the approval described in this Covenant shall not be required, and all power vested in the Architectural Control Committee by this Declaration shall cease and terminate; provided, that any time after completion of construction of residences on all Lots in the Subdivision by a two-thirds (2/3rds) vote of the Owners, in a special meeting of the Association, the Board of Directors may assume the duties and powers of the Architectural Control Committee, or reconstitute the Architectural Control Committee and thereafter the Board of Directors of the Association or a new Architectural Control Committee shall have all of the rights, benefits and powers provided herein for the Architectural Control Committee and the Board of Directors powers as to architectural control shall extend to any major exterior remodeling or expansion or reconstruction of residences.

Section 4. Replacement. In the event of death or resignation of any member of said committee, the remaining member or members shall appoint a successor member or members, and until such successor member or members shall have been so appointed, the remaining member or members shall have full authority to approve or disapprove plans, specifications and plot plans submitted or to designate a representative with like authority.

Section 5. Minimum Construction Standards. In addition to the provisions of Article VI of this Declaration, the Architectural Control Committee may from time to time promulgate an outline of minimum acceptable construction standards, provided, however, that such outline will serve as a minimum guideline and such Architectural Control Committee shall not be bound thereby.

Section 6. Variances. Where circumstances, such as topography, location of property lines, location of trees, or other matters required, the Architectural Control Committee, by vote or written consent of a majority of the members thereof, may allow

reasonable variances as to any of the covenants, conditions or restrictions contained in this Declaration under jurisdiction of such committee pursuant to this Article VII, on such terms and conditions as it shall require, provided, however, that all such variances shall be in keeping with the general plan for the improvement and development of the Property.

ARTICLE VIII.

Other Easements

Section 1. The rights and duties of the Owners of Lots within the Property with respect to sanity sewer and water, electricity, telephone and cable television lines and drainage facilities shall be governed by the following:

(a) Wherever sanitary sewer house connections and/or water house connections or electricity, or telephone and cable television lines or drainage facilities are installed within the Property, which connection lines or facilities or any portion thereof, lie in or upon Lots owned by the Association or any entity other than the Owner of a Lot served by said connections, lines or facilities, such Owners of Lots served shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter upon the Lots in or upon which said connections, lines or facilities, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

(b) Wherever sanitary sewer house connections and/or water house connections or electricity, telephone or cable television lines or drainage facilities are installed within the Property, which connections serve more than one (1) Lot, the Owner of each Lot served by said connections shall be entitled to the full use and enjoyment of such portions of said connections which service his Lot.

Section 2. Easements over the Lots and Common Property for the installation and maintenance of electric, telephone, cable television, water, and sanitary sewer lines and drainage facilities

assessed against or upon the Common Property and the improvements and the property appertaining thereto.

(c) The Association shall have authority to obtain and continue in effect as a common expense of all Owners, a blanket property insurance policy or policies to insure the structures and facilities in the Common Property and the contents thereof and the Association against the risks of loss or damage by fire and other hazards as are covered under standard extended coverage provisions, in such limits as the Association deems proper, and said insurance may include coverage against vandalism and such other coverage as the Association may deem desirable. The Association shall also have the authority to obtain comprehensive public liability insurance in such limits as it shall deem desirable, insuring the Association, its Board of Directors, agents and employees and each Owner (if coverage for Owners is available) from and against liability in connection with the Common Property.

(d) All costs, charges and premiums for all utility bills, taxes, and any insurance to be paid by the Association as hereinabove provided shall be paid out of the Maintenance Fund as a common expense of all Owners and shall be a part of the maintenance assessments.

ARTICLE X.

Maintenance and Repairs

Section 1. By the Owners. It shall be the duty, responsibility and the obligation of each Owner at his own cost and expense to care for, maintain and repair the exterior and interior of his residence house and improvements on his lot and the fixtures, appliances, equipment and other appurtenances thereto and also including the private dune walkover and the private driveway appurtenant to his residence house and situated on his lot. I shall further be the duty of each Owner at his own cost and expense to maintain the Dune Reserve located upon each lot. The Association shall have no duty or obligation to any Owner in this regard.

Section 2. By the Association. The Association, as a common expense of all Owners, shall perpetually care for, maintain

keep in good repair the Common Property and all parts thereof, including but not limited to, the private street, entrance structure, public dune walkovers and any facilities owned by the Association, except that it shall be the obligation of each Owner, and not the obligation of the Association, to pay for the cost of repair and maintenance of private driveways, sidewalks, and fence or fences which are located upon his Lot.

ARTICLE XI.

Restrictions of Use

Section 1. Single Family Residential Construction. No building shall be erected, altered or permitted to remain on any single Lot, other than one detached single-family residential dwelling. No such residence shall be constructed on less than the equivalent of one (1) full Lot as defined on the Subdivision Plat.

Section 2. Commercial Use. No part of the Property shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such non-residential purposes.

Section 3. Minimum Square Footage and Driveway. No residence shall be constructed on any Lot or building site which has an under-roof living area of less than 2,000 square feet, excluding porches, garages, patios, and the like, and which has a deck area of less than 600 square feet, or which has a ground level storage area of less than 250 feet. No more than one (1) dwelling shall be built on any one (1) Lot. Each Lot must be served by a private concrete driveway.

Section 4. Location of Improvements Upon the Lot. No building shall be located on any Lot nearer to the property lines than the minimum building setback lines shown on the subdivision Plat.

Section 5. Signs, Advertisements, Billboards. No sign, advertisement, billboard or advertising structure of any kind shall be displayed to the public view on any portion of any Lot except one sign for each building site, of not more than five hundred

seventy-six (576) square inches only to be used for the purpose of advertising the property for sale or rent or for the purpose of advertising the building contractor hired to construct the residence. Declarant shall have the right to remove any such sign, advertisement or billboard or structure which is placed on said Lots in violation of this Section 5 of Article XI and in so doing shall not be subject to any liability for trespass or other tort in connection therewith or arising from such removal.

Section 6. Prohibition of Offensive Activities. No noxious or offensive trade or activity shall be conducted, whether for profit or not, on any Lot. No activity which may become an annoyance or nuisance to the other Owners, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective dwelling unit, or which shall in any way increase the rate of insurance, or which will degrade property values, or distract from the aesthetic beauty of the subdivision, shall be conducted.

Section 7. Temporary Structures. No structures of a temporary character, trailer, tent, shower, garage, barn, construction trailer, or other outbuilding shall be constructed, erected, altered, placed or permitted to remain on any Lot at any time as a residence or other use, either temporarily or permanently except such buildings or structures as may be hereafter permitted.

Section 8. Animal Husbandry. Dogs, cats, or usual and ordinary household pets (excluding horses or livestock) may be kept in any dwelling unit upon a Lot, (not to exceed a total of two (2) pets, provided they are not kept, bred, or maintained for any commercial purpose.) Notwithstanding the foregoing, no animals or fowl may be kept on the Property which results in any annoyance or are obnoxious to residents of the subdivision.

Section 9. Storage of Automobiles, Boats, Trailers, Other Vehicles and Equipment. No mobile home, trailer, camper, boat, truck larger than a three-quarter (3/4) ton pickup, or similar equipment shall be parked or stored permanently or semi-permanently on any street, right-of-way or on driveways. Permanent or semi-

permanent storage of such vehicles or items must be screened from public view or kept within a garage. The Board of Directors of the Association may adopt rules for the regulation of the admission and parking of vehicles within the Common Property, including the assessment of charges to Owners who violate, or whose invitees violate, such rules. Under no circumstances may repairs to any vehicles or equipment be made on the Property except when screened from public view within a garage.

Section 10. Walls, Fences and Hedges. Chain-link fences are prohibited on any portion of the Property. No fence shall be more than 4 feet in height. No fence shall be erected closer to the street than the north building line as shown on the subdivision plat. Design of all fences must be pre-approved by the Architectural Control Committee.

Section 11. Visual Screening on Lots. The drying of clothes in public view is prohibited. Similarly all yard equipment, woodpiles or storage piles shall be kept screened by a service yard or other similar facility as herein otherwise provided, as to conceal them from view from neighboring Lots.

Section 12. Lot Maintenance. All Lots shall be kept at all times in a sanitary, healthful and attractive condition, and the Owner or occupants of all Lots shall keep all weeds and grass thereon cut and shall in no event use any Lot for storage of material 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 any garbage, trash or rubbish except by use of an incinerator approved by Declarant, and then only during such condition as is permitted by law. The Association shall be responsible for mowing all unimproved Lots. The expense of such mowing shall be paid by the Association from the \$250.00 fee paid by the Owner of each unimproved Lot pursuant to Article VI, Section 2. In the event of default on the part of the Owner or occupant of any Lot in observing the above requirements, or any of them, such default continuing for ten (10)

days after the mailing of written notice thereof to the Owner at the address for the Owner shown on the Association's records, the Declarant, or its assignee, may without liability to the Owner or occupant, in trespass or otherwise, enter upon said Lot, cut, 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, as the case may be, for said services, and the Owner or occupant agrees by the purchase or occupation of the Lot to pay such statement immediately upon receipt thereof. To secure the payment of such charges in the event of nonpayment by the Owner, a vendor's lien is herein and hereby retained against the Property in favor of Declarant or their assignee but inferior to purchase money liens or mortgages. Such vendor's lien shall be applicable and effective whether mentioned specifically in each deed or conveyance by Declarant or not.

Section 13. Antennas. No electronic antenna, satellite dish or signal reception device of any type shall be erected, constructed, placed or permitted to remain on any Lots, houses or buildings constructed in this subdivision, without the prior approval of the Architectural Control Committee, which approval shall not be unreasonably withheld if the size, location or screening of same makes such device aesthetically acceptable to the Architectural Control Committee. This provision shall be inapplicable at any time during which there is no Architectural Control Committee or the Board of Directors is not exercising architectural control in accordance with Section 5 of Article VII.

Section 14. Removal of Dirt and Trees. The digging of dirt or the removal of any dirt from any Lot is expressly prohibited except as necessary in conjunction with the landscaping of or construction on such Lot. No trees shall be cut except to provide room for construction of improvements or to remove dead or unsightly trees.

by the Owner thereof in a neat and orderly condition and in a manner to enhance its appearance.

Section 20. Mailboxes, house numbers, trash collection boxes, and similar matter used in the subdivision must be harmonious with the overall character and aesthetics of the community and the decision of the Architectural Control Committee that any such matter is not harmonious shall be final.

Section 21. Right of Inspection. During reasonable hours and after reasonable notice, the Association shall have the right to enter upon and inspect the Property or any portion thereof and the exterior portions of improvements thereon for the purpose of ascertaining whether or not the provisions of this Declaration are being complied with and shall not be deemed guilty of trespass by reasons thereof.

Section 22. New Construction. All buildings or structures on the Property shall be constructed of new or like new materials. All buildings or structures must be completed within one (1) Year of start of construction or such reasonable time thereafter, subject to force majeure.

ARTICLE XII.

General Provisions

Section 1. Enforcement. The Association or any Owner shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens or charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions shall in no wise affect any other provisions, which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of

ten (10) years. This Declaration may be amended during the first thirty (30) year period by an instrument signed by not less than seventy-five (75%) percent of the Owners, and thereafter by an instrument signed by not less than sixty-seven (67%) percent of the Owners. Any amendment must be recorded to be effective.

Section 4. Amendments by Declarant. The Declarant shall have and reserves the right at any time and from time to time, without the joinder or consent of any other party to amend this Declaration by any instrument in writing duly signed, acknowledged, and filed for record for the purpose of correcting any typographical or grammatical error, ambiguity or inconsistency appearing herein, provided that any such amendment shall be consistent with and in furtherance of the general plan and scheme of development as evidenced by the Declaration, and shall not impair or affect the vested property or other rights of any Owner or his mortgagee.

Section 5. Books and Records. The books and records of the Association shall, during reasonable business hours, be subject to reasonable inspection by any member. The Board of Directors may, by resolution, establish rules and regulations governing the frequency of inspection and other matters to the end that inspection of the books and records by any member or members will not become burdensome to nor constitute harassment of the Association. The Declaration, the Articles of Incorporation and the Bylaws 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.

Section 6. Annexation. Additional property may be annexed to the Property with the consent of two-thirds (2/3) of the Owners, provided that such additional properties shall be subject to the provisions hereof and a maintenance assessment as provided herein.

ARTICLE XIII.

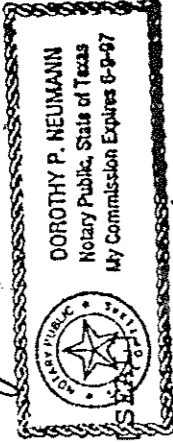
Reservation of Minerals

There is hereby excepted from the land encompassed by the boundaries of this Subdivision, and Declarant will hereafter except from all its sales and conveyances of said land, or any part

consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 13 day of

June, 1996.



Dorothy P. Neumann
NOTARY PUBLIC in and for
The State of Texas

§
§
§
STATE OF TEXAS
COUNTY OF GALVESTON

THIS INSTRUMENT was acknowledged before me on this the 13 day of June, 1996, by Albert P. Shannon, Senior Vice President of United States National Bank of Galveston, a national banking association, on behalf of said association.

[Signature]
Notary Public in and for
the State of Texas

[SEAL]

