

**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR**

**Waterstone on Lake Conroe
Section One**

THE STATE OF TEXAS §

COUNTY OF MONTGOMERY §

This Declaration of Covenants, Conditions and Restrictions, is made on the date hereinafter set forth by **Waterstone on Lake Conroe, Inc.**, a Texas corporation, hereinafter referred to as "Declarant".

WITNESSETH

Whereas, Declarant is the owner of that certain property known as **Waterstone on Lake Conroe, Section One**, a subdivision in Montgomery County, Texas, being 49.2085 acres of land in the John Corner Survey, A-8 and Owen Shannon Survey, A-36, Montgomery County, Texas, according to the map or plat thereof recorded in Cabinet **Z**, Sheet(s) **1356-1359**, inclusive, County Clerk's File No. **2008-086476** of the Map Records of Montgomery 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 for the development, improvement and sale of such property, and to ensure 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, establishes and imposes upon **Waterstone on Lake Conroe, Section One**, hereinafter referred to as the "Property", which is further identified in the subdivision plat referenced above, 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. "Administrator" shall mean the entity administering the maintenance fund.

Section 2. "Architectural Control Committee" or "Committee" shall mean and refer to Waterstone on Lake Conroe Architectural Control Committee, provided in Article IV hereof.

Section 3. "Association" shall mean and refer to **Waterstone on Lake Conroe Property Owners Association**.

Section 4. "Board of Directors" or "Board" shall mean the elected body of Waterstone on Lake Conroe Property Owners Association.

Section 5. "Builder-Owner" shall mean and refer to the owner of a Lot who owns such Lot for the sole purpose of development and sale to third parties, and is designated in writing as a Builder-Owner by Declarant.

Section 6. "Common Property" shall mean real and personal property, easements and interest that Declarant has from time to time conveyed to the Association.

Section 7. "Declarant" shall mean and refer to Waterstone on Lake Conroe, Inc., its successors and assigns.

Section 8. "Improvement" shall mean and refer to any dwelling, garage, carport, swimming pool, boat slip, wall, fence and any other object placed on, in or under the Properties.

Section 9. "Interior Lots" shall mean and refer to Block 1, Lots 1 through 5, and Block 2, Lots 1 through 13.

Section 10. "Lake" shall mean and refer to Lake Conroe.

Section 11. "Lot and/or Lots" shall mean any parcel of land shown upon a subdivision plat or re-plat recorded in the Plat Records of Montgomery County, covering any portion of the Property which is restricted hereby for use as single-family residential dwellings only.

Section 12. "Member" shall mean and refer to every person or entity that holds a membership in the Association.

Section 13. "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 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 14. "Property and/or Properties" shall mean and refer to **Waterstone on Lake Conroe, Section One**, which is further identified in the aforementioned subdivision plat.

Section 15. "Residence" shall mean a Structure situated upon a Lot intended for independent use and occupancy as a residence for a single family. Residence shall include

porches (enclosed or unenclosed), attached garages and attached guest quarters, as well as breezeways and every integral part thereof, including but not limited to balconies, porte-cocheres and architectural appurtenances such as cornices, bay windows, and the like.

Section 16. "Resident" shall mean and refer to every person or entity occupying a Residential Dwelling within the Properties.

Section 17. "Restricted Reserve" shall mean and refer to any area designated on the Subdivision Plat as a "Restricted Reserve."

Section 18. "River Authority" shall mean and refer to the San Jacinto River Authority ("SJRA").

Section 19. "Subdivision Plat" shall mean and refer to the map or plat of **Waterstone on Lake Conroe, Section One**, recorded in Cabinet **Z**, Sheets **1356-1359**, inclusive, County Clerk's File No. **2008-086476** of the Map Records of Montgomery County, Texas.

Section 20. "Unrestricted Reserve" shall mean and refer to any area designated on the Subdivision Plat as an "Unrestricted Reserve."

Section 21. "Utility Company" shall mean and refer to Entergy and/or such other public utility company(ies) that may provide utility services to the Properties.

Section 22. "Waterfront Lots" shall mean and refer to Block **3**, Lots **1** through **33**.

ARTICLE II

Restriction, Exception, Dedication and Common Property

Section 1. The Subdivision Plat dedicates for use as such, subject to the limitations set forth therein, the private 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 roadways as shown on the Subdivision Plat for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, and telephone line or lines, gas lines, water lines, sewers, storm sewers, drainage ways, cable television 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. Should any utility company or cable television company furnishing a service covered by the general easement herein provided request a specific easement by separate

recordable document, Declarant, without the joinder of any other Owner, shall have the right to grant such easement on said property without conflicting with the terms hereof.

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

Section 5. Neither Declarant nor any utility company or cable television 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, 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, sewer, storm sewer drainage ways, electric light, electric power, cable service, telegraph or telephone purposes and shall convey no interest in any 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 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, other governmental agency or any public service corporation or any other party, and such right is hereby expressly reserved.

Section 7. Utility Easements.

a) All Lots are subject to the utility easements reflected on the plat, designated in these Restrictions or as otherwise imposed by Declarant.

b) No building shall be located over, under, upon or across any portion of any utility easement; however, the Owner of each Lot shall have the right to construct, keep and maintain drives and similar improvements across the utility easement along the front of the Lot and/or along the side of corner lots adjacent to street right-of-ways and shall be entitled to cross such easements at all times for purposes of gaining access to and from such Lots.

c) With the prior approval of the Committee, the Owner of each Lot also shall have the right to construct, keep and maintain driveways, walkways, steps, air conditioning units and equipment over, across or upon any utility easement along the side of such Lots (the "Side Lot Utility Easement"), other than along any Side Lot Utility Easement which is adjacent to a street right-of-way and shall be entitled, at all times, to cross, have access to and use the improvements located thereon; however, any such improvements placed upon such Side Lot Utility Easement by the Owner shall be constructed, maintained and used at Owner's risk, and the location of such improvements shall not impede the natural flow of water across the Lot. The Owner of each Lot subject to said Side Lot Utility Easements shall be responsible for (i) any and all repairs to the driveways, walkways, steps, air conditioning units and equipment which cross or are located upon such Side Lot Utility Easements and (ii) repairing any damage

to said improvements caused any public utility or cable television company in the course of installing, operating, maintaining, repairing, or removing its facilities located within the Side Lot Utility Easements.

d) The Owner of each Lot shall indemnify and hold harmless Declarant, all public utility companies, and cable television company having facilities located over, across or under utility easements from any loss, expense, suit or demand resulting from injuries to persons or damage to property in any way occurring, incident to, arising out of, or in connection with said Owner's installation, maintenance, repair or removal of any permitted improvements located within utility easements, including where such injury or damage is caused or alleged to be caused by the sole negligence of such public utility or its employees, officers, contractors or agents.

e) In no event shall any Owner construct, maintain or use any of the above described improvements or any other improvements within any utility easements located along the rear of such Owner's Lot without the approval of the Committee.

f) In addition to the utility easements shown on the recorded Plat, there is hereby dedicated a five foot (5') wide Utility Company, easement extending from the surface of the ground downward, said easement being two and one-half (2 1/2) feet on each side of underground electric service lines as now or hereafter constructed and will extend along the route selected by the Utility Company from their distribution facilities to the electric meter when and as located upon Lots and Reserves in the Subdivision. the Utility Company shall have the right to excavate said Lot easement strip, and to remove objects, structures, growth or protrusions thereon.

Section 8. Road and Street Easements. The roads and streets in the Properties are not dedicated to the public, but shall be operated as private streets with each Owner having an easement for the use and benefit of such Owner, which easements shall include rights of ingress, egress and passage over and along said streets in favor of the Declarant, the Association, the Owners and their respective legal representatives, successors and assigns, guests, invitees, licensees, and designees , but not in favor of the public.

Subject to the terms and conditions of this Section, the private roads and streets in the Properties as shown on the Plat are hereby dedicated as utility easements strictly for the purpose of constructing, operating, maintaining or repairing a system(s) of electric lighting, electrical power and telephone lines, gas lines, sewers, water lines, storm drainage (surface or underground), cable television, or any other utilities that the Declarant sees fit to install (or permit to be installed) in, across and/or under the Property. The dedication of the private roads and streets as utility easements shall not affect operation of the roads and streets in this Property as private roads and streets.

Notwithstanding the operation of the roads and streets in the Property as private streets, Declarant hereby grants to law enforcement agencies and Officers of Montgomery County, City of Montgomery and the State of Texas, other governmental law enforcement bodies, fire department officials and fire protection personnel, vehicles and equipment, ambulances, school buses, City of Montgomery officials and personnel and other governmental officials and personnel, and to the authorized agents of the Association for performance of the Association's duties and obligations and exercise of the Association's

rights in respect to the Properties, rights of ingress and egress and passage over and along said private roads and streets of the Properties in connection with the performance of their official functions.

Since the roads and roadways in the Properties are not dedicated to the public, but shall be operated as private roadways, the perpetual care and maintenance of the roadways shall be the obligation of the Association. Unless and until the streets are dedicated to the public as hereinafter provided, the City, County or public entity shall have no responsibility for the maintenance of the roadways.

After the Declarant turns the Association over to the property owners, the Association may offer the streets for public dedication upon the affirmative vote of the Owners owning a majority of the Lots. The City or public entity is not required to accept the streets.

Section 9. Easement for Perimeter Fencing. The Declarant (so long as the Declarant owns a Lot) and the Association shall have an easement and full rights of access, ingress, egress, and use over the Property (including any and all Lots in the Development) to construct, maintain and replace (but shall not be required to so construct) a fence around the perimeter of the Property.

Section 10. Unrestricted Reserves. These Restrictions do not apply in any manner to any areas designated on the Subdivision Plat as "Unrestricted Reserve".

Section 11. Restricted Reserves. These Restrictions do not apply in any manner to any areas designated on the Subdivision Plat as "Restricted Reserve".

ARTICLE III **Design Standards**

The intent of the following Design Standards is to enhance and preserve the quality of the community while maintaining the natural beauty of Waterstone on Lake Conroe. Structures should preserve the natural features of each Lot such as significant trees, views, and topography and be sited so as to minimize disruption of the site.

Accordingly, a house plan, site plan, landscape plan for the entire Lot, and any other documentation requested must be submitted for approval to the Architectural Control Committee. Additionally, any future changes or additions to the Lot after construction of the Residence is complete must also be approved. The Architectural Control Committee may determine that what was found acceptable in one situation may not be acceptable in another as the intent is to ensure each design is appropriate to the specific Lot and does not dominate or contrast sharply with the surroundings.

Section 1. Land Use and Building Type. All Lots are hereby restricted to use as single family detached residential dwellings only, and no structure shall be erected, altered, placed, or permitted to remain on any Lot other than one (1) single family dwelling with an attached fully enclosed garage for not less than two (2) nor more than four (4) cars. The garage will be available for parking automobiles at all times without any modifications being made to the interior of said garage. Such garage shall be constructed at the same time as the

dwelling and act as an integral part of the residential structure, constructed with the same design, color, and materials as the Residence. Occupancy of the Residence shall not be authorized until the garage is complete. The residential dwelling shall not exceed a height of thirty-five (35') feet. The height shall be measured from where the highest point on natural grade of the Lot abuts the structure, except where the slab must be elevated above the natural grade to achieve minimum slab elevation as required by the Architectural Control Committee. In this situation, the height shall be measured from the minimum slab elevation established by the Architectural Control Committee.

No garage may open to the rear of a Waterfront Lot unless approved by the Architectural Control Committee. Garages placed on corner Lots may face the side street and shall be located no closer to the side lot line than the minimum side lot building setback line as shown on the Subdivision Plat.

As used herein, the term "Residential Purposes" shall be construed to prohibit the use of a Lot for 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 purpose; provided this paragraph is not intended to prohibit a business being conducted in the Residence provided such business does not significantly increase vehicular traffic to the Residence. The rental of a dwelling for occupancy as a Residence shall not be construed to be a business. No storage or separate building of any kind or character shall be moved or constructed on any Lot within the Properties without written permission of the Architectural Control Committee; however, no residential dwelling shall be moved onto any Lot within said Properties except by Declarant. The use of a tent, house trailer, travel trailer camper or motor home, either as a weekend, temporary or permanent residence is prohibited. No manufactured homes or mobile homes are allowed on any Lot on the Property.

Section 2. Carports. Carports are acceptable; however, in no case shall they be a substitute for the hereinabove required garage. No carport shall be erected or permitted to remain on any Lot without the expressed prior written approval of the Architectural Control Committee. Approval will be denied unless the carport is an integral part of the residential structure and the carport is constructed with the same design, color, and materials as the residential structure. Only motor vehicles, as herein defined, shall be parked or stored in a carport.

Section 3. Architectural Control. No improvement shall be erected, placed, or altered on any Lot until the construction plans and specifications and a plot plan showing the location of the improvement thereon have been approved by the Architectural Control Committee with respect to harmony with existing structures, design, color, location with respect to topography, and finished grade elevation and compliance with minimum construction standards more fully provided for herein. The Architectural Control Committee is authorized to grant variances if the variance is reasonable and if the structure is not inconsistent with the general scheme and harmony of the Property. The Architectural Control Committee reserves the right to approve the builder selected by Lot owner. No "Built by Owner" builders will be permitted unless Owner is an approved builder.

Section 4. Dwelling Size. The minimum square footage of the total living area of the Residence, exclusive of open porches, garages and/or carports, and servants' quarters, shall be as follows for all Lots:

1 or 1 1/2 story Residences	2,750 square feet
2 or 2 1/2 story Residences	2,900 square feet with the first story being no less than 1,800 square feet of living area

Section 5. Type of Construction, Materials, and Landscaping.

(a) Residences, garages, and carports shall be a minimum of 95% masonry as defined by the City of Montgomery Zoning Ordinance. The City of Montgomery Zoning Ordinance defines Masonry or Masonry-Like Construction as material and form which is comprised of natural stone or brick, laid-up unit-by-unit and set in mortar and shall have a required thickness of at least 2 inches. Faux-Stone (or pre-cast stone) may be utilized in lieu of natural stone; however, samples shall be provided to the Architectural Control Committee to ensure that the product and/or material meets the specifications of the ordinance. Masonry shall be calculated by measuring the total exterior walls to the top plate, excluding doors, windows, and porches. The Architectural Control Committee has sole discretion as to the percentage calculation of masonry used.

Garages and carports on Interior Lots shall use masonry equivalent to that on the Residence on the side facing the street but may have wood siding of a type on all remaining sides. The design shall be approved by the Architectural Control Committee to be located at the rear of the main Residence.

(b) All roofs shall be constructed of composition, slate, tile, standing-seam metal, or other three-dimensional material. The color or materials must be approved by the Architectural Control Committee, and otherwise be in compliance in all respects with applicable City of Montgomery ordinances. No wood shingles will be allowed.

All roofing materials must be applied in accordance with the manufacturer's specifications. Roof vents, vent stacks, galvanized roof valleys, and other roof items must be painted to match the roof materials. Galvanized roof valleys must be primed before being painted to insure the prevention of peeling. **The roof pitch must complement the architectural style of any structure and be approved by the Architectural Control Committee.**

(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) The kitchen in each Residence shall be equipped with a garbage disposal unit, which garbage disposal unit shall at all times be kept in a serviceable condition.

(e) All roof ventilation (other than ridge ventilators) shall be located to the rear of the roof ridge line and/or gable of any structure and shall not extend above the highest point of such structure, so as not to be visible from any street. The Architectural Control Committee shall have the right to approve the exceptions to the foregoing in cases where energy conservation and heating/cooling efficiency require ventilators that, because of the particular roof design, cannot be hidden from view.

(f) Landscape layout and plans shall first be approved by the Architectural Control Committee before work commences.

Section 6. Building Location. No Residence, garage, or carport nor any part thereof shall be located on any Lot nearer to the front or rear lot line or nearer to the side street lot line than the minimum building lines as shown on the Subdivision Plat; however, the back building line on all waterfront lots must be approved prior to construction by the Architectural Control Committee and conform to the Architectural Control Committee's pre-determined plan. At such times as plans are submitted to the Architectural Control Committee by any Owner for approval, the Architectural Control Committee may require that the Residence, garage or carport be located at a greater distance from the back Lot line than the building line shown on the Subdivision Plat. The Architectural Control Committee has sole approval of the back building line. Since some of the lots are large, the Architectural Control Committee will establish a location on the back building line so that there will be a consistency in the location of Residences. No Residence, garage, or carport or any other out building or any part thereof shall be located nearer than 5 feet to any interior side lot line. Said out building or structure referred to in the previous sentence shall only be allowed on Interior Lots containing $\frac{1}{2}$ acre or more land and shall contain no more than four hundred (400) square feet unless otherwise approved by the Architectural Control Committee. All materials used in constructing any out building or other such structure shall be in harmony with the Residence. A satellite dish is not considered a structure (see below for satellite dish location). An Owner of one or more adjoining Lots may, with the written permission of the Architectural Control Committee, merge such Lots 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 Subdivision Plat and such composite building site shall thereupon be regarded as a "Lot" for the purposes of this Section only.

Upon written request, the Architectural Control Committee may approve deviations from the single family detached building location requirements provided such deviations do not alter the scope and intent of these Restrictions.

Section 7. Slab Requirements. All building foundations shall consist of a concrete slab unless the Architectural Control Committee approves a different type of foundation when circumstances, such as topography of the Lot, make it impractical to use a concrete slab on all or any portion of the foundation of the building improvements constructed on the Lot. The finished slab elevation for all structures on waterfront Lots shall be a minimum of 207 elevation as established by the San Jacinto River Authority. The finished slab elevation for all other structures shall be above the 100 year flood plain as established by applicable governmental authorities. All residential foundations/slabs for all Lots in the subdivision must be a minimum of eight inches above finished grade of the Lot at the foundation perimeter. The Architectural Control Committee does not determine whether the structural integrity of the slab is adequate. A structural engineer should be consulted on these matters. The slab shall have an engineer's seal with the engineer's original signature attached prior to approval by the Architectural Control Committee. Sufficient soil investigation should be obtained for proper slab design. The Architectural Control Committee may make deviations in the above foundation requirements provided such deviations do not alter the scope and intent of these Restrictions.

Section 8. Special Restrictions For Interior Lots. Interior Lots may have a detached garage provided it is attached to the Residence by breezeway and may have an out building as herein defined.

Section 9. Annoyance or Nuisances. No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood. No exterior speaker, horn, whistle, bell, or other sound device, except security and fire devices used exclusively for security and fire purposes, shall be located, used or placed on a Lot. Activities especially prohibited include but not limited to the following:

- a) The performance of work on automobiles or other vehicles upon the Lot or in driveways or streets abutting Lots except as otherwise specifically permitted herein.
- b) The use or discharge of firearms, firecrackers, or other fireworks within the Properties.
- c) Storage of flammable liquids in excess of ten gallons.
- d) Activities which may be offensive by reason of odor, fumes, dust, smoke, vision, vibration, or pollution which are hazardous by reason of excessive danger, fire, or explosion.

Section 10. Temporary Structure. 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 portion 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 and construction offices, temporary residence for personnel, storage areas, and signs. Portable toilet facilities shall be placed at the construction site of all Residences. No garage, servant's quarters, or other permitted accessory structure shall be erected, placed or maintained on any Lot until construction of the Residence has commenced. Any structure on which construction has commenced must be completed within a reasonable length of time not to exceed 270 days.

Section 11. Signs and Billboards. No signs, billboards, posters, or advertising devices of any character shall be erected, permitted, or maintained on any Lot or plot without the express prior written consent of the Association. All signs, billboards, posters, and other advertising devices shall conform to the Architectural Control Committee's predetermined sign policy. The Association, Declarant, and their agents shall have the right to remove any sign not complying with the above referenced policy 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 and its designated agent to construct and maintain such signs, billboards, or advertising devices as is customary in connection with the general sale of property.

Section 12. Oil and Mining Operations. No water drilling, oil drilling, or development operations, oil 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 water, oil, or natural gas shall be erected, maintained or permitted upon any Lot.

Section 13. 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 commences and may be maintained thereon for a reasonable time, so long as the construction progresses without undue delay and 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. An acceptable trash receptacle will be maintained for construction debris during construction.

Section 14. Electric Distribution System. The initial type of electric service supplied to Owners will be alternating current at approximately 60 cycles per second, single phase, three wires, 120/240 volts, and metered at 240 volts. It is understood and agreed that only electrical service of the characteristics described above, will be furnished by the Utility Company in Waterstone on Lake Conroe, and that such service will be from the electric distribution system to be installed by the Utility Company and Owners agree that only electric service at 120/240 volts, single phase, three wires, will be available for Lots. The locked rotor current of any motor connected to this service will be limited in accordance with the standard service practices of the Utility Company. The utility easement areas dedicated and shown on the Subdivision Plat may be cleared and kept clear by any utility company 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 company 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 the Properties.

An individual underground electrical service drop shall be installed to each Residence. The Owner of each Residence will therefore comply with the Utility Company's policy regarding such underground service installations, and the Owner does hereby agree to pay any charges which might be incurred for the installations of the underground service as set forth in the Utility Company's policy. Declarant's only obligation is to provide electric service at the individual Lot lines. The Utility Company's policy is subject to change from time to time without notice. The Owner shall ascertain the location of said service drops and keep the area over the route of said service drops free of excavations and clear of structures, trees, and other obstructions. The Utility Company may install, maintain, repair, replace, and remove said underground electrical service drops, and open the ground for any such purpose or purposes without payment for such use or activity.

Declarant hereby reserves the right to grant upon, across, and over each Lot an easement and license along the perimeter boundaries of each Lot to the width of five feet measured from each boundary of each Lot, protruding from each boundary into the interior portion of each Lot, for the purpose of erection, construction, maintenance, repairs and the continuous placement of an electrical lighting system throughout the Property. This right is expressly reserved on behalf of and for the benefit of Declarant and any public utility

company. This reserved right includes expressed right of Declarant and each public utility company to clear, grade, and remove such obstructions including, but not limited to, trees, brush, and other landscaping that the Declarant or the public utility company deems necessary in order to effectuate the construction, erection, maintenance and continuance placement of the electrical lighting system hereby contemplated. Declarant further reserves hereby, unto itself and to any such public utility company, the expressed right to enter upon any Lot for the purpose of construction, installation, maintenance, repair and continuous placement of the electrical lighting contemplated hereunder and to remove any obstruction as might exist within this designated area, and such shall not be deemed to be trespass in any respect to the rights of the Owner of the Lot. Each Owner, by acceptance of a Deed to a Lot in these Properties, does acknowledge the existence of this reserved right and the rights hereunder created, such right being for the expressed benefit of each other Lot in the Properties. Neither Declarant nor any public utility company acting under the easement license or rights referred to herein shall be liable for any damages done by themselves or their assigns, agents, employees or servants to any fences, shrubbery, trees, flowers or any other property of the Lot Owner situated on the property by this easement and license.

Section 15. Views to and from Lake Conroe. Views to and from Lake Conroe are encouraged so that each view can become a positive addition to the environment of the Properties. Except for approved trees, no view obstruction plant material greater than two (2) feet in height shall be permitted on any Waterfront Lot beyond the rear building line without written approval from the Architectural Control Committee. Any plant above two (2) feet in height must be removed by Owner, unless approved in writing by the Architectural Control Committee. It is not the intent of these Restrictions to remove any existing trees from the Property. The removal of existing trees from Lots must be approved by the Architectural Control Committee.

Section 16. Walls, Fences, and Hedges. All walls, fences, and hedges must be approved by the Architectural Control Committee. Except as otherwise provided herein, no walls or fences shall be erected or maintained nearer to the front of any Lot than the front of the Residence constructed on the Lot, or, on corner lots, nearer the side lot line than the side lot building line parallel to the side street as shown on the Subdivision Plat. Except as otherwise provided herein, all fences on any Lot must be of ornamental iron construction unless otherwise approved by the Architectural Control Committee and not exceed four (4) feet in height. Declarant may construct fencing twelve (12) feet in height at locations deemed necessary on the Properties. Unless otherwise approved by the Architectural Control Committee, all ornamental iron fences shall be black in color and of a design that conforms to the Architectural Control Committee's pre-determined plan for such improvements. No chain link fences shall be erected, placed, or permitted to remain on any Lot. No fence shall be installed which will impede the natural flow of water across the Lot. Unless otherwise approved by the Architectural Control Committee, pilasters which are in harmony with the Residence shall be used in conjunction with ornamental iron fences. A small patio which is an integral part of the Residence may be enclosed with an ornamental iron fence or wall of same masonry material as the Residence. Ownership of any wall, fence, or hedge erected as a protective screening on a Lot shall pass with title to the Lot, and it shall be the Owner's responsibility to maintain said protective screening thereafter. In the event of default on the part of the Owner or occupant of any Lot to maintain said protective screening and such failure continuing after ten days written notice thereof, the Association, at its option, without liability to the Owner or occupant in trespass or otherwise, may, in its discretion, enter upon

said Lot and cause said protective screening to be repaired or maintained or do any other thing necessary to secure compliance with these Restrictions, so as to place said protective screening in a satisfactory 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 Lot to pay such statement immediately upon receipt thereof, and all such payments due the Association, shall, likewise, be secured by a Vendor's Lien for the benefit of the Association in the same manner as the assessments payable in accordance with Article VI herein. Plans and specifications shall be submitted as in the case with other structures.

Section 17. Mailboxes. Declarant or the Architectural Control Committee will designate the exclusive design, motif, and materials for mailboxes within the Properties. All mailboxes must conform to the design unless otherwise approved in writing by the Architectural Control Committee. All mail boxes shall comply with the requirements promulgated by the United States Post Office from time to time including the use of postal cluster boxes and requirements relating to visible addresses.

Section 18. Utilities. Improvements situated on a Lot shall be connected to the City of Montgomery water and sewer as soon as practical after same are available at the property line. The installation and use of any propane, butane, LP gas, or other gas tank, bottle, or cylinder of any type (excluding those normally associated with outdoor barbecue grills) shall require the prior written approval of the Architectural Control Committee and shall be screened from public view. All telephone, electric, cable or other service lines shall be installed underground. No privy, cesspool, or septic tank shall be placed or maintained upon or in any Lot.

Section 19. Views, Obstructions, and Privacy. In order to promote the aesthetic quality of "views" within Waterstone on Lake Conroe and particularly the views of Lake Conroe, the Architectural Control Committee shall have the right to review and approve any item placed on a Lot including, but not limited to the following:

- a) The location of all windows and the type of proposed window treatments and exposed window coverings, including window and reflective trim
- b) The probable view from second story windows and balconies and decks (particularly where there is a potential invasion of privacy to an adjoining neighbor).
- c) Sunlight obstructions
- d) Roof top solar collectors
- e) Flagpoles, flags, pennants, ribbons, streamers, wind sock and weather vanes
- f) Exterior storage sheds
- g) Fire and burglar alarms which emit lights or sounds
- h) Children's playground and recreational equipment shall be placed or installed only upon the rear of a Lot. Basketball goals backboards and nets shall only be permitted if they are not directly visible from any street
- i) Exterior lights
- j) Ornamental statuary, sculpture and/or yard art visible from a street or common area excluding those which may be part of an otherwise approved landscape plan
- k) The location of the Residential Dwelling on the Lot

Prohibited items. The following items are prohibited within the Properties:

- (a) Clotheslines, reels, hanging circles and other exterior clothes drying devices
- (b) Above ground swimming pools
- (c) Window unit air conditioners
- (d) Signs (except for certain "For Sale" and "For Lease" signs as provided by the rules promulgated by the Association from time to time)
- (e) Storage of more than ten gallons of fuel outside of regular vehicle gas tanks
- (f) Unregistered or inoperable motor vehicles

Section 20. Lot/Yard Maintenance. A landscaping plan for the entire Lot(s) upon which a Residence is constructed shall be submitted to and approved by the Architectural Control Committee before implementation of the plan. Each Residence shall be fully landscaped within forty-five (45) days after the date on which the main structure is ninety-five (95%) percent complete. Each plan must incorporate a minimum of two 4" caliper hardwood trees in the front yard of each Residence.

The front and rear yard of all Waterfront and Interior Lots and side yard of all corner Lots shall be landscaped. Such landscaping shall be in accordance with the Architectural Control Committee's standards. The Architectural Control Committee's decision shall be final. Unless otherwise provided for herein, such landscaping is to be completed at the time of the date of occupancy of the Residence. The Owners or occupants of all Lots shall at all times keep all weeds and grass thereon cut in a sanitary, healthful, and attractive manner and shall in no event use any Lot 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. The Owners or occupants of any Lots at the intersection of streets or adjacent to the Lake, parks, playgrounds or other facilities where the rear yard or portion of the Lot is visible to full public view shall construct and maintain suitable enclosures to screen the following from public view: yard equipment, wood piles, or storage piles which are incident to the normal residential requirements of a typical family. 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 after ten (10) days' written notice thereof, the Association or its assigns may, at their option, without liability to the Owner or occupant in trespass or otherwise, enter upon said Lot and cause to be cut such 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 an amount established by the Association from time to time. 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, and all such payments due the Association shall likewise be secured by a Vendor's Lien for the benefit of the Association in the same manner as the Assessments payable in accordance with Article VI herein.

The digging of dirt or the removal of any dirt from any Lot is expressly prohibited except as may be necessary in conjunction with the landscaping of or construction on such Lot. Unless otherwise approved by the Architectural Control Committee, no trees shall be cut or removed except to provide room for construction of improvements, to prevent a hazard to the structural integrity of the slab or to remove dead or unsightly trees.

During the construction of a Residence, the Owner is required to remove and haul all trees, stumps, limbs, branches, excess soil and/or sod, etc. from the Properties except that Declarant during construction of the water, sewer and drainage facilities and paving may burn and dispose of in other methods, trees, stumps, underbrush, and other trash cleared during the construction process and Declarant may act in accordance with Article II.

No Owner or contractor may enter upon the Lot adjacent to the one on which he is building for the purposes of ingress or egress to his Lot during or after construction unless such adjacent Lot is also owned by such Owner or such Owner has written approval from the adjacent Lot Owner. Such approval must be furnished to the Architectural Control Committee. All such adjacent Lots shall be kept free of any trees, underbrush, trash, rubbish and/or any other building debris or after construction of improvements.

Section 21. Motor Vehicles. No unlicensed motor vehicles shall be allowed within the Subdivision. No dirt bikes, four wheelers, "go-carts", or other similar vehicles shall be permitted to be operated on the Properties, if, in the sole judgment of the Association, such operation, for reason of noise or fumes emitted, or by reason of manner of use, shall constitute a nuisance or jeopardize the safety of the Owners, their tenants and/or their families.

Section 22. Storage and Repair of Automobiles, Boats, Trailers, and other Vehicles. No motor vehicle shall be parked or stored on any part of any Lot, easement, right-of-way, or any other area unless such vehicle is concealed from public view inside a garage or other approved enclosure, except passenger automobiles, passenger vans, or pickup trucks that: are in operating condition; have current license plates and inspection sticker; and are in daily use as motor vehicles on the streets and highways of the State of Texas; and which do not exceed six (6) feet, six (6) inches in height or seven (7) feet, seven (7) inches in width or twenty-one (21) feet in length, may be parked in the driveway on such Lot. No non-motorized vehicle, trailer, boat, marine craft, hover craft, aircraft, machinery, or equipment of any kind may be parked or stored on any part of any Lot, easement, right-of-way or any other area unless such object is concealed from public view inside the garage or other approved enclosure. The term "approved enclosure" shall mean an enclosure that has been previously approved by the Architectural Control Committee. No repair work, dismantling, or assembling of motor vehicles or other machinery or equipment shall be done or permitted on any street, driveway, or any portion of the Properties. If a complaint is received about a violation of any part of this section, the Association will be the final authority on the matter. This Restriction shall not apply to any vehicle, machinery, or maintenance equipment temporarily parked and in use for the construction, repair, or maintenance of the Subdivision facilities or of a house or of any other structure. No Owner or visitor or guest of any Owner, occupant, or resident shall be permitted to perform work on automobiles or other vehicles in driveways or streets other than work of a temporary nature. Owners, visitors, and guests are encouraged not to park vehicles in the streets of the subdivision.

Section 23. Antennas and Satellite Dishes. No electronic antenna or device for receiving or transmitting any signal of any type other than an antenna for receiving normal marine signals from a water craft located on Lake Conroe shall be erected, constructed, placed or permitted to remain on any Lot, residence, garage, or other buildings unless otherwise approved by the Architectural Control Committee. All marine radio antennas must be attached to the main residential structure. Only one antenna per Lot shall be permitted. In

all cases, no antenna shall be erected as a free standing or guide structure. No antenna of any style shall be permitted on the Lot which extends more than ten (10) feet above the roof of the main residential structure on said Lot. The Architectural Control Committee may allow the installation of satellite dishes if in the sole opinion of the Architectural Control Committee the location of said dish does not unnecessarily affect the views or aesthetics within the Subdivision. The Architectural Control Committee's decision shall be final. Unless otherwise approved by the Architectural Control Committee, no satellite dish may be maintained on any portion of any Lot outside the building lines of said Lot or forward of the front of the improvements thereon. A satellite dish may not exceed eighteen (18) inches in diameter and must be mounted as to not be visible from the street. All dishes shall be of one solid color of black or earth tones of brown, gray or tan. The expanded metal type dish is recommended. No multicolored dishes shall be permitted. No advertising or the printing of names of any type shall be permitted. No more than one satellite dish shall be permitted on each Lot. No transmitting device of any type which could cause electrical or electronic interference in the neighborhood shall be permitted. Approval by the Architectural Control Committee is required prior to the installation of any satellite dish. The Association reserves the right to force the removal of any satellite dish that was installed without first obtaining approval or any dish that violates these Restrictions.

Acknowledging that there will be technological advances which cannot be anticipated at this time, the Association is hereby given the right to adopt rules and regulations relating to future technology issues provided such rules and regulations must be consistent and in keeping with the uniform plan established by these Restrictions to maintain a quality subdivision.

Section 24. Solar Panels. All solar panels installed shall be framed in such a manner so the structural members are not visible. The framing material shall be one that is in harmony with the rest of the structure. Approval by the Architectural Control Committee is required prior to the installation of any solar panels. The Association reserves the right to enforce the removal of any solar panel that was installed without first obtaining approval or any solar panel that violates these Restrictions.

Section 25. 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. All Owners shall comply with the applicable ordinances of the City of Montgomery, Texas. Should such pets become a nuisance in the opinion of the Association, they must be removed from the premises and the Properties. No pets are to run at large.

Section 26. Drainage. Each Owner agrees that he will not in any way interfere with the established drainage pattern over his Lot from adjoining Lots or other Lots in the Properties. Any changes necessary in the established drainage pattern must be included on the Owner's plans and specifications when submitted to the Architectural Control Committee. Such drainage plans shall be subject to the Architectural Control Committee's approval. Each Owner agrees that he will take all necessary steps to provide for additional drainage of his Lot in the event it becomes necessary. Established drainage shall be defined as drainage that exists at the time the Declarant completes all grading and landscaping within the Properties. If an Owner wishes to change the established drainage and is not at that time constructing a home, a drainage plan must be provided to the Architectural Control Committee for approval. No pockets or low areas may be left on the Lot where water will stand following a rain or

during normal yard watering. With the approval of the Architectural Control Committee, an Owner may establish an alternate drainage plan for low areas by installing underground pipe and area inlets or other such methods as approved by the Architectural Control Committee.

Section 27. Concrete Curb/Driveway Maintenance. The Owner or occupant shall at all times keep his entrance lip, culvert, driveway curb, curb ties, and curb along the street adjacent to his property in a good state of repair and attractive in appearance. In the event of any default by the Owner or other occupant of a Lot in observing the above requirements, which default is continuing after thirty days' written notice thereof to the Owner or occupant as applicable, the Association or its designated agents may at their option, without liability to the Owner or occupant in trespass or otherwise enter upon said Lot and make such repairs as deemed necessary by the Declarant or the Association to ensure compliance with this declaration, so as to place such driveway entrance items and street curb in a good state of repair and attractive appearance 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, and all such payments due the Association shall likewise be secured by a Vendor's Lien for the benefit of the Association in the same manner as the Assessments payable in accordance with Article VI herein.

All culvert sizes, if required and elevations must be approved by the Architectural Control Committee and any other governmental agencies having jurisdiction.

Section 28. Erosion Control. The Owners or occupants of all Waterfront Lots shall implement and maintain an erosion control plan whereby erosion is controlled in the area of the bulkhead and all erosion dealt with timely so that erosion does not compromise the integrity of the bulkhead and/or allow dirt to erode from the Lot to the adjoining waterway. 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 after ten (10) days' written notice thereof, the Association or its assigns may, at their option, without liability to the Owner or occupant in trespass or otherwise, enter upon said Lot and cause to be implemented an appropriate erosion control plan or do any other thing necessary to secure compliance with these restrictions so as to eliminate the erosion issue and may charge the Owner or occupant of such Lot an amount established by the Association from time to time. 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, and all such payments due the Association shall likewise be secured by a Vendor's Lien for the benefit of the Association in the same manner as the Assessments payable in accordance with Article VI herein.

Section 29. Driveways. Driveways may be built of brick, stone, concrete or other materials approved by the Architectural Control Committee. Driveways shall be a minimum of ten (10) feet wide. The Architectural Control Committee shall have the right to approve the location of the driveway on the Lot. No driveway shall be located at the side building lines without written approval from the Architectural Control Committee.

An expansion joint shall be installed at the property line and at the connection where the driveway abuts the street.

Section 30. Walkways/Sidewalks. No sidewalks shall be required.

Section 31. Swimming Pools. No swimming pool may be constructed on any Lot without the prior written consent of the Architectural Control Committee. Two sets of plans and specifications for the proposed pool shall be submitted to the Architectural Control Committee including a plot plan showing the location and dimensions of the pool and related improvements together with the plumbing and excavation disposal plan. No pools shall be constructed on Waterfront Lots nearer than twenty five (25) feet of the bulkhead constructed by the Declarant except as may be approved by the Architectural Control Committee. Swimming pool drains shall be piped into the Lake, storm sewer, or the street in front of the Lot. In no case shall the street curb be broken or cut to facilitate a pool drain without the prior written approval of the Architectural Control Committee. Excavation required for swimming pools shall be hauled from the site to a place outside of Waterstone on Lake Conroe, unless approved by the Architectural Control Committee in writing.

Section 32. Docks and Boat Slips. No dock, boat slip or other structure may be installed or constructed without approval of the Architectural Control Committee. Such structure must conform to the Architectural Control Committee's predetermined plan. No "homemade" type dock, boat slip, boat cover or bulkheading will be allowed. Request to construct any such structure shall be in writing to the Architectural Control Committee and must be accompanied with complete plans and specifications. The Architectural Control Committee shall act upon such request as with other structures.

Ownership of any dock, boat slip, boat cover or bulkheading installed on a Lot (including but not limited to bulkheading installed by the Declarant) shall pass with title to the Lot, and it shall be the Owner's responsibility to maintain such dock, boat slip, boat cover, and bulkheading thereafter. In the event of default on the part of the Owner or occupant of any Lot in maintaining said items and such failure continuing after ten (10) days' written notice thereof, the Association, at its option, without liability to the Owner or occupant in trespass or otherwise, may, in its discretion, enter upon said Lot and cause said items to be repaired or maintained or do any other thing necessary to secure compliance with these Restrictions so as to place said item in a satisfactory 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 and all such payments due the Association shall, likewise, be secured by a Vendor's Lien for the benefit of the Association in the same manner as the assessments payable in accordance with Article VI herein.

In addition to being approved by the Architectural Control Committee, all plans for all docks and boat slips must be approved in writing by the San Jacinto River Authority and all other governmental agencies having jurisdiction.

Section 33. Retaining Walls. A retaining wall shall be built to extend and/or blend with the existing topography. Retaining walls are not allowed to be located on property lines. All retaining walls are to be set back from property lines a minimum of five feet (5'). The design, location and materials of all retaining walls must be pre-approved by the Architectural Control Committee. Owner acknowledges that the Architectural Control Committee may require engineer's plans.

Section 34. Outdoor Fireplaces. All outdoor fireplaces must comply with the ordinances of the City of Montgomery, Texas. Their design, location and materials must be pre-approved by the Architectural Control Committee.

Section 35. Other Restrictions. Declarant may include restrictions other than those set out in this document in any contract or deed to any Lots or Plots without otherwise modifying the general plan above outlined.

ARTICLE IV
Architectural Control Committee

Section 1. Approval of Improvement Plan.

a) No improvement shall be erected, placed or altered on any Lot until the construction plans and specifications and a plot plan showing the location of the improvement have been submitted and approved in writing by the Architectural Control Committee as to:

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

b) Final plans specifications shall be submitted on 11" x 17" paper in triplicate to the Architectural Control Committee for approval or disapproval. At such time as the plans and specifications meet the approval of the Architectural Control Committee, two complete set of plans will be marked "Approved" and returned to the Owner or his designated representative and accompanied by a statement of complete approval or approval based on certain conditions and specifications. If found not to be in compliance with the Covenants and Restrictions, one set of such plans and specifications shall be returned marked "Disapproved", accompanied by a reasonable statement of items found not to comply with these Covenants and Restrictions. Any modification or change to the approved set of plans and specifications must again be submitted to the Architectural Control Committee for its inspection and approval. The approval or disapproval of the Architectural Control Committee, as required herein, shall be narrative and in writing. Provided however, that nothing in this paragraph

shall affect in any way the method for seeking or granting variances, as described in the following paragraph, nor shall any failure of the Architectural Control Committee to act on a variance within any particular period of time constitute the granting or approval of any such variance request.

c) Upon submission of a written narrative request for same, the Architectural Control Committee may, from time to time, at its sole discretion, permit Owners to construct, erect, or install improvements which are in variance from the Covenants or Restrictions which are provided in this Declaration or which may be promulgated in the future. In any case, however, such variances shall be in basic conformity with and shall blend effectively with the general architectural style and design of the community. No member of the Architectural Control Committee shall be liable to any Owner or other person claiming by, through, or on behalf of any Owner, for any claims, causes of action, or damages arising out of the granting or denial of, or other action or failure to act upon, any variance request by any Owner or any person acting for or on behalf of any Owner. Each request for a variance submitted hereunder shall be reviewed separately and apart from other such requests and the grant of a variance to any Owner shall not constitute a waiver of the Architectural Control Committee's right to strictly enforce these Covenants and Restrictions against any other Owner. Each such written request must identify and set forth in narrative detail the specific restriction or standard from which a variance is sought and describe in complete detail the exact nature of the variance sought. Any grant of a variance by the Architectural Control Committee must be in writing and must identify in narrative detail both the standard from which a variance is being sought and the specific variance being granted. Any variance granted by the Architectural Control Committee shall be considered a rule made under this Declaration.

d) The Architectural Control Committee may from time to time publish and promulgate architectural standards bulletins which shall be fair, reasonable and uniformly applied and shall carry forward the spirit and intention of these Covenants and Restrictions. Such bulletins shall supplement these Covenants and Restrictions and are incorporated herein by reference. Although the Architectural Control Committee shall not have unbridled discretion with respect to taste, design and any absolute standards specified herein, the Architectural Control Committee shall be responsive to technological advances or general changes in architectural designs and related conditions in future years and use its best efforts to balance the equities between matters of taste and design (on the one hand) and use of private property (on the other hand).

e) The Architectural Control Committee may, subject to the consent of Declarant, delegate some or all of its authority to a third-party architectural/design professional and agree to pay such professional a reasonable fee for its services on behalf of the Architectural Control Committee. Failure on the part of the Architectural Control Committee to act within sixty (60) days following date of submission of the required plan and specification shall constitute approval.

f) A form survey prepared by a registered surveyor in the State of Texas shall be submitted to the Architectural Control Committee prior to pouring the foundation of any building or other Improvement that is to be erected, placed, or altered on any Lot.

g) The Architectural Control Committee shall have the authority to set reasonable fees to be paid by each Lot Owner upon submitting original and amended building plans and

specifications for review by the Architectural Control Committee. All fees and/or deposits (refundable and non-refundable) are to be paid to Waterstone on Lake Conroe Property Owners Association.

Section 2. Committee Membership. The Declarant, in its sole discretion, shall appoint the members of the Architectural Control Committee which will consist of three (3) members, none of whom shall be required to be residents of Waterstone on Lake Conroe. The Architectural Control Committee shall and will act independently of Waterstone on Lake Conroe Property Owners' Association.

Section 3. Replacement. In the event of death or resignation of any member or members of said Architectural Control Committee, the Declarant 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. In the event the Declarant fails to appoint successor members, the Association shall make such appointments.

Section 4. Non-Liability for Committee Action. No member of the Architectural Control Committee, the Association Board of Directors, their successors or assigns, or the Declarant shall be liable for any loss, damage or injury arising out of or in any way connected with the performance of the duties of the Architectural Control Committee. In reviewing any matter, the Architectural Control Committee shall not be responsible for reviewing, nor shall its approval of any improvement or modification to any improvement on a Lot be deemed approval of the improvement or modification of improvement from the standpoint of safety, whether structural or otherwise, or conformance of building codes or other governmental laws or regulations.

ARTICLE V

Waterstone On Lake Conroe Property Owners Association

Section 1. Purposes, Powers and Duties of the Association. The Association shall be formed as a non-profit corporation for the sole purpose of performing certain functions for the common good and general welfare of the Owners as contemplated in this Declaration. The Association shall have no power or duty to do or perform any act or thing other than those acts and things which will promote in some way the common good and general welfare of the Owners. To the extent, and only to the extent, necessary to carry out such purpose, the Association shall have all of the powers of a Texas non-profit corporation and shall have the power and duty to exercise all of the rights, powers and privileges and to perform all of the duties and obligations of the Association as set forth in this Declaration.

Section 2. Membership. All Owners in Waterstone on Lake Conroe, including any other sections which subsequently may be developed in this tract or adjacent land, will be members of the Association. The Declarant shall be a member of the Association if it owns legal title to any Lot in the subdivision which has not been conveyed to a third party by Contract of Sale or Deed.

Section 3. Voting Rights. Each Owner from all sections and/or phases of Waterstone on Lake Conroe shall be a member of such Association and entitled to one (1) vote for each Lot owned. Where such Owner is a group or entity other than one individual person, the vote on behalf of such Owner shall be exercised only by such individual person as shall be designated in a proxy instrument duly executed by or on behalf of such group or entity and delivered to the Secretary of the Association.

Section 4. Board of Directors. The Association shall be governed by a Board of Directors, and the Declarant shall name and select the initial members of the Board of Directors. The initial Board of Directors shall serve for a term of ten (10) years or until all of the Developer's properties have been sold whichever occurs first or at the Developer's sole option. The Board, on behalf of the Association and for the benefit of the Property and the Owners and the Members and Occupants, may provide and may pay for, out of the Assessment fund(s), one or more of the following:

- a) Care, preservation and maintenance of the Common Property (including without limitation the property maintenance of the private streets) and the furnishing and upkeep of any desired personal property for use in or on the Common Property;
- b) Recreational and social programs and activities for the general benefit of the Occupants and programs which are designed only for separately identifiable sub-groups of Occupants, such as (but not limited to) infants, adolescents, teenagers, student, mothers and senior citizens;
- c) Supplementing (to the extent, if any, deemed necessary, appropriate and affordable by the Board) the police, fire, ambulance, garbage and trash collection and similar services within the Property traditionally provided by local governmental agencies;
- d) Taxes, insurance and utilities (including without limitation, electricity, gas, water, sewer and telephone charges) which pertain to the Common Property;
- e) The services of any person or firm (including the Declarant and any affiliates of the Declarant) to manage the Association or any separate portion thereof, to the extent deemed advisable by the Board, and the services or such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager of the Association. The Board is specifically authorized to hire and employ one or more managers, secretarial, clerical, staff, and support employees. The Board is specifically authorized to engage personnel (such as ad valorem tax consultants and computer operators) and equipment (such as computers, software and electronic communication and transmission devices) for the administration of the collection of Assessments;
- f) Legal and accounting services;
- g) Architectural and design services; and
- h) Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments which the Board is required to obtain or pay for

pursuant to the terms of this Declaration or which in its opinion shall be necessary or proper for the operation or protection of the Association or for the enforcement of this Declaration.

The Board shall have the following additional rights, powers, and duties:

i) to execute all declarations of ownership for tax assessment purposes with regard to any of the Common Property owned by the Association;

j) to enter into agreements or contracts with insurance companies, taxing authorities, the holders of first mortgage liens on the individual Lots and utility companies with respect to: (i) any taxes on the Common Property; (ii) monthly escrow and impound payments by a mortgagee regarding the assessment, collection and disbursement process envisioned by Article V. herein; (iii) utility installation, consumption and service matters; and (iv) the escrow of impounding of monies sufficient to timely pay the Annual Assessment;

k) to borrow money (including, without limitation, the borrowing of funds from the Declarant and/or its affiliates) for the purpose of carrying out the activities of the Association, including the acquisition, construction, improvement, equipping and maintenance of Common Property, and in aid thereof to encumber by deed of trust, mortgage or other security interest any or all of the Association's property including Common Property and revenues from assessments, user fees and other sources and provided, however, that during the period when the Declarant has the right to appoint members of the Board, the Association shall not grant or convey to anyone any mortgage, deed of trust or other security interest on or in Common Property without the written approval of Declarant;

l) to enter into contracts, maintain one or more bank accounts and, generally, to have all the powers necessary or incidental to the operation and management of the Association;

m) to protect or defend the Common Property from loss or damage by suit or otherwise, to sue or defend in any court on behalf of the Association and to provide adequate reserves for repairs and replacements;

n) to make reasonable rules and regulations for the operation of the Common Property, charge reasonable expense reimbursements and/or deposits relating to the use, operation and maintenance of the Common Property, to amend any of the foregoing from time to time, and to enter into concession agreements regarding food, beverage, vending and other products and services within the Common Properties;

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

p) to enforce the provisions of this Declaration and any rules made hereunder and to enjoin and seek damages from any Owner, Occupant, or Member for violation of such provisions or rules. The Board is specifically authorized and empowered to establish (and revise and amend from time to time) a monetary "fine" system which may include component steps such as warning citations, ticketing, due process hearings and appeals and a flat rate or discretionary range or geometric progression of fine amounts, which,

when pronounced, shall constitute a permitted individual Owner assessment secured by the continuing lien herein established;

q) to grant easements or right of way over Common Property to any municipality or other governmental body, agency or authority, to any quasi-public agency or to any utility company or cable television system or to any owner of land contiguous to the property;

r) to suspend, pursuant to Section 5, the voting rights of any Member and the right of enjoyment granted or permitted by Section 3;

s) to enter into and enforce all applicable provisions of valid agreements of the Association relating to the Common Property or any part thereof for the purpose of providing management, maintenance, materials, services or other matters consistent with the purposes of the Association or these Declarations;

t) to install, maintain, improve and replace any and all landscaping treatments or other Structures on the Common Property previously installed by the Declarant or installed by the Association to the extent that such landscaping or Structure is not otherwise maintained by the appropriate county and/or municipal entity having jurisdiction over the roads of Montgomery County, Texas; and

u) to install, maintain, improve and replace any and all fencing around the perimeter of the Property previously installed by the Declarant or installed by the Association.

The Association may: (i) borrow monies from the Declarant; (ii) lease equipment from the Declarant; (iii) contract with the Declarant concerning the provision of any personnel, labor, supplies, materials and services, provided such contract terms and conditions are: generally comparable (in terms of price, quality and timeliness) with those that might be otherwise obtained from unrelated third parties; and, as to professional management contracts, terminable by the Association at any time for any reason whatsoever and without penalty upon furnishing at least ninety (90) days' advance notice thereof to Declarant. The Board shall not be required to solicit bids from unrelated third parties before entering into any contract with the Declarant and the reasonable judgment and resolution of the Board to enter into any such contract with the Declarant (absent, fraud, gross negligence or willful misconduct) shall be final and conclusive and binding upon the Association and all of its Members.

Section 5. Suspension of Membership Rights. The Board may suspend the voting rights of any Member and the rights of enjoyment of the Common Property of any person who:

a) shall be subject to the Right of Abatement by reason of having failed to take reasonable steps to remedy a violation or breach of either the Restrictions or the Design Standards within the deadlines set forth herein after having received notice of the same pursuant hereto;

b) shall be delinquent in the payment of any Assessment levied by the Association; or

c) shall be in violation of the rules and regulations of the Association relating to the use, operation, and maintenance of Common Property.

Such suspension shall be for the balance of the period in which said Member or person shall remain in violation, breach, or default, as aforesaid, except that in the case of a violation described in subsection (c) of this Section 5, the suspension may be for a period not to exceed sixty (60) days after the cure or termination of such violation. No such suspension shall prevent Owner's ingress to or egress from his Lot.

Section 6. Termination of Membership. Membership shall cease only when a person ceases to be an Owner.

Section 7. Voting Procedures. The procedures for the election of Directors of the Association and the resolution of such other issues as may be brought before the membership of the Association shall be governed by this declaration, the Texas Non-Profit Corporation Act and other applicable law, the Certificate of Formation of the Association, and the Bylaws of the Association, as each shall from time to time be in force and effects.

Section 8. Common Property.

a) At the time of the conveyance of any real property or grant of easement by the Declarant to the Association to be used as Common Property, the Declarant may designate in the deed of conveyance or easement that such real property is to be used for a specific or general purpose or purposes for which such real property or any portion thereof may be used, and in such event, such real property or portion thereof shall not, without a three-quarter (3/4) vote of the Members, be used for any different purpose or purposes without the prior written consent of the Declarant.

b) Any Owner may delegate to the members of his family or his tenants or other Occupants who reside on a Lot, in accordance with the Bylaws, his right to use and enjoy the Common Property.

c) The Association shall maintain and keep in good repair the Common Property and other property of the Association within the Development, provided, however, the Association may choose not to replace any property the Board deems to be no longer needed for fulfilling the purpose of the Association. This maintenance obligation shall include, without limitation, maintenance, repair, and replacement of all landscaping, improvements and other Structures situated on the Common Property or property designated by Declarant to be maintained by the Association. In addition, the Association shall maintain grass and other landscaping located along or in dedicated rights of way which were installed and maintained by Declarant, to the extent permitted by the applicable governmental authority.

Section 9. Control by Declarant.

a) Notwithstanding any other language or provisions to the contrary in this Declaration or in the Certificate of Formation or the Bylaws of the Association, Declarant hereby retains the right to appoint and remove any members of the Board of the Association,

any officer or officers of the Association and members of the Architectural Control Committee until fifteen (15) days after the date upon which the last of the Lots (including without limitation all Lots on any land hereafter added to the Development) has been conveyed by Declarant to an Owner.

b) Upon the expiration of the period of Declarant's right to appoint and remove directors and officers of the Association pursuant to the provisions of this Section, such right shall automatically pass to the Owners pursuant to this Declaration, the Certificate of Formation and the Bylaws of the Association, and Declarant shall deliver the books, accounts, and records, if any, which Declarant has kept on behalf of the Association and any agreements or contracts executed by or on behalf of the Association during such period that Declarant has in its possession. The Association may exercise any other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

c) Declarant shall collect and maintain control over the assessment fund and administer same until all of the Lots in Waterstone on Lake Conroe are sold by Deed or Contract or until December 31, 2018, which ever comes first, or at any earlier time if Declarant so elects. At that time, the administration of such fund shall be transferred to the Association. After transfer, no association, group, corporation, individual, or entity other than the Association formed pursuant to these restrictions shall be authorized to collect and administer the assessment fund.

d) The Administrator of the Assessment Fund shall have the sole discretion as to how such money shall be used to comply with the provisions of this Article. During all times that Declarant is the Administrator of such funds, it shall maintain the proceeds in an account separate and apart from all other accounts of Declarant and shall keep accurate records of all receipts and disbursements.

ARTICLE VI **Assessments**

Section 1. Covenant for Assessments and Creation of Lien and Personal Obligation. Each Owner of a Lot other than Declarant, jointly and severally, for himself, his heirs, distributees, legal representatives, successors and assigns, by acceptance of a deed for a Lot, whether or not the covenants contained herein shall be expressed in any such deed, hereby covenants and agrees as follows:

a) To timely pay to the Association the Assessments levied by the Association pursuant to this Declaration against all Lots owned by him;

b) To timely pay to the Association any Special Assessments levied by the Association pursuant to this Declaration against all Lots owned by him;

c) That there is hereby created a continuing charge and lien upon all Lots owned by him against which all such Assessments are made to secure payment of (i) such Assessments and any interest thereon as provided herein and costs of collection including reasonable attorneys' fees; (ii) payment of the costs related to the exercise by the Association

of the Right of Abatement as provided herein; and (iii) any other amounts due from the Owner to the Association under these Declarations;

d) That such continuing charge and lien on such Lot binds such Lot in the hands of the then Owner, and the Owner's heirs, devisees, legal representatives, successors, and assigns. Such charge and lien is superior to any and all charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any such Lot whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage, deed of trust or other instrument, except (i) such liens for taxes or other public charges as are by applicable law made superior, and (ii) all deeds of trust, mortgages, vendors liens and other liens to secure debt given to secure a loan the proceeds of which are used (1) to purchase such Lot or Lots (together with any and all Structures which may from time to time be placed or located thereon) or (2) to finance the construction, repair, or alteration of Structures on such Lot or (3) to finance the equity of an Owner of such Lot in accordance with the Texas Constitution Article XVI, Section 50(a)(6). A person or entity acquiring a lien or encumbrance on a Lot after this Declaration is recorded shall acknowledge, by the act of filing an instrument creating such lien, that such lien or encumbrance is inferior to the continuing lien for the charge and lien provided herein, whether or not such acknowledgement is specifically stated in the instrument creating the lien or encumbrance, except as provided by Subsections (i) and (ii) above. Notwithstanding the foregoing, however, subordination of the continuing charge and lien provided herein applies only to Assessments due and payable prior to the foreclosure sale of superior liens referenced above, and such foreclosure sale will not relieve future liability for Assessments thereafter due nor the continuing charge and lien securing payment thereof;

e) That no sale or transfer at foreclosure or in lieu of foreclosure shall relieve any Lot from liability for any assessment thereafter assessed;

f) That all Assessments (together with interest thereon as provided herein and costs of collection including reasonable attorneys' fees) levied against any Lot owned by him during the period that he is an Owner shall be (in addition to being a continuing charge and lien against such Lot) a personal obligation which will survive any sale or transfer of the Lot owned by him; provided, however, that such personal obligation for delinquent Assessments shall not pass to an Owner's successor in title unless expressly assumed by such successor, and

g) Failure to pay any Assessment when due shall constitute a default of the Owner's obligations hereunder, and shall entitle the Association to exercise the remedies provided under the terms of this Declaration.

Section 2. Purpose of Assessment. The Assessments levied by the Association may be used for any purpose relating to Waterstone on Lake Conroe including providing for the common good and general welfare of the Owners and Occupants as determined by the Association in its sole discretion, including, but not limited to (and not requiring), security, the acquisition, construction, improvement, maintenance and equipping of Common Property, the enforcement of the Restrictions contained in this Declaration, the enforcement of the design Standards, the payment of operating costs and expenses of the Association and the payment of all principal and interest when due on all debts owed by the Association. Notwithstanding

any other provision hereof, Lots owned by Declarant shall not be charged with any Assessment.

Section 3. Accumulation of Funds Permitted. The Association shall not be obliged to spend in any calendar year all the sums collected in such year by way of annual assessments or otherwise, and may carry forward, as surplus, any balance remaining; nor shall the Association be obligated to apply such surplus to the reduction of the amount of the Annual Assessments in any succeeding year, but may carry forward from year such surplus as the Board may deem to be desirable for the greater financial security of the Association and the effectuation of its purposes.

Section 4. Annual Assessment.

a) Each Lot (other than Lots owned by the Declarant) shall be subject to an Annual Assessment (the "Annual Assessment") in an amount as determined from time to time by the Association's Board of Directors. The initial Annual Assessment shall be Six Hundred Sixty Dollars (\$660.00). In the event that the transfer of a Lot from Declarant, thereby causing such Lot to be subject to the Annual Assessment, falls on a day other than January 1, the Annual Assessment for such year shall be prorated so that such Owner pays an Annual Assessment proportional to the number of days remaining in the calendar year. The words "Assessment Year" as used herein shall mean the calendar year or prorated period thereof. The prorated Annual Assessment for the first year shall be paid by each Owner at the time of closing on the Lot purchase.

b) When two (2) contiguous Lots are owned by the same individual, a total of only one (1) Annual Assessment shall be charged for the two (2) Lots. (If the individual transfers one of the Lots, the transferred Lot then becomes subject to a separate Assessment.) All other Lots owned by the individual shall be charged a separate Assessment.

Section 5. Special Assessments. In addition to the Annual Assessments authorized by this Article VI, the Association, after the administration of the assessment fund has been transferred to the Association by the Declarant, may levy, in any Assessment Year and with such frequency as the Association shall deem necessary; special assessments ("Special Assessments") for each Lot (other than Lots owned by Declarant) for the purpose of paying, in whole or in part, any unanticipated operating expenses, as well as the cost of any acquisition, construction, reconstruction, repair, or replacement of a capital improvement on the Common Property and any fixtures and personal property related thereto. Special Assessments exceeding said amount shall require the approval of three-fourths (3/4) of the Members who are present in person or by proxy at a meeting of Members duly held in accordance with the provisions of the Bylaws of the Association and this Declaration.

Section 6. Assessment Procedure.

a) The assessment shall be paid annually in advance by January 31 of each year. The assessment will not accrue against any Lot in which the legal and/or equitable title is vested in Declarant, notwithstanding that a Lot may have been previously sold by a Deed or Contract and title thereto reverted back to Declarant. During the time that such fund is administered by the Declarant, the charge may be increased but no more than once each twelve months and no increase shall be more than twenty (20%) percent of the existing charge. However, after the Association assumes administration of responsibilities, the

Association may adjust such rates pursuant to the rules and regulations of the Association. The annual assessment per Lot may be increased by the Association when it assumes administration of the fund in accordance with its by-laws. Interest on past due charges shall accrue at the highest rate allowable by law from date of delinquency. The Board shall establish payment procedures for payment of any Special Assessments for capital improvements which may be levied in accordance with the provisions of this Article VI.

b) All Members of the Association shall be given written notice by the Board not less than thirty (30) or more than sixty (60) days in advance of any meeting of the Members of the Association at which the Board shall propose taking action pursuant to this Article VI. Such written notice shall specify under which Section or Sections the Board will propose action. At such meetings, the presence of Members or of proxies entitled to cast fifty percent (50%) or more of the total votes outstanding shall constitute a quorum. If the required quorum is not present at such meeting, a second meeting may be called by the Board subject to the same notice requirement, and the required quorum at such meeting shall be thirty percent (30%) of the total votes outstanding. No such second meeting shall be held more than sixty (60) days following the first meeting. If the required quorum is not present at the second meeting, the Board may take such action without approval of the Members.

c) The payment of such assessment fees shall be secured by a Vendor's Lien to insure payment of such assessments in accordance with the provisions of law. In the event it becomes necessary to employ legal counsel to collect past due assessments, such delinquent Lot owners shall be responsible for reasonable attorney's fees and other reasonable costs incurred in such collection efforts including all costs of Court in any legal proceeding. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 7. Effect of Non-payment of Assessments. Each such assessment not paid when due shall incur a late fee in an amount as determined by the Board of Directors from time to time or fifteen percent (15%) of the amount due, whichever is greater. The initial late fee shall be One Hundred and No/100 (\$100.00) Dollars. In addition, any Assessment which is not paid on or before the Due Date shall bear interest after the Due Date at the lower of (i) the highest legal rate of interest which can be charged or (ii) the rate of eighteen percent (18%) per annum or (iii) at such rate as the Board may from time to time establish; provided, however, that in no event shall the Board have the power to establish a rate of interest in violation of the laws of the State of Texas. All unpaid Assessments, together with any interest and costs of collection including reasonable attorneys' fees, shall be the personal obligation of such Owner, as well as a lien on the applicable Owner's Lot enforceable in accordance with the provisions of this Declaration.

Section 8. Binding Effect of Declarations. Each Owner by acceptance of a deed for a Lot or Residence, whether or not it is expressed in such deed, is deemed, as part of the consideration for such deed (i) to agree to pay and be personally liable for all Assessments applicable to the Lot or Residence owned by such Owner, and (ii) to agree to be bound by all of the other terms, conditions, obligations and agreements applicable to Owners in this Declaration and all amendments thereto.

Section 9. Exempt Property. The following property otherwise subject to this Declaration shall be exempt from the Assessments, charges and liens created herein:

- a) All properties dedicated and accepted by the local public authority and devoted to public use;
- b) All Common Property;
- c) Any and all areas which may be reserved by the Declarant on the recorded plat(s) of the Property; and
- d) Lots owned by Declarant.

Section 10. Term of Assessment Fees. The above assessments and assessment will remain effective for the full term (and extended term, if applicable) of the within Covenants.

Section 11. Transfer Fee. A Transfer Fee in an amount as determined by the Board of Directors from time to time shall be paid to the Association each time record title is changed. This fee shall be used to cover administrative expenses incurred due to changes. The initial Transfer Fee shall be One Hundred Fifty and No/100 (\$150.00) Dollars.

ARTICLE VII **Entry Gate**

Section 1. Location. Each entrance way to the subdivision may have gates installed by Declarant. These gates may be electronically operated and control access to the subdivision.

Section 2. Control. The Declarant, its agents, employees, customers and invitees, shall always have unimpeded access through such gate and entry way to conduct the business affairs of Declarant. The right of control of access through such entry way and gate by owners, their guests and invitees, shall be upon such terms as determined by the Association.

Section 3. Maintenance. Maintenance of the gate and entry way shall be an expense to be paid from the assessment fees.

ARTICLE VIII **Water and Sewer**

Section 1. Service and Terms. Water and sewer service will be provided to the Owners by the City of Montgomery. Each Owner shall be subject to the bylaws, applicable state and federal laws, and other rules and regulations adopted from time to time by the City of Montgomery.

Section 2. Aerobic System. No aerobic system shall be installed on any Lot. No septic tanks or cesspools will be permitted.

ARTICLE IX
Enforcement

Section 1. Right of Enforcement. This Declaration and the Restrictions contained herein shall inure to the benefit of and shall be enforceable by (i) the Declarant, so long as it is an Owner, (ii) the Association, and (iii) each Owner, his legal representatives, heirs, successors and assigns.

Section 2. Right of Abatement.

a) Except where different notice provisions are provided herein, in the event of a violation or breach of any Restriction contained in this Declaration, the Association shall give written notice by certified mail to the Owner setting forth in reasonable detail the nature of such violation or breach and the specific action or actions needed to be taken to remedy such violation or breach. If the Owner shall fail to take reasonable steps to remedy such violation or breach within thirty (30) days after the mailing of said written notice, then the Association shall have the right of abatement ("Right of Abatement") set forth below in addition to any and all other remedies available at law or in equity.

b) The Right of Abatement, as used in this Section and elsewhere in these Declarations, means the right of the Association to enter at all reasonable times upon any Lot or Structure, as to which a violation, breach or other condition to be remedied exists, and to take the actions specified in the notice (referenced above) to the Owner to abate, extinguish, remove or repair or otherwise cure such violation, breach or other condition which may exist thereon contrary to the provisions hereof, without being deemed to have committed a trespass or wrongful act solely by reason of such entry and such actions, provided such entry and such actions are carried out in accordance with the provisions of this Section. The costs of the Association related to the exercise of the Right of Abatement (including the costs of collection including reasonable attorneys' fees), together with interest thereon at the lower of the highest rate permitted by Law or eighteen percent (18%) , shall be a binding personal obligation of the Owner of the Lot subject to the Right of Abatement, enforceable in law, and the lien provided for herein on such Owner's Lot, enforceable pursuant to the provisions herein shall secure such costs.

Section 3. Specific Performance. Nothing contained in this Declaration shall be deemed to affect or limit the right of the Declarant, the Association or any Owner to enforce the Restrictions by appropriate judicial proceeding or to recover damage or any other relief available at law or in equity. However, it is hereby declared that it may be impossible to measure accurately in money the damages which will accrue to a beneficiary hereof, its transferees, successors or assigns, by reason of a violation of, or failure to perform any of the obligations provided by this declaration; and therefore, any beneficiary hereof shall be entitled to relief by way of injunction or specific performance as well as any other relief available at law or in equity, to enforce the provisions hereof.

Section 4. Collection of Assessments and Enforcement of Liens.

a) If any assessment, interest, cost or other charge is not paid as required by this Declaration, the Association may (i) bring an action at law against the Owner personally obligated to pay the same, (ii) bring an action to foreclose any lien created by this Declaration against the Lot or Lots subject to the lien (which shall include the right but not the obligation to file a notice of lien against said Lot in the deed records of Montgomery County), for purpose of collecting such assessment, cost or charge, plus any interest thereon and costs of collection, including reasonable attorneys' fees. These rights and remedies are in addition to all other remedies available at law or in equity.

b) As an additional remedy, but in no way as a limitation on the remedies, if any Assessment, interest, cost or other charge is not paid as required by this Declaration, each Owner hereby grants to the Association and its assigns the following irrevocable power of attorney and power of sale: To sell, by non-judicial foreclosure, the said Lot or Lots subject to the liens at auction, at the usual place for conducting the sale at the courthouse in Montgomery County, Texas to the highest bidder for cash, after providing to the Owner all notices and performing all acts required by Section 51.002 of the Texas Property Code, all other notices being hereby waived by each Owner; and the Association or any persons on behalf of the Association, or its assigns, may bid and purchase at such sale and thereupon execute and deliver to the purchaser or purchasers at such sale a conveyance of said property in fee simple, which conveyance shall contain recitals to the happening of the default upon which the execution of the power of sale herein granted depends; and each Owner hereby constitutes an appoints the Association and its assigns, the agent and attorney in fact of each Owner to make such recitals, and hereby covenants and agrees that the recitals so to be made by the Association, or its assigns, shall be binding and conclusive upon the Owner whose property is the subject matter of such sale; and the heirs, executors, administrators and assigns of such Owner, and the Association or its assigns shall collect the proceeds of such sale, and after reserving the entire amount of Assessment, interest, cost or other charge due, together with all cost and expenses of sale and reasonable attorney's fees, shall pay any excess to such Owner, or to the heirs or assigns of such Owner as provided by law. The power and agency hereby granted are coupled with an interest and are irrevocable by death, incapacity, or otherwise and are granted as cumulative to the remedies for collection of said indebtedness provided by law.

Section 5. No Waiver. The failure of the Declarant, the Association, or the Owner of any Lot, his or its respective legal representatives, heirs, successors and assigns, to enforce any Restrictions herein contained shall in no event be considered a waiver of the right to do so thereafter, as to the same violation or breach or as to any violation or breach occurring prior or subsequent thereto.

ARTICLE X
Duration and Amendment

Section 1. Duration. Subject to being amended pursuant to Section 2 and/or 3, these Covenants and Restrictions 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 period of ten (10) years each, unless at the end of the 40 years, or anytime

thereafter an instrument signed by majority of the then Owners of the Lots has been recorded agreeing to change or terminate said Covenants herein. It shall be lawful for the Association, the Architectural Control Committee or any 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 or other dues for such violations. The Declarant reserves the right to also enforce these Restrictions.

Section 2. Amendments by Declarant. During any period which Declarant retains the right to appoint and remove any directors and officers of the Association, Declarant may amend this Declaration by an instrument in writing filed and recorded in the deed records of Montgomery County, Texas, without the approval of any Members or mortgagee; provided, however, that (i) in the event that such amendment materially alters or changes any Owner's right to the use and enjoyment of such Owner's Lot as set forth in this Declaration if such amendment adversely affects the title to any Lot, such amendment shall be valid only upon the written consent thereto by a majority in number of the then existing Members affected thereby, and (ii) in the event that such amendment would materially and adversely affect the lien status, security and interest of any mortgagee, such amendment shall be valid only upon the written consent thereto by the mortgagee so affected. Any amendment made pursuant to this Section 2 shall be certified by Declarant as having been duly approved by Declarant, and such Members and mortgagees if required, and shall be effective only upon recordation or at such later date as shall be specified in the amendment itself. Each Owner, by acceptance of a deed or other conveyance to a Lot, agrees to be bound by such amendments as are permitted by this Section 2 and further agrees that, if requested to do so by Declarant, but without implying a requirement to obtain any consent, such Owner will consent to the amendment of this Declaration or any other instruments relating to the Development (i) if such amendment is necessary to bring any provision hereof or thereof into compliance or conformity with the provisions of any applicable governmental statute, rule or regulation or any judicial determination which shall be in conflict therewith, (ii) if such amendment is necessary to enable any reputable title insurance company to issue title insurance coverage with respect to any Lots subject to this Declaration, (iii) if such amendment is required by an institutional or governmental lender, purchaser or guarantor or mortgage loans, including, for example, the Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on any Lot subject to this Declaration, (iv) if any such amendment is necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on the Lots subject to this Declaration, or (v) if such amendment is necessary to correct a scrivener's error in the drafting of this Declaration.

Section 3. Amendments by Association. Amendments to this Declaration, other than those authorized by Section 2 hereof, shall be proposed and adopted in the following manner:

a) Notice of the subject matter of the proposed amendment shall be included in the notice of the meeting of the Association at which such proposed amendment is to be considered and shall be delivered to each member of the Association.

b) At such meeting, a resolution adopting a proposed amendment may be proposed by either the Board or by Members of the Association. Such amendment must be approved by Members holding at least seventy-five percent (75%) of the total votes in the Association; provided, however, (i) that any amendment that materially and adversely affects

subdivision. From and after the time a merger or subdivision of a Lot(s) is approved, each resulting Lot(s) shall, for all purposes, be considered one (1) Lot in accordance with its new boundaries.

Section 3. No Reverter. No restriction herein is intended to be, or shall be constructed as a condition subsequent or as creating a possibility of a reverter.

Section 4. Severability. A determination by a court that any provision hereof is invalid for any reason shall not affect the validity of any other provision hereof.

Section 5. Headings. The headings of the Articles and Sections hereof are for convenience only and shall not affect the meaning or interpretation of the contents of this Declaration.

Section 6. Gender. Throughout this Declaration, where appropriate, the masculine gender shall be deemed to include the feminine and neuter genders, and the singular shall include the plural, and vice versa.

a) **Section 7. Notices.** All amendments, notices, requests, objections, waivers, rejections, agreements, approvals, disclosures or consents of any kind made pursuant to this Declaration, whether made by the Declarant, The Association, The Owner, or any other person, shall be in writing. All such writings shall be sufficient if deposited in the United States Mail, certified or register, return receipt requested, with sufficient postage.

b) Any written communication with this Section 7 shall be deemed received on the third (3rd) day following the day such written notice is deposited in the United State Mail in accordance with this Section.

ARTICLE XII **Mortgage Provisions**

Notwithstanding any other provisions of these Declarations or the Bylaws or Certificate of Formation of the Association, the Declarant (so long as the Declarant retains the right to appoint and remove the directors and officers of the Association) and the Association, in each of their sole discretion, have the right (but not the obligation) to amend these Declarations without the vote of the Members to the extent necessary or prudent to meet the minimum requirements of any holder of an Institutional Mortgage to enable the Owners or Prospective Owners to take part in any lending transaction to finance or refinance the acquisition of a Lot or construction of a Structure. The term "Institutional Mortgage" means and refers to any bona-fide mortgage, lien or security or other recognized lending institution or by an institutional or governmental purchaser of mortgage loans in the secondary market, such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or their successors, or guaranteed or subsidized by the FHA and/or VA.

the lien status, security and interest of any mortgagee must be approved by such mortgagee and (ii) during any period in which Declarant has the right to appoint and remove officers and directors of the Association, such amendment must be approved by Declarant.

c) The agreement of the required percentage of the Owners and, where required, the Declarant and mortgagee, to any amendment of this declaration, shall be evidenced by their execution of such amendment, or, in the alternative, and provided that Declarant does not then have the right to approve such amendment, the sworn statement of the President and any Vice President or the Secretary of the Association attached to or incorporated in the amendment executed by the Association, which sworn statement shall state unequivocally that the Agreement of the required parties was lawfully obtained. Any such amendment of this Declaration shall become effective only when recorded or at such later date as may be specified in the Amendment itself.

ARTICLE XI **Miscellaneous**

Section 1. Corrected Plats. Until the time a Lot or residential unit within the Properties is transferred by the Declarant to another (other than Builder-Owner, an affiliate of the Declarant, or a holder of a first mortgage on the entire Properties), no Owner of any Lot or residential unit shall have any rights whatsoever to the continuation of any covenants, conditions or restrictions on such properties as contained herein or as may be imposed, expressly or implied, by recordation of any plat or as might otherwise be implied or expressed. In furtherance thereof, until the time a Lot or residential unit within the Properties is transferred by the Declarant as aforementioned, the Declarant may revoke or cancel any Plat or other instrument which might be deemed, either expressly or implied, to impose any covenants, conditions or restrictions or may take whatsoever steps it deems necessary or desirable to avoid the implication of such existing.

Section 2. Merger and Subdivision of Lots.

(a) Upon application in writing by an Owner or Owners of adjoining Lots or Lots adjacent to a middle Lot, the Committee may authorize the merger or subdivision of such adjoining Lots; provided, however, such merger or subdivision shall be in accordance with these Declarations, including provisions which may further regulate the merger or subdivision. No merger or subdivision of Lots shall be allowed unless approved by the Architectural Control Committee.

(b) A Lot between two Lots may be subdivided and added in the adjacent Lots provided that the boundary line must be generally run from the street to the rear of the subdivided Lot. The Committee's decision shall be final.

Such plats and plans as may be necessary to show the merger or subdivision of Lots shall be thereafter prepared at the expense of the requesting Owner or Owners, who shall additionally be responsible for all costs, including legal fees, associated with the merger or subdivision of such Lots. In addition, the side lot utility easement, if any, must be abandoned or released in accordance with applicable law. The Committee may impose conditions for use of the merged or subdivided Lots as a condition precedent to granting approval of such a merger or

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be duly executed as provided in the acknowledgement set forth hereinafter but to be effective as of the date of execution.

EXECUTED this 4th day of September, 2008.

STATE OF TEXAS
COUNTY OF MONTGOMERY

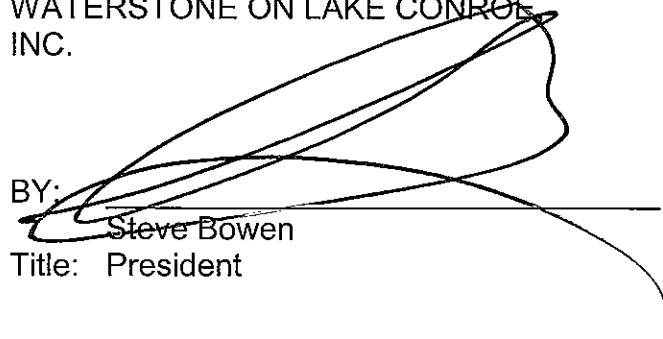
I hereby certify this instrument was filed in File Number Sequence on the date and at the time stamped herein by me and was duly RECORDED in the Official Public Records of Real Property at Montgomery County, Texas.

SEP - 4 2008



Mark Turnbull
County Clerk
Montgomery County, Texas

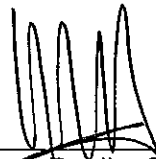
WATERSTONE ON LAKE CONROE
INC.

BY: 
Steve Bowen
Title: President

THE STATE OF TEXAS }
COUNTY OF MONTGOMERY }

BEFORE ME, the undersigned authority, on this day personally appeared Steve Bowen, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act of such corporation for the purposes and considerations therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 4th day of September, 2008.



Notary Public, State of Texas

After Recording, Please Return to:

✓ Waterstone on Lake Conroe, Inc.
22455 FM 1097
Montgomery, TX 77356

FILED FOR RECORD

2008 SEP -4 PM 1:40

Mark Turnbull
COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

