

COMMUNITY CHARTER

FOR

SPRINGWOODS VILLAGE RESIDENTIAL COMMUNITY

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COMMUNITY CHARTER FOR SPRINGWOODS VILLAGE RESIDENTIAL COMMUNITY

PREAMBLE

This Community Charter (“**Charter**”) establishes a governance structure and a flexible system of standards and procedures for the development, expansion, administration, maintenance, and preservation of Springwoods Village Residential, a residential planned community located in Harris County, Texas, and will primarily include residential and recreational components. An integral part of the development plan for the Springwoods Village Residential Community is the formation of Springwoods Village Residential Owners’ Association, a Texas nonprofit corporation (the “**Association**”), to own, operate and/or maintain various common areas and community improvements and to administer and enforce this Charter and the other Governing Documents referenced in this Charter.

DECLARATION

Springwoods Realty Company, a Texas corporation (the “**Declarant**”), by executing and recording this Charter, declares that the property described in Exhibit “A” and any additional property made subject to this Charter in the future by amendment or supplement, shall constitute the “**Community**” as referred to in this Charter. This Charter shall run with the title to such property, shall govern the development and use of such property, and shall be binding upon the Declarant and the future owners of any portion of such property, their respective heirs, successors, and assigns, and any other person or entity that now or hereafter has any legal, equitable, or beneficial interest in any portion of such property. This Charter shall also be binding upon the Association, its successors and assigns.

ARTICLE 1

GOVERNING DOCUMENTS

ARTICLE 1.1 Scope and Applicability

The Community has been established and is administered pursuant to various documents that have a legal and binding effect on all owners and occupants of property in the Community, as well as on anyone else that may now or in the future have an interest in any portion of the property comprising the Community. Such documents, referred to in this Charter as the “**Governing Documents**,” include this Charter, the Articles of Incorporation, Bylaws, Rules and Residential Neighborhood Guidelines of the Association, as they may be amended. All owners and occupants, as well as their tenants, guests, and invitees, are required to comply with the Governing Documents.

ARTICLE 1.2 Additional Covenants

The owner of any property within the Community may impose additional covenants on its property with such approval as may be required pursuant to Article 18. If the provisions of any such additional covenants are more restrictive than the provisions of this Charter, the more restrictive provisions control. The Association shall have standing and the power, but not the obligation, to enforce any such additional covenants.

ARTICLE 1.3 Conflicts

If there are conflicts between any of the Governing Documents and Texas law, Texas law shall control. If there are conflicts between or among any of the Governing Documents, then the Charter, the Articles, and the Bylaws (in that order) shall control. If there is a conflict between the Governing Documents and any additional covenants recorded on any property within the Community (or the rules or policies adopted pursuant to any such additional covenants), the Governing Documents shall control.

If any court determines that any provision of this Charter is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision in other instances.

ARTICLE 1.4 Definitions

Capitalized terms used in the Governing Documents have the meaning described in the paragraph where they first appear in bold print. An index to defined terms may be found at the end of this Charter. All other terms used in the Governing Documents have their natural, commonly accepted definitions.

ARTICLE 1.5 Interpretation of Certain References

Consent or Approval. All references in the Governing Documents to “**consent**” or “**approval**” shall refer to permission or approval, which unless otherwise expressly qualified in the specific provision, may be granted or withheld in the discretion of the Person whose consent or approval is required.

Discretion and Determination. All references in the Governing Documents to “**discretion**” or to the right to “**determine**” any matter shall refer to the sole and absolute power or right to decide or act. Unless otherwise expressly limited in the Governing Documents or by law, any one authorized in the Governing Documents to exercise its discretion or make a determination may do so without regard to the reasonableness of, and without the necessity of justifying, the decision, determination, action, or inaction.

Person. References in the Governing Documents to a “**Person**” or “**Persons**” shall refer to an individual, a corporation, a partnership, a limited liability company, or any other legal entity.

Recording. All references in the Governing Documents to a “**recorded**” legal instrument, or to recordation or the recording of a legal instrument, shall refer to an instrument filed or the filing of a legal instrument in the official records of Harris County, or such other place designated as the official location for filing documents affecting title to real estate in Harris County in order to make them a matter of public record.

Community-Wide Standard. Where the Governing Documents require compliance with the “**Community-Wide Standard**,” the standard to be applied is the highest of: (a) the standard of use, conduct, architecture, landscaping, or aesthetic matters generally prevailing in the Community, or (b) the minimum standards described in this Charter, the Residential Neighborhood Guidelines, the Rules, and Board resolutions. The Community-Wide Standard may contain objective elements, such as specific maintenance requirements, and subjective elements, such as matters subject to the discretion of the Board or the Reviewer (as defined in Article 5). The Community-Wide Standard may or may not be set out in writing. The Declarant initially shall establish such standard; however, the Community-Wide Standard may evolve as development progresses and as the Community matures.

Maintenance. All references in this Charter to “**maintenance**” shall refer to maintenance, repair, and replacement.

ARTICLE 2

COMMUNITY ADMINISTRATION

ARTICLE 2.1 The Declarant

The Declarant has reserved various rights in the Governing Documents with respect to development and administration of the Community. The Declarant may exercise certain of these

rights throughout the “**Development and Sale Period**,” which is the period of time during which the Declarant or any “**Declarant Affiliate**” owns real property in the Community or has the right to expand the Community pursuant to Article 17. A “**Declarant Affiliate**” is any Person that controls, is controlled by, or is under common control with the Declarant, and any Person who is an owner, a member, a partner, or a shareholder of the Declarant.

The Declarant has reserved other rights that may be exercised only during the “**Declarant Control Period**,” which is the period of time that the Declarant is entitled to appoint a majority of the members of the Association’s board of directors (“**Board**”). The Declarant Control Period begins on the date of the Association’s incorporation and terminates when Declarant determines in its sole discretion that more than 95% of the Units that may ultimately be created within the Community (including any or all of the Expansion Property that may be included in the Community).

The Declarant may assign, in whole or in part, its status and rights as the Declarant under the Governing Documents to any person who takes title to any portion of the property described in Exhibit “A” or “B” for the purpose of development and/or sale. Such assignment shall be made only in a recorded instrument signed by both parties.

ARTICLE 2.2 The Association

The Declarant has established the Association as the primary entity responsible for administering the Community in accordance with the Governing Documents. The Association may exercise all rights and powers that the Governing Documents and Texas law expressly grant to it, as well as any rights and powers that may reasonably be implied under the Governing Documents. It may also take any action reasonably necessary to effectuate any such right or power.

ARTICLE 2.3 The Board

The Board shall serve the same role as the board of directors of a nonprofit corporation pursuant to Texas corporate law. On most matters, the Association acts through the Board. However, in some instances the Governing Documents or applicable law limit the Board’s ability to act without the approval of the Association’s members. Unless the Governing Documents or Texas law specifically provide otherwise, the Board may exercise the Association’s rights and powers without a vote of the membership.

The Board may institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, as defined in Section 3.1, enforcement of the Governing Documents, or any other civil claim or action. However, the Board has no legal duty to institute litigation or any other proceeding on behalf of or in the name of the Association or its members.

ARTICLE 2.4The Owners

Each Person who holds record title to a Unit, as defined in Section 3.1, is referred to in the Governing Documents as an “**Owner.**” However, a Person who holds title merely as security for the performance of an obligation (such as a lender holding a mortgage or similar security instrument) is not considered an “Owner.” If a Unit is sold under a recorded contract of sale, and the contract specifically so states, the purchaser (rather than the holder of fee simple title) will be considered the Owner. If a Unit has more than one Owner, all Co-Owners are jointly and severally obligated to perform the responsibilities of the Owner under the Governing Documents. Every Owner has a responsibility to comply with the Governing Documents and uphold the community standards described in this Charter.

ARTICLE 2.5Builders

Much of the responsibility and credit for helping to create the Community rests with the “**Builders**” -- those Persons who purchase one or more unimproved lots or parcels of land within the Community for further subdivision or development and resale in the ordinary course of their business. The Builders have the same privileges and responsibilities as Owners during the time that they own Units for construction and resale, including the privileges of membership in the Association. In addition, the Declarant may extend any of the rights it has reserved under the Governing Documents with respect to development, marketing, and sale of property in the Community to such Builders as it may designate.

ARTICLE 2.6Neighborhood Associations

Declarant may, in its sole discretion, require or allow a Builder to establish a separate condominium or homeowners’ association to administer additional covenants applicable to a particular portion of the Community (“**Neighborhood Association**”). The jurisdiction of any Neighborhood Association shall be subordinate to that of the Association. Any Neighborhood Association shall be responsible for administering the additional covenants applicable to the property within its jurisdiction and for maintaining, in accordance with the Community-Wide Standard, any property which it owns or which its covenants designate as being for the common benefit of its members or which it is obligated to maintain.

ARTICLE 2.7Mortgagees

If a Unit is made subject to a mortgage or other form of security instrument affecting title to a Unit (“**Mortgage**”), then the holder or beneficiary of that Mortgage (“**Mortgagee**”) also has an interest in the administration of the Community. The Governing Documents contain various provisions for the protection of Mortgagees, including those set forth in Article 16.

ARTICLE 3

COMMUNITY STRUCTURE AND ORGANIZATION

ARTICLE 3.1 Designations of Properties Comprising the Community

Units. The Governing Documents refer to the homes and home sites in the Community as “Units.” A Unit is a portion of the Community depicted as a separately identified lot or parcel on a recorded subdivision plat, survey, or condominium instrument, which may be independently owned and conveyed and is zoned or otherwise intended for development, use, and occupancy as a residence for a single family. The term “Unit” refers to the land, if any, which is part of the Unit, as well as to any structures or other improvements on the Unit. In the case of a building within a condominium or other structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit. A parcel of land is considered a single Unit until a subdivision plat, survey, or condominium instrument is recorded subdividing it into more than one Unit. The term does not include Common Areas, as defined below, common property of any Neighborhood Association, or property dedicated to the public.

Common Area. Any real or personal property and facilities that the Association owns or in which it otherwise holds possessory or use rights for the common use or benefit of more than one Unit is referred to as “Common Area.” The Common Area also includes any property that the Association holds under a lease and any easements in favor of the Association.

Limited Common Area. Certain portions of the Common Area may be designated as “Limited Common Area” and assigned for the exclusive use or primary benefit of less than all Units. Limited Common Areas might include such things as entry features, recreational facilities, lakes, and landscaped medians and cul-de-sacs, among other things.

The Declarant may designate property as Limited Common Area and assign it to particular Units on the recorded plat depicting such property, in the deed conveying such property to the Association, or in the Supplement by which the property is submitted to the terms of this Charter. At any time during the Development and Sale Period, the Declarant may assign use of the same Limited Common Area to additional Units.

Area of Common Responsibility. All of the properties and facilities for which the Association has responsibility under the Governing Documents, or for which the Association otherwise agrees to assume responsibility, are collectively referred to in the Governing Documents as the “Area of Common Responsibility,” regardless of who owns them. The Area of Common Responsibility includes all of the Common Area and may also include Units or portions of Units and property dedicated to the public, such as public rights-of-way. The initial Area of Common Responsibility is described in Article 9.

ARTICLE 3.2 Service Areas

Units may also be part of one or more “**Service Areas**” in which the Units share Limited Common Areas or receive special benefits or services from the Association that it does not provide to all Units within the Community. A Unit may be assigned to more than one Service Area, depending on the number and types of special benefits or services it receives. A Service Area may be comprised of Units of more than one housing type and may include Units that are not contiguous.

The Declarant may initially designate Service Areas (by name or other identifying designation) and assign Units to a particular Service Area either in Exhibit “A” or in a Supplement. During the Development and Sale Period, the Declarant may unilaterally amend this Charter or any Supplement to change Service Area boundaries.

In addition, the Board may, by resolution, designate Service Areas and assign Units to them upon petition of Owners of at least 67% of the Units affected by the proposed designation pursuant to Section 10.2.

The Owners of Units within each Service Area may elect a “**Service Area Committee**” in accordance with the Bylaws to represent and act on behalf of the Owners with respect to the services and benefits that the Association provides to the Service Area. References to Service Areas in the Governing Documents shall also refer to such Service Area Committees, if appropriate from the context.

ARTICLE 4

ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

ARTICLE 4.1 Membership

The Association shall have one class of membership, which is comprised of all Owners, including Builders, and the Declarant. Every Owner is automatically a member of the Association. However, there shall be only one membership per Unit. Thus, if a Unit has more than one Owner, all co-Owners of the Unit shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth below and in the Bylaws.

If an Owner is a corporation, a partnership, a limited liability company, or other legal entity, its membership rights may be exercised by any officer, director, partner, manager, or trustee, or by an individual the Owner designates from time to time in writing to the Association’s Secretary, except that only the individuals residing in the Unit shall be entitled to use any Common Area recreational facilities available for use by Owners.

ARTICLE 4.2 Voting

Each Unit is assigned one equal undivided vote, subject to the limitations on voting set forth in this Charter and the other Governing Documents. No vote shall be exercised for any property exempt from assessment under Section 12.8.

If there is more than one Owner of a Unit, the vote for such Unit shall be exercised as the co-Owners holding a majority of the ownership interest in the Unit determine among themselves. Any co-Owner may cast the vote for the Unit and majority agreement shall be conclusively presumed unless another co-Owner of the Unit protests promptly to the President or other person presiding over the meeting or the balloting, in the case of a vote taken outside of a meeting. In the absence of majority agreement, the Unit's vote shall be suspended if two or more co-Owners seek to exercise it independently.

ARTICLE 5

ARCHITECTURE, LANDSCAPING, AND AESTHETIC STANDARDS

ARTICLE 5.1 General

All site work, landscaping, structures, improvements, and other items placed on a Unit in a manner or location visible from outside of any structures on the Unit (“**Improvements**”) are subject to standards for design, landscaping, and aesthetics adopted pursuant to this Article (“**Residential Neighborhood Guidelines**”) and the approval procedures set forth in this Article, except as this Article or the Residential Neighborhood Guidelines may otherwise specify.

No prior approval is necessary to repaint the exterior of existing structures using the most recently approved color scheme for such structures or to rebuild or restore any damaged structures in a manner consistent with the plans and specifications most recently approved for such structures. Generally, no approval is required for work done to the interior of a structure; however, modifications to the interior of screened porches, patios, and any other portions of a structure visible from outside of the structure do require prior approval.

Any dwelling constructed on a Unit shall be designed by and built in accordance with the plans and specifications of a licensed architect unless the Declarant or its designee in its sole discretion otherwise approves.

Approval under this Article is not a substitute for any approvals or reviews required by other recorded covenants, or by Harris County, the City of Houston or any other municipality or governmental agency or entity having jurisdiction over architectural or construction matters.

This Article shall not apply to the Declarant’s design and construction activities or to the Association’s activities during the Declarant Control Period.

ARTICLE 5.2 Design Review Authority

(a) **Declarant.** The Declarant shall have exclusive authority to review and act upon all applications for review of proposed Improvements until the later of (i) the expiration of the Development and Sale Period, or (ii) such time as all Units planned for the property described in Exhibits “A” and “B” have been improved with dwellings for which a certificate of occupancy has been issued. The Declarant may designate one or more persons to act on its behalf in reviewing any application. In reviewing and acting upon any request for approval, the Declarant and its designee act solely in the Declarant’s interest and owe no duty to any other Person.

From time to time, the Declarant may delegate any or all of its rights under this Article to other Persons or committees, including the committee appointed pursuant to Section 5.2(b). Any such delegation shall be in writing, shall specify the scope of responsibilities delegated, and shall be subject to (i) the Declarant’s right to revoke such delegation at any time and reassume its prior control, and (ii) the Declarant’s right to veto any decision which it determines, in its discretion,

to be inappropriate or inadvisable. So long as the Declarant has any rights under this Article, the jurisdiction of others shall be limited to such matters as the Declarant specifically delegates.

(b) ***Design Review Committee.*** Upon the Declarant's delegation of authority pursuant to Section 5.2(a), or upon expiration or termination of the Declarant's rights under this Article, the Board shall appoint a Design Review Committee ("**Design Review Committee**" or "**DRC**") to assume jurisdiction over matters within the scope of the delegated authority or this Article, respectively. The DRC shall consist of at least three, but not more than seven, persons who shall serve and may be removed and replaced in the Board's discretion. DRC members need not be Owners or representatives of Owners. The DRC may, but need not, include architects, engineers, or similar professionals. The Association may compensate DRC members in such manner and amount, if any, as the Board may determine appropriate.

Until expiration of the Declarant's rights under this Article, the DRC shall notify the Declarant in writing within three business days of any action (*i.e.*, approval, partial approval, or disapproval) it takes under this Article. A copy of the application and any additional information the Declarant may require shall accompany the notice. The Declarant shall have 10 business days after receipt of such notice to veto any such action, in its discretion, by written notice to the DRC.

Unless and until such time as the Declarant delegates all or a portion of its reserved rights to the DRC or the Declarant's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

(c) ***Reviewer.*** For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "**Reviewer.**"

(d) ***Fees; Assistance.*** The Reviewer may establish and charge reasonable fees for its review of applications and may require that such fees be paid in advance. Such fees may also include reasonable costs incurred in having professionals review any application. The Board may include the compensation of such persons in the Association's annual operating budget.

ARTICLE 5.3 Guidelines and Procedures

(a) ***Residential Neighborhood Guidelines.*** The Declarant may prepare the initial Residential Neighborhood Guidelines, which may contain general provisions applicable to all of the Community as well as specific provisions that vary among uses, housing types, or locations within the Community. The Design Guidelines are intended to provide guidance to Owners, architects, and contractors regarding matters of particular concern to the Reviewer. The Residential Neighborhood Guidelines are not the exclusive basis for the Reviewer's decisions, and compliance with the Residential Neighborhood Guidelines does not guarantee approval.

The Declarant shall have sole and full authority to amend the Residential Neighborhood Guidelines for so long as it has review authority under Section 5.2(a). The Declarant's right to amend the Residential Neighborhood Guidelines shall continue even if it delegates reviewing authority to the DRC, unless the Declarant also delegates the power to amend to the DRC. Upon termination or delegation of the Declarant's right to amend, the DRC may amend the Residential Neighborhood Guidelines with the Board's consent.

Amendments to the Residential Neighborhood Guidelines shall apply prospectively only. They shall not require modifications to or removal of any structures previously approved once the approved construction or modification has begun. However, any new work on such structures must comply with the Residential Neighborhood Guidelines as amended. There shall be no limitation on the scope of amendments to the Residential Neighborhood Guidelines, and such amendments may eliminate requirements previously imposed or otherwise make the Residential Neighborhood Guidelines less restrictive.

The Reviewer shall make the Residential Neighborhood Guidelines available to Owners and their architects and contractors upon request. In the Declarant's discretion, such Residential Neighborhood Guidelines may be recorded, in which event the recorded version, as it may be amended from time to time, shall control in the event of any dispute as to which version of the Residential Neighborhood Guidelines was in effect at any particular time.

(b) ***Procedures.*** Unless the Residential Neighborhood Guidelines provide otherwise, no activities within the scope of this Article (as described in Section 5.1) may begin on any property within the Community until a written application is submitted to and approved by the Reviewer. The application must be accompanied by plans and specifications and such other information as the Reviewer or the Residential Neighborhood Guidelines require.

In reviewing each application, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of the proposed external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that such determinations are purely subjective and that opinions may vary as to the desirability and/or attractiveness of particular improvements.

The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment, and such determinations shall not be subject to the procedures in Article 19 or judicial review so long as they are made in good faith and in accordance with required procedures.

The Reviewer shall make a determination on each application after receipt of a completed application with all required information. The Reviewer may permit or require that an application be submitted or considered in stages, in which case a final decision shall not be required until after the final, required submission. The Reviewer may (i) approve the application

with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

The Reviewer shall notify the applicant in writing of the final determination on any application no later than 30 business days after its receipt of a completed application and all required submissions; however, with respect to any DRC determination subject to the Declarant's veto right under Section 5.2(b), the Reviewer shall notify the applicant of the final determination within 40 business days after its receipt of the completed application and all required submissions. Notice shall be deemed given at the time the envelope containing the response is deposited in the U.S. mail. Hand delivery, facsimile, electronic mail, or similar delivery of such written notice also shall be sufficient and shall be deemed given at the time of confirmed delivery to the applicant.

If the Reviewer fails to respond in a timely manner, approval shall be deemed given. However, no approval, whether expressly granted or deemed granted, shall be inconsistent with the Residential Neighborhood Guidelines unless a written variance has been granted pursuant to Section 5.5.

As part of any approval, the Reviewer may require that construction commence within a specified time period. If construction does not commence within the required period, the approval shall expire, and the Owner must reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the Reviewer, in its discretion, grants an extension in writing.

The Reviewer may exempt certain activities from the application and approval requirements of this Article if such activities are undertaken in compliance with the Residential Neighborhood Guidelines and the Community-Wide Standard.

ARTICLE 5.4 No Waiver of Future Approvals

The people reviewing applications under this Article will change from time to time, and opinions on aesthetic matters, as well as interpretation and application of the Residential Neighborhood Guidelines, may vary accordingly. It may not always be possible to identify objectionable features until work is completed. In such cases, the Reviewer may elect not to require changes to objectionable features. However, the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans shall not constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

ARTICLE 5.5 Variances

The Reviewer may authorize variances from compliance with any of the Residential Neighborhood Guidelines and any procedures when it determines that circumstances such as

topography, natural obstructions, hardship, or aesthetic or environmental considerations justify such a variance; however, the Reviewer shall under no circumstances be obligated to grant variances. No variance shall (a) be effective unless in writing; (b) be contrary to this Charter; or (c) prevent the Reviewer from denying a variance in other circumstances. A variance requires the Declarant's written consent during the Development and Sale Period and, thereafter, requires the Board's written consent.

ARTICLE 5.6 Limitation of Liability

This Article establishes standards and procedures as a mechanism for maintaining and enhancing the overall aesthetics of the Community; they do not create any duty to any Person. Review and approval of any application pursuant to this Article may be based purely on aesthetic considerations. The Reviewer is not responsible for the structural integrity or soundness of approved construction or modifications, for compliance with building codes and other governmental requirements, or for ensuring that all dwellings are of comparable quality, value, size, or design, or are aesthetically pleasing or otherwise acceptable to other Owners.

The Declarant, the Association, its officers, the Board, the Reviewer, any committee, and any member of any of the foregoing shall not be liable for (a) soil conditions, drainage, or other general site work; (b) any defects in plans revised or approved hereunder; (c) any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not the Declarant has approved or featured such contractor as a Builder; or (d) any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters subject to this Article, the Association shall defend and indemnify the Board, the Declarant, the DRC, any Reviewer, and the members, officers, and directors of each, as provided in the Bylaws.

ARTICLE 5.7 Certificate of Compliance

Any Owner may request in writing that the Reviewer issue a certificate of compliance certifying that there are no known violations of this Article or the Residential Neighborhood Guidelines with regard to such Owner's Unit. The Association shall either grant or deny such written request within 30 days after receipt and may charge a reasonable administrative fee. Issuance of such a certificate shall prevent the Association from taking enforcement action against an Owner for any condition known to the Association on the date of such certificate.

ARTICLE 6

MAINTENANCE, REPAIR, AND REPLACEMENT

ARTICLE 6.1 Maintenance by Owners

Each Owner shall maintain his or her Unit, including all structures, landscaping, and other improvements comprising the Unit, in a manner consistent with the Governing Documents

and the Community-Wide Standard, unless such maintenance responsibility is otherwise assumed by or assigned to the Association or a Neighborhood Association pursuant to this Charter.

ARTICLE 6.2 Maintenance of Neighborhood Association Property

A Neighborhood Association shall maintain its common property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants.

The Association may assume maintenance responsibility for property in any Neighborhood Association, either upon designation of the Neighborhood Association as a Service Area pursuant to Section 3.4 or upon the Board's determination, pursuant to Article 8, that the level and quality of maintenance then being provided is not consistent with the Community-Wide Standard. The Association need not treat all similarly situated Neighborhood Associations the same.

ARTICLE 6.3 Responsibility for Repair and Replacement

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement necessary to maintain the property to a level consistent with the Community-Wide Standard.

Each Owner shall carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, unless either a Neighborhood Association (if any) or the Association carries such insurance (which they may but are not obligated to do). If the Association assumes responsibility for insuring a Unit, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner.

Within 90 days after any damage to or destruction of a structure on a Unit, the Owner shall promptly repair or reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved pursuant to Article 5 unless the Board, in its discretion, agrees to extend such period. Alternatively, the Owner shall clear the Unit of debris and maintain it in a neat and attractive landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs that insurance proceeds do not cover.

Additional recorded covenants applicable to any Neighborhood Association or Service Area may establish additional insurance requirements and more stringent standards for rebuilding or reconstructing structures on Units and for clearing and maintaining the Units in the event the structures are not rebuilt or reconstructed.

This section shall apply to a Neighborhood Association with respect to common property of the Neighborhood Association in the same manner as if the Neighborhood Association was an Owner and the common property was a Unit.

ARTICLE 6.4 Maintenance and Repair of Party Walls and Similar Structures

Except as may otherwise be provided by law, a written agreement between Owners of adjacent Units, or other recorded documents applicable to adjacent Units:

- (a) Each wall, fence, driveway, or similar structure built as part of the original construction on the Units that serves and/or separates any two adjoining Units shall be considered a party structure. The cost of reasonable repair and maintenance of a party structure shall be shared equally by the Owners who share the party structure.
- (b) If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who shares the structure may restore it. All Owners that share the structure shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other Owners that share the party structure under any rule of law regarding liability for negligent or willful acts or omissions.
- (c) The right to and the obligation of contribution for party walls and similar structures between Owners, as provided in this section, shall be appurtenant to the land and shall pass to such Owner's successor-in-title.
- (d) To the extent not inconsistent with the provisions of this section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to any party structure. Any dispute concerning a party structure shall be subject to the provisions of Article 19.

ARTICLE 7

USE AND CONDUCT

ARTICLE 7.1 Use, Occupancy, and Transfer of Interests in Units

- (a) ***Residential and Related Uses.*** Units may be used only for residential and related purposes, except as the Declarant may otherwise authorize with respect to construction, marketing, and sale activities of the Declarant and Builders it designates. A business activity shall be considered "related" to a residential use and thus permitted under this section only if conducted by a person or persons residing in the Unit and only if the business activity:
 - (i) is not apparent or detectable by sight, sound, or smell from outside of a permitted structure;

(ii) complies with applicable zoning requirements and building codes;

(iii) does not involve regular visitation of the Unit by employees who do not reside in the Unit, clients, customers, suppliers, or other business invitees, or door-to-door solicitation within the Community; and

(iv) is consistent with the Community's residential character and does not constitute a nuisance or a hazardous or offensive use, or threaten the security or safety of others, as the Board determines in its discretion.

"Business" shall have its ordinary, generally accepted meaning and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves providing goods or services to Persons other than the family of the producer and for which the producer receives a fee, compensation, or other form of consideration, regardless of whether (i) such activity is engaged in full or part time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required.

Leasing a Unit for residential purposes shall not be considered a "business" within the meaning of this subsection, provided that the Owner and any other Owners with whom such Owner is affiliated do not collectively lease or offer for lease more than one Unit at any time. This provision shall not preclude an institutional lender from leasing one or more Units upon taking title following foreclosure of its security interest in the Unit(s) or upon acceptance of a deed in lieu of foreclosure.

(b) **Leasing.** For purposes of this Charter, the terms "**Lease**" and "**Leasing**" shall refer to the regular, exclusive occupancy of a Unit by any Person other than the Owner, for which the Owner receives any consideration or benefit. Any dwelling that is leased shall be leased only in its entirety; separate rooms, floors, or other areas within a dwelling may not be separately leased; however, any detached "in-law suite" or "guest house" approved pursuant to Article 5 may be leased separate from the main dwelling.

All leases shall be in writing and shall disclose that the tenants and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents. However, the Governing Documents shall apply regardless of whether such a provision is specifically set forth in the lease.

Within 10 days of a lease being signed, the Owner of the leased Unit shall notify the Board or the Association's managing agent of the lease and provide any additional information the Board may reasonably require. The Owner must give the tenant copies of the Governing Documents. In addition to, but consistent with this subsection, the Association or the Board may adopt Rules governing leasing and subleasing.

(c) **Transfer of Title.** Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board written notice of the name and address of the purchaser or

transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The Person transferring title shall continue to be jointly and severally responsible with the Person accepting title for all obligations of the Owner, including assessment obligations, until the date upon which the Board receives such notice, notwithstanding the transfer of title.

(d) ***Subdivision and Combination of Units.*** No Person other than the Declarant and Builders whom the Declarant may authorize shall subdivide or change the boundary lines of any Unit or combine Units without the Board's prior written approval and the prior written approval of the Declarant during the Development and Sale Period. Any such action that the Board approves shall be effective only upon recording of a plat or other legal instrument reflecting the subdivision or new boundaries of the affected Unit(s). The Board's approval may set forth a determination of how combined Units shall be treated for purposes of voting or assessment. In the absence of such a determination, adjacent Units owned by the same Owner shall continue to be treated as separate Units for purposes of voting and assessment, even though such Units may be improved with a single dwelling.

(e) ***Timesharing.*** No Unit shall be used for operation of a timesharing, fraction-sharing, interval estate, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule over a period of years, unless such program is established by the Declarant or with the Declarant's prior written approval.

ARTICLE 7.2 Rulemaking Authority and Procedures

The Governing Documents establish a framework of covenants and conditions that govern the Community. The initial Rules attached as Exhibit "C" are a part of that framework. However, within that framework, the Association must be able to respond to unforeseen issues and changes affecting the Community. Therefore, the Board and the Owners are authorized to change the Rules in accordance with the following procedures, subject to the limitations set forth in Section 7.3.

(a) ***Board Authority.*** Subject to the notice requirements in subsection (c), the consent of the Declarant during the Development and Sale Period, and the Board's duty to exercise judgment and reasonableness on behalf of the Association and its members, the Board may adopt new Rules and modify or rescind existing Rules by majority vote of the directors at any Board meeting.

(b) ***Membership Authority.*** Subject to the notice requirements in subsection (c), the Owners representing a majority of the votes in the Association may also adopt new Rules and modify or rescind existing Rules at any meeting of the Association duly called for such purpose, regardless of the manner in which the original Rule was adopted.

However, during the Development and Sale Period, any such action shall also be subject to the Declarant's approval.

(c) **Notice.** The Board shall send notice to all Owners concerning any proposed Rule change at least five business days prior to the meeting of the Board or the Owners at which such action is to be considered. At any such meeting, Owners shall have a reasonable opportunity to be heard before the proposed action is put to a vote.

This notice requirement does not apply to administrative and operating policies that the Board may adopt relating to the Common Areas, such as hours of operation of a recreational facility, speed limits on private roads, and the method of allocating or reserving use of a facility (if permitted) by particular individuals at particular times, notwithstanding that such policies may be published as part of the Rules.

(d) **Effective Date.** A Rules change adopted under this section shall take effect 30 days after the date on which written notice of the Rules change is given to the Owners.

(e) **Conflicts.** No action taken under this section shall have the effect of modifying or repealing the Residential Neighborhood Guidelines or any provision of this Charter other than the Rules. In the event of a conflict between the Residential Neighborhood Guidelines and the Rules, the Residential Neighborhood Guidelines shall control. In the event of a conflict between the Rules and any provision of this Charter (exclusive of the Rules), the Charter shall control.

ARTICLE 7.3 Protection of Owners and Others

Except as may be set forth in this Charter (either initially or by amendment) or in the initial Rules set forth in Exhibit "C," all Rules shall comply with the following provisions:

(a) **Similar Treatment.** Similarly situated Units shall be treated similarly; however, the Rules may vary by neighborhood, Service Area, or housing type.

(b) **Displays.** No Rule shall prohibit an Owner or occupant from displaying political, religious, or holiday symbols and decorations on his or her Unit of the kinds normally displayed in single-family residential neighborhoods. However, the Association may adopt time, place, and manner restrictions with respect to signs, symbols, and displays visible from outside structures on the Unit, including reasonable limitations on size and number.

(c) **Household Composition.** No Rule shall interfere with an Owner's freedom to determine household composition, except that the Association may impose and enforce reasonable occupancy limitations and conditions based on Unit size and facilities and its fair share use of the Common Area.

(d) ***Activities Within Dwellings.*** No Rule shall interfere with the activities carried on within a dwelling, except that the Association may prohibit activities not normally associated with residential property. It may also restrict or prohibit activities that create monetary costs for the Association or other Owners, that create a danger to anyone's health or safety, that generate excessive noise or traffic, that create unsightly conditions visible from outside the dwelling, or that are an unreasonable source of annoyance.

(e) ***Allocation of Burdens and Benefits.*** No Rule shall alter the allocation of financial burdens among the various Units or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who are delinquent in paying assessments, abuse the Common Area, or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Article 12.

(f) ***Leasing and Transfer of Units.*** No Rule shall prohibit leasing or transfer of any Unit or require approval prior to leasing or transferring a Unit; however, the Rules may require a minimum lease term of up to 12 months. Minimum lease terms may vary by neighborhood, Service Area, or housing type. The Rules may also require that Owners use Board-approved lease forms (or include specific lease terms), and may impose a reasonable review or administrative fee in connection with the Board's review of a lease.

(g) ***Abridging Existing Rights.*** No Rule shall require that an Owner dispose of personal property kept in or on a Unit in compliance with the Rules in effect at the time such personal property was brought onto the Unit. This exemption shall apply only during the period of such Owner's ownership of the Unit and shall not apply to subsequent Owners who take title to the Unit after adoption of the Rule.

(h) ***Rights to Develop.*** No Rule may impede the Declarant's, or any Builder's, ability to develop, market, and sell property in the Community.

(i) ***Interference with Easements.*** No Rule may interfere with the exercise of any easement.

ARTICLE 7.4 Owners' Acknowledgment and Notice to Purchasers

By accepting a deed, each Owner acknowledges and agrees that the use, enjoyment, and marketability of his or her Unit is limited and affected by the Rules, which may change from time to time. All Unit purchasers are hereby notified that the Association may have adopted changes to the Rules and that such changes may not be set forth in a recorded document. A copy of the current Rules and all administrative policies are available from the Association upon request. The Association may charge a reasonable fee to cover its reproduction cost.

ARTICLE 8

COMPLIANCE AND ENFORCEMENT

ARTICLE 8.1 Compliance

Every Owner, occupant, and visitor to a Unit must comply with the Governing Documents and shall be subject to sanctions for violations as described in this Article. In addition, each Owner shall be responsible for, and may be sanctioned for, all violations of the Governing Documents by the occupants, tenants, guests, or invitees to their Units, and for any damage to the Area of Common Responsibility that such Persons may cause.

ARTICLE 8.2 Remedies for Non-Compliance

The Association, the Declarant and every affected Owner shall have the right to file suit at law or in equity to enforce the Governing Documents. In addition, the Board may impose sanctions for violation of the Governing Documents, including those sanctions listed below and any others described elsewhere in the Governing Documents.

(a) ***Sanctions Requiring Prior Notice and Hearing.*** After written notice and an opportunity for a hearing in accordance with the Bylaws, the Board may:

(i) impose reasonable monetary fines, which shall constitute a lien upon the violator's Unit. In the event that any occupant, tenant, guest, or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine may, but need not, first be assessed against the violator; provided, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);

(ii) suspend an Owner's right to vote (except that no hearing is required if the Owner is more than 60 days delinquent in paying any Base or Special Assessment);

(iii) suspend any Person's right to use any Common Area facilities (A) for any period during which any charge against such Owner's Unit remains delinquent, and (B) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation (except that no hearing is required if the Owner is more than 60 days delinquent in paying any assessment or other charge owed the Association); provided, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;

(iv) suspend services the Association provides (except that no hearing is required if the Owner is more than 60 days delinquent in paying any assessment or other charge owed to the Association);

(v) exercise self-help or take action to abate any violation of the Governing Documents in a non-emergency situation (including removing personal property that violates the Governing Documents);

(vi) without liability to any Person, preclude any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article 5, including the Residential Neighborhood Guidelines, from continuing or performing any further activities in the Community;

(vii) levy Specific Assessments to cover costs the Association incurs in bringing a Unit into compliance with the Community-Wide Standard or other requirements under the Governing Documents; and

(viii) record a notice of violation with respect to any Unit on which a violation exists.

(b) ***Other Sanctions.*** The Board may take the following actions to obtain compliance with the Governing Documents without prior notice or a hearing:

(i) exercise self-help or take action to abate a violation on a Unit in any situation which requires prompt action to avoid potential injury or damage or unreasonable inconvenience to other persons or their property (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations);

(ii) exercise self-help or take action to abate a violation on the Common Area under any circumstances;

(iii) require an Owner or a Neighborhood Association, at its own expense, to perform maintenance or to remove any structure or improvement on such Owner's Unit or on the Neighborhood Association's property, respectively, that is in violation of the Community-Wide Standard or other requirements under the Governing Documents and to restore the property to its previous condition;

(iv) enter the property and exercise self-help to remove or cure a violating condition if an Owner or Neighborhood Association fails to take action as required pursuant to subsection (iii) above within 10 days after receipt of written notice to do so, and any such entry shall not be deemed a trespass; or

(v) bringing suit at law for monetary damages or in equity to stop or prevent any violation, or both.

(c) ***Additional Powers Relating to Neighborhood Associations.*** In addition to the foregoing sanctions, the Association shall have the power to require specific action to be taken by any Neighborhood Association in connection with its obligations and responsibilities, such as requiring specific maintenance or repairs or aesthetic changes to be effectuated and requiring that a proposed budget include certain items and that expenditures be made therefore.

A Neighborhood Association shall take appropriate action required by the Association in a written notice within the reasonable time frame set by the Association in the notice. If the Neighborhood Association fails to comply, the Association shall have the right to effect such action on behalf of the Neighborhood Association and levy Specific Assessments to cover the costs, as well as an administrative charge and sanctions.

ARTICLE 8.3 Board Decision to Pursue Enforcement Action

The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. For example, the Board may determine that, in a particular case:

- (a) the Association's position is not strong enough to justify taking any or further action;
- (b) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;
- (c) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or
- (d) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

A decision not to enforce a particular provision shall not prevent the Association from enforcing the same provision at a later time or prevent the enforcement of any other covenant, restriction, or rule.

ARTICLE 8.4 Attorneys Fees and Costs

In any action to enforce the Governing Documents the prevailing party shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

ARTICLE 9

PROPERTY MANAGEMENT

ARTICLE 9.1 Acceptance and Control of Association Property

- (a) ***Transfers and Conveyances by Declarant.*** The Declarant and its designees may transfer or convey to the Association interests in real or personal property within or for the benefit of the Community, and the Association shall accept such transfers and conveyances. Such property may be improved or unimproved and may consist of fee simple title, easements, leases, licenses, or other real or personal property interests.

Upon the Declarant's written request, the Association shall reconvey to the Declarant any unimproved real property that the Declarant originally conveyed to the Association for no payment, to the extent conveyed in error or needed to make minor adjustments in property lines or accommodate changes in the development plan.

(b) **Management and Control.** The Association is responsible for management, operation, and control of the Common Area, subject to any covenants set forth in the deed or other instrument transferring the property to the Association. The Association may enter into leases, licenses, or operating agreements with respect to portions of the Common Area, for payment or no payment, as the Board deems appropriate. The Association may permit use of Common Area facilities by persons other than Owners and occupants of Units and may charge use fees, in such amount as the Board may establish, for such use.

ARTICLE 9.2 Maintenance of Area of Common Responsibility

The Association shall maintain the Area of Common Responsibility in accordance with the Community-Wide Standard. The Area of Common Responsibility includes, but is not limited to:

- (a) the Common Area;
- (b) landscaping within public rights-of-way within or abutting the Community to the extent that responsible governmental authorities do not maintain it to the Community-Wide Standard;
- (c) such portions of any additional property as may be dictated by the Declarant, this Charter, any Supplement, or any covenant or agreement for maintenance entered into by, or otherwise binding on the Association; and
- (d) any property and facilities that the Declarant owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its members. The Declarant shall identify any such property and facilities by written notice to the Association, and they shall remain part of the Area of Common Responsibility until the Declarant revokes such privilege of use and enjoyment by written notice to the Association.

The Association may maintain other property it does not own, including, without limitation, Units, property dedicated to the public, or property owned or maintained by a Neighborhood Association, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard. The Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, property it does not own except to the extent that it has been negligent in performing its maintenance responsibilities.

ARTICLE 9.3 Discontinuation of Operation

The Association shall maintain the Common Area facilities in continuous operation unless the Declarant, during the Development and Sale Period, and Owners representing 75% of the total votes in the Association, consent in writing to discontinue such operation. If the property is Limited Common Area, any discontinuation shall also require the approval in writing of at least 75% (or such higher percentage as a Supplement may require) of the Owners to whom such Limited Common Area is assigned. This section shall not apply to restrict the Board's ability to establish reasonable operating hours, which may vary by season, nor to preclude temporary closures or interruptions in operation as the Board may determine appropriate to perform maintenance or repairs.

ARTICLE 9.4 Restoring Damaged Improvements

In the event of damage to or destruction of portions of the Area of Common Responsibility for which the Association has insurance responsibility, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially its condition prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

The Association shall repair or reconstruct damaged Common Area improvements unless the Declarant, during the Development and Sale Period, and Owners representing at least 75% of the total votes in the Association, decide within 60 days after the loss not to repair or reconstruct. If the damage is to Limited Common Area or Units within a Service Area, any decision not to restore the damaged improvements shall also require the approval of at least 75% of the Owners of Units to which such Limited Common Area is assigned or 75% of the Owners of Units in the affected Service Area. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information is available. No Mortgagee shall have the right to participate in determining whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive condition consistent with the Community-Wide Standard.

The Association shall retain and place in a capital improvements account for the benefit of all Owners, or the Owners of Units within the affected Service Area, as appropriate, any insurance proceeds remaining after paying the costs of repair or reconstruction or after such settlement as is necessary and appropriate. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Owners, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 11.4.

ARTICLE 9.5 Relationships with Other Properties

The Association may contract with the owner of any neighboring property or Private Amenity to provide for sharing of costs associated with (a) maintenance and operation of mutually beneficial properties or facilities, or (b) provision of mutually beneficial services.

ARTICLE 9.6 Cooperation with Special District

The Association shall have the power, and is hereby authorized, to contract with and to cooperate with one or more special purpose unit(s) of local government created in accordance with Texas law (“**Special District**”), in order to ensure that their respective responsibilities are discharged. The Association is further authorized to act on behalf of the Owners to ensure that the level of services provided by the Special District is consistent with the Community-Wide Standard.

Each Owner, by acceptance of a deed or recorded contract of sale, is deemed to covenant and consent to the creation of a Special District and to executing a separate document evidencing such consent, if requested to do so by Declarant.

ARTICLE 10

PROVISION OF SERVICES

ARTICLE 10.1 Provision of Services to Units

The Association may arrange for or provide services to Owners and their Units, directly or through contracts with the Declarant or other third parties. The Association may enter into bulk service agreements by which a particular service is provided to all Units, or it may offer various services at the option of each Owner, or both. By way of example and not limitation, such services might include such things as cable television, utilities, fire protection, security, trash collection, landscape maintenance, pest control, caretaker services and technology services.

Any Association contract for services may require individual Owners or occupants to execute separate agreements directly with the Persons providing components or services in order to gain access to or obtain specified services. Such contracts and agreements may contain terms and conditions that, if violated by the Owner or occupant of a Unit, may result in termination of services provided to such Unit. Any such termination shall not relieve the Owner of the continuing obligation to pay assessments for any portion of the charges for such service that are assessed against the Unit as a Common Expense or Service Area Expense pursuant to Article 12.

In its discretion, the Board may discontinue offering particular services and may modify or cancel existing contracts for services, subject to the contract terms and any provision that may exist elsewhere in the Governing Documents requiring the Association to provide such services.

ARTICLE 10.2 Provision of Services to Service Areas

(a) ***Service Areas Designated by Declarant.*** The Association shall provide services to Units within any Service Area designated by the Declarant pursuant to Section 3.4 as required by the terms of any Supplement applicable to the Service Area.

(b) ***Service Areas Designated by Board.*** In addition to Service Areas which the Declarant may designate pursuant to Section 3.4, any group of Owners may petition the Board to designate their Units as a Service Area for the purpose of receiving from the Association (i) special benefits or services which are not provided to all Units, or (ii) a higher level of service than the Association otherwise provides. Any such petition shall be signed by Owners of a majority of the Units within the proposed Service Area. Upon receipt of such petition, the Board shall investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Service Area of such terms and the initial fees for providing the requested service, which may include a reasonable administrative charge. If Owners of at least 67% of the Units within the proposed Service Area approve the proposal in writing, the Board shall designate the Units as a Service Area and include the fees for such service as a line item in the Service Area budget pursuant to Section 12.2(c).

ARTICLE 10.3 Community Technology

(a) ***Community Systems.*** Without limiting the generality of Sections 10.1 and 10.2, the Association is specifically authorized to provide, or to enter into contracts with other Persons to provide, central telecommunication receiving and distribution systems (e.g., cable television, high speed data/Internet/intranet services, and security monitoring) and related components, including associated infrastructure, equipment, hardware, and software, to serve the Community (“**Community Systems**”). Any such contracts may provide for installation, operation, management, maintenance, and upgrades or modifications to the Community Systems as the Board determines appropriate. The Association shall have no obligation to utilize any particular provider(s). However, except for cause (as defined by written agreement with the provider), the Association may not, without the Declarant’s consent, terminate or refuse to renew any contract entered into during the Declarant Control Period.

(b) ***Opportunities for Community Interaction.*** The Association may make use of computers, the Internet, and expanding technology to facilitate community interaction and encourage participation in Association activities. For example, the Association may sponsor a community cable television channel, create and maintain a community intranet

or Internet home page, maintain an “online” newsletter or bulletin board, and offer other technology-related services and opportunities for Owners and residents to interact and participate in Association-sponsored activities. To the extent Texas law permits, and unless otherwise specifically prohibited in the Governing Documents, the Association may send notices by electronic means, hold Board or Association meetings and permit attendance and voting by electronic means, and send and collect assessment and other invoices by electronic means.

ARTICLE 11

ASSOCIATION INSURANCE

ARTICLE 11.1 Required Coverages

The Association shall obtain and maintain in effect the following insurance coverage, if reasonably available, or if not reasonably available, the most nearly equivalent coverage as is reasonably available:

- (a) Blanket property insurance covering “risks of direct physical loss” on a “special form” basis (or comparable coverage by whatever name denominated) for all insurable improvements on
 - (i) the Common Area;
 - (ii) other portions of the Area of Common Responsibility, to the extent that the Association has responsibility for repair or replacement in the event of a casualty; and
 - (iii) any Service Area, to the extent specified or authorized by any applicable Supplement.

If such coverage is not generally available at reasonable cost, then “broad form” coverage may be substituted. The limits of Association property insurance policies shall be sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes.

In addition, if a Supplement so specifies, the Association shall obtain and maintain property insurance on the insurable improvements within a Service Area, which insurance shall comply with the above requirements.

- (b) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its members for damage or injury caused by the negligence or other tortious conduct of the Association or any of its members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage shall have a limit of at least \$2,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage. Such coverage may be provided through a combination of primary and umbrella policies. However, if additional coverage and

higher limits are available at reasonable cost that a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(c) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(d) Directors and officers liability coverage; and

(e) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-fourth of the annual Base Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation.

The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons. In the exercise of its business judgment, the Board may obtain additional insurance coverage and higher limits than this section requires.

ARTICLE 11.2 Deductibles

The Association's policies may contain a reasonable deductible, which shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 11.1. In the event of an insured loss, the deductible shall be treated as a Common Expense or a Service Area Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

ARTICLE 11.3 Policy Requirements

All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Owner.

To the extent available at reasonable cost and terms, all Association insurance shall:

(a) be written with a company authorized to do business in Texas that satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(b) be written in the name of the Association as trustee for the benefited parties. All policies shall be for the benefit of the Association and its members, except that policies on Limited Common Area shall be for the benefit of the Owners of Units within the

Service Area to which the Limited Common Area is assigned and their Mortgagees, as their interests may appear;

- (c) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;
- (d) contain an inflation guard endorsement;
- (e) include an agreed amount endorsement, if the policy contains a co-insurance clause;
- (f) provide that each Owner is an insured person with respect to liability arising out of such Owner's status as a member of the Association;
- (g) provide a waiver of subrogation against any Owner or household member of an Owner; and
- (h) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any act or omission of one or more Owners, unless acting on the Association's behalf within the scope of their authority, or on account of any curable defect or violation, without prior written demand to the Association and allowance of a reasonable time to cure the defect or violation.

In addition, the Board shall use reasonable efforts to secure insurance policies that list the Owners as additional insureds and provide:

- (i) a waiver of subrogation as to any claims against the Association's directors, officers, employees, and manager;
- (j) a waiver of the insurer's right to repair and reconstruct instead of paying cash;
- (k) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;
- (l) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;
- (m) a cross liability provision; and
- (n) a provision vesting in the Board exclusive authority to adjust losses. However, Mortgagees having an interest in such losses may not be precluded from participating in the settlement negotiations, if any, related to the loss.

ARTICLE 11.4 Insurance Premiums

Premiums for all Association insurance shall be a Common Expense, except that premiums for property insurance on particular Units, or Limited Common Areas assigned to particular Units, may be assessed against such Units as a Specific Assessment or a Service Area Assessment (as those terms are defined in Article 12), unless the Board reasonably determines that other treatment of the premiums is more appropriate.

ARTICLE 12

ASSOCIATION FINANCES

ARTICLE 12.1 Association Expenses

Common Expenses. Except as the Governing Documents otherwise specifically provide, all of the expenses that the Association incurs, or expects to incur, in connection with the ownership, maintenance, and operation of the Area of Common Responsibility, and otherwise for the general benefit of the Owners, are considered “**Common Expenses.**” Common Expenses include such operating reserves and reserves for repair and replacement of capital items within the Area of Common Responsibility as the Board finds necessary or appropriate.

The characterization of a particular expense as a “Common Expense” shall not preclude the Association from seeking reimbursement for, or a contribution toward, such expenses from other Persons who may be responsible for the expenses incurred or for sharing such expenses pursuant to this Charter, any Supplement, or any other recorded covenants or agreements.

(a) **Service Area Expenses.** All expenses that the Association incurs or expects to incur in connection with the ownership, maintenance, and operation of Limited Common Areas, or in providing other benefits and services to a Service Area, including any operating reserve or reserve for repair and replacement of capital items maintained for the benefit of the Service Area, are considered “**Service Area Expenses.**” Service Area Expenses may include a reasonable administrative charge in such amount as the Board deems appropriate, provided that any such administrative charge is applied at a uniform rate per Unit among all Service Areas receiving the same service.

ARTICLE 12.2 Budgeting for and Allocating Association Expenses

(a) **Preparation of Budget.** Until the Association first levies assessments, the Declarant shall be responsible for all Common Expenses. Thereafter, assessments for Common Expenses shall be levied at least annually in accordance with this Article.

At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year. In addition, the Board shall prepare a separate budget for each Service Area reflecting the estimated Service Area Expenses that the Association expects to incur for the benefit of such Service Area in the coming year.

The estimated expenses in each budget shall include, in addition to any operating reserves, a reasonable contribution to a reserve fund for repair and replacement of any capital items to be maintained as a Common Expense or as a Service Area Expense of the Service Area for whom the budget is prepared, as applicable. In determining the amount of such reserve contribution, the Board shall take into account the number and nature of replaceable assets, the expected useful life of each, the expected repair or replacement cost, and the contribution required to fund the projected needs by annual contributions over the useful life of the asset.

Each budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units (including amounts to which the Association is entitled pursuant to any covenant or agreement to share costs), and the amount to be generated through the levy of Base Assessments and Service Area Assessments pursuant to subsections (b) and (c).

(b) ***Calculation of Base Assessments.*** The total budgeted Common Expenses, less any surplus in the Common Expense budget from prior years and any income anticipated from sources other than assessments against the Units, shall be allocated equally among all Units subject to assessment under Section 12.5 and levied as a “**Base Assessment.**”

(c) ***Calculation of Service Area Assessments.*** The total Service Area Expenses budgeted for each Service Area, less any surplus in such Service Area budget from prior years, shall be allocated among all Units in the Service Area that are subject to assessment under Section 12.4 and levied as a “**Service Area Assessment.**” Unless otherwise specified in any Supplement applicable to a Service Area, Service Area Assessments shall be set at a uniform rate per Unit in the Service Area, except that any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures may be levied on each of the benefited Units in proportion to the benefit received, as the Board may reasonably determine.

All amounts the Association collects as Service Area Assessments shall be expended solely for the benefit of the Service Area for which they were collected and shall be accounted for separately from the Association’s general funds.

(d) ***Declarant’s Subsidy Option.*** The Declarant is not obligated to pay assessments on any Units owned by the Declarant. The Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by the Declarant under Section 12.6(b)). Any such subsidy may be treated as a contribution, an advance against future assessments due from the Declarant, or a loan, in the Declarant’s discretion. Any such subsidy and the characterization thereof shall be conspicuously disclosed as a line item in the income portion of the budget. Payment of such subsidy in any year shall not obligate the Declarant to continue payment

of such subsidy in future years unless otherwise provided in a written agreement between the Association and the Declarant.

(e) **Notice of Budget and Assessment.** The Board shall send a summary of each applicable budget, together with notice of the amount of the Base Assessment and any Service Area Assessment to be levied pursuant to such budgets, to each Owner within 90 days after the date the Board adopts the budget. If the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

(f) **Budget Revisions.** The Board may revise the budget and adjust the Base Assessment or Service Area Assessments anytime during the year.

ARTICLE 12.3 Special Assessments

The Association may levy “**Special Assessments**” to cover Common Expenses or Service Area Expenses that are non-routine, unanticipated, or in excess of those anticipated in the applicable budget. Except as otherwise specifically provided in this Charter, any Special Assessment for Common Expenses shall require the affirmative vote or written consent of Owners representing more than 50% of the votes attributable to Units subject to assessment under Section 12.5 and shall be allocated equally among all such Units. Any Special Assessment for Service Area Expenses shall require the affirmative vote or written consent of Owners representing more than 50% of the total votes allocated to Units in the benefited Service Area and shall be allocated in the same manner as Service Area Assessments under Section 12.1(c). In addition, during the Development and Sale Period, any Special Assessment shall also require the Declarant’s written consent. Special Assessments shall be payable in such manner and at such times as the Board determines and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

ARTICLE 12.4 Specific Assessments

The Association may levy “**Specific Assessments**” against a particular Unit as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to the Unit upon request of the Owner pursuant to any menu of optional services the Association may offer (which might include the items identified in Section 10.1). Specific Assessments for optional services may be levied in advance of the provision of the requested service;

(b) to cover costs incurred in bringing the Unit into compliance with the Governing Documents or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; however, the Board shall give the Unit Owner prior written notice, and an opportunity for a hearing

in accordance with the Bylaws, before levying any Specific Assessment under this subsection (b); and

(c) to cover the Unit's pro rata share of any costs that the Association incurs in bringing the Service Area of which the Unit is a part into compliance with the provisions of the Governing Documents; however, the Board must give prior written notice to the Owners of Units in the Service Area and an opportunity for such Owners to be heard, in accordance with Article 9 of the Bylaws, before levying any such assessment.

ARTICLE 12.5 Authority to Assess Owners; Time of Payment

The Declarant hereby establishes, and the Association is hereby authorized to levy on all Units other than Units owned by the Declarant, assessments as provided for in this Article and elsewhere in the Governing Documents. The obligation to pay assessments shall commence as to each Unit on the first day of the month following the earliest of: (a) the first anniversary of the date on which the Declarant transferred title to the Unit; or (b) the date on which a certificate of occupancy is issued for a dwelling on the Unit or the Unit is actually occupied, whichever first occurs. The first annual Base Assessment and Service Area Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessment and any Service Area Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately.

ARTICLE 12.6 Obligation for Assessments

(a) ***Personal Obligation.*** By accepting a deed or entering into a recorded contract to purchase any Unit, each Owner covenants and agrees to pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of no more than 21% per annum or such other rate as the Board may establish, subject to the limitations of Texas law), late charges as determined by Board resolution, costs, and reasonable attorneys fees, shall be the personal obligation of each Owner and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

The Board's failure to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from

the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Service Area Assessments at the rate established for the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfall.

No Owner may exempt himself or herself from liability for assessments by non-use of Common Area, abandonment of his or her Unit, or non-use of services provided to all Units or to all Units within the Service Area to which the Unit is assigned. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

Upon written request, the Association shall furnish to any Owner liable for any type of assessment a certificate signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(b) ***Declarant's Units Exempt.*** The Declarant shall not be obligated to pay assessments on any Units it owns.

ARTICLE 12.7Lien for Assessments

(a) ***Existence of Lien.*** The Association shall have a lien against each Unit to secure payment of assessments, as well as interest, late charges (subject to the limitations of Texas law), and costs of collection (including attorneys fees and expenses).

(b) ***Enforcement of Lien.*** The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same, in addition to pursuing any and all remedies allowed by law to enforce the lien.

(c) ***Effect of Sale or Transfer.*** Sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the Mortgagee's foreclosure. The subsequent Owner of the foreclosed Unit shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such

unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 12.6, including such acquirer, its successors and assigns.

ARTICLE 12.8 Exempt Property

The following property shall be exempt from payment of Base Assessments, Service Area Assessments, and Special Assessments:

- (a) All Common Area and such portions of the property owned by the Declarant as are included in the Area of Common Responsibility;
- (b) Any property dedicated to and accepted by any governmental authority or public utility; and
- (c) Property owned by any Neighborhood Association for the common use and enjoyment of its members or owned by the members of a Neighborhood Association as tenants-in-common.

In addition, the Association may, by resolution, grant exemptions to certain Persons qualifying for tax-exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Charter for purposes listed in Section 501(c) of the Internal Revenue Code.

ARTICLE 12.9 Capitalization of Association

The first Owner of each Unit other than the Declarant or a Builder designated by the Declarant shall make a contribution to the working capital of the Association in an amount equal to one-sixth of the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment and any Service Area Assessment levied on the Unit and shall not be considered an advance payment of such assessments. This amount shall be due and payable to the Association immediately upon transfer of title, for its use in covering initial start-up expenses, operating expenses and other expenses it incurs pursuant to this Charter and the Bylaws.

ARTICLE 12.10 Use and Consumption Fees

The Board may charge use, consumption, and activity fees to any Person using Association services or facilities or participating in Association-sponsored activities. The Board may determine the amount and method of determining such fees. Different fees may be charged to different classes of users (e.g., Owners and non-Owners).

ARTICLE 13

EASEMENTS

ARTICLE 13.1 Easements in Common Area

The Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) The Governing Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) Certain Owners' rights to the exclusive use of those portions of the Common Area designated "Limited Common Area"; and
- (d) The Board's right to:
 - (i) adopt rules regulating Common Area use and enjoyment, including rules limiting the number of guests who may use the Common Area, and to charge use fees for such use;
 - (ii) suspend an Owner's right to use Common Area facilities;
 - (iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Charter;
 - (iv) impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area;
 - (v) rent any portion of any clubhouse or other Common Area recreational facilities on an exclusive or non-exclusive short-term basis to any Person;
 - (vi) permit use of any recreational facilities situated on the Common Area by the general public, which use may be subject to admission charges, membership fees, or other user fees established in the Board's discretion;
 - (vii) permit use of any Common Area facilities, at such charge or no charge as the Board may determine appropriate, for the purpose of offering and conducting classes or other activities for interested Owners and occupants, whether offered on a for profit or nonprofit basis; and
 - (viii) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to any approval requirements set forth in the Governing Documents.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable Board regulation. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

ARTICLE 13.2 Easements of Encroachment

The Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area and between adjacent Units. A permitted encroachment is a structure or fixture that extends unintentionally from one person's property onto another's a distance of less than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. An encroachment easement shall not exist if the encroachment results from willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

ARTICLE 13.3 Easements for Utilities, Etc.

(a) ***Installation and Maintenance.*** During the Development and Sale Period, the Declarant reserves for itself and grants to the Association and all utility providers, perpetual non-exclusive easements throughout the Community (but not through a structure) to the extent reasonably necessary to:

(i) install utilities and infrastructure to serve the Community, other Community Systems, security and similar systems, and drainage systems;

(ii) install walkways, pathways and trails, street lights, and signage on property the Declarant or the Association owns or within public rights-of-way or easements reserved for such purpose on a recorded plat;

(iii) inspect, maintain, repair, and replace the utilities, infrastructure, and other improvements described above; and

(iv) access and read utility meters.

Notwithstanding the above, the Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) ***Specific Easements.*** The Declarant also reserves the non-exclusive right and power to grant and record such specific easements consistent with Section 13.3(a) as it deems necessary to develop the property described in Exhibits "A" and "B." The location of the specific easement shall be subject to the written approval of the Owner of the burdened property, which approval shall not unreasonably be withheld, delayed, or conditioned.

(c) ***Minimal Interference.*** All work associated with the exercise of the easements described in subsections (a) and (b) of this section shall be performed so as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to the condition existing prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

ARTICLE 13.4 Easements to Serve Additional Property

The Declarant hereby reserves for itself and its duly authorized agents, successors, assigns, and Mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit “B,” whether or not such property is made subject to this Charter. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. The Person exercising such easement rights shall be responsible for the repair of any damage caused to the Common Area as a result of their actions in connection with development of such property.

If the above easement grants permanent access to any property that is not submitted to this Charter, the Declarant, or its successors or assigns, shall enter into a reasonable agreement with the Association to share the cost of maintenance that the Association provides for the benefit of the easement holder. The shared maintenance costs may include maintenance to or along any roadway providing access to the benefited property.

ARTICLE 13.5 Easements for Maintenance, Emergency, and Enforcement

By this Charter, the Declarant grants to the Association easements over the Community as necessary to enable the Association to fulfill its maintenance responsibilities under Section 6.2 and its enforcement rights under Section 8.2. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance, to inspect for compliance with the Governing Documents, and to enforce the Governing Documents. Any member of the Board and its duly authorized agents and assignees and all emergency personnel in the performance of their duties may exercise such right. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

ARTICLE 14

PRIVATE AMENITIES

ARTICLE 14.1 General

Any property and facilities located within, adjacent to, or near the Community that Persons other than the Association own and operate for recreational and related purposes are “**Private Amenities.**”

No Person gains any right to enter or to use any Private Amenity by virtue of membership in the Association or ownership or occupancy of a Unit. Access to and use of any Private Amenity is strictly subject to the rules and procedures of the owner of such Private Amenity.

All Persons are hereby advised that no representations or warranties have been or are made by the Declarant, the Association, any Builder, or by any Person acting on behalf of any of the foregoing with regard to the continuing ownership or operation of the Private Amenities. No purported representation or warranty in such regard, written or oral, shall be effective unless specifically set forth in a written instrument that the record owner of the Private Amenity executes.

Ownership or operation of any Private Amenity may change at any time. This may be for different reasons, such as (a) the sale to or assumption of operations by an independent Person, (b) establishment of, or conversion of the membership structure to, an “equity” club or similar arrangement whereby the members of a Private Amenity or an entity owned or controlled by its members become the owner(s) and/or operator(s) of the Private Amenity, or (c) the conveyance of a Private Amenity to one or more Declarant Affiliates. Consent of the Association, any Neighborhood Association, or any Owner shall not be required to effectuate any change in ownership or operation of any Private Amenity, subject to the terms of any written agreements entered into by such owners.

Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined by their respective owners. Such owners shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities and to terminate use rights altogether.

ARTICLE 14.2 Jurisdiction and Cooperation

It is the Declarant’s intention that the Association and the owner of the Private Amenity shall cooperate to the maximum extent possible in the operation of the Community and the Private Amenity. Each shall reasonably assist the other in upholding the Community-Wide Standard as it pertains to maintenance and the Residential Neighborhood Guidelines.

ARTICLE 15

DISCLOSURES AND WAIVERS

ARTICLE 15.1 Facilities and Services Open to the Public

Certain facilities and areas within the Community may be open for use and enjoyment of the public. Such facilities and areas may include, by way of example: greenbelts, trails and paths, parks, and other neighborhood spots conducive to gathering and interaction; roads; sidewalks; and medians. The Declarant may designate such facilities and areas as open to the public at the time the Declarant makes them a part of the Area of Common Responsibility, or the Board may so designate at any time thereafter.

ARTICLE 15.2 Safety and Security

Each Owner and occupant of a Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in the Community. The Association may, but shall not be obligated to, maintain or support certain activities within the Community designed to promote or enhance the level of safety or security that each person provides for himself or herself and his or her property. However, neither the Association nor the Declarant shall in any way be considered insurers or guarantors of safety or security within the Community, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including security monitoring systems or any mechanism or system for limiting access to the Community, cannot be compromised or circumvented or that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing any tenants and other occupants of such Owner's Unit, that the Association, its Board and committees, and the Declarant are not insurers or guarantors of security or safety and that each Person within the Community assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.

ARTICLE 15.3 Changes in Development Plans

Each Owner acknowledges that the Community is a master planned community known as Springwoods Village, the development of which is likely to extend over many years, and agrees that neither the Association nor any Neighborhood Association shall engage in, or use Association funds to support, any protest, challenge, or other form of objection to changes in uses or density of development within the Community or Springwoods Village, without the Declarant's prior written consent.

ARTICLE 15.4View Impairment

Neither the Declarant nor the Association guarantee or represent that any view over and across the Units, any open space within the Community, or any Private Amenity will be preserved without impairment. The Declarant, Declarant Affiliates, the Association, and any Private Amenity owner shall have no obligation to relocate, prune, or thin trees or other landscaping except to maintain the Community-Wide Standard or as otherwise required under a separate written covenant or agreement. The Association (with respect to the Common Area) and Private Amenity owners (with respect to any Private Amenity) have the right to add trees and other landscaping from time to time. There shall be no express or implied easements for view purposes or for the passage of light and air.

ARTICLE 15.5Notices and Disclaimers as to Community Systems

Each Owner acknowledges that interruptions in cable television and other Community Systems and services will occur from time to time. The Declarant, Declarant Affiliates, or any of their respective successors or assigns shall not be liable for, and no Community System or service user shall be entitled to refund, rebate, discount, or offset in applicable fees for, any interruption in Community Systems and services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

ARTICLE 16

RIGHTS OF LENDERS

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Units in the Community. The provisions of this Article apply to both this Charter and to the Bylaws, notwithstanding any other provisions contained therein.

ARTICLE 16.1Notices of Action

An institutional holder, insurer, or guarantor of a first Mortgage that provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an “**Eligible Holder**”), will be entitled to timely written notice of:

- (a) Any condemnation loss or any casualty loss that affects a material portion of the Community or that affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder; and
- (b) Any delinquency in the payment of assessments or charges owed by the Owner of a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Unit or the Owner or occupant that is not cured within 60 days.

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action that would require the consent of a specified percentage of Eligible Holders.

ARTICLE 16.2 Special FHLMC Provision

If a condominium is established within the Community, then so long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to, and not in lieu of, the foregoing. Unless at least 67% of the first Mortgagees or Owners representing at least 67% of the total votes in the Association consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area the Association owns, directly or indirectly (the granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);

(b) Change the method of determining the obligations, assessments, dues, or other charges that may be levied against an Owner of a Unit (a decision, including contracts, by the Board or provisions of any declaration subsequently recorded on any portion of the Community regarding assessments for Service Areas or other similar areas shall not be subject to this provision where such decision or subsequent declaration is otherwise authorized by this Charter);

(c) By act or omission change, waive, or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance, or maintenance of Units and the Common Area (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) Fail to maintain insurance, as required by this Charter; or

(e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

First Mortgagees may, jointly or singly, pay taxes or other charges that are in default and that may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

ARTICLE 16.3 Other Provisions for First Lien Holders

To the extent not inconsistent with Texas law, if a condominium has been established in the Community, then:

- (a) Any restoration or repair of the Community after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Charter and the original plans and specifications unless approval is obtained of the Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated, in addition to the approval required by Sections 21.1 and 9.4, respectively.
- (b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.
- (c) Any election to terminate the Association under other circumstances shall require
 - (i) the consent of Owners representing at least 67% of the total votes in the Association and of the Declarant, so long as it owns any land subject to this Charter, and
 - (ii) the approval of the Eligible Holders of first Mortgages on Units to which at least 67% of the votes of Units subject to a Mortgage are allocated.

ARTICLE 16.4 Amendments to Documents

If a condominium has been established in the Community, then the consent of Owners representing at least 67% of the total votes in the Association and of the Declarant, so long as it owns any land subject to this Charter, and the approval of Eligible Holders of first Mortgages on more than 50% of the Units subject to a Mortgage, shall be required materially to amend any provisions of the Charter, Bylaws, or Articles of Incorporation, or to add any material provisions thereto that establish, provide for, govern, or regulate any of the following:

- (a) voting;
- (b) assessments, assessment liens, or subordination of such liens;
- (c) reserves for maintenance, repair, and replacement of the Common Area;
- (d) insurance or fidelity bonds;
- (e) rights to use the Common Area;
- (f) responsibility for maintenance and repair of property in the Community;

- (g) expansion or contraction of the Community or the addition, annexation, or withdrawal of property to or from the Association's jurisdiction, except by the Declarant as otherwise provided in Article 17;
- (h) boundaries of any Unit;
- (i) leasing of Units;
- (j) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer, or otherwise convey his or her Unit;
- (k) establishment of self-management by the Association where professional management has been required by an Eligible Holder; or
- (l) any provisions included in the Governing Documents that are for the express benefit of holders, guarantors, or insurers of first Mortgages on Units.

ARTICLE 16.5 No Priority

No provision of this Charter or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

ARTICLE 16.6 Notice to Association

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

ARTICLE 16.7 Failure of Mortgagee to Respond

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

ARTICLE 16.8 Construction of Article 16

Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under this Charter, the Bylaws, or Texas law for any of the acts set out in this Article.

ARTICLE 17

EXPANSION OF THE COMMUNITY

ARTICLE 17.1 Expansion by Declarant

From time to time, the Declarant may submit to the terms of this Charter all or any portion of the property described in Exhibit "B" by recording a Supplement describing the additional property to be submitted. The Declarant may record such a Supplement without the consent of any Person except the owner of such property, if not the Declarant.

The Declarant's right to expand the Community under this section expires when all property described in Exhibit "B" has been submitted to this Charter or 30 years after this Charter is recorded, whichever is earlier. Until then, the Declarant may transfer or assign this right to any Person who is the developer of at least a portion of the real property described in Exhibit "A" or "B." Any such transfer shall be described in a recorded instrument executed by the Declarant.

Nothing in this Charter shall require the Declarant or any successor to submit additional property to this Charter or to develop any of the property described in Exhibit "B" in any manner whatsoever.

ARTICLE 17.2 Expansion by the Association

The Association also may submit additional property to this Charter by recording a Supplement describing the additional property. Any Supplement that the Association records must be approved by Owners representing more than 67% of the total votes in the Association at a meeting duly called for such purpose and by the owner of the property to be submitted. In addition, during the Development and Sale Period, the Declarant's consent is required. The Association's President and Secretary, the owner of the property, and the Declarant, if the Declarant's consent is required, shall sign the Supplement.

ARTICLE 17.3 Additional Covenants and Easements

Any Supplement that the Declarant records may impose additional covenants and easements on the property described in such Supplement, such as covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Service Area Assessments. Such provisions may be included in a Supplement submitting new property to this Charter or may be set forth in a separate Supplement applicable to property previously submitted to this Charter. If someone other than the Declarant owns the property, then the Supplement must be signed by such owner evidencing such owner's consent. Any Supplement may add to, create exceptions to, or otherwise modify the terms of this Charter as it applies to the property described in the Supplement, in order to reflect the character and intended use of such property.

ARTICLE 17.4 Effect of Filing a Supplement

A Supplement shall be effective upon recording unless otherwise specified in the Supplement. On the effective date of the Supplement, any additional property made subject to this Charter shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Charter.

ARTICLE 17.5 Condominium Conversions

Commercial property may be subjected to the provisions of this Charter if the owner of the property converts such property to a condominium for residential purposes (e.g., a residential apartment complex is converted to a residential condominium). The property may be subjected to Charter in the manner provided in this Article. In addition, the Declarant's prior written consent shall be necessary so long as the Declarant during the Development and Sale Period.

ARTICLE 18

ADDITIONAL RIGHTS RESERVED TO THE DECLARANT

ARTICLE 18.1 Withdrawal of Property

The Declarant reserves the unilateral right during the Development and Sale Period to amend this Charter to withdraw any portion of the Community from the coverage of this Charter whether originally described in Exhibit "A" or added by Supplement. If the property withdrawn contains Units, such a withdrawal shall reduce the total number of votes in the Association equal to the number of Units withdrawn and shall, likewise, reduce the total number of Units subject to assessment. If the property is Common Area, the Association shall consent to such withdrawal upon the request of the Declarant and shall reconvey to the Declarant any rights of the Association.

ARTICLE 18.2 Marketing and Sales Activities

Notwithstanding anything in the Governance Documents to the contrary, during the Development and Sale Period the Declarant and its designees or assigns may construct, use, and maintain upon portions of the Common Area and other property they own, such facilities and activities as, in the Declarant's opinion, may reasonably be required, convenient, or incidental to the construction or sale of Units. Such permitted facilities and activities shall include business offices, signs, flags (whether hung from flag poles or attached to a structure), model homes, sales offices, holding or sponsoring special events, and exterior lighting features or displays. In addition, if reasonably required, convenient, or incidental to construction or sales activities, the Declarant and its employees, agents, and designees may park vehicles in designated parking areas.

ARTICLE 18.3 Right to Make Improvements, Replat

During the Development and Sale Period, the Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area and to the Exhibit “B” property as it deems appropriate.

In addition, during the Development and Sale Period, the Declarant may replat property it owns and convert Units it owns into Common Area.

ARTICLE 18.4 Right to Approve Changes in the Community Standards

During the Development and Sale Period, no amendment to or modification of any Rules or Residential Neighborhood Guidelines shall be effective without prior notice to and the written approval of the Declarant.

ARTICLE 18.5 Additional Covenants and Restrictions

During the Development and Sale Period, no one other than the Declarant may record any additional covenants or restrictions affecting any portion of the Community without the Declarant’s written consent. Any instrument recorded without the required consent shall be void and of no force and effect.

ARTICLE 18.6 Exclusive Rights to Use Name of Development

No Person shall use the name “Springwoods Village” or any derivative of such name in any logo or depiction associated with the Community in any printed or promotional material without the Declarant’s prior written consent. However, Owners may use the name “Springwoods Village” in printed or promotional material where such term is used solely to specify that particular property is located within the Community, and the Association shall be entitled to use the words “Springwoods Village” in its name.

ARTICLE 18.7 Community Systems

The Declarant reserves for itself, Declarant Affiliates, and their respective successors and assigns, a perpetual right and easement over all property in the Community to install and operate such Community Systems as the Declarant, in its discretion, deems appropriate to serve any portion of the Community. Such right shall include, without limitation, the Declarant’s right to select and contract with companies licensed to provide telecommunications, cable television, and other Community Systems services in the region. The Declarant also has the right to charge individual users a reasonable fee not to exceed the maximum allowable charge for such service, as from time to time is defined by the laws, rules, and regulations of the relevant government authority, if applicable.

Notwithstanding the above, there is no guarantee or representation that any particular Community System will be made available.

ARTICLE 18.8 Easement to Inspect and Right to Correct

The Declarant reserves for itself and others it may designate the right, but not the obligation, to inspect, monitor, test, redesign, and correct any structure, improvement, or condition that may exist on any portion of the property within the Community, including Units, and a perpetual nonexclusive easement of access throughout the Community to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner, and no entry into an enclosed structure shall be permitted without the Owner's consent. The person exercising this easement shall promptly repair, at such person's own expense, any damage he or she causes. Nothing in this paragraph shall relieve an Owner of the responsibility for the maintenance and repair of his or her Unit.

ARTICLE 18.9 Right to Notice of Design or Construction Claims

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within the Community in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless the Declarant and any builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the owner of the property to discuss the owner's concerns and conduct their own inspection.

ARTICLE 18.10 Right to Transfer or Assign the Declarant's Rights

Any or all of the Declarant's special rights and obligations set forth in this Charter or the Bylaws may be transferred in whole or in part to other Persons. However, such a transfer shall not reduce an obligation or enlarge a right beyond that which Declarant has under this Charter or the Bylaws. No such transfer or assignment shall be effective unless it is in a recorded instrument the Declarant signs. The foregoing sentence shall not preclude the Declarant from permitting other Persons to exercise, on a one-time or limited basis, any right reserved to the Declarant in this Charter where the Declarant does not intend to transfer such right in its entirety. In such case, it shall not be necessary to record any written assignment unless necessary to evidence the Declarant's consent to such exercise.

ARTICLE 18.11 Other Declarant Rights

In addition to the other rights described in this Article and elsewhere within this Charter the Declarant hereby reserves the following rights:

- (a) the right to complete any improvements indicated on plats or development plans;
- (b) the right to exercise any of the following rights:

- (i) the right to expand the Community as provided in Article 17;
 - (ii) the right to create additional Units;
 - (iii) the right to subdivide or combine Units it owns or to convert Units it owns into Common Areas;
 - (iv) the right to withdraw from the Community any Unit or any portion of a Unit not yet conveyed by the Declarant; and
 - (v) the right to reconfigure the boundaries of the Common Area;
- (c) the right to maintain sales offices, management offices, and advertising signs on the property described in Exhibits “A” and “B,” as set forth in Section 18.2;
 - (d) the right of access over the Common Area for the purpose of making improvements within the property described in Exhibits “A” and “B”; and
 - (e) the right to appoint and remove any director or officer of the Association during the Declarant Control Period as provided in the Bylaws.

ARTICLE 18.12 Termination of Rights

The rights contained in this Article shall not terminate until the earlier of (a) termination of the Development and Sale Period; or (b) the Declarant’s recording of a written statement that all sales activity has ceased and Declarant has surrendered such rights.

ARTICLE 19

DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

ARTICLE 19.1 Agreement to Encourage Resolution of Disputes Without Litigation

- (a) **Bound Parties.** The Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Charter, and any Person not otherwise subject to this Charter who agrees to submit to this Article (collectively, “**Bound Parties**”), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Community without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 19.2 in a good faith effort to resolve such Claim.
- (b) **Claims.** As used in this Article, the term “**Claim**” shall refer to any claim, grievance, or dispute arising out of or relating to:

- (i) the interpretation, application, or enforcement of the Governing Documents;
- (ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or
- (iii) the design or construction of Improvements within the Community, other than matters of aesthetic judgment under Article 5, which shall not be subject to review and shall not be subject to this Article.
- (iv) The following shall not be considered “Claims” unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 19.2:
- (v) any suit by the Association to collect assessments or other amounts due from any Owner;
- (vi) any suit or action by the Association that involves the protest of real property taxes;
- (vii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association’s ability to enforce the provisions of Part Two of this Charter (relating to creation and maintenance of community standards);
- (viii) any suit that does not include the Declarant or the Association as a party, if such suit asserts a Claim that would constitute a cause of action independent of the Governing Documents;
- (ix) any dispute in which a party to the dispute is not a Bound Party and has not agreed to submit to the procedures set forth in Section 19.2; and

ARTICLE 19.2 Dispute Resolution Procedures

- (a) **Notice.** The Bound Party asserting a Claim (“**Claimant**”) against another Bound Party (“**Respondent**”) shall give written notice (“**Notice**”) by mail or personal delivery to each Respondent and to the Board, stating plainly and concisely:
 - (i) the nature of the Claim, including the Persons involved and the Respondent’s role in the Claim;
 - (ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);
 - (iii) the Claimant’s proposed resolution or remedy; and

(iv) the Claimant's desire to meet with the Respondent to discuss, in good faith, ways to resolve the Claim.

(b) **Negotiation.** The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. The Board may appoint a representative to assist the parties in negotiating a resolution of the Claim if a written request, accompanied with a copy of the Notice, is submitted to the Board by either Claimant or Respondent.

(c) **Mediation.** If the parties have not resolved the Claim through negotiation within 30 days of the date of the Notice (or within such other agreed upon period), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association. Each Bound Party shall present the mediator with a written summary of the Claim.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for and participate in good faith in the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Bound Party shall bear its own costs of the mediation, including attorneys fees, and each Party shall pay an equal share of the mediator's fees.

(d) **Settlement.** Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to comply again with the procedures set forth in this section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys fees and court costs.

ARTICLE 19.3 Initiation of Litigation by Association

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first

approved by a vote of Owners entitled to cast 75% of the total votes in the Association, except that no such approval shall be required for actions or proceedings:

- (a) initiated during the Declarant Control Period;
- (b) initiated to enforce the provisions of this Charter, including collection of assessments and foreclosure of liens;
- (c) initiated to challenge ad valorem taxation or condemnation proceedings;
- (d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or
- (e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

Prior to commencing any action or proceeding as provided in this section the Board shall mail or deliver written notice of the commencement or anticipated commencement of such action or proceeding to each Owner at the last known address described in the Association's records. The notice shall state a general description of (i) the nature of the action and the relief sought; and (ii) the expenses and fees that the Board anticipates will be incurred in prosecuting the action.

This section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

ARTICLE 20

CHANGES IN THE COMMON AREA

ARTICLE 20.1 Assignment and Reassignment of Limited Common Area.

The Board may designate a portion of the Common Area as Limited Common Area, and may reassign Limited Common Area, upon approval of the Board and the vote of Owners representing a majority of the total votes in the Association, including a majority of the votes attributable to Units to which the Limited Common Area is proposed to be assigned or reassigned. During the Development and Sale Period, any such assignment or reassignment shall also require the Declarant's written consent.

Upon approval of a majority of Owners of Units to which any Limited Common Area is assigned, the Association may permit Owners of other Units to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Service Area Expenses attributable to such Limited Common Area.

ARTICLE 20.2 Condemnation

If any part of the Common Area is taken by any authority having the power of condemnation or eminent domain, or conveyed by the Association in lieu of and under threat of condemnation with such approval as may be required under Section 20.4, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as follows:

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking the Declarant, during the Development and Sale Period, and Owners representing at least 75% of the total votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 9.4 regarding funds for restoring improvements shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore any improvements on the Common Area, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be treated in the same manner as proceeds from the sale of Common Area under Section 20.4.

ARTICLE 20.3 Partition

Except as permitted in this Charter, the Common Area shall remain undivided, and no Person shall bring any action to partition any portion of the Common Area without the written consent of all Owners and Mortgagees. This section shall not prohibit the Board from acquiring and disposing of tangible personal property or from acquiring and disposing of real property that may or may not be subject to this Charter, with such approval as may be required under Section 20.4.

ARTICLE 20.4 Transfer, Partition or Dedication of Common Area

The Association may dedicate portions of the Common Area to Harris County, the City of Houston, or to any other local, state, or federal governmental or quasi-governmental entity, may subject Common Area to a security interest, or may transfer or convey Common Area as follows:

- (a) Except as may otherwise be specifically provided in this Charter, the Common Area shall not be judicially partitioned or subdivided into Units, nor shall the ownership of the Common Area be otherwise divided or made subject to a security interest after conveyance to the Association, except upon the approval of Owners representing at least 67% of the total votes in the Association, including 67% of the votes held by Owners other than Declarant, and the consent of Declarant during the Development and Sale

Period; except that 75% of Owners of Units to which any Limited Common Area is allocated must agree in order to convey the Limited Common Area or subject it to a security interest. This section shall not prevent the Association from granting easements with respect to the Common Area as otherwise permitted in this Charter.

(b) The Association shall have the authority, subject to approval of Owners representing a majority of the total votes in the Association, including a majority of the votes held by Owners other than Declarant, and the consent of Declarant, during the Development and Sale Period, to transfer portions of the Common Area and improvements thereon to appropriate governmental entities or tax-exempt organizations for the maintenance, operation and preservation thereof; provided, that any such transfer shall not relieve such Common Area from the rights and benefits of the Association and the Owners as provided in this Charter and shall otherwise be subject to the provisions of this Charter.

(c) The proceeds from the sale or mortgaging of Common Area other than Limited Common Area shall be an asset of the Association to be used as the Board determines. The proceeds from the sale or mortgaging of Limited Common Area shall be disbursed in the manner approved by 75% of the Owners of Units to which the Limited Common Area is assigned at the time such sale or mortgage is authorized.

ARTICLE 21

TERMINATION AND AMENDMENT OF COMMUNITY CHARTER

ARTICLE 21.1 Term and Termination

This Charter shall have perpetual duration, unless terminated by agreement of Owners representing at least 80% of the total votes in the Association and the written consent of the Declarant during the Development and Sale Period. If Texas law hereafter limits the period during which covenants may run with the land, then to the extent consistent with such law, this Charter automatically shall be extended at the expiration of such period for successive periods of 20 years each, unless terminated by agreement of the Owners representing at least 80% of the total votes in the Association.

This section shall not permit termination of any easement created in this Charter without the consent of the holder of such easement.

ARTICLE 21.2 Amendment

Except in cases of amendments that may be executed unilaterally by Declarant during the Development and Sale Period in the exercise of its development rights under this Charter, or amendments executed by Declarant or the Association as authorized in the Act, this Charter may be amended only by the affirmative vote or written consent, or any combination thereof, of

Owners representing at least 67% of the total votes in the Association, and the consent of Declarant during the Development and Sale Period.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Amendments to this Charter shall be executed by the President or the Vice President of the Association and shall contain a recitation and certification that the requisite number of votes were obtained. Any amendment shall be effective upon recordation unless a later effective date is specified in the amendment.

No amendment may remove, revoke, limit, condition, or modify any right or privilege of the Declarant without the written consent of the Declarant or the assignee of such right or privilege. In addition, the approval requirements set forth in Article 16 shall be met if applicable.

If an Owner consents to any amendment to this Charter or the Bylaws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any procedural challenge to an amendment must be made within six months of its recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Charter.

ARTICLE 21.3 Exhibits

Exhibits "A" and "B" are incorporated by this reference, and this Article shall govern amendment of those exhibits. Exhibit "C" is incorporated by this reference and may be amended under Article 7 or pursuant to Section 21.2. All other exhibits are attached for informational purposes and may be amended as provided in those exhibits or in the provisions of this Charter that refer to such exhibits.

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EXHIBIT “A”

Land Initially Submitted

[legal description to be inserted]

EXHIBIT “B”

Land Subject to Annexation

[legal description to be inserted]

Note to clerk and title examiners:

This Charter is not intended to create an encumbrance on title to the property described in this Exhibit “B.” Such title may be encumbered only with the consent of the owner by filing a Supplement in accordance with Article 17.

EXHIBIT “C”

Initial Rules

The purpose of Rules is not to anticipate all acceptable or unacceptable behavior in advance and eliminate all improvements or activities that fall outside of “the norm.” In fact, it is expressly intended that the Reviewer under Article 4, and the Board, as appropriate, have discretion to approve or disapprove items, or to enforce or not enforce technical violations of the Governing Documents, based upon aesthetic or other considerations consistent with the established guidelines. As such, while something may be approved or permitted for one Unit under one set of circumstances, the same thing may be disapproved for another Unit under a different set of circumstances. The exercise of discretion in approving or enforcement shall not be construed as a waiver of approval or enforcement rights, nor shall it preclude the Board from taking enforcement action in any appropriate circumstances.

The following shall apply to all of the Community until such time as they are modified pursuant to the Charter.

1. General. the Community shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center and/or a sales office for any real estate broker retained by the Declarant to assist in the sale of property described in Exhibit “A” or “B,” offices for any property manager retained by the Association, or business offices for the Declarant or the Association) consistent with this Charter and any Supplement.

2. Restricted Activities. Unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board, the following activities are prohibited within the Community:

(a) Parking any vehicles on public or private streets or thoroughfares, or parking commercial vehicles or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, stored vehicles, or inoperable vehicles in places other than enclosed garages; provided, construction, service, and delivery vehicles shall be exempt from this provision during normal business hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Area;

(b) Raising, breeding, or keeping animals except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Unit. However, those pets that are permitted to roam free, or, in the Board’s sole discretion, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Units shall be removed upon the Board’s request. If the pet owner fails to honor such request, the Board may remove the pet. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Pets shall be registered, licensed, and inoculated as required by law;

(c) Any activity that emits foul or obnoxious odors outside the Unit or creates noise or other conditions that tend to disturb the peace or threaten the safety of the occupants of other Units;

(d) Any activity that violates local, state, or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation;

(e) Pursuit of hobbies or other activities that tend to cause an unclean, unhealthy, or untidy condition to exist outside of enclosed structures on the Unit;

(f) Any noxious or offensive activity that, in the Board's reasonable determination, tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants of other Units;

(g) Outside burning of trash, leaves, debris, or other materials, except during the normal course of constructing a dwelling on a Unit;

(h) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Units, except alarm devices used exclusively for security purposes;

(i) Use and discharge of firecrackers and other fireworks;

(j) Accumulation of rubbish, trash, or garbage except between regular garbage pick ups, and then only in approved containers;

(k) Discharge of firearms; provided, the Board shall have no obligation to take action to prevent or stop such discharge;

(l) Any activities that materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within the Community or that use excessive amounts of water or that result in unreasonable levels of sound or light pollution;

(m) Conversion of any carport or garage to finished space for use as an apartment or other integral part of the living area on any Unit without prior approval pursuant to Article 5 of the Charter;

(n) Any modification of any thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article 5 of the Charter. This shall include, without limitation, signs, basketball hoops, and swing sets and similar sports and play equipment; clotheslines; garbage cans; woodpiles; above-ground swimming pools; docks, piers, and similar structures; hedges, walls, dog runs, animal pens, or fences of any kind; and satellite dishes and antennas, except that:

(i) an antenna designed to receive direct broadcast satellite services, including direct-to-home satellite services, that is one meter or less in diameter; or

(ii) an antenna designed to receive video programming services via multipoint distribution services, including multi-channel multipoint distribution services, instructional television fixed services, and local multipoint distribution services, that is one meter or less in diameter or diagonal measurement; or

(iii) an antenna that is designed to receive television broadcast signals;

(collectively, “**Permitted Antennas**”) shall be permitted on Units, subject to such reasonable requirements as to location and screening as may be set forth in the Residential Neighborhood Guidelines, consistent with applicable law, in order to minimize obtrusiveness as viewed from streets and adjacent property. The Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of the Community, should any master system or systems be utilized by the Association and require such exterior apparatus.

3. Prohibited Conditions. The following shall be prohibited at the Community:

(a) Plants, animals, devices, or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Community; and

(b) Structures, equipment, or other items on the exterior portions of a Unit which have become rusty, dilapidated, or otherwise fallen into disrepair.