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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
EASEMENTS, CHARGES AND LIENS**

LAKES AT TIMBER COVE

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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
EASEMENTS, CHARGES AND LIENS**

LAKES AT TIMBER COVE

STATE OF TEXAS

§

KNOW ALL MEN BY THESE PRESENTS

COUNTY OF HOOD

§

§

This Declaration, made on the date hereinafter set forth by LATC PARTNERS, LTD., a Texas limited partnership, hereinafter referred to as "Developer", and RODNEY O. DUREE, together herein referred to as the "Declarant" or "Declarants";

WITNESSETH:

WHEREAS, Declarant is the owner of that certain tract of land known as LAKES AT TIMBER COVE consisting of 84.06 Acres of land situated in Hood County, Texas (hereinafter referred to as the "Subdivision"), with the plat ("Plat") referring to the plat of LAKES AT TIMBER COVE (hereinafter referred to as "Lakes at Timber Cove"), a subdivision in Hood County, Texas, according to the plat thereof recorded in Slide B-202, Plat Records, Hood County, Texas.

WHEREAS, it is the desire of Declarant to place certain restrictions, easements, covenants, charges, liens, conditions, stipulations and reservations (herein sometimes referred to as the "Restrictions") upon and against Lakes at Timber Cove in order to establish a uniform plan for its development, improvement and sale, and to insure the preservation of such uniform plan for the benefit of both the present and future owners of tracts in Lakes at Timber Cove;

NOW, THEREFORE, Declarant hereby adopts, establishes and imposes upon Lakes at Timber Cove and declares the following reservations, easements, restrictions, charges, liens, covenants and conditions, applicable thereto, all of which are for the purposes of enhancing and protecting the value, desirability and attractiveness of said Property, which Restrictions shall run with the Subdivision and title or interest therein, or any part thereof, and shall inure to the benefit of each owner thereof. Declarant also declares that Lakes at Timber Cove shall be subject to the jurisdiction of the "Association" (as hereinafter defined).

ARTICLE 1

DEFINITIONS

Section 1.1 "Accessory Building" shall mean and refer to a subordinate building, attached to or detached from the Dwelling (as hereinafter defined).

Section 1.2 "Association" shall mean and refer to the Lakes at Timber Cove Property Owners Association, and its successors and assigns.

Section 1.3 "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 1.4 "Builders" shall mean and refer to persons or entities that purchase Lots and build speculative or custom homes thereon for third party purchasers.

Section 1.5 "Common Property" means all real property (including any improvements thereon) within the Subdivision shown as "Restricted Reserve #1" or "Open Area" on the Plat.

Section 1.6 "Contractor" shall mean and refer to the person or entity with whom an Owner contracts to construct a residential dwelling on such Owner's Lot.

Section 1.7 "Developer" means LATC Partners, Ltd., a Texas limited partnership, and its successors and assigns.

Section 1.8 "Dwelling" shall mean and refer to a building having accommodations for and occupied by not more than one family (as hereinafter defined).

Section 1.9 "Front Yard" shall mean and refer to a space on a Lot facing a Street (as hereinafter defined) and extending across the front of the Lot between the Side Lines (as hereinafter defined) and being the horizontal distance between the Street Line (as hereinafter defined) and the Dwelling or any projection thereof other than the projection of the usual steps and eave overhangs.

Section 1.10 "Garage" shall mean and refer to an Accessory Building or a portion of a Dwelling in which motor-driven vehicles are stored.

Section 1.11 "Height" shall mean and refer to the measurement from the average established grade at the Street Line abutting the Lot or, if higher, from the highest natural ground level of the two points where the Front Setback Line (as hereinafter defined) intersects the two Side Lines of the Lot, to the highest point of the Improvement being measured.

Section 1.12 "Lakes at Timber Cove" shall mean and refer to all sections of Lakes at Timber Cove hereafter made subject to the jurisdiction of the Association.

Section 1.13 "Lot" shall mean and refer to any plot of land identified as a Lot(s) on the Plat, except that for the purposes of this instrument, "Lot" shall not be deemed to include any portion of the "Open Area" or "Restricted Reserve #1" as shown on the Plat, regardless of the use made of such area.

Section 1.14 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Subdivision, including (i) contract sellers (a seller under a Contract-for-Deed), but excluding those having such interest merely as a security for the performance of an obligation, (ii) Developer (except as otherwise provided herein), and (iii) Builders.

Section 1.15 "Plat" means the plat of Lakes at Timber Cove, recorded in Slide B-202, Plat Records, Hood County, Texas, as it may be amended from time to time.

Section 1.16 "Rear Line" shall mean the opposite of Street Line.

Section 1.17 "Rear Yard" shall mean and refer to a space extending across the rear of a Lot from one Side Line to the other Side Line and being the horizontal distance between the Rear Line and the Dwelling or any projection thereof other than the projection of the usual steps and eave overhangs.

Section 1.18 "Side Line" shall mean and refer to any boundary line of a Lot which is not a Street Line or Rear Line.

Section 1.19 "Street" means each private street or roadway noted on the Plat.

Section 1.20 "Street Line" shall mean and refer to that boundary line of a Lot which is also the boundary line of a Street.

Section 1.21 "Water Skiing Activities" shall mean the operation of motorized boats and the towing of passengers, including but not limited to water skiing, wakeboarding, barefoot water skiing, tubing, and other boat-towed water sports or recreational activities.

Section 1.22 "Waterfront Lots" shall mean all residential Lots in Block "B" of the Plat, such Lots being those that abut the private lakes and channels of Restricted Reserve #1.

ARTICLE II

RESERVATIONS, EXCEPTION AND DEDICATIONS

Section 2.1 Recorded Subdivision Map of the Property. The Plat of Lakes at Timber Cove designates private streets (which may be used for ingress and egress by each Owner to the Lot it owns) and certain easements, which may be utilized for the purposes and by the persons or entities as specifically described in the Plat or these Restrictive Covenants. The Plat further establishes certain restrictions applicable to Lakes at Timber Cove. All dedications, restrictions and reservations created herein or shown on the Plat, replats or amendments to the Plat of Lakes at Timber Cove recorded or hereafter recorded shall be construed as being included in each contract, deed, or conveyance executed or to be executed by or on behalf of Developer, whether specifically referred to therein or not.

Section 2.2 Easements. Developer reserves for itself and not to the public, its successors or assigns, a five (5) foot utility easement along each side of the side lot lines and a ten (10) foot utility easement along the rear lot lines of each Lot; further the Developer reserves for public use the easements shown on the Plat for the purpose of constructing, maintaining and repairing a system(s) of electric lighting, electric power, electronic data and telephone line or lines, storm surface drainage, cable television, or any other utility the Developer sees fit to install in, across and/or under. All utility easements may be used for the construction of drainage swales in order to provide for improved surface drainage of Common Property and/or Lot(s). Any utility company serving shall have the right to enter upon any utility easement for the purpose of installation, repair and maintenance of their respective facilities. Neither Developer nor any utility company, political subdivision or other authorized entity using the easements herein referred to shall be liable for any damages done to trees and lawns or any agents, employees, or servants, to fences, shrubbery, or other property of the Owner on the property covered by said easements.

Section 2.3 Title Subject to Easements. It is expressly agreed and understood that the title conveyed by Developer to any of the Lots by contract deed or other conveyance shall be subject to any easement affecting same for roadways or drainage, electric lighting, electric power, electronic data or telephone purpose and other easements hereafter granted affecting the Lots. The Owners of the respective Lots shall not be deemed to own pipes, wires, conduits or other service lines running through their Lots which are utilized for or service other Lots, but each Owner shall have an easement in and to the aforesaid facilities as shall be necessary for the use, maintenance and enjoyment of his Lot.

Section 2.4 Utility and other Easements. Non-exclusive utility, water line, drainage and slope easements for installation, maintenance, repair and removal of utilities and drainage facilities over, under and across an area as described or shown on the Plat are reserved as described in Section 2.2 above, and no Improvement or Structure shall be constructed or placed thereon without the express prior written consent of the Architectural Control Committee. Full rights of ingress and egress shall be had by the Developer, the

Association, and all utility and cable television companies serving the Subdivision, and their respective successors and assigns, at all times over the Subdivision for the installation, operation, maintenance, repair or removal of any utility together with the right to remove any obstruction (excluding, however any driveway, fence or other Improvement or Structure which has been heretofore specifically approved by the Architectural Control Committee) that may be placed in such easement that would constitute interference with the use of such easement, or with the use, maintenance, operation or installation of such utility. Easements reserved by the Developer to itself may be abandoned and relinquished and conveyed by the Developer and/or the Association or their assigns at their discretion.

Section 2.5 Shoreline Maintenance Easement. In addition to the easements shown on the Plat, there shall be a fifteen (15) foot easement in favor of the Association across the rear of each Waterfront Lot, commencing at its abutment with the lake and running parallel thereto for the entire width of the Lot, for the purpose of installing, replacing, repairing and maintaining all shorelines, structures, slopes and other times necessary for the operation and maintenance of the Lakes, including pedestrian access by the Association and its invitees during special events and tournaments as described and permitted herein. Additionally, where duly authorized docks, decks, piers or boat docks are situated within this easement, the easement is extended so as to provide a ten (10) foot wide clear passage along the shoreline, and enabling passage of maintenance equipment around said duly authorized docks, decks, piers or boat docks. The Association shall not be responsible for damages to, and shall have the right to remove, any structure, hedge, landscaping, fence or other structure which inhibits or impedes access through this shoreline maintenance easement. The Shoreline Maintenance Easement shall apply only to the following Lots: Block "B", Lots 1 through 13, Lots 23 through 33, and Lot 44.

Section 2.6 Gated Access. The Developer and the Association have arranged for the utilization of mechanical vehicular access gate(s) (the "Gates") at the entry point to Lakes at Timber Cove. The purpose of the Gates and private streets concept is to discourage undesired and unauthorized vehicular traffic within Lakes at Timber Cove and to foster a higher degree of peace and tranquility among its owners and guests. However, the Subdivision is not entirely encompassed by a fence or other access control devices and all incidents of unauthorized access can not be reasonably expected, nor does the Developer warrant, to be prevented by the Gates or other devices. Also, the Gates' design and programming are not designed to control, restrict or impede pedestrian traffic into, within or out of Lakes at Timber Cove.

Although the Developer and the Association reasonably believe that the existence and visibility of controlled access points may discourage the commission of criminal acts (e.g., burglary, theft, etc.) within Lakes at Timber Cove, nevertheless neither the Developer nor the Association warrant or guarantee that: (a) the Gates arrangements are sufficient and adequate to diminish or eliminate the commission of crimes against persons or property; and (b) such acts will not be attempted or actually occur within Lakes at Timber Cove. These community services arrangements are not designed or

intended to replace the conventional law enforcement and fire protection and paramedical services available from other public and private providers.

Each owner releases and holds Developer and the Association harmless from any claims, causes of action or damages of any kind or character whatsoever arising out of or related (directly or indirectly) to any and all aspects of the Gates and private streets within Lakes at Timber Cove, including, without limitation the functioning (whether mis-, mal-, or non-) of the Gate(s), programming and operation, and the training of users in gate procedures, including emergency entry and exit procedures.

Each Owner will cooperate with Declaration and the Association in connection with the establishment and maintenance of reasonable controls on pedestrian and vehicular traffic into and within Lakes at Timber Cove and abide by any and all rules and regulations of the Association, as adopted and promulgated from time to time, related to the entry upon and use of any private streets and other Common Property within Lakes at Timber Cove.

Section 2.7 Private Streets. The entry gate(s) and streets, within Lakes at Timber Cove are "private" and constitute a portion of the Common Property which is subject to the jurisdiction and administration by the Association. In addition to the other provisions appearing within this Article, the Board of Directors of the Association is specifically authorized to recommend, adopt, implement and enforce rules, regulations, mechanisms and procedures governing use of the entry Gates and private streets covering items such as (but not necessarily limited to):

- (a) Identification and entry programs for Owners, Residents and members, their respective immediate families, their guests and vehicles owned or driven by any of them;
- (b) Speed limits, designated parking areas, restricted parking areas and no-parking area;
- (c) Signs and graphics to provide announcements to unauthorized personnel concerning potential criminal trespass matter;
- (d) A "fines" system through which the Association can levy and collect fines from its Members for violations of the applicable rules and regulations; and
- (e) Disclaimers of liability for any and all matters or occurrences on or related to the Common Property.

ARTICLE III**BUILDING RESTRICTIONS**

Section 3.1 Single Family Residential Construction. No building shall be erected, altered, placed or permitted to remain on any Lot other than one dwelling unit per each Lot to be used for residential purposes. All dwellings, detached garages, work shops, and out building must be approved in writing by the Architectural Control Committee prior to being erected, altered or placed on the property. The term "dwelling" does not include single or double wide manufactured homes, and said manufactured homes are not permitted within the Subdivision. All dwellings must have at least 1800 square feet of living area, excluding porches, garages, breezeways, and patios. Every residence shall have and maintain a garage large enough to accommodate under roof a minimum of two (2), but not more than four (4) full-sized automobiles.

Section 3.2 Exterior Materials. The improvements must be built with new construction materials with exteriors being 95% masonry, glass or natural wood products (i.e. no aluminum or asbestos siding and no plywood siding) and natural wood products shall not exceed 5% of such 95%. All out building, or detached garages, must be of similar construction. As used herein, the term "residential purposes" shall be construed to prohibit mobile homes or trailers being placed on said Lots, or the use of said Lots for duplex houses, condominiums, townhouses, or apartment houses. All Lots shall be for residential purposes and all homes must be site constructed. Any Accessory Buildings must match the main dwelling in style, appearance, color and materials. Metal or wood prefabricated storage buildings are strictly prohibited.

Section 3.3 Roofing Materials. The roof or any replacement roof of any residential unit (including any Garage or Accessory Building) shall be constructed or covered with asphalt or composition type shingles of a minimum of 225-pound rating. Dimensional type asphalt shingles are required. Three tab shingle roofs are specifically prohibited. Clay tile roofing materials (natural or synthetic) may be used. Any other type of roofing material shall be permitted only at the sole discretion of the Architectural Control Committee and shall not be deemed approved until approved in writing.

Section 3.4 Location of the Improvements upon the Lot. The building setback, for the purposes hereof, shall apply to buildings only, and shall not pertain to driveways, sidewalks or masonry flatwork or walls, swimming pools, boat docks, piers or non-enclosed decks. Setback requirements shall be as follows: (1) Front: The minimum distance from the front property line: 25 feet; (2) Side Yard: The minimum distance from the side building line to the property line: 7 feet; (4) Rear Yard: 20 feet. (6) Height Regulations: the maximum height shall be two and one-half (2 ½) stories, but not to exceed forty (40) feet per dwelling. Height limit for any Accessory Building shall be twenty-five (25) feet.

Section 3.5 Composite Building Site. Any Owner of one or more adjoining Lots (or portions thereof) may, with the prior written approval of the Architectural Control Committee and Hood County, consolidate such Lots or portions into one building site,

with the privilege of placing or constructing improvements on such resulting site, in which case the side set-back lines shall be measured from the resulting side property lines rather than from the Lot lines as indicated to the Plat. Upon completion of the main dwelling upon the resulting consolidated Lot, only one maintenance assessment shall be levied against the consolidated Lot, and it shall be treated as if it were a single Lot for the purposes of dues and assessments hereunder.

Section 3.6 Temporary Structures. No structure of a temporary character, whether trailer, basement, tent, shack, garage, barn or other out building shall be maintained or used on any Lot at any time as a residence, either temporarily or permanently; provided, however, that Developer reserves the exclusive right to erect, place and maintain such facilities in or upon any property in the Subdivision that it owns as in its sole discretion may be necessary or convenient while selling Lots, selling or constructing residences and constructing other improvements within the Subdivision.

Section 3.7 Walls and Fences. Walls and fences, if any, must be approved prior to construction by the Architectural Control Committee and shall be no closer to front street property lines than the front line of the house. A maximum Height of any fence shall not exceed six (6) feet without variance by the Architectural Control Committee, except that all Lots with rear property lines abutting the adjacent subdivisions (Timber Cove, Nassau Bay Bay, or Port Ridglea East) may have a privacy fence with a maximum fence height of eight (8) feet along such rear property line. All Lots whose rear property line abuts, in whole or in part, the private lakes of Restricted Reserve #1 shall have (1) no fence of any type within twenty (20) feet of the lake; (2) any fencing must be of wrought iron or similar construction (occasional masonry columns are permitted); and (3) must be generally transparent and decorative in nature. An easement is reserved in favor of the Developer and the Association for the placement and maintenance of a decorative fence along the rear of Lots 4, 5, 6, and 27 through 32 of Block "A". No other fences may be erected other than this decorative fence in the rear of the above described Lots. Cross-fences between the side lot lines of these Lots must be approved by the Architectural Control Committee.

Section 3.8 Water and Sewer Utilities. All dwellings must be connected to the sewer system provided by the Action Municipal Utility District (AMUD) and will be subject to use and tap fees established by the AMUD, and all such dwellings must be served with water and electricity. No water well may be drilled on any residential Lot within the Subdivision.

Section 3.9 Retaining Walls. Retaining Walls of any kind including those along the water front must be approved prior to construction by the Architectural Control Committee and shall be only constructed from masonry.

Section 3.10 Boat Docks and Piers. The plans and specifications for the location and construction of any dock or pier and the material, colors and type shall be approved in writing prior to the commencement of construction or reconstruction by the Architectural Control Committee, and must comply with the standard detail adopted by the Committee

with respect to size, location and materials. The Developer or the Association may construct decks, docks, piers, and boat docks as required for community use. Temporary and floating type decks, docks and piers are expressly prohibited except for special event use, with prior Association approval.

Section 3.11 Slips or Scalops. No slips, excavations or dredging shall be made into any Lot without a written request and the Architectural Control Committee's written approval. Only designated slip areas as determined by the Developer may be used to moor a boat(s) and to build decks, docks, piers, boat docks or other Common Property. Each Waterfront Lot owner will be allowed a designated slip area for the construction and maintenance of a deck, boat dock and/or pier which must comply with the standard design adopted by the Architectural Control Committee. Each Waterfront Lot owner will be responsible for the construction and maintenance of his deck, dock, pier, or boat dock. In no case shall a boat be allowed to moor in an uncovered slip for more than two nights. No construction of any deck, dock, pier and/or boat docks may be done without the prior written approval of the Architectural Control Committee.

Section 3.12 Bulkheads. No bulkheads or other structures which may, in the Architectural Control Committee's sole opinion, cause backwash or other adverse conditions in the areas of the lakes where Water Skiing Activities shall occur, or that will interfere with the engineered slopes controlling wave action, or causing wave action inimical to the Lake design, shall be allowed except with written approval of the Architectural Control Committee.

Section 3.13 Swimming Pools. Swimming pools must be in-ground design. Architectural Control Committee approval is required. Security fencing is required, with four (4) foot minimum height, six (6) inch maximum picket gap, and in a complete enclosure such that access is only possible through the main dwelling or through self-latching gates.

Section 3.14 Order of Construction. The main residential unit must be substantially completed prior to construction of any permitted new Garage or Accessory Building or outbuilding. This does not include duly approved boat docks, decks or piers, which may be built at any time.

Section 3.15 Time of Completion of Construction. The exterior and landscaping of all residential units or structures constructed on any Lot, or any part thereof, must be substantially completed within twelve (12) months of the commencement of construction thereof. Construction shall be deemed to have been initiated when the foundation forms are set or construction on the foundation is commenced, or in the case of piers and boat docks, when the pilings are set.

ARTICLE IV

USE RESTRICTIONS

Section 4.1 Prohibition of Offensive Activities. No activity, whether for profit or not, shall be conducted on any Lot which is not related to single family residential purposes, unless said activity meets the following criteria: No Owner, Resident or Member shall conduct, transmit, permit or allow any type or kind of home business or home profession or hobby on any Lot or within any residence which would: (a) attract automobile, vehicular or pedestrian traffic to the Lot; (b) involve lights, sounds, smells, visual effects, pollution or other nuisances which would adversely affect the peace and tranquility of any one or more of the Residents within the Subdivision or (c) require any signage. Business or commercial advertising signs are prohibited, except that the Developer may place any signs for the customary activities required to sell Lots and homes in the Subdivision. The discharge or use of firearms is expressly prohibited. The use of outdoor mercury lighting is expressly prohibited. The Association shall have the sole and absolute discretion to determine what constitutes a nuisance or annoyance.

Section 4.2 Noise. Except in an emergency or when other unusual circumstances exist, as determined by the Board, outside construction work or noisy interior construction work shall be permitted only after 7:00 a.m. and before 9:00 p.m. Approved boats as per the Association's Lake Rules and Regulations shall be equipped with factory-installed mufflers and any other noise reduction devices, so as to achieve a drive by noise level of not more than 75 decibels as measured from the rear setback line.

Section 4.3 Garbage and Trash Disposal. Garbage and trash or other debris accumulated in this Subdivision shall not be permitted to be dumped at any place upon adjoining land where a nuisance to any residence of the Subdivision is or may be created. No Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be allowed to accumulate, shall be kept in sanitary containers and shall be disposed of regularly. All containers and equipment used for the storage or disposal of such material shall be kept in a clean and sanitary condition.

In the event of the failure of Owner to comply with the above requirements after ten (10) days written notice thereof, the Association or its designated agent may, without liability to the Owner, Contractor or any occupants of the Lot in trespass or otherwise, enter upon (and/or authorize one or more others to enter upon) said Lot, cause to be removed, such garbage, trash and rubbish or perform other actions necessary to secure compliance with this Declaration. Reimbursement of any charges incurred shall be the responsibility of the Owner, and shall be due and payable on the first day of the next calendar month.

Section 4.4 Junked Motor Vehicles Prohibited. No Lot shall be used as a depository for abandoned or junked motor vehicles. No junk of any kind or character, or dilapidated structure or building of any kind or character, shall be kept on any Lot. Boats, boat trailers, RVs and travel trailers may be stored on Lots after the residence is constructed, however, they must be stored in the side yard and not behind the house on Waterfront

Lots and must be parked no closer than the front line of the house to the street. On all other Lots, boats, boat trailers, RVs and travel trailers must be stored in the side or back yard and must be parked no closer than the front line of the house to the street. Overnight on-street parking of any vehicle or trailer other than passenger cars is prohibited.

Section 4.5 Signs. No signs, advertisement, billboards or advertising structure of any kind may be erected or maintained on any Lot without the consent in writing of the Architectural Control Committee except one (1) professionally made sign not more than twenty-four inches by twenty-four inches, advertising an Owner's Lot for sale or rent, and one (1) professionally made sign, not more than twelve inches (12") wide by twenty-four inches (24") long identifying the Lot owner's name or names and/or address. All other signs are prohibited, unless otherwise stipulated herein. Developer or any member of such Committee shall have the right to remove any such sign, advertisement or billboard or structure which is placed on any Lot in violation of these restrictions, and in doing so, shall not be liable, and is hereby expressly relieved from, any liability for trespass or other tort in connection therewith, or arising from such removal.

Section 4.6 Garages. No garage shall be permanently enclosed for conversion to any other use. Open car ports are not permitted, unless special design circumstances warrant their use, in which case permission must be obtained in writing from the Architectural Control Committee. All garage doors shall be closed when not in use. All garages in the Subdivision will be constructed with the entrance into the garage and the garage doors facing and parallel with the side lot lines of the Lot or facing and parallel with the rear lot lines unless prior permission is obtained in writing from the Architectural Control Committee. Each Owner, member or resident shall refrain from performing repairs or maintenance to any vehicle outside of the garage or visible from the street. Vehicles shall not be parked on any non-paved portion of any Lot.

Section 4.7 Animal Husbandry. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot. Dogs, cats, or other common household pets may be kept on a Lot. Dogs must be kept in a kennel, dog run, or fenced in area that confines said dog(s) to that area. Dogs will not be permitted to run loose in the subdivision and must be vaccinated for rabies once a year.

Section 4.8 Mineral Development. No commercial oil drilling, oil development operations, oil refining, quarrying or mining operation of any kind shall be permitted upon or in any Lot. No derrick or other structures designed for the drilling or extracting of oil or natural gas shall be erected, maintained or permitted upon any Lot.

Section 4.9 Drainage. Natural established drainage patterns of streets, Lots or roadway ditches may not be blocked or impaired by any person or persons. And any Owner or Owner's contractor or representative who blocks or changes drainage patterns, regardless of whether by accident or intentional, will be responsible for restoring them to their original shape, at said Owner's sole cost and expense. Driveway culverts must be installed and shall be of sufficient size to afford proper drainage of ditches without backing water up into ditch or diverting flow, and shall be constructed in accordance with

the standard detail adopted by the Architectural Control Committee. Drainage culvert installation is subject to the inspection and approval of Hood County and must be installed prior to any construction on the Lot. All driveways must be constructed in accordance with standard detail adopted by the Architectural Control Committee.

Section 4.10 Erosion Control. Each Waterfront Lot owner shall be responsible for controlling erosion and preventing the entry of silt or other inimical materials into the lake or drainage structures through any stormwater runoff across, along or otherwise crossing over the Lot. Each Waterfront Lot owner shall be responsible for maintaining silt fencing or other means of erosion control at all runoff points until such time as sufficient vegetation to control erosion has been established.

Section 4.11 Duty of Maintenance. Owners and occupants (including lessees) of any Lot shall jointly and severally have the duty and responsibility, at their sole cost and expense, to keep that Lot so owned or occupied, including improvements and grounds in connection therewith, in a well-maintained, safe, clean and attractive condition at all times. Such maintenance includes, but is not limited to the following:

- a. Removing promptly all litter, trash, refuse and wastes
- b. Mowing of lawns
- c. Pruning of trees and shrubs
- d. Watering
- e. Keeping exterior lighting and mechanical facilities in working order
- f. Keeping lawn and garden areas alive, free of weeds and attractive
- g. Keeping driveways in good repair
- h. Keeping docks, piers and decks clean and in good repair
- i. Complying with all government health and policy requirements
- j. Repairing any exterior damage to improvements
- k. Controlling and preventing erosion from entering the lakes or affecting drainage

The Architectural Control Committee shall designate four (4) mowing days per year on which date each owner must mow their Lot.

Section 4.12 Enforcement. If, in the opinion of the Board of Directors or the Committee any such Owner or occupant (including lessees) has failed to comply with any of the foregoing restrictions or has failed in any of the foregoing duties or responsibilities, then the Committee or the Association shall deliver to such Owner or occupant (including lessees) written notice of such failure and such Owner or occupant (including lessees) must within ten (10) days from and after delivery of such notice, comply with the restrictions and/or perform the care and maintenance required. Should any such Owner or occupant (including lessees) fail to fulfill this duty and responsibility within such period, then the Committee, or the Association, or its designated agents are hereby authorized to enter onto the premises and correct such violations and perform such care and maintenance as necessary without any liability for damages for wrongful entry, trespass, or otherwise to any person. The Owners and occupants (including lessees) of

any Lot on which such work is performed shall promptly reimburse the Committee or the Association for any such costs incurred. If such Owner or occupant (including lessees) shall fail to reimburse the Committee or the Association within 30 days from and after delivery by the Association of an invoice for the costs incurred by the Association for such work, then said indebtedness shall be a debt of the Owner and Occupant (including lessees) jointly and severally.

Section 4.13 Boat Slips. Developer may, but is not obligated to, construct boat slips on one or more parcels designated "Open Area" or "Restricted Reserve #1" on the Plat. Developer may, at its sole option and at any time, utilize the boat slips in any manner it deems desirable, which could include retaining ownership and use of the boat slips for its sole use, conveying or leasing the boat slips to purchasers of Lots or Water Ski Club members, or conveying the boat slips to the Association. The boat slips shall not become Common Property unless and until Developer executes a bill of sale or other agreement transferring the ownership or right to use the boat slips to the Association. While the boat slips are owned by Developer, no Owner shall have any right to utilize a boat slip unless Developer grants that right to the Owner in writing. If the boat slips are conveyed to the Association, then no Owner shall have any right to utilize a boat slip unless the Association has granted to that Owner express written consent, conditioned upon payment of a fee or rental charge or the satisfaction of any other conditions as determined by the Association.

Section 4.14 Use of Common Area. Lot owners are hereby prohibited and restricted, except for approved boat dock structures, from using any part of the Common Property for private purposes, except as may be allowed by the Association or as may be expressly permitted in this Declaration or any amendment thereto. Such prohibited uses include, without limitation, planting or gardening upon any Common Property, storage of personal items, and erection of fences, hedges, or walls upon any Common Property, except as are duly installed by the Developer or the Association as permitted herein.

Section 4.15 Commercial Ski Schools Prohibited. No person may operate a ski school or any type of fee-based or pay-by-the-ride operation in the Subdivision. This provision does not prohibit Water Ski Club members from accepting occasional "gas money" from their qualified guests.

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ARTICLE V**ARCHITECTURAL CONTROL COMMITTEE****Section 5.1 Basic Control**

- (a) No building or other improvements of any character shall be erected or placed, or the erection or placing thereof commenced or changes made in the design or exterior appearance thereof (excluding, without limitation, painting, staining or siding), or any addition or exterior alteration made thereto after original construction, or demolition or destruction by voluntary action made thereto after original construction, on any Lot in the Subdivision until the obtaining of the necessary approval (as hereinafter provided) from the Committee of the construction plans and specifications for the construction or alteration of such improvements or demolition or destruction of existing improvements by voluntary action.
- (b) Each application made to the Committee, or to the Developer under Section 4.02 below shall be accompanied a complete set of plans and specifications for all proposed construction (initial or alteration) to be done on such Lot, including plot plans showing location on the Lot, in electronic media (fine-resolution fax or graphics files preferred), or on printed sheets, in which case three (3) copies are required. Upon receipt, the Architectural Control Committee shall forward one set of the plans and specifications to the Developer.

Section 5.2 Architectural Control.

- (a) The authority to grant or withhold architectural control approval as referred to above is vested in the Architectural Control Committee. Prior to the Control Transfer Date (defined below), the Developer shall determine the number of members of the Architectural Control Committee (which may be one or more individuals) and the Developer shall have the sole right to select all members of the Architectural Control Committee. After the Control Transfer Date, the members of the Architectural Control Committee shall be selected by the Board of Directors of the Association, as provided below. The term "Committee", as used in this Declaration, shall mean or refer to the Architectural Control Committee selected by Developer prior to the Control Transfer Date, and after the Control Transfer Date shall mean the Architectural Control Committee selected by the Board of Directors of the Association.
- (b) On the date that the Developer conveys the last Lot it owns in the Subdivision (that date referred to as the "Control Transfer Date"), the Developer shall execute and record in the Real Property Records of Hood County, Texas, an instrument transferring control of the Architectural

Control Committee to the Association. At that time, the Board of Directors of the Association shall select three (3) individuals to serve as members of the Architectural Control Committee. Each member of the Committee selected by the Board of Directors must be an Owner. The Developer may transfer control of the Architectural Control Committee prior to the Control Transfer Date by executing and recording in the Real Property Records of Hood County, Texas, an instrument transferring control of the Architectural Control Committee to the Association.

Section 5.3 Effect of Inaction. Approval or disapproval as to architectural control matters as set forth in the preceding provisions of this Declaration shall be in writing or by transmission of authenticated electronic media. In the event that the authority exercising the prerogative of approval or disapproval (whether the Developer or the Committee) fails to approve or disapprove in writing any plans and specifications and plot plans received by it in compliance with the preceding provisions within thirty (30) days following such submissions, such plans and specifications and plot plan shall be deemed approved and the construction of any such building and other improvements may be commenced and proceeded with in compliance with all such plans and specifications and plot plan and all of the other terms and provisions hereof.

Section 5.4 Effect of Approval. The granting of the aforesaid approval (whether in writing or by lapse of time) shall constitute only an expression of opinion by the Committee that the terms and provisions hereof shall be met if the building and/or other improvements are erected in accordance with said plans and specifications and plot plan; and such approval shall not constitute any nature of waiver or estoppel either as to the persons expressing such approval or any other person in the event that such building and/or improvements are not constructed in accordance with such plans and specifications and plot plan, but, nevertheless, fail to comply with the provisions hereof. Further, no person exercising any prerogative of approval or disapproval shall incur any liability by reasons of the good faith exercise thereof.

Section 5.5 Variance. The Developer or its assigns may authorize variances from compliance with any of the provisions of this Declaration or minimum acceptable construction standards or regulations and requirements as promulgated from time to time by the Developer, when, in the Committee's sole judgment and opinion, circumstances such as topography, natural obstructions, Lot configuration, Lot size, aesthetic or environmental considerations may require a variance. Such variances must be evidenced in writing and shall become effective when signed by the Developer. If any such variances are granted, no violation of the provisions of this Declaration shall be deemed to have occurred with respect to the matter for which the variance is granted; provided, however, that the granting of a variance shall not operate to waive any of the provisions of this Declaration for any purpose except as to the particular property and particular provisions hereof covered by the variance, nor shall the granting of any variance effect in any way the Owner's obligation to comply with all governmental laws and Hood County regulations affecting the property concerned and the Plat.

ARTICLE VI**PROPERTY OWNERS ASSOCIATION**

Section 6.1 Membership. Every person or entity who is a record owner of any Lot which is subject to the Maintenance charge and other assessments provided herein, including contract sellers, shall be a "Member" of the Lakes at Timber Cove Property Owners Association (the "Association"). The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation or those having only an interest in the mineral estate. Owners shall have one membership for each Lot owned by such Member. Memberships shall be appurtenant to and may not be separated from the ownership of the Lots. Regardless of the number of persons who may own a Lot (such as husband and wife, or joint tenants, etc.) there shall be but one membership for each Lot. The Association shall have two classes of members. Each Owner of a Lot, with the exception of Developer, shall be a Class A Member and shall be entitled to one (1) vote per Lot owned. Developer shall be the sole Class B Member and shall be entitled to the greater of three (3) votes for each Lot owned or the sum of one (1) plus the total number of votes of all Class A members. The Class B Membership shall cease and be converted to Class A membership on the Control Transfer Date. The affairs of the Association shall be managed by a Board of Directors. The number of Directors and the method of election of Directors shall be as set forth in the Bylaws of the Association. The procedures for the election of Directors of the Association and the resolution of other issues as may be brought before the membership of the Association shall be governed by this Declaration, the Texas Non-Profit Corporation Act, the Articles of Incorporation of the Association, and the Bylaws, as each shall from time to time be in force and effect. Notwithstanding anything to the contrary in this Declaration, the Articles of Incorporation or the Bylaws, Developer retains the right to appoint and remove any member of the Board of Directors of the Association until the Control Transfer Date.

Section 6.2 Non-Profit Corporation. Lakes at Timber Cove Property Owners Association, Inc., a non-profit corporation, has been (or will be) organized and it shall be governed by the Articles of Incorporation and Bylaws of said Association; and all duties, obligations, benefits, liens and rights hereunder in favor of the Association shall vest in said corporation.

Section 6.3 Bylaws. The Association has adopted or may adopt whatever Bylaws it may choose to govern the organization or operation of the Subdivision and the use and enjoyment of the Lots and Common Property, provided that the same are not in conflict with the terms and provisions hereof.

Section 6.4 Owner's Right of Enjoyment. Every Owner shall have a beneficial interest of use and enjoyment in and to the Common Property and such right shall be appurtenant to and shall pass with the title to every assessed Lot, subject to the following provisions:

- (a) the right of the Association, with respect to the Common Property, to limit the number of guests of Owners;
- (b) the right of the Association to charge reasonable admission and other fees for the use of any facility situated upon the Common Property;
- (c) the right of the Association, in accordance with its Articles and Bylaws, (and prior to the Control Transfer Date only with Developer's prior consent), to (i) borrow money for the purpose of improving and maintaining the Common Property and facilities (including borrowing from the Developer or any entity affiliated with the Developer) and (ii) mortgage the Common Property; however, the rights of the mortgagee of the Common Property shall be subordinate to the rights of the Owners under this Declaration;
- (d) the right of the Association to suspend the Member's voting rights and the Member's and "Related Users" (as hereinafter defined) right to use any recreational facilities within the Common Property during any period in which the Maintenance Charge or any assessment against his Lot remains unpaid;
- (e) the right of the Association to suspend the Member's voting rights and the Member's and Related Users' right to use any recreational facilities within the Common Property, after notice and hearing by the Board of Directors, for the infraction or violation by such Member or Related Users of this Declaration or the "Rules and Regulations", as hereinafter defined, which suspension shall continue for the duration of such infraction or violation, plus a period not to exceed sixty (60) days following the cessation or curing of such infraction or violation.

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ARTICLE VII

MAINTENANCE FUND

Section 7.1 Maintenance Fund Obligation. Each Owner of a Lot by acceptance of a deed therefore, whether or not it shall be expressed in any such deed or other conveyance, is deemed to covenant and agrees to pay to the Association a monthly maintenance charge (the "Maintenance Charge"), and any other assessments or charges hereby levied. The Maintenance Charge and any other assessments or charges hereby levied, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the Lots and shall be a continuing lien upon the property against which each such Maintenance Charge and other charges and assessments are made.

Section 7.2 Basis of the Maintenance Charge.

- (a) The Maintenance Charge referred to shall be used to create a fund to be known as the "Maintenance Fund", which shall be used as herein provided; and each such Maintenance Charge (except as otherwise hereinafter provided) shall be paid by the Owner of each Lot to and then shall be paid annually, in advance, on or before the first day of the first month of each calendar year. If an Owner owns more than one (1) Lot, then the Owner shall pay a Maintenance Charge for each Lot owned. If an Owner obtains consent from the Committee for a composite building site pursuant to Section 3.5 hereof, then the composite building site shall, for this purpose, be considered one Lot beginning on the date that the improvements thereon are substantially complete.
- (b) Any Maintenance Charge not paid within thirty (30) days after the due date shall bear interest from the due date at the lesser of (i) the rate of eighteen percent (18%) per annum or (ii) the maximum rate permitted by law. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the hereinafter described lien against the Owner's Lot. No Owner may waive or otherwise escape liability for the Maintenance Charge by non-use of any Common Property or recreational facilities available for use by Owners of the Subdivision or by the abandonment of his Lot.
- (c) The exact amount of the Maintenance Charge applicable to each Lot will be determined by the Association. All other matters relating to the Maintenance Charge and the collection, expenditures and administration of the Maintenance Fund shall be determined by the Board of Directors of the Association, subject to the provision hereof.
- (d) The Association shall have the further right at any time, with a majority vote or all association members, to adjust or alter said Maintenance Charge from year to year as it deems proper to meet the reasonable

operation expenses and reserve requirements of the Association in order for the Association to carry out its duties hereunder.

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Section 7.3 Creation of Lien and Personal Obligation. In order to secure the payment of the Maintenance Charge, and other charges and assessments hereby levied, each Owner of a Lot in the Subdivision, by such party's acceptance of a deed thereto, hereby grants to the Association a contractual lien on such Lot which may be foreclosed on by non-judicial foreclosure and pursuant to the provisions of Section 51.002 of the Texas Property Code (and any successor statute); and each such owner hereby expressly grants the Association a power of sale in connection therewith. The Association shall, whenever it proceeds with non-judicial foreclosure pursuant to the provisions of said Section 51.002 of the Texas Property Code and said power of sale, designate in writing a Trustee to post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. The Trustee may be changed at any time and from time to time by the Association by means of written instrument executed by the President or any Vice-president of the Association and filed for record in the Real Property Records of Hood County, Texas. In the event that the Association has decided to non-judicially foreclose the lien provided herein pursuant to the provisions of said Section 51.002 of the Texas Property Code and to exercise the power of sale hereby granted, the Association, or the Association's agent, shall give notice of foreclosure sale as provided by the Texas Property Code as then amended. Upon request by the Association, the Trustee shall give any further notice of foreclosure sale as may be required by the Texas Property Code as amended, and shall convey such Lot to the highest bidder for cash by General Warranty Deed. Out of the proceeds of such sale, if any, there shall first be paid all expenses incurred by the Association in connection with such default, including reasonable attorney's fees and a reasonable trustee's fee; second, from such proceeds there shall be paid to the Association an amount equal to the amount in default; and third, the remaining balance shall be paid to such Owner. Following any such foreclosure, each occupant of any such Lot foreclosed on and each occupant of any improvements thereon shall be deemed to be a tenant at sufferance and may be removed from possession by any and all lawful means, including a judgment for possession in an action of forcible detainer and the issuance of a writ of restitution thereunder.

In the event of non-payment by any Owner of any Maintenance Charge or other charge or assessment levied hereunder, the Association may, in addition to foreclosing the lien hereby retained, and exercising the remedies provided herein, upon ten (10) days prior written notice thereof to such nonpaying Owner, exercise all other rights and remedies available at law or in equity.

It is the intent of the provisions of this Section 6.03 to comply with the provisions of said Section 51.002 of the Texas Property Code relating to nonjudicial sales by power of sale and, in the event of the amendment of said Section 51.002 of the Texas Property Code hereafter, the President or any Vice-President of the Association, acting without joinder of any other Owner or Mortgagee or other person may, by amendment to this Declaration

filed in the Real Property Records of Hood County, Texas, amend the provision hereof so as to comply with said amendments to Section 51.002 of the Texas Property Code.

Section 7.4 Notice of Lien. In addition to the right of the Association to enforce the Maintenance Charge or other charge or assessment levied hereunder, the Association may file a claim or lien against the Lot of the delinquent Owner by recording a notice ("Notice of Lien") setting forth (a) the amount of the claim of delinquency, (b) the interest and costs or amount of the claim of delinquency, (c) the interest and costs of collection which have accrued thereon, (d) the legal description and street address of the Lot against which the lien is claimed and (e) the name of the Owner thereof. Such Notice of Lien shall be signed and acknowledged by an officer of the Association or other duly authorized agent of the Association. The lien shall continue until the amounts secured thereby and all subsequently accruing amounts are fully paid or otherwise satisfied. When all amounts claimed under the Notice of Lien and all other costs and assessments which may have accrued subsequent to the filing of the Notice of Lien have been fully paid or satisfied, the Association shall execute and record a notice releasing the lien upon payment by the Owner of a reasonable fee as fixed by the Board of Directors to cover the preparation and recordation of such release of lien instrument.

Section 7.5 Liens Subordinate to Mortgages. The lien described in this Article shall be deemed subordinate to a first lien or other liens of any bank, insurance company, savings and loan association, university, pension and profit sharing trusts or plans, or any other third party lender, including Developer, which may have heretofore or may hereafter lend money in good faith for the purchase or improvement of any Lot and any renewal, extension, rearrangement or refinancing thereof. Each such mortgagee of a mortgage encumbering a Lot who obtains title to such Lot pursuant to the remedies provided in the deed of trust or mortgage or by judicial foreclosure shall title to the Lot free and clear of any claims for unpaid Maintenance Charges or other charges of assessments against such Lot which accrued prior to the time such holder acquired title to such Lot. No such sale or transfer shall relieve such person or entity acquiring title to a Lot from liability for any Maintenance Charge or other charges or assessments thereafter becoming due or from the lien thereof. Any other sale or transfer of a Lot shall not affect the Association's lien for Maintenance Charges or other charges or assessments. The Association shall make a good faith effort to give each such mortgagee sixty (60) days advance written notice of the Association's proposed foreclosure of the lien described in Section 6.01 hereof, which notice shall be sent to the nearest office of such mortgagee by prepaid United States registered or Certified mail, return receipt requested, and shall contain a statement of delinquent Maintenance Charges or other charges or assessments upon which the proposed action is based provided, however, the Association's failure to give such notice shall not impair or invalidate any foreclosure conducted by the Association pursuant to the provisions of this Article.

Section 7.6 Purpose of the Maintenance Charge. The Maintenance Charge levied by the Developer or the Association shall be used exclusively for the purpose of promoting the recreation, health, safety, and welfare of the Owners of the Subdivision. In particular, the Maintenance Charge shall be used for any improvement or services in furtherance of

these purposes and the performance of the Association's duties described herein, including the maintenance of any Common Property, Private Streets, Gates, and any Drainage Easements and the establishment and maintenance of a reserve fund for the maintenance of any Common Property. The Maintenance Fund may be expended by the Developer or the Association for any purposes which, in the judgment of the Association, will tend to maintain the property values in the subdivision, including, but not limited to providing funds for the actual cost to the Association of all taxes, insurance, repairs, energy charges, replacement and maintenance of the Common Property as may from time to time be authorized by the Association. Except for the Association's use of the Maintenance Charge to perform its duties described in this Declaration and in the Bylaws, the use of the Maintenance Charge for any of these purposes is permissive and not mandatory. It is understood that the judgment of the Association as to the expenditure of said funds shall be final and conclusive so long as such judgment is exercised in good faith.

Section 7.7 Exempt Property. The following property subject to this Declaration shall be exempt from the Maintenance Charge and all other charges and assessments created herein: (a) all properties dedicated to and accepted by a local public authority; (b) the Common Property and (c) all properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of Texas; however, no land or improvements devoted to dwelling use shall be exempt from said Maintenance Charge.

Section 7.8 Developer and Builder Lots. For a period of eighteen (18) months from the substantial completion of the project, as defined by the official project Engineer, in consideration of the Developer's contribution of the initial development costs, the Developer shall not be charged any assessments. After said eighteen (18) month period the Developer, shall pay 50% of the then existing full annual assessment for each Lot.

Builders, from date of purchase until twelve (12) months thereafter, shall not be charged any assessments, in consideration of their investment in the Subdivision. After said twelve (12) month grace period, builders shall pay 50% of the then existing full annual assessment for each lot owned by them until a residential unit has been permitted to be occupied. It shall be the duty of each builder to notify the Association at the time a residential unit has been substantially completed or permitted for occupancy. Owners of unimproved lots other than the Developer and builders shall pay existing full annual assessment, in addition to any other assessments stipulated herein, for each lot owned. Owners of lots selling lot(s) to a builder for construction purposes shall be responsible for assessments in full during this period and do not qualify for the builder grace period.

Section 7.9 Handling of Maintenance Charges. The collection and management of the Maintenance Charge or other charge or assessment levied hereunder shall be performed by the Developer until the Control Transfer Date, at which time the Developer shall deliver to the Association all funds on hand together with all books and records of receipt and disbursements. The Developer and, upon transfer, the Association, shall maintain separate special accounts for these funds, and Owners shall be provided at least annually information on the Maintenance Fund.

ARTICLE VIII**WATER SKI CLUB**

Section 8.1 Lake Use Restrictions. The rights to use the private lakes of the Subdivision for motorized boating and Water Skiing Activities shall be vested exclusively in the members of the Lakes at Timber Cove Water Ski Club (the "Water Ski Club" or "Ski Club"), under the terms and conditions specified herein.

Section 8.2 Rules and Regulations. In addition to the restrictions set forth herein, the Association shall publish and maintain Water Ski Club rules, which shall govern the terms and conditions of use of the lakes by the Water Ski Club and its duly authorized guests. Said rules shall govern times of use, safety requirements, water craft restrictions and other related rules and regulations. No rule or regulation shall affect or treat the Developer, or its successors and assigns, or the invitees of Developer in a manner differently than the rules may affect or treat its Water Ski Club members.

Section 8.3 Priority of Use. Use of the lakes by the Association or its members for fishing and other allowed activities shall be subordinate to the use of the lakes by the Water Ski Club. In the event of conflict or overlap in rules of the Water Ski Club and use of the lakes by the Association, the Water Ski Club's use shall take precedence.

Section 8.4 Membership on Association Board of Directors. At least a majority of the number of members of the Association's Board of Directors shall be members of the Water Ski Club at all times.

Section 8.5 Water Ski Club Assessments. The Association shall maintain a separate accounting of all costs that are unique to, or solely or primarily for the benefit of, the Water Ski Club, and an assessment in the amount of these costs shall be levied to members of the Water Ski as an additional assessment (the "Water Ski Club Assessment") to the Maintenance Fund as described herein. The Water Ski Club Assessment shall be levied to all members who are also members of the Water Ski Club.

In determining whether to allocate costs to the Water Ski Club or to the general membership, the following guidelines shall be used. Costs of maintaining the lakes as aesthetic amenities and for use by the general membership for non-Water Skiing related activities shall be borne and allocated to the general membership of the Association. Alternatively, costs that are incurred exclusively or primarily to enable or facilitate use of the lakes for Water Skiing Activities and not merely as aesthetic ponds, shall be allocated to the Water Ski Club. Water Ski Club allocated costs shall include, but are not limited to ski course supplies and equipment, liability insurance covering Water Skiing Activities, and costs of maintaining water quality to human contact recreation standards. Alternatively, costs of make-up water to keep the lakes full, mowing, landscaping, fish stocking, and similar costs which are not unique to the Water Skiing Activities, should not be included in the Water Ski Club Assessment.

Section 8.6 Number of Memberships. Each Waterfront Lot includes one (1) Water Ski Club Membership Unit. This Membership Unit shall be appurtenant to and may not be separated from the ownership of the Lots. Water Ski Club membership is mandatory for all owners of Waterfront Lots. Additionally, the Developer may make available, up to fifteen (15) additional Water Ski Club Membership Units. Each of these additional Water Ski Club Membership Units shall be subject to the Water Ski Club Assessment as described herein, upon notification from the Developer of its creation.

Each Water Ski Club Membership Unit shall apply to the Primary Owner, his or her spouse, and children of the Primary Owner and/or spouse who are living at home and under the age of 25, or if a Primary Owner is unmarried, he or she may select one (1) adult and one (1) child under the age of 18 as skiing companions. These companions must be designated in writing to the Association. Revocation and changes are not to be made more often than every three (3) calendar months. The Primary Owner shall be the owner of the Water Ski Club membership. In the event that ownership is vested in more than one (1) person, then that group of common owners shall appoint one person, in writing to the Board, who shall have the rights to use of the Common Area as if he or she were the Primary Owner. Revocation and changes may not be made more often than every three (3) calendar months.

In the event that a partnership, corporation, or other entity other than a natural person owns a Lot, said entity may appoint one (1) person to use the Common Area as the Primary Owner. Revocation and changes may not be made more often than every three (3) calendar months. In all cases of multiple or non-natural persons having ownership of a Lot, if such group or entity fails to notify the Board of Directors of its declaration of an individual Primary Owner, then no individuals shall be allowed use of that Lot's access rights.

Section 8.7 Leasing. A Water Ski Club membership owner may, by written request to the Association, and upon written approval by the Association at its next regularly scheduled meeting, lend, lease, rent, or otherwise assign his Water Skiing Activity rights to another person ("Related User") for a period of not less than three (3) months, nor more frequently than two (2) times within any calendar year. During such leasing period, the owner relinquishes all Water Ski Club rights and privileges irrevocably until such lease contract expires, or when the owner, by written request, receives approval by the Association at the next regularly scheduled meeting to have the owner's Water Ski Club rights and privileges reinstated and the Related User's rights discontinued. All such leasing agreements shall contain provisions obligating the Related User to abide by the Declaration and any supplements or amendments thereto, the Rules and Regulations and Association Bylaws. No owner may assign his Water Ski Club access rights if in violation of any terms or provisions of the terms of this Declaration, including nonpayment of dues or assessments.

Section 8.8 Time Sharing Prohibited. No time share plan shall exist or be arranged, offered for sale, lease or rent in the Subdivision. For the purposes hereof, a "time share plan" shall mean any arrangement, plan, or device, whether by membership, agreement, tenancy in common, sale, lease, deed, rental agreement, license, right to use agreement or

by any other means whereby a purchaser or other consumer, in exchange for consideration, receives a right to use property, Common Property, accommodations or facilities, for a period of less than three (3) months.

ARTICLE IX

DEVELOPER'S RIGHTS AND RESERVATIONS

Section 9.1 Period of Developer's Rights and Reservations. Developer shall have, retain and reserve certain rights as hereinafter set forth with respect to the Association and the Common Property from the date hereof, until the earlier to occur of (i) the Control Transfer Date or (ii) Developer's written notice to the Association of Developer's termination of the rights described herein. The rights and reservations hereinafter set forth shall be deemed accepted and reserved in each conveyance of a Lot by Developer to an Owner whether or not specifically stated therein and in each deed or other instrument by which any property within the Common Property is conveyed by Developer. The rights, reservations and easements hereafter set forth shall be prior and superior to any other provisions of this Declaration and may not, without Developer's prior written consent, be modified, amended, rescinded or affected by any amendment of this Declaration. Developer's consent to any one such amendment shall not be construed as consent to any other or subsequent amendment.

Section 9.2 Right to Construct Additional Improvements in Common Property. Developer shall have and hereby reserves the right (without the consent of any other Owner), but shall not be obligated, to construct additional improvements within the Common Property at any time and from time to time in accordance with this Declaration for the improvement and enhancement thereof and for the benefit of the Association and Owners, so long as such construction does not directly result in the increase of such Maintenance Charge. Developer shall, upon the Control Transfer Date, convey or transfer such improvements to the Association and the Association shall be obligated to accept title to, care for and maintain the same as elsewhere provided in this Declaration.

Section 9.3 Developer's Rights to Grant and Create Easements. Developer shall have and hereby reserves the right, without the consent of any other Owner or the Association, to grant or create temporary or permanent easements, for access, utilities, pipeline easement, cable television systems, communication and security systems, drainage, water and other purposes incidental to development, sale, operation and maintenance of the Subdivision, located in, on, under, over and across (i) the Lots or other property owned by Developer, (ii) the Common Property, and (iii) existing utility easements. Developer also reserves the right, without the consent of any other Owner or the Association, to grant or create temporary or permanent easements for access over and across the streets and roads within the Subdivision.

Section 9.4 Minerals. The Developer hereby reserves unto itself, its successors and assigns any and all of the mineral and/or royalty interest(s) in or affecting the property,

which is presently or in the future may be invested in Developer. However, the Developer hereby waives any right to enter upon the property for any purpose exploration mining and/or production of said minerals. The Developer additionally waives any right or ingress and/or egress into or across the property for the purpose of mineral exploration, mining and/or Production for any property owned by Developer and situated adjacent to the property. Any exploration, mining and/or production of minerals from the property shall be accomplished without entry upon the property.

Section 9.5 Marketing Events and Tournaments. The Developer shall have the exclusive right to use the Lakes and Common Properties for marketing events, including water ski tournaments, for the period of five (5) years from the date hereof. These special events shall not use more than two (2) lakes at any one time and such events are limited to a total of eight (8) days in any calendar year. The Developer shall give the Association thirty (30) days prior notice of any such marketing event or water ski tournament.

ARTICLE X

DUTIES AND POWERS OF THE PROPERTY OWNERS ASSOCIATION

Section 10.1 General Duties and Powers of the Association. The Association has been formed to further the common interest of the Members. The Association, acting through the Board of Directors or through persons to whom the Board of Directors has delegated such powers (and subject to the provisions of the Bylaws), shall have the duties and powers hereinafter set forth and, in general, the power to do anything that may be necessary or desirable to further the common interest of the members, to maintain, improve and enhance the Common Property and to improve and enhance the attractiveness, desirability and safety of the Subdivision. The Association shall have the authority to act as the agent to enter into any and all contracts on behalf of the Members in order to carry out the duties, powers and obligations of the Association as set forth in this Declaration. Prior to the Control Transfer Date, the powers and rights of the Association are subject to Developer's powers and rights provided under this Declaration.

Section 10.2 Duty to Accept the Property and Facilities Transferred by Developer. The Association shall accept title to any property, including any improvements thereon and personal property transferred to the Association by Developer, and equipment related thereto, together with the responsibility to perform any and all administrative functions and recreation functions associated therewith (collectively herein referred to as "Functions"), provided that such property and Functions are not inconsistent with the terms of this Declaration. Property interests transferred to the Association by Developer may include fee simple title, easements, leasehold interests and licenses to use such property. Any property or interest in property transferred to the Association by Developer shall be within the boundaries of the Property. Any property or interest in property transferred to the Association by Developer shall, except to the extent otherwise

specifically approved by resolution of the Board of Directors, be transferred to the Association free and clear of all liens and mortgages (other than the lien for property taxes and assessments not then due and payable), but shall be subject to the terms of this Declaration, the terms of any declaration of covenants, conditions and restrictions annexing such property to the Common Property, and all easements, covenants, conditions, restrictions and equitable servitude or other encumbrances which do not materially affect the Owners authorized to use such property. Except as otherwise specifically approved by resolution of the Board of Directors, no property or interest in property transferred to the Association by the Developer shall impose upon the Association any obligation to make monetary payments to the Developer or any affiliate of Developer including, but not limited to, any purchase price, rent, charge or fee. The property or interest in property transferred to the Association by the Developer shall not impose any unreasonable or special burdens of ownership of property, including the management, maintenance, replacement and operation thereof.

Section 10.3 Duty to Manage and Care for the Common Property. The Association shall manage, operate, care for, maintain and repair all Common Property and keep the same in a safe, attractive and desirable condition for the use and enjoyment of the Members. The duty to operate, manage and maintain the Common Property shall include, but not be limited to the following: establishment, operation and maintenance of a security system, if any for the Subdivision; management, maintenance, repair and upkeep of the subdivision entrances and other Common Property; maintenance, repair and upkeep of the lakes, drainage structures and related items such as swales, ditches, private lakes, detention structures, levees, berms, outfall structures, weirs, drainage pipes, boat ramp(s), make-up water well(s), ski courses, and marker buoys; maintenance, repair, and upkeep of the private roads and road right-of-ways within the Subdivision; and maintenance, repair, and upkeep of the entry Gates and related facilities.

Section 10.4 Duty to Obtain Insurance and Bonds. The Association shall obtain such insurance as may be required by law, including Worker's Compensation insurance, and shall have the power to obtain such other insurance and such fidelity, indemnity or other bonds as the Association shall deem necessary or desirable.

Section 10.5 Duty to Prepare Budgets. The Association shall prepare budgets for the Association, which budgets shall include a reserve fund for the maintenance of all Common Property.

Section 10.6 Duty to Levy and Collect the Maintenance Charge. The Association shall levy, collect and enforce the Maintenance Charge and other charges and assessments as elsewhere provided in this Declaration.

Section 10.7 Duty to Provide Annual Review. The Association shall provide for an annual unaudited independent review of the accounts of the Association. Copies of the review shall be made available to any Member who requests a copy of the same upon payment by such Member of the reasonable cost of copying the same.

Section 10.8 Duties with Respect to Architectural Approvals. The Association shall perform functions to assist the Committee as elsewhere provided in this Declaration.

Section 10.9 Power to Acquire Property and Construct Improvements. The Association may acquire property or an interest in property (including leases) for the common benefit of Owners including improvements and personal property. The Association may construct improvements on the Common Property and may demolish existing improvements on the Common Property.

Section 10.10 Power to Adopt Rules and Regulations. The Association may adopt, amend, repeal and enforce rules and regulations ("Rules and Regulations"), fines, levies and enforcement provisions as may be deemed necessary or desirable with respect to the interpretation and implementation of this Declaration, the operation of the Association, the use and enjoyment of the Common Property, and the use of any other property, facilities or improvements owned or operated by the Association.

Section 10.11 Power to Enforce Restrictions and Rules and Regulations. The Association (and any Owner with respect only to the remedies described in (ii) or (iii), below) shall have the power to enforce the provisions of this Declaration and the Rules and Regulations and shall take such action as the Board of Directors deems necessary or desirable to cause such compliance by each Member and each Related User. Without limiting the generality of the foregoing, the Association shall have the power to enforce the provisions of this Declaration and of Rules and Regulations of the Association by any one or more of the following means: (i) By entry upon any property within the Subdivision after notice and hearing (unless a bona fide emergency exists in which event this right of entry may be exercised without notice (written or oral) to the Owner in such manner as to avoid any unreasonable or unnecessary interference with the lawful possession, use or enjoyment of the improvements situated thereon by the Owner or any other person), without liability by the Association to the Owner thereof, for the purpose of enforcement of this Declaration or the Rules and regulations; (ii) by commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the provisions of this Declaration or the Rules and Regulations; (iii) by exclusion, after notice and hearing, of any Member or Related User from use of any recreational facilities within the Common Property during and for up to sixty (60) days following any breach of this Declaration or such Rules and Regulations by such Member or any Related User, unless the breach is a continuing breach in which case exclusion shall continue for so long as such breach continues; (iv) by suspension, after notice and hearing, of the voting rights of a Member during and for up to sixty (60) days following any breach by such Member or a Related User of a provision of this Declaration or such Rules and Regulations, unless the breach is a continuing breach in which case such suspension shall continue for so long as such breach continues; (v) by levying and collecting, after notice and hearing, an assessment against such Member for breach of this Declaration or such Rules and Regulations by such Member or a Related User which assessment reimbursed the Association for the costs incurred by the Association in connection with such breach; (vi) by levying and collecting, after notice and hearing, reasonable and uniformly applied fines and penalties, established in advance in the Rules and Regulations of the

Association, from any Member or Related User for breach of this Declaration or such Rules and Regulations by such Member or a Related User, and (vii) by taking action itself to cure or abate such violation and to charge the expenses thereof, if any, to such violating Members, plus attorney's fees incurred by the Association with respect to exercising such remedy.

Before the Board may invoke the remedies provided above, it shall give registered notice of such alleged violation to the Owner, and shall afford the Owner a hearing. If, after the hearing, a violation is found to exist, the Board's right to proceed with the listed remedies shall become absolute. Each day a violation continues shall be deemed a separate violation. Failure of the Association, the Developer, or of any Owner to take any action upon any breach or default with respect to any of the foregoing violations shall not be deemed a waiver of their right to take enforcement action thereafter or upon a subsequent breach or default.

Section 10.12 Power to Grant Easements. In addition to any blanket easements described in this Declaration, the Association shall have the power to grant access, utility, drainage, water facility and other such easements in, on, over or under the Common Property.

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ARTICLE XI

GENERAL PROVISIONS

Section 11.1 Term. The provisions hereof shall run with all property in the Subdivision and shall be binding upon all Owners and all persons claiming under them for a period forty (40) years from the date this Declaration is recorded, after which time said Declaration shall be automatically extended for successive periods of ten (10) years each, unless an instrument, signed by not less than two-thirds (2/3rds) of the Owners (including the Developer) of the Lots has been recorded agreeing to amend or change, in whole or in part, this Declaration.

Section 11.2 Amendments. This Declaration may be amended or changed, in whole or in part, at any time by the written agreement or sign ballot of Owners (including the Developer) entitled to cast not less than two-thirds (2/3rds) of the votes of all of the Owners. If the Declaration is amended by a written instrument signed by those Owners entitled to cast not less than two-thirds (2/3rds) of all of the votes of the Owners of the Association, such amendment must be approved by said Owners within three hundred sixty-five (365) days of the date the first Owner executes such amendment. The date an Owner's signature is acknowledged shall constitute prima facia evidence of the date of execution of said amendment by such Owner. Those Members (Owners, including the Developer) entitled to cast not less than two-thirds (2/3rds) of all of the votes of the Members of the Association may also vote to amend this Declaration, in person, or by proxy, at a meeting of the Members (Owners, including the Developer) duly called for such purpose, written notice of which shall be given to all Owners at least ten (10) days and not more than sixty (60) days in advance and shall set forth the purpose of such meeting. Notwithstanding any provision contained in the Bylaws to the contrary, a quorum, for purposes of such meeting, shall consist of Members present (in person or by proxy) holding at least fifty percent (50%) of all votes entitled to be cast. Any such amendment shall become effective when an instrument is filed for record in the Real Property Records of Hood County, Texas, accompanied by a certificate, signed by a majority of the Board of Trustees, stating that the required number of Members (Owners, including the Developer) executed the instrument amending this Declaration or cast a written vote, in person or by proxy, in favor of said amendment at the meeting called for such purpose. Copies of the written ballots pertaining to such amendment shall be retained by the Association for a period of not less than three (3) years after the date of filing of the amendment or termination.

Section 11.3 Amendments by the Developer. At any time prior to the Control Transfer Date, Developer may amend this Declaration in any manner it desires by an instrument in writing filed and recorded in the Real Property Records of Hood County, Texas, without the approval of any other Member or Owner or any mortgagee; provided, however, that (i) if a proposed amendment materially alters or changes any Owner's right to the use and enjoyment of the Owner's Lot or of the Common Property as set forth in this Declaration or if the proposed amendment adversely affects title to any Lot, then the proposed amendment shall be valid only upon the written consent thereto by a majority in number

of the then existing Members affected thereby, or (ii) if the proposed amendment would materially and adversely affect the lien status, security and interest of any mortgagee, then the proposed amendment shall be valid only upon the written consent thereto of all mortgagees so affected. Any amendment made pursuant to this Section shall be certified by Developer as having been duly approved by Developer and the 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 and further agrees that, if requested to do so by Developer, the 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 of this Declaration 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 of 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 11.4 Severability. Each of the provisions of this Declaration shall be deemed independent and severable and the invalidity or un-enforceability or partial invalidity or partial un-enforceability of any provision or portion hereof shall not affect the validity or enforceability of any other provision.

Section 11.5 Liberal Interpretation. The provisions of this Declaration shall be liberally construed as a whole to effectuate the purpose of this Declaration.

Section 11.6 Successors and Assigns. The provisions hereof shall be binding upon and inure to the benefit of the Owners, the Developer, and the Association, and their respective heirs, legal representatives, executors, administrators, successors and assigns. Developer may assign its rights and power under this Declaration, but that assignment shall be effective only if in a writing signed by Developer which specifically states that the rights and powers of Developer are being assigned.

Section 11.7 Effect of Violations on Mortgages. No violation of the provisions herein contained, or any portion thereof, shall affect the lien of any mortgage or deed of trust presently or hereafter placed of record or otherwise affect the rights of the mortgagee under any such mortgage, the holder of any such lien or beneficiary of any such deed of trust; and any such mortgage, lien or deed or trust may, nevertheless, be enforced in accordance with its terms, subject, nevertheless, to the provisions herein contained.

Section 11.8 Terminology. All personal pronouns used in this Declaration and all exhibits attached hereto, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Titles of Articles and Sections are for convenience only and neither limit nor amplify the provisions of this Declaration itself. The terms "herein", "hereof" and similar terms, as used in this instrument, refer to the entire agreement and are not limited to referring only to the specific paragraph, section or article in which such terms appear. All references in this Declaration to Exhibits shall refer to the Exhibits attached hereto.

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VOL. PG.

RATIFICATION

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set their hand as of this 17th day of December, 2002.

DEVELOPER AND CO-DECLARANT:
(Property owned: All Lots and
Reserves, except Block "B", Lot 13)

LATC PARTNERS, LTD. By its general partner,
LSF DEVELOPMENT CORP.

By: R. Gordon Hall
R. Gordon Hall, President

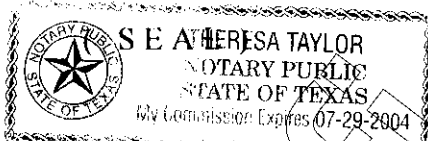
CO-DECLARANT:
(Property owned: Block "B", Lot 13)

Rodney O. Duree
RODNEY O. DUREE

(ACKNOWLEDGMENTS)

STATE OF TEXAS §
§
COUNTY OF Hood §

This instrument was acknowledged before me on the 17th day of December, 2002, by R. Gordon Hall, President of LSF DEVELOPMENT CORP., a Texas corporation, on behalf of said corporation, in its capacity as general partner of LSF PARTNERS, LTD., a Texas limited partnership.



Theresa Taylor
Notary Public in and for the
State of Texas

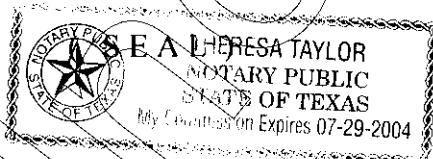
STATE OF TEXAS §
§
COUNTY OF Hood §

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

This instrument was acknowledged before me on the 17th day of December, 2002, by Rodney O. Duree.



Jelly Ouba
County Clerk, Hood County, TX



Theresa Taylor
Notary Public in and for the
State of Texas

AFTER RECORDING RETURN TO:
LSF Development Corp.
1315 Turner St.
League City, TX 77573

FILED FOR RECORD
AT 4:00 P.M.

DEC 17 2002

Jelly Ouba
County Clerk, Hood County, TX