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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
PALM BEACH ESTATES

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF MONTGOMERY §

This Declaration, made on the date hereinafter set forth by Winkler & Associates, Inc., hereinafter referred to as "Developer,"

WITNESSETH:

WHEREAS, Developer is the owner of that certain tract of land known as "PALM BEACH ESTATES" being a Subdivision of 53.576 acres of land situated in the John Corner Survey, A-8, Montgomery County, Texas, as more fully described on Exhibit "A" attached hereto and according to the plat ("Plat") of said Palm Beach Estates recorded in the office of the County Clerk of Montgomery County, Texas on the 28 day of July, 1998, after having been approved as provided by law, and being recorded in Cabinet K, Sheet(s) 184 + 185, of the Map Records of Montgomery County, Texas (hereinafter referred to as the "Property" or the "Subdivision"); and

WHEREAS, it is the desire of Developer to place certain restrictions, easements, covenants, conditions, stipulations and reservations (herein sometimes referred to as the "Restrictions") upon and against such Property in order to establish a uniform plan for the development, improvement and sale of the Property, and to insure the preservation of such uniform plan for the benefit of both the present and future owners of Lots in said Subdivision;

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

ARTICLE I

DEFINITIONS

Section 1.01 "Association" shall mean and refer to Palm Beach Estates Property Owners Association, Inc., a nonprofit corporation, and its successors and assigns.

Section 1.02 "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 1.03 "Builders" shall mean and refer to persons or entities that purchase Lots and build speculative or custom homes thereon for third party purchasers.

Section 1.04 "Common Property" shall mean and refer to the private streets, the entrance gate and landscape reserves A and B

Section 1.05 "Developer" shall mean and refer to Winkler & Associates, Inc. and its successors and assigns.

Section 1.06 "Lake" shall mean and refer to the body of water known as Lake Conroe.

Section 1.07 "Lot" shall mean and refer to any plat of land identified as a Lot or tract on the plat of the Subdivision.

Section 1.08 "Member" shall mean and refer to every person or entity who holds a membership in the Association.

Section 1.09 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Subdivision, including contract sellers (a seller under a Contract-for-Deed), but excluding those having such interest merely as security for the performance of an obligation.

Section 1.10 "Palm Beach" or "Palm Beach Estates" shall mean and refer to this Subdivision and any other sections of Palm Beach Estates hereafter made subject to the jurisdiction of the Association.

ARTICLE II

RESERVATIONS, EXCEPTIONS AND DEDICATIONS

Section 2.01 Recorded Subdivision Map of the Property. The plat ("Plat") of the Subdivision dedicates for use as such, subject to the limitations as set forth therein the roads, streets and easements shown thereon. The Plat further establishes certain restrictions applicable to the Property. All dedications, restrictions and reservations created herein or shown on the Plat, replats or amendments of the Plat of the Subdivision recorded or hereafter recorded shall be construed as being included in each contract, deed, or conveyance executed or to be executed by or on behalf of Developer, conveying said Property or any part thereof whether specifically referred to therein or not.

Section 2.02 Easements. Developer reserves for public use the utility easements shown on the Plat or that have been or hereafter may be created by separate instrument recorded in the Real Property Records of Montgomery County, Texas, for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, telegraph and telephone line or lines, gas lines, sewers, water lines, storm drainage (surface or underground),

cable television, or any other utility the Developer sees fit to install in, across and/or under the Property. Developer and its assigns further expressly reserves the right to enter upon any Lot for the purpose of constructing or maintaining any natural drainage pattern, area or easement. All utility easements in the Subdivision may be used for the construction of drainage swales in order to provide for improved surface drainage of the Lots. Should any utility company furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, Developer, without the joinder of any other Owner, shall have the right to grant such easement on said Property without conflicting with the terms hereof. Any utility company serving the Subdivision and/or any Utility District serving the Subdivision shall have the right to enter upon any utility easement for the purpose of installation, repair and maintenance of their respective facilities. Neither Developer nor any utility company, water district, political Subdivision or other authorized entity using the easements herein referred to shall be liable for any damages done by them or their assigns, agents, employees, or servants, to fences, shrubbery, trees and lawns or any other property of the Owner located on the property covered by said easements.

Section 2.03 Title Subject to Easements. It is expressly agreed and understood that the title conveyed by Developer to any of the Lots by contract deed or other conveyance shall be subject to any easement affecting same for roadways or drainage, water line, gas, sewer, electric lighting, electric power, telegraph or telephone purposes and other easements hereafter granted affecting the Lots. The Owners of the respective Lots shall not be deemed to own pipes, wires, conduits or other service lines running through their Lots which are utilized for or service other Lots, but each Owner shall have an easement in and to the aforesaid facilities as shall be necessary for the use, maintenance and enjoyment of his Lot. The Developer may convey title to said easements to the public, a public utility company or the Association.

Section 2.04 Utility Easements.

(a) Utility easements have been dedicated in accordance with the Plat and by separate recorded easement documents. The placement of utility easements may vary from the plat as a result of consolidation of Lots or portions of Lots as provided in Article III, Section 3.03.

(b) No building shall be located over, under, upon or across any portion of any utility easement. The Owner of each Lot shall have the right to construct, keep and maintain concrete drives, fences, and similar improvements across any utility easement, and shall be entitled to cross such easements at all times for purposes of gaining access to and from such Lots, provided, however, any concrete drive, fence or similar improvement placed upon such utility Easement by the Owner shall be constructed, maintained and used at Owner's risk and, as such, the Owner of each Lot subject to said utility Easements shall be responsible for (i) any and all repairs to the concrete drives, fences and similar improvements which cross or are located upon such Utility Easements and (ii) repairing any damage to said improvements caused by the Utility District or any public utility in the course of installing operating, maintaining, repairing, or removing its facilities located within the Utility Easements.

(c) All utility wires and facilities must be located underground.

Section 2.05 Access Easement. Developer hereby grants an easement for the use of the private streets by owners and residents of property in the adjacent acreage described in Exhibit B attached hereto.

Section 2.06 Perimeter Fence Easement. Developer hereby retains an easement over the rear twenty feet (20') of Lots twenty two through twenty five (22-25) for construction of a fence to serve as a perimeter fence for the subdivision. Additionally, this same easement is hereby granted to the Association for purposes of maintenance, repair or replacement of said perimeter fence.

ARTICLE III

USE RESTRICTIONS

Section 3.01 Single Family Residential Construction and Use.

- a. No building shall be erected, altered, placed or permitted to remain on any Lot or Composite Building Site other than one dwelling unit ("Dwelling") per each Lot or Building Site to be used solely for residential purposes except that one guest/servants house may be built provided said guest/servants house must contain a minimum of 500 square feet and be built after or while the main dwelling is being built. Detached garages and work shops may be constructed on the property contemporaneously with or after the main dwelling being built, so long as they are of good construction, in harmony of external design with the main dwelling, kept in good repair, and are not used for residential purposes.
- b. Any building, structure or improvement commenced on any tract shall be completed as to exterior finish and appearance within twelve (12) months from the setting of forms for the foundation of said building or structure.
- c. The term "dwelling" does not include single or double wide manufactured or mobile homes, or any old or used houses to be moved on the Lot and said manufactured or mobile and used homes are not permitted within the Subdivision. Pre-fabricated or pre-built homes may not be moved onto the property. As used herein, the term "residential purposes" shall be construed to prohibit mobile homes or trailers being placed on said Lots, or the use of said Lots for duplex houses, condominiums, townhouses, garage apartments, or apartments, or apartment houses; and no Lot shall be used for business, education, religious or professional purposes of any kind whatsoever, nor for any commercial or manufacturing purposes. Provided, however, an Owner may maintain a home office in a dwelling with no signs or regular by customers, patients or clients.

Section 3.02 Type of Construction; Materials and Landscaping.

- a. No dwelling shall have less than seventy five percent masonry construction or its equivalent on its exterior wall area, unless approved in writing by the Architectural Control Committee. Stucco shall be considered a masonry product. HardiePlank or its equivalent shall not be considered a masonry product.
- b. Mailboxes shall be constructed of the same masonry material used in construction of the dwelling.
- c. All dwellings on the water front must be at least 3,200 square feet of living area excluding porches and garages. All dwellings on interior Lots must be at least 2,700 square feet of living area excluding porches and garages.
- d. The roof of any Dwelling shall be constructed of either composition shingles, copper, tile, slate, standing seam metal or other material approved by the Architectural Control Committee prior to construction. The use of sheet metal or similar material on the roof or exterior sides of any Dwelling other than as flashing is prohibited.
- e. No window or wall type air conditioners shall be permitted to be used, erected, placed, or maintained on or in any building in any part of the Property.
- f. Before any landscaping shall be done on any Lot, the landscape layout and plans shall have been first approved by the Architectural Control Committee.
- g. No fences, landscape features or shrubbery over three feet in height, or obstructions to the view of any kind may be present within one hundred and fifty feet (150') of the rear property line without the prior written approval of the Architectural Control Committee.

Section 3.03. Building Sites. Any Owner of one or more adjoining Lots may, with prior written approval of the Architectural Control Committee, consolidate such Lots or portions into one building site, with the privilege of placing or constructing improvements on such resulting site. In which cases the side set-back lines shall be measured from the resulting side property lines and the utility easement shall straddle the resulting side property line. In the case of consolidated Lots the original side property lines and the easements straddling those lines as shown on the plat of the subdivision will no longer be of any force or effect. Such building sites shall be treated as Lots, provided however, in the case of consolidated Lots, assessments shall be due for each Lot or portion of a Lot combined to create the building site. The Owner of a building site that includes a portion of a Lot shall be responsible for an appropriate proportionate share of the assessment for that Lot. Only full Lots or building sites created with the approval of the Architectural Control Committee may be used as building sites.

Section 3.04 Location of the Improvements upon the Lot. No building of any kind shall be located on any Lot nearer to any side or rear property line, or nearer to any public road or nearer to a natural creek than as may be indicated on the Plat; provided, however, as to any Lot, the Architectural Control Committee may waive or alter any such setback line if the Architectural Control Committee, in the exercise of the Architectural Control Committee's sole discretion, deems such waiver or alteration is necessary to permit effective utilization of a Lot. Any such waiver or alteration must be in writing and recorded in the Deed Records of Montgomery County, Texas. Location of improvements in relationship to the Lake will be established by the Architectural Control Committee on a lot by lot basis. The main residential structure on any Lot shall face the front of the Lot towards the street or road, unless a deviation is approved in writing by the Architectural Control Committee.

Section 3.05 Residential Foundation Requirements. All building foundations shall consist of either: (i) concrete slabs, or (ii) piers and beams, with the entire building being skirted with brick or materials which match the outside of the building as may be approved by the Architectural Control Committee. Provided, however, the Architectural Control Committee may approve a different type of foundation when circumstances such as topography of the Lot make it impractical to use one of the above foundations for all or any portion of the foundation of the building improvements constructed on the Lot. Foundation design must be approved by a structural engineer and foundation plans submitted to the Architectural Control Committee must bear the seal of a structural engineer. Minimum finished slab elevation for all structures shall be at least 207' above sea level, or such other level as may be established by the Commissioner's Court or County Engineer of Montgomery County, Texas, and other applicable governmental authorities.

Section 3.06 Driveways. All driveways shall be constructed of concrete.

Section 3.07 Water Supply. All residential private dwellings in this Subdivision shall be equipped with and served by an owner installed fresh water well system, operated and continuously maintained at owner's expense in accordance with applicable governmental requirements.

Section 3.08 Sanitary Sewers. No outside, open or pit type toilets will be permitted in this subdivision. Prior to occupancy, all dwellings constructed in this Subdivision must have an aerobic type septic or sewage disposal system installed by the Owner to comply with the requirements of the appropriate agency or agencies. Conventional septic systems are prohibited.

Section 3.09 Electric Utility Service. Prior to beginning any construction on a Lot, each Lot owner, at his expense, shall be required to install electric services lines from the transformer or source of feed to the meter location on said Lot. Further, each Lot owner may expect to pay a charge for connection to such electric utility service, and the owner is obligated to contact the utility company to determine such charge and make arrangements for the installation of said service lines and connection to the electrical distribution system. Owner shall also be responsible for all charges for all utility service furnished to Owner's Lot.

Section 3.10 Exterior Lights. Fishing lights are prohibited. Plans for all exterior lighting, other than lighting which is attached to the dwelling, must be submitted to and approved by the Architectural Control Committee prior to installation, alteration or modification.

Section 3.11 Walls and Fences. Walls and fences, if any, must be approved prior to construction by the Architectural Control Committee and shall be not closer to front street property lines than any utility easement boundary line across the front of said Lot. Fences on the Lake side of the Lot are prohibited unless a variance is granted. Unless otherwise approved by the Architectural Control Committee, fences must be constructed of ornamental iron and must be in harmony with the guidelines promulgated by the Architectural Control Committee. Driveway entrances may be constructed of masonry columns, ornamental iron or similar materials in harmony with the Dwelling on said Lot as may be approved by the Architectural Control Committee. The Owner of any Lot upon which the Developer or Builder has constructed a fence shall be responsible for the maintenance and repair of said fence. Provided however, the Association shall be responsible for the maintenance and repair of the perimeter fence on the rear of lots twenty two through twenty five (22-25).

Section 3.12 Garbage and Trash Disposal. No Lot shall be used or maintained as a dumping ground for rubbish or landfill. Trash, garbage or other waste shall not be allowed to accumulate, shall be kept in sanitary containers and shall be disposed of regularly. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition and shall not be stored in public view.

Section 3.13 Junked Motor Vehicles Prohibited. No Lot shall be used as a depository for abandoned or junked motor vehicles. An abandoned or junked motor vehicle is one without a current, valid state vehicle inspection sticker and license plate. No junk of any kind or character, or dilapidated structure or building of any kind or character, shall be kept on any Lot. No accessories, parts or objects used with cars, boats, buses, trucks, trailers, house trailers or the like, shall be kept on any Lot other than in a garage or other structure approved by the Architectural Control Committee.

Section 3.14 Signs. No signs, advertisement, billboard or advertising structure of any kind may be erected or maintained on any Lot without the consent in writing of the Architectural Control Committee, except (i) two (2) professionally made signs not more than forty-eight inches (48") square, advertising an Owner's Dwelling for sale or rent, may be placed on such improved Lot; (ii) two (2) signs not more than forty-eight inches (48") square advertising the builders of the Owner's dwelling may be placed on such Lot during the construction period of such residence from the forming of the foundation until completion not to exceed a six (6) month period (iii) security service signs and (iv) political signs in a limited number and for a limited time period before elections. The number of political signs per lot and time period for display will be established by the Board of Directors. The Board reserves the right to restrict the size, and placement of political signs. The Association shall have the right to remove any sign, advertisement or billboard or sign structure which is placed on any Lot in violation of these restrictions, and in doing so, shall not be liable, and are hereby expressly relieved from any

liability for trespass or other tort in connection therewith, or arising from such removal.

Section 3.15 Livestock and Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot in the Subdivision except that dogs, cats or other common household pets may be kept on Lots. No animals shall be allowed to run loose in the Subdivision. Dog waste must be bagged and removed by the person walking the dog. Dog houses and runs must not be visible from the street and they must be maintained in a clean, neat and sanitary condition.

Section 3.16 Mineral Development. No commercial oil drilling, oil development operations, oil refining, quarrying or mining operation of any kind shall be permitted upon or in any Lot, nor shall any wells, tanks, tunnels, mineral excavation, or shafts be permitted upon or in any Lot, and no derrick or other structures designed for the use of boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

Section 3.17 Use of Temporary Structures. No structure of a temporary character, whether trailer, tent, camper recreational vehicle, or shack, and no basement, garage, or other outbuilding shall be maintained or used on any Lot at any time as a residence, either temporarily or permanently.

Section 3.18 Development and Sales Period. Developer reserves the exclusive right to erect, place and maintain such facilities in or upon any portion of the Subdivision as in its sole discretion may be necessary or convenient while selling Lots, selling or constructing residences and constructing other improvements within the Subdivision. The security gates will remain open during the day during the development and sales period. The sales period shall begin upon recordation of these restrictions and end at a date to be determined in the sole discretion of the Developer.

Section 3.19 Lot and Exterior Maintenance. All Lots, at Owner's sole cost and expense, shall be kept at all times in a neat, attractive, healthful and sanitary condition, and the Owner or occupant of all Lots shall keep all weeds and grass thereon cut. In no event shall any Lot be used for storage of materials or equipment except for normal residential requirements or incident to construction of improvements thereon as herein permitted. No Owner shall permit the accumulation of garbage, trash or rubbish of any kind on his Lot, or not burn any garbage, trash or rubbish thereon. Provided, however, the burning of underbrush and trees during Lot clearing shall be permitted. All yard equipment or storage piles shall be kept screened by a service yard or other similar facility so as to conceal them from view of neighboring Lots, streets, Lake or other property. Such maintenance includes, but is not limited to the following:

- a. Prompt removal of all litter, trash, refuse, and wastes.
- b. Regular lawn mowing and edging.
- c. Tree and shrub pruning.

- d. Keeping exterior lighting and mechanical facilities in working order.
- e. Keeping lawn and garden areas alive, free of weeds, and attractive.
- f. Keeping bulkheads, boat slips, boat lifts, walkways and driveways in good repair.
- g. Complying with all government health and policy requirements.
- h. Repainting of improvements.
- i. Repair of exterior damage to improvements.

In the event of the failure of Owner of a vacant Lot or an unoccupied dwelling to comply with the above requirements after ten (10) days written notice thereof, the Association or its designated agents may, in its sole discretion and without liability to the Owner, Builder or any occupants of the Lot in trespass or otherwise, enter upon (and/or authorize one or more others to enter upon) said Lot, to cut, or cause to be cut, such weeds and grass and remove, or cause to be removed, such garbage, trash and rubbish or do any other thing necessary to secure compliance with this Declaration, so as to place said Lot in a neat, attractive, healthful and sanitary condition, and may charge the Owner, Builder or occupant of such Lot for the cost of such work and associated materials, plus a fee of \$10.00 per month for each instance. Payment thereof shall be collected as an additional Maintenance Charge, shall be a lien against the land, shall be collectable in the same manner as the Maintenance Charge and shall be payable on the first day of the next calendar month. This remedy shall be in addition to any and all remedies, either at law or in equity, available for the enforcement of these restrictions.

Section 3.20 Exterior Maintenance of Buildings. In the event the owner of any unoccupied building in the Subdivision should allow such building to fall into disrepair and become in need of paint, repair or restoration of any nature and become unattractive and not in keeping with the neighborhood, the Association will give such owner written notice of such conditions. Fifteen (15) days after notice of such condition to owner, and failure of owner to begin and continue at a diligent, reasonable rate of progress to correct such condition, the Association in addition to any and all remedies, either at law or in equity, available for the enforcement of these Restrictions, may at its sole discretion and without liability to the Owner, Builder or any occupants of the Lot in trespass or otherwise, enter upon said premises, to do or cause to be done any work necessary to correct said situation. This remedy shall be in addition to any and all remedies, either at law or in equity, available for the enforcement of these restrictions. The owner thereof shall be billed for cost of necessary repairs, plus ten (10%) percent. Payment thereof shall be collected as an additional Maintenance Charge, shall be a lien against the land, shall be collectable in the same manner as the Maintenance Charge and shall be payable on the first day of the next calendar month.

Section 3.21 Vehicles. It is the intent of this section that all vehicles on a Lot be kept in the garage.

a) No boat, jet-ski, aircraft, travel trailer, recreational vehicle, motor home, camper, camper body or similar vehicle or equipment may be parked for storage in the front of any Dwelling, nor shall any such vehicle or equipment be parked for storage to the side or rear of any Dwelling unless completely concealed from public view or view from a neighboring Lot. Provided however, boats may be parked or stored in a boat slip that has been approved by the Architectural Control Committee. This restriction shall not apply to any vehicle, machinery or equipment temporarily parked and in use for the construction, maintenance or repair of a Dwelling in the Subdivision.

b) No boat, camper, recreational vehicle or vehicle of any kind shall be used as a residence either temporarily or permanently.

c) Trucks with tonnage in excess of one and one-half tons shall not be permitted to park overnight within the Subdivision except those used by a builder during the construction of improvements on Lots in the Subdivision.

d) No vehicle of any size which transports inflammatory or explosive cargo may be kept in the Subdivision at any time.

e) No vehicles or similar equipment shall be parked or stored in any area visible from any public street, road or the Lake except passenger automobiles, passenger vans, motorcycles and pick-up trucks that are in operating condition and have current license plates and inspection stickers and are in daily use as motor vehicles on the streets and highways of the State of Texas.

f) No vehicle may be repaired within the Subdivision unless the vehicle being repaired is concealed from view inside a garage or other provided enclosure.

Section 3.22 Boat Lifts, Boat Slips, Canopies.

(a) Over head boat lifts are prohibited. Boat lifts must be installed and used in conjunction with a boat slip. No portion of any waterfront structure, including but not limited to boat lifts, boat slips, canopies or any other permanent or semi-permanent structures, may extend more than five feet above the bulkhead. Leasing of waterfront space, other than in conjunction with leasing of the Lot which it serves, whether for money or other remuneration of any kind, is prohibited.

(b) All boat slips must be cut into the Lot. No boat slip shall protrude into the lake. Boat slips are not subject to side set back lines and may be within 15 feet of the side property line. Boat slip plans, including plans for proper breaching of and connection to the existing bulkhead must be submitted to the Architectural Control Committee. Construction of a boat slip must not be started until written approval is received from the Architectural Control Committee

and construction must conform to the plans approved by the Committee. Any bulkhead, boat slip or boat lift must also be approved by the San Jacinto River Authority and must be in compliance with local ordinances, if any.

(c) No construction, improvements, modifications, or remodeling of any kind to any approved boat lift, boat slip, or other improvement constructed by an Owner shall be made unless prior written approval is given by the Committee and all such improvements must conform to the Committee's pre-determined plan for such improvements.

Section 3.23 Boat Types. All boats permanently or semi-permanently kept in a boat slip shall be for the personal, private, non-commercial use of property owners. No live aboards, nor occupancy of any boat as a residence is permitted. Any boat which sits out of the water higher than eight feet (8') must be submitted to and approved by the Architectural Control Committee prior to occupancy of a boat slip by that boat. All boats shall be maintained in a neat and clean manner and shall present an attractive appearance.

Section 3.24 Boat Covers and Canopies. All boat covers must be custom fitted. The use of tarps or other loose fitting materials as boat covers is prohibited. Boat covers must be Grif-Cover or equivalent and must be neutral in color unless otherwise approved by the Architectural Control Committee.

Section 3.25 Hazardous Substances. No Hazardous Substance shall be brought onto, installed, used, stored, treated, buried, disposed of or transported over the Lots or the Subdivision, and all activities on the Lots shall, at all times, comply with applicable Law. The term "Hazardous Substance" shall mean any substance which, as of the date hereof, or from time to time hereafter, shall be listed as "hazardous" or "toxic" under the regulations implementing The Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), 42 U.S.C. §§9601 et seq., The Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §§6901 et seq., or listed as such in any applicable state or local law or which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under applicable law. The term "Applicable Law" shall include, but shall not be limited to, CERCLA, RCRA, The Federal Water Pollution Control Act, 33 U.S.C. §§1251 et seq., and any other local, state and/or federal laws or regulations that govern the existence, cleanup and/or remedy of contamination on property, the protection of the environment from spill deposited or otherwise in place contamination, the control of hazardous waste or the use, generation, transport, treatment, removal or recovery of hazardous substances, including building materials.

Section 3.26 Prohibition of Offensive Activities. Without expanding the permitted use of the Lots, no activity, whether for profit or not, shall be conducted on any Lot which is not related to single family residential purposes. No noxious or offensive activity of any sort shall be permitted nor shall anything be done on any Lot which may be or become an annoyance or a nuisance to the Subdivision. This restriction is waived in regard to the customary sales activities required to sell homes in the Subdivision and for home offices described in Section

3.01 hereof. Without limitation, the discharge or use of firearms is expressly prohibited. The Association shall have the sole and absolute discretion to determine what constitutes a nuisance or annoyance.

Section 3.27 Clotheslines. No clothes lines shall be erected or installed on any Lot, and no clothing, linens or other material shall be aired or dried on any Lot.

Section 3.28 Play and Yard Equipment. All play and yard equipment including but not limited to toys and barbecue grills and other similar items on Lots shall be maintained in good repair and, if possible, stored out of public view when not in use.

Section 3.29 Play Structures. Play structures must be twenty feet (20') or more from the side property line. Large or solid structures which will block the view of the Lake will not be permitted without prior written approval of the Architectural Control Committee. It is the intent of this paragraph to preserve the Owners' privacy and protect each Owner's view of the Lake.

Section 3.30 Intent. The intent of the restrictions in this Article III and in Article IV is to insure that Lots in the subdivision present an attractive appearance when viewed from the street, the Lake or adjoining Lots.

ARTICLE IV

ARCHITECTURAL CONTROL

Section 4.01 Basic Control.

(a) No building, structure, waterfront structure, including but not limited to bulkheads, boat lifts, boat slips, canopies, and no improvements, including but not limited to, landscaping, exterior lighting, yard ornaments, sculpture, fountains or permanently placed lawn or patio furniture shall be placed, erected, or installed upon any Lot, and no construction (which term shall include within its definition staking, clearing, excavation, grading, and other site work), and no exterior alteration or modification of existing buildings, structures or improvements, including but not limited to, bulkheads, boat lifts, boat slips, canopies, landscaping, exterior lighting and yard ornaments, sculpture, fountains or permanently placed lawn or patio furniture upon any Lot shall be commenced or demolition or destruction by voluntary action made thereto after original construction, on any Lot until the requirements below have been fully met, and until the written approval of the Architectural Control Committee has been obtained pursuant to Section 4.02 below. Approval shall be granted or withheld based on matters of compliance with the provisions of this instrument and harmony of external design and color with existing and proposed structures and location with respect to topography and finished grade elevation.

(b) Each application made to the Committee shall be accompanied by color samples of all proposed exterior colors of walls, roof and facia and by two full sets of plans for all proposed construction (initial or alterations) to be done on such Lot, plot plans showing the location and elevation of the improvements on the Lot and dimensions of all proposed walkways, driveways, and all other matters relevant to architectural approval. In the case of construction of a foundation, the plans must be approved by a structural engineer and must display the engineer's seal. The address of the Committee shall be the address of the principal office of the Developer or the Association. If approved, one of the two sets of plans submitted shall be returned to the Owner with said approval noted thereon.

The Board of Directors shall have the authority and standing, on behalf of the Association, to enforce in courts of competent jurisdiction decisions of the committee established in Section 4.02

Section 4.02 Architectural Control Committee. ("ACC") The ACC shall consist of a least two (2) but not more than five (5), persons and shall have exclusive jurisdiction over all original construction and all modifications, additions, or alterations on any portion of the Properties. The Board of Directors may serve as the ACC or may appoint the members of the ACC, who shall serve and may be removed at the discretion of the Board of Directors. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of such new construction, modifications, additions, or alterations, shall be submitted to the ACC for approval as to quality of workmanship and design and as to harmony of external design with existing structures, location in relation to surrounding structures, topography, and finish grade elevation. In the event that the ACC fails to approve or to disapprove such plans or to request additional information reasonably required within forty-five (45) days after submission, the plans shall be deemed approved.

Section 4.03 No Liability. Neither Developer, the Association, its Board of Directors, nor the Architectural Control Committee or the members thereof shall be liable in damages to anyone submitting plans or specifications to them for approval, or to any Owner of a Lot affected by these restrictions by reason of mistake in judgment, negligence, or disapproval or failure to approve or disapprove any such plans or specifications. Every person who submits plans or specifications to the Architectural Control Committee for approval agrees that no action or suit for damage will be brought against the Developer, the Association, its Board of Directors, the Architectural Control Committee or any of the members thereof.

Section 4.04 No Warranty Implied. The approval or lack of disapproval by the Architectural Control Committee shall not be deemed to constitute any warranty or representation by such Committee including, without limitation, any warranty or representation relating to fitness, design or adequacy of the proposed construction or drainage or compliance with applicable statutes, codes and regulations.

Section 4.05 Minimum Construction Standards. The Architectural Control Committee may from time to time promulgate an outline of minimum acceptable construction standards;

provided, however, that such outline will serve as a minimum guideline only and the Architectural Control Committee and Association shall not be bound thereby.

Section 4.06 Variance. The Architectural Control Committee may authorize variances from compliance with any of the provisions of this Declaration or minimum acceptable construction standards or regulations and requirements as promulgated from time to time by the Developer or the Committee, when circumstances such as topography, natural obstructions, Lot configuration, Lot size, hardship, aesthetic or environmental considerations may require a variance. The Architectural Control Committee reserves the right to grant variances as to minimum square footage of the residence, fences, and other items. The Architectural Control Committee shall not grant variances which would allow the movement of any building line or other line established by the plat closer to a property line. Provided, however, that in the case of consolidation of Lots or portion thereof as described in Section 3.03 hereinabove, the resulting property lines shall control over the property lines shown on the plat. (In the event that the property is annexed by the City of Conroe, replatting or an amending plat may be required of such consolidated lots to change the building lines created by the original plat.) Such variances must be evidenced in writing and shall become effective when signed by a majority of the Board of Directors. If any such variances are granted, no violation of the provisions of this Declaration shall be deemed to have occurred with respect to the matter for which the variance is granted; provided, however, that the granting of a variance shall not operate to waive any of the provisions of this Declaration for any purpose except as to the particular property and particular provisions thereof covered by the variance, nor shall the granting of any variance affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the property concerned and the Plat.

ARTICLE V

PALM BEACH ESTATES PROPERTY OWNERS ASSOCIATION

Section 5.01 Management by Association. The affairs of the Subdivision shall be administered by the Association. The Association shall have the right, power and obligation to provide for the management, administration, and operation of the Subdivision as herein provided for and as provided for in the Articles of Incorporation, Bylaws, and the Rules and Regulations. In the event of any conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall control; and in the event of a conflict between the Articles of Incorporation or the Bylaws and the provisions of the Declaration, the provisions of the Declaration shall control. The business and affairs of the Association shall be managed by its Board of Directors, unless otherwise reserved to the Members of the Association by law, the terms of the Declaration, Articles of Incorporation, or the Bylaws. It shall be the responsibility of each Owner or occupant of a Lot to obtain copies of and become familiar with the terms of the Declaration, Articles of Incorporation, Bylaws, Rules and Regulations.

The Association, acting through the Board, shall be entitled to enter into such contracts and agreements concerning the Subdivision as the Board deems reasonably necessary or

appropriate to maintain and operate the Subdivision in accordance with the Declaration, including without limitation, the right to grant utility and other easements for uses the Board shall deem appropriate and the right to enter into agreements with adjoining or nearby land owners or governmental entities on matters of maintenance, trash pick-up, repair, administration, security, traffic, operation of recreational facilities, or other matters of mutual interest.

Section 5.02 Board of Directors. The number, term, and qualifications of the members of the Board of Directors shall be governed by the Articles of Incorporation and the Bylaws.

Section 5.03 Membership. Every Owner, as defined in Section 1.09 above, shall be deemed to have a membership in the Association. The rights and privileges of membership may be exercised by a Member, subject to the provisions of this Declaration, the Bylaws and the Rules and Regulations. The membership rights of a Lot owned by a corporation or partnership shall be exercised by the individual designated from time to time by the Owner in a written instrument provided to the Secretary, subject to the provisions of this Declaration and the Bylaws.

Section 5.04 Power to Adopt Rules and Regulations. The Association, through its Board of Directors, may adopt, amend, repeal, and enforce Rules and Regulations, and enforcement provisions as it deems necessary or desirable with respect to the interpretation and implementation of the Declaration, the operation of the Association, and the use of property and Lots within the Subdivision. Any such Rules and Regulations shall be reasonable and uniformly applied to all Members and their family, tenants, and guests. Such Rules and Regulations shall be effective only upon adoption by resolution of the Board of Directors. Notice of the adoption, amendment, or repeal of any Rule and/or Regulation shall be given by depositing in the mail to each Member a copy of such Rule or Regulation, and copies of the currently effective Rules and Regulations and shall be made available to each member upon request and payment of the reasonable expense of supplying the same. Each Member shall comply with such Rules and Regulations and shall see that all residents of his Lot comply with such Rules and Regulations. Such Rules and Regulations shall have the same force and effect as if they were set forth in, and were part of, this Declaration. In the event of conflict between the Rules and Regulations and the provisions of this Declaration, the provisions of this Declaration shall prevail.

Section 5.05 Implied Powers. The Association may exercise any right, power or privilege given to it expressly by this Declaration, the Bylaws or the Non-Profit Corporation Act and every other right, power or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right, power or privilege.

ARTICLE VI.

VOTING RIGHTS

The Association shall have two classes of voting memberships.

Section 6.01 Class "A" Members Class A members shall be all Owners with the exception of the Developer and shall be entitled to one vote for each Lot in which they hold the interest required for Membership by Section 5.03 above. When more than one person hold such interest in any Lot, all such person shall be members. The vote for such Lot shall be exercised as they, among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Section 6.02 Class "B" Member Class B members shall be Developer and shall be entitled to four (4) votes for each Lot in which it holds the interest required for Membership in Section 5.03. Class B membership shall cease and be converted to Class A membership on the happening of either of the following events; (i) when the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership; or (ii) three (3) years from the date hereof.

ARTICLE VII

MAINTENANCE FUND

Section 7.01 Maintenance Fund Obligation. Each Owner of a Lot by acceptance of a deed therefor, whether or not it shall be expressed in any such deed or other conveyance, is deemed to covenant and agrees to pay to the Association, in advance, an annual maintenance charge on January 10th of each year, (the "Maintenance Charge"), and any other assessments or charges levied, including, but not limited to the Private Street Maintenance and Repair Assessment as described in Section 7.06 hereinbelow. Owners of Lots that have been consolidated into a building site shall pay the assessments on the Lots and portions of Lots they own as set out in Article III, Section 3.03. The Maintenance Charge and any other assessments, late fees or charges hereby levied, together with such interest thereon and costs of collection thereof, including reasonable attorneys' fees, shall be a charge on the lots and shall be a continuing lien upon the property against which each such Maintenance Charge and other charges and assessments are made.

(a) The maximum annual Maintenance Charge on each Lot shall be Five Hundred Dollars (\$500.00).

(b) From and after January 1, of the year immediately following the recordation of this Declaration, the maximum annual Maintenance Charge may be increased each year not more than ten percent (10%) above the annual Maintenance Charge for the previous year without a vote of the membership.

(c) From and after January 1 of the year immediately following the recordation of this Declaration, the maximum annual Maintenance Charge may be increased above ten percent (10%) by a vote of two-thirds (2/3) of the Members who are voting in person or by proxy, at a meeting duly called for this purpose.

(d) The Board of Directors may fix the annual Maintenance Charge at an amount not to exceed the maximum permitted herein. Provided, however, that the Developer shall set the Maintenance Charge for the portion of the year remaining after recordation of these restrictions. The Board shall cause notice of the amount of the annual Maintenance Charge to be levied against each Lot for the following year to be delivered to each Owner at least thirty (30) days prior to the beginning of the calendar year.

(e) In addition to the annual Maintenance Charge authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

(f) Both Annual and Special Assessments must be fixed at a uniform rate; provided, however, Developer shall only pay ten percent (10%) of both annual and special assessments attributable to its Lots, and assessments due from Developer on a Lot shall not be paid until the closing of the sale of that Lot from Developer to an Owner.

Section 7.02 Basis of the Maintenance Charge

(a) The Maintenance Charge referred to shall be used to create a fund to be known as the "Maintenance Fund," which shall be used as herein provided; and each such Maintenance Charge (except as otherwise hereinafter provided) shall be paid by the Owner of each Lot (or residential building site) to the Association annually, in advance, on or before the tenth day of the first month of each calendar year, or on such other basis (monthly, quarterly or semi-annually) as the Board of Directors of the Association may designate in its sole discretion. Provided, further, the Owners shall begin paying the Maintenance Charge upon purchase of a Lot. In the event an Owner obtains consent from the Committee for a Building Site pursuant to Section 3.03 hereof, such resulting Building Site shall be considered one Lot for the Maintenance Charge purposes beginning upon the completion of the improvements thereon.

(b) Any Maintenance Charge not paid within thirty (30) days after the due date shall bear interest from the due date at the lesser of (i) the rate of eighteen percent (18%) per annum or (ii) the maximum rate permitted by law. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the hereinafter described lien against the Owner's Lot.

(c) All assessments shall be payable in the amounts specified in the levy, and no offsets or reduction shall be permitted for any reason including, without limitation, any claim that the Community Association or the Board of Directors is not properly exercising its duties and powers under this Declaration of Covenants, Conditions and Restrictions or for any other reason.

Section 7.03 Creation of Lien and Personal Obligation. In order to secure the payment of the Maintenance Charge, and other charges and assessments hereby levied, a vendor's lien for the benefit of the Association, shall be and is hereby reserved in the deed from the

Developer to the purchaser of each Lot or portion thereof, which lien shall be enforceable through appropriate judicial and non-judicial proceedings by the Association. As additional security for the payment of the Maintenance Charge and other charges and assessments hereby levied, each Owner of a Lot in the Subdivision, by such party's acceptance of a deed thereto, hereby grants to the Association a contractual lien on such Lot which may be foreclosed on by judicial foreclosure or by non-judicial foreclosure pursuant to the provisions of Section 51.002 of the Texas Property Code (and any successor statute); and each such owner hereby expressly grants the Association a power of sale in connection therewith. The Association shall, whenever it proceeds with non-judicial foreclosure pursuant to the provisions of said Section 51.002 of the Texas Property Code (and any successor statute) and said power of sale, designate in writing a Trustee to post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. The Trustee may be changed at any time and from time to time by the Association by means of a written instrument executed by the President or any Vice-President of the Association and filed for record in the Real Property Records of Montgomery County, Texas. In the event that the Association has determined to nonjudicially foreclose the lien provided herein pursuant to the provisions of said Section 51.002 of the Texas Property Code (and any successor statute) and to exercise the power of sale hereby granted, the Association shall mail to the defaulting Owner a copy of the Notice of Trustee's Sale not less than twenty-one (21) days prior to the date on which said sale is scheduled by posting such notice through the U.S. Postal Service, postage prepaid, certified mail, return receipt requested, properly addressed to such Owner at the last known address of such Owner according to the records of the Association. If required by law, the Association or Trustee shall also cause a copy of the Notice of Trustee's Sale to be recorded in the Real Property Records of Montgomery County, Texas. Out of the proceeds of such sale, if any, there shall first be paid all expenses incurred by the Association in connection with such default, including reasonable attorneys' fees and a reasonable trustee's fee; second, from such proceeds there shall be paid to the Association an amount equal to the amount in default; and third, the remaining balance shall be paid to such Owner. Following any such foreclosure, each occupant of any such Lot foreclosed on and each occupant of any improvements thereon shall be deemed to be a tenant at sufferance and may be removed from possession by any and all lawful means, including a judgment for possession in an action of forcible detainer and the issuance of a writ of restitution thereunder.

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

It is the intent of the provisions of this Section 7.03 to comply with the provisions of Section 51.002 of the Texas Property Code (and any successor statute) relating to non-judicial sales by power of sale and, in the event of the amendment of Section 51.002 of the Texas Property Code hereafter, the President or any Vice-President of the Association, acting without joinder of any other Owner or mortgagee or other person may, by amendment to this Declaration filed in the Real Property Records of Montgomery County, Texas, amend the

provisions hereof so as to comply with any amendments to Section 51.002 of the Texas Property Code (and any successor statute).

Section 7.04 Liens Subordinate to Mortgages. The liens described in this Article VII and the superior title herein reserved shall be deemed subordinate to a first lien of any bank, insurance company, savings and loan association, university, pension and profit sharing trusts or plans, or other bona fide, third party lender, including Developer, which may have heretofore or may hereafter lend money in good faith for the purchase or improvement of any Lot and any renewal, extension, rearrangement or refinancing thereof. Each such mortgagee of a mortgage encumbering a Lot who obtains title to such Lot pursuant to the remedies provided in the deed of trust or mortgage or by judicial foreclosure shall take title to the Lot free and clear of any claims for unpaid Maintenance Charges or other charges or assessments against such Lot which accrued prior to the time such holder acquires title to such Lot. No such sale or transfer shall relieve such transferee of title to a Lot from liability for any Maintenance Charge or other charges or assessments thereafter becoming due or from the lien thereof. Any other sale or transfer of a Lot shall not affect the Association's lien for Maintenance Charges or other charges or assessments. The Association shall make a good faith effort to give each such mortgagee sixty (60) days advance written notice of the Association's proposed foreclosure of the lien described in Section 7.01 hereof, which notice shall be sent to the nearest office of such mortgagee by prepaid United States registered or certified mail, return receipt requested, and shall contain a statement of delinquent Maintenance Charges or other charges or assessments upon which the proposed action is based, provided, however, the Association's failure to give such notice shall not impair or invalidate any foreclosure conducted by the Association pursuant to the provisions of this Article VII.

Section 7.05 Purpose of the Maintenance Charge. The Maintenance Charge levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety, and welfare of the Owners of the Subdivision. The Maintenance Fund may be expended by the Association for any purposes which, in the judgment of the Association, will tend to maintain the property values in the Subdivision. It is understood that the judgment of the Association as to the expenditure of said funds shall be final and conclusive so long as such judgment is exercised in good faith. The Association shall also be obligated to provide for the maintenance and repair of the private streets in the subdivision by means of an additional assessment.

Section 7.06. Assessment for Maintenance and Repair of Private Streets. In addition to the maintenance charge imposed hereinabove for the general purposes described in Section 7.05 there shall be a Private Street Maintenance and Repair Assessment (both regular assessment and, when necessary, special assessment) which assessment (whether regular or special) shall be levied, collected and secured by a lien in favor of the Association all as described hereinabove. As used in this section 7.06, the term assessment shall apply to both regular and special assessments for street maintenance.

In addition to the Association's powers with regard to the Private Street Maintenance and Repair Assessment, the City of Conroe (hereinafter City) shall have the following powers with regard to the private streets:

1. The City is hereby authorized, but not obligated to exercise the Private Street Maintenance and Repair Assessment power as described in this Section.
2. In the event that the City elects to exercise such power, the City shall be the beneficiary of the lien described in Section 7.03 hereinabove and is hereby granted the right to exercise all of the powers of collection granted to the Association hereinabove.
3. This Section 7.06 may not be amended without the express consent of the City of Conroe.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.01 Term. The covenants and restrictions of this Declaration shall run with and bind the Properties, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any property subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless amended or terminated as hereinafter set forth.

Section 8.02 Amendments by Owners. The terms of this Declaration may be amended at any time by an instrument approved in writing by those Owners owning at least two-thirds (2/3) of the Lots within the Subdivision. Provided, however, the private streets may be offered for dedication to the City of Conroe by the affirmative vote of the owners of a majority of the Lots within the subdivision. The approval of multiple owners of a single property may be reflected by the signature of a single owner. No person shall be charged with notice of or inquiry with respect to any amendment until and unless it has been filed for record in the Official Public Records of Real Property of Montgomery County, Texas.

Section 8.03 Amendments by the Developer. Developer reserves and shall have the right at any time, from time to time, without the joinder or consent of any Person or Owner, to amend this Declaration by an instrument in writing duly signed, acknowledged and filed of record, for the purpose of correcting any typographical error, ambiguity or inconsistency appearing in this Declaration, provided that any such amendment shall be consistent with and in furtherance of the general plan and scheme of development as evidence in this Declaration, and shall not impair the vested property rights of Owner or his mortgagee.

Developer, further reserves the right to amend this Declaration in any manner by an instrument in writing duly signed, acknowledged and filed of record. The Owners may overrule

such an amendment by an instrument in writing signed and acknowledged by owners of two thirds (2/3rds) of the Lots in the Property and duly recorded, if such document is recorded within six months of the date of recording of the amendment to be overruled.

Section 8.04 Severability. Each of the provisions of this Declaration shall be deemed independent and severable, and the invalidity or unenforceability or partial invalidity or partial unenforceability of any provision or portion hereof shall not affect the validity or enforceability of any other provision.

Section 8.05 Power to Enforce Restrictions and Rules and Regulation. The Association and/or any Owner shall have the power to enforce the provisions of this Declaration and the Rules and Regulations. The Association shall take such action as the Board of Directors deems necessary or desirable to cause such compliance by each Member and each resident or user. Without limiting the generality of the foregoing, the Association shall have the power to enforce the provisions of this Declaration and of Rules and Regulations of the Association by commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the provisions of this Declaration or the Rules and Regulations; by suspension, after notice and an opportunity to be heard, of the voting rights of a Member during any breach by such Member of a provision of this Declaration or such Rules and Regulations; and by levying and collecting, after notice and an opportunity to be heard, an assessment against any Member for breach of this Declaration or such Rules and Regulations by such Member or a related user which assessment reimburses the Association for the costs incurred by the Association in connection with such breach including attorneys' fees incurred by the Association with respect to exercising such remedy.

Before the Board may invoke the remedies provided above, it shall give registered or certified notice of such alleged violation to Owner, and shall afford the Owner an opportunity to be heard. Each day a violation continues shall be deemed a separate violation. Failure of the Association, the Developer, or of any Owner to take any action upon any breach or default with respect to any of the foregoing violations shall not be deemed a waiver of their right to take enforcement action thereafter or upon a subsequent breach or default.

Section 8.06 Mergers and Consolidations. The Association may participate in mergers and consolidations with other non-profit corporations organized for the same purposes, provided that any such merger or consolidation shall have the consent (in writing or at a meeting duly called for such purpose) of the owners of two-thirds (2/3rds) of the Lots in the subdivision. The approval of multiple owners of property may be reflected by the signature of a single owner.

Section 8.07 Liberal Interpretation. The provisions of this Declaration shall be liberally construed as a whole to effectuate the purpose of this Declaration.

Section 8.08 Successors and Assigns. The provisions hereof shall be binding upon and inure to the benefit of the Owners, the Developer and the Association, and their respective heirs, legal representatives, executors, administrators, successors and assigns.

Section 8.09 Effect of Violations on Mortgages. No violation of the provisions herein contained, or any portion thereof, shall affect the lien of any mortgage or deed of trust presently or hereafter placed of record or otherwise affect the rights of the mortgagee under any such mortgage, the holder of any such lien or beneficiary of any such deed of trust; and any such mortgage, lien, or deed of trust may, nevertheless, be enforced in accordance with its terms. subject, nevertheless, to the provisions herein contained.

Section 8.10 Terminology. All personal pronouns used in this Declaration and all exhibits attached hereto, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Title of Articles and Sections are for convenience only and neither limit nor amplify the provisions of this Declaration itself. The terms "herein," "hereof" and similar terms, as used in this instrument, refer to the entire agreement and are not limited to referring only to the specific paragraph, section or article in which such terms appear. All references in this Declaration to Exhibits shall refer to the Exhibits attached hereto.

Section 8.11 Ratification by Lienholder. The undersigned lienholder has executed this Declaration to evidence its joinder in, consent to, and ratification of the imposition of the foregoing covenants, conditions, and restrictions.

IN WITNESS WHEREOF, the undersigned, being Developer and Lienholder, have set their hands and seals this 28th day of July, 1998.

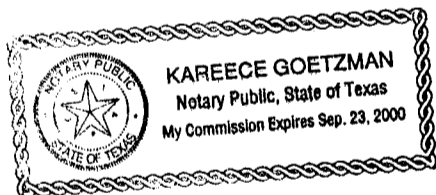
DEVELOPER:

WINKLER & ASSOCIATES, INC.

By: [Signature]
James R. Winkler, President

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me, on the 28 day of July, 1998, by JAMES R. WINKLER, President of Winkler & Associates, Inc.



[Signature]
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

413-00-1421

LIENHOLDER:

1ST BANK OF CONROE

BY: H. V. Hildebrand

H. V. Hildebrand SR VP
(Print Name and Title)

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §



This instrument was acknowledged before me, on the 29th day of July, 1998, by Herbert Hildebrand of 1st BANK OF CONROE, on behalf of said bank and in the capacity stated.

Catherine L. Roberts
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

AFTER RECORDING:

RETURN TO

JIM WINKLER
206A SOUTH LOOP 336 WEST
#107
CONROE, TX 77301

EXHIBIT B

METES & BOUNDS DESCRIPTION

Page 1 of 2 Pages

BEING 10.780 acres of land in the John Corner Survey, A-8, Montgomery County, Texas, and being out of a 110.741 acre tract described in deed to Philip Lefevre recorded under Clerk's File #9723474 of the Real Property Records of Montgomery County, Texas (RPRMCT), said 10.780 acres being more particularly described as follows:

COMMENCING at a 1/2" iron rod found for the northwest corner of Lot 1, Block 7, Section 1 of Cape Conroe Subdivision, map of which is recorded in Cabinet A, Sheet 56 of Montgomery County Map Records (MCMR), the southwest corner of Tract 1 as described in deed to San Jacinto River Authority (SJRA), in the 201 contour line of Lake Conroe, recorded in Volume 695, Page 31 of Montgomery County Deed Records (MCDR), the southwest corner of another tract described in deed to SJRA recorded in Volume 690, Page 497 MCDR, and the lower northeast corner of above mentioned 110.741 acres;

THENCE along the 201 contour line of Lake Conroe and the lower north line of said 110.741 acres:
N.49°02'31"W., 203.30 feet to an angle point
N.61°56'40"W., 156.13 feet to an angle point
N.66°41'40"W., 174.05 feet to an angle point
N.57°21'40"W., 603.74 feet to an angle point
N.69°55'40"W., 163.64 feet to the POINT OF BEGINNING of herein described tract;

THENCE S.30°37'05"W., crossing said 110.741 acres for a distance of 636.48 feet to a 1/2" iron rod set for an angle point in the southeast line of herein described tract;

THENCE S.87°22'19"W., continuing across said 110.741 acres for a distance of 356.12 feet to a 1/2" iron rod set for the southwest corner of herein described tract in the west line of said 110.741 acres and the east line of Walden Road, based on a 100' right-of-way described in deed recorded in Volume 770, Page 905 MCDR;

THENCE N.12°10'32"W., (Call N.12°10'32"W., 663.44') along the west line of said 110.741 acres and the east line of Walden Road for a distance of 308.69 feet to a 5/8" iron rod found for the beginning of a curve to the right;

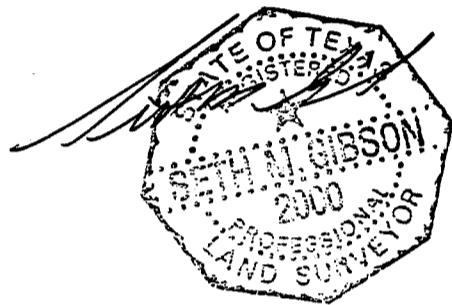
THENCE in a northerly direction along said curve to the right having a radius of 750.00 feet and a central angle of $38^{\circ}00'51''$ (Call $R=750.00'$ $A=497.42'$) for a distance of 497.61 feet to a $5/8''$ iron rod found for the end of said curve;

THENCE $N.25^{\circ}51'14''E.$, (Call $N.25^{\circ}58'39''E.$, 555.44') continuing along the west line of said 110.741 acres and the east line of Walden Road for a distance of 238.97 feet to the northwest corner of herein described tract;

THENCE $S.40^{\circ}39'00''E.$, crossing said 110.741 acres for a distance of 174.07 feet to an angle point in the north line of herein described tract at its intersection with the 201 contour line of Lake Conroe;

THENCE along the 201 contour line of Lake Conroe and one north line of said 110.741 acres as follows:
S. $55^{\circ}05'40''E.$, 492.70 feet to an angle point;
S. $69^{\circ}55'40''E.$, 69.19 feet to the POINT OF BEGINNING and containing 10.780 acres of land.

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PROPOSED
PALM BEACH ESTATES

FIELD NOTE DESCRIPTION OF 53.576 ACRES OF LAND, OUT OF THE JOHN CORNER SURVEY, A-8, MONTGOMERY COUNTY, TEXAS, BEING ALL OF THOSE TWO (2) TRACTS OF LAND (CALLED 18.718 ACRES & CALLED 34.858 ACRES) CONVEYED TO WINKLER AND ASSOCIATES, INC., BY DEED RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO.(S) 9808578 AND 9806882 OF THE DEED RECORDS OF MONTGOMERY COUNTY, TEXAS, SAID 53.576 ACRE TRACT OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS; [BEARINGS REFERENCED TO THE NORTHEASTERLY RIGHT-OF-WAY LINE OF WALDEN ROAD, SAME BEING THE SOUTHWESTERLY LINE OF SAID 18.718 & SAID 34.858 ACRE TRACT, BEARING N 41°25'06" W]:

BEGINNING at a 1/2 inch iron rod found for the Northwest corner of Lot 1, Block 7, of Cape Conroe, Section One, as recorded in Cabinet A, Sheet 56 of the Montgomery County Map Records, said iron rod also marks the Northeast corner of said called 18.718 acre tract;

THENCE, South 09°47'35" East, along the Westerly line of said Cape Conroe Subd., same being the Easterly line of said 18.718 acre tract, a distance of 539.40 feet to a 5/8 inch iron rod found for an angle point;

THENCE, South 09°13'22" East, continuing along the Westerly line of said Cape Conroe Subd., same being the Easterly line of said 18.718 acre tract, a distance of 495.95 feet to a 1/2 inch iron rod found for an angle point;

THENCE, South 09°24'26" East, continuing along the Westerly line of said Cape Conroe Subd., a distance of 77.04 feet to a 1/2 inch iron rod found for the Southeast corner of the herein described tract in the centerline of Stewart's Creek, same being the the Southerly line of said 18.718 acre tract;

THENCE, along the centerline of Stewart's Creek the following Twenty Three (23) courses and distances:

- 1) North 60°14'30" West, 40.38 feet to a point for corner;
- 2) North 34°26'28" West, 74.77 feet to a point for corner;
- 3) South 79°20'09" West, 58.94 feet to a point for corner;
- 4) South 89°39'59" West, 92.75 feet to a point for corner;
- 5) North 56°32'57" West, 87.05 feet to a point for corner;
- 6) North 74°20'34" West, 79.89 feet to a point for corner;
- 7) South 65°40'37" West, 53.27 feet to a point for corner;
- 8) North 83°11'52" West, 57.51 feet to a point for corner;
- 9) South 68°31'27" West, 109.21 feet to a point for corner;
- 10) South 88°22'47" West, 79.10 feet to a point for corner;
- 11) North 19°35'01" West, 42.66 feet to a point for corner;
- 12) South 78°14'07" West, 125.57 feet to a point for corner;
- 13) South 13°00'52" East, 55.16 feet to a point for corner;
- 14) South 87°47'23" West, 70.49 feet to a point for corner;

- 15) South 79°12'23" West, 20.69 feet to a point for corner;
- 16) South 09°29'56" West, 54.08 feet to a point for corner;
- 17) South 27°47'59" West, 159.95 feet to a point for corner;
- 18) North 39°01'44" West, 47.78 feet to a point for corner;
- 19) North 73°14'45" West, 60.98 feet to a point for corner;
- 20) South 26°28'50" West, 65.96 feet to a point for corner;
- 21) South 54°19'37" East, 44.10 feet to a point for corner;
- 22) South 00°55'02" East, 63.01 feet to a point for corner;
- 23) South 51°26'23" West, 43.13 feet to a 1/2 inch iron rod found in the Northeasterly right-of-way line of said Walden Road for the Southerly corner of said called 18.718 acre tract and the herein described tract, said iron rod falling in the arc of a curve to the Left;

THENCE, Northwesterly, along the Northeasterly line of Walden Road, with said curve to the Left, having a radius of 1015.68 feet, a central angle of 02°51'23", an arc length of 50.64 feet and a chord bearing North 39°59'18" West for a distance of 50.63 feet to a 1/2 inch iron rod found for the Point of Tangency of said curve;

THENCE, North 41°25'06" West, continuing along the Northeasterly right-of-way line of Walden Road, at a distance of 377.94 feet pass a 1/2 inch iron rod found marking the common Westerly corner of said called 18.718 acre & 34.858 acre tract and continuing a total distance of 878.81 feet to a 5/8 inch iron rod found for the Point of Curvature of a cuve to the Right;

THENCE, Northwesterly, continuing along the Northeasterly line of Walden Road, with said curve to the Right, having a radius of 950.00 feet, a central angle of 29°15'50", an arc length of 485.21 feet and a chord bearing North 26°44'40" West for a distance of 479.96 feet to a 5/8 inch iron rod found for the Point of Tangency of said curve;

THENCE, North 12°10'32" West, continuing along the Easterly right-of-way line of Walden Road, a distance of 354.75 feet to a 1/2 inch iron rod found for the Northwesterly corner of said called 34.858 acre tract and the herein described tract;

THENCE, North 87°22'19" East, along the North line of said 34.858 acre tract, a distance of 356.12 feet to a 1/2 inch iron rod found for an angle point;

THENCE, North 30°37'11" East, along the North line of said 34.858 acre tract, a distance of 636.48 feet to a 1/2 inch iron rod found for the Northeast corner said called 34.858 acre tract and the herein described tract;

THENCE, along the Shoreline of Lake Conroe, same being the Northeast line of said called 34.858 acre tract the following Five (5) courses and distances:

- 1) South 69°55'40" East, 163.64 feet to a point for corner;
- 2) South 57°21'40" East, 603.74 feet to a point for corner;
- 3) South 66°41'40" East, 174.05 feet to a point for corner;
- 4) South 61°56'40" East, 156.13 feet to a point for corner;

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5) South 49°02'31" East, at a distance of 7.27 feet pass a point marking the Southeasterly corner of said 34.858 acre tract, same being the Northwest corner of said 18.718 acre tract and continuing a total distance of 210.58 feet to the POINT OF BEGINNING and containing 53.576 acres of land.

CENTURY ENGINEERING, INC.

Dated this 1st day of April, 1998.



Bernerd F. Johnson

Bernerd F. Johnson
Registered Professional Land Surveyor No. 4314

CEI Job No. 97013-01.0
(QW) SV wik55a.t

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

JUL 28 1998



Mark Turnbull
COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

FILED FOR RECORD

98 JUL 28 PM 2:12

MARK TURNBULL, CO. CLERK
MONTGOMERY COUNTY, TEXAS

DEPUTY