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

547 292

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
CONCORD HILLS

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS ("Declaration") is made by Vaquillas Development, Ltd., a Texas limited partnership (the "Declarant").

PART ONE: INTRODUCTION TO THE CONCORD HILLS COMMUNITY

The Declarant intends to develop the real property described in Exhibit "A" as a community of single family residential lots, homes and related amenities. The Declarant recognizes that one of the keys to a successful community is a mechanism for the long-term maintenance of the appearance and quality of life that attracts the very first homebuyers. By recording this Declaration in the public records of Webb County, Texas, the Declarant intends to establish that mechanism.

Article I Creation of the Community

This Declaration sets forth various rights and duties which will be binding on and benefit each lot and property owner in the Community, now and in the future. The provisions of this Declaration work together to establish a governance structure and a flexible system of standards and procedures for the development, expansion, administration, maintenance, and preservation of the Community.

The Declarant has established Concord Hills Community Association, Inc., a Texas non-profit corporation (the "Association"), to own, operate, and maintain those areas of the Community which benefit all owners and their lots, and to administer and enforce the provisions of this Declaration and the other documents referenced in this Declaration. Each owner of property in the Community will be a member of the Association and, through such membership, will have the opportunity to participate in the governance and administration of the Concord Hills Community.

The Governing Documents create a general plan of development for Concord Hills which may be supplemented by additional covenants, restrictions, and easements applicable to a particular Neighborhood within Concord Hills. In the event of a conflict between or among the Governing Documents and any such additional covenants or restrictions, and/or the provisions of any other articles of incorporation, by-laws, rules, or policies governing any Neighborhood, the Governing Documents shall control. Nothing in this Section shall preclude any Supplemental

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Declaration or other recorded covenants applicable to any portion of Concord Hills from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration. The Association may, but shall not be required to, enforce any such covenants, restriction, or other instruments applicable to any Neighborhood.

This document does not, and is not intended to, create a condominium under Texas law.

Article II Concepts and Definitions

The terms used in this Declaration and the attached exhibits are intended to have their normal, commonly understood definitions, unless otherwise specified. In order to minimize repetition, avoid confusion, and explain key concepts, some terms are capitalized to indicate that they have special definitions. Whenever used in their capitalized form, those terms have the following meanings:

"Architectural Guidelines": The guidelines, standards, and procedures adopted pursuant to Article IV which relate to construction, installation, placement and modification of structures, improvements, landscaping and other items on Units.

"Area of Common Responsibility": Those areas within or abutting the Community which the Association is authorized or responsible to maintain as a Common Expense, including:

- (a) the Common Area;
- (b) all landscaping, entry features, and signage within or adjacent to public rights-of-way, to the extent that such public rights-of-way run through or abut the Community; and
- (c) such other areas, if any, for which the Association is assigned or assumes responsibility pursuant to this Declaration, any Supplemental Declaration, or any agreement with the owner of the property.

"Articles of Incorporation" or **"Articles"**: The Articles of Incorporation of Concord Hills Community Association, Inc., as filed with the Secretary of State of the State of Texas.

"Assessment": An amount of money which the Owner of a Unit is obligated to pay to the Association and which, until paid, constitutes a lien on the title to the Unit which may be foreclosed in the same manner as a Mortgage under Texas law.

"Association": Concord Hills Community Association, Inc., a Texas non-profit corporation, its successors or assigns.

"Board of Directors" or **"Board"**: The body responsible for administration of the Association, selected as provided in the By-Laws and serving the same role as the board of directors under Texas corporate law.

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"Builder": Any Person who purchases land within the Community for the purpose of improving it with one or more dwellings for sale to consumers in the ordinary course of such Person's business.

"By-Laws": The By-Laws of Concord Hills Community Association, Inc., attached as Exhibit "D," as they may be amended.

"Common Area": All real and personal property, including easements, which the Association owns, leases, or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners, including any landscaping, walkways, parking areas, and other structures and improvements situated on such real property. The term shall include the Exclusive Common Area, as defined below.

"Common Expenses": The expenses which the Association incurs, or expects to incur, in exercising its authority and performing its responsibilities under the Governing Documents and Texas law, and reasonable contributions to reserve funds, as the Board may find necessary and appropriate.

"Community": The real property described in Exhibit "A," along with such additional property as is submitted to the terms of this Declaration in accordance with Article XII.

"Community-Wide Standard": The standard of conduct, maintenance, and appearance generally prevailing throughout the Community, or the minimum standards which the Declarant, the Board, and the Architectural Control Committee may establish for the Community as set forth in the Restrictions and Rules, the Architectural Guidelines, by resolutions and example, whichever is a higher standard. Such standard may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as needs and demands change in response to, among other things, market factors and environmental concerns or pressures.

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COMMUNITY-WIDE STANDARD

The higher of:

MINIMUM STANDARDS

OR

PREVAILING STANDARD

*Architectural Guidelines
Restrictions and Rules
Resolutions of Board
Example set by Declarant, Board*

"Declarant": Vaquillas Development, Ltd., a Texas limited partnership, or any successor, successor-in-title, or assign who takes title to any portion of the property in the

Community for the purpose of development and/or resale and who is designated as Declarant in a recorded instrument executed by the immediately preceding Declarant. There shall be only one Declarant at any time.

"Developer Control Period": The period of time during which the Declarant, by virtue of its Class "B" membership, is entitled to appoint a majority of the members of the Board of Directors pursuant to the By-Laws.

"Exclusive Common Area": A portion of the Common Area primarily benefiting one or more, but less than all, Neighborhoods, as more particularly described in Article XI.

"General Assessment": Assessments to fund Common Expenses for the general benefit of all Units, as described in Section 8.2(a).

"Governing Documents": The Articles of Incorporation, the By-Laws, this Declaration, any Supplemental Declaration, the Architectural Guidelines, and the Restrictions and Rules, or any of the above, as each may be amended from time to time.

GOVERNING DOCUMENTS	
Articles of Incorporation (filed with Secretary of State)	establishes the Association as a non-profit corporation
By-Laws (adopted by the Board of Directors)	administrative rules governing the Association's internal affairs, such as voting rights, elections, meetings, officers, etc.
Declaration (recorded in Public Records)	creates obligations which are binding upon the Association and all present and future owners of property in the Community
Supplemental Declaration (recorded in Public Records)	adds property to the Community, designates Neighborhoods, and may create additional obligations or restrictions on such property
Architectural Guidelines (adopted by Declarant)	establishes architectural standards and guidelines for improvements and modifications to Units, including structures, landscaping and other items on Units
Restrictions and Rules (initial set attached as Exhibit "C")	specific provisions governing use of property, activities, and conduct within the Community

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6.1. **"Member"**: A Person holding a membership in the Association pursuant to Section

"Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit. A **"Mortgagee"** is the beneficiary or holder of a Mortgage.

"Neighborhood": A group of Units designated as a separate Neighborhood for purposes of sharing Exclusive Common Areas and/or receiving other benefits or services from the Association which are not provided to all Units within Concord Hills. A Neighborhood may be comprised of more than one housing type and may include noncontiguous parcels of property. If the Association provides benefits or services to less than all Units within a particular Neighborhood, then the benefited Units shall constitute a sub-Neighborhood for purposes of determining and levying Neighborhood Assessments for such benefits or services.

Where the context permits or requires, the term Neighborhood shall also refer to the Neighborhood Committee (established in accordance with the By-Laws), if any. Neighborhood boundaries may be established and modified as provided in Section 6.3.

"Neighborhood Assessments": Assessments levied against the Units in a particular Neighborhood to fund Neighborhood Expenses, as described in Section 8.3.

"Neighborhood Expenses": The actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners of Units within a particular Neighborhood, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Neighborhood(s).

"Owner": One or more Persons who hold the record title to any Unit, other than a Mortgagee or other Person holding title merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

"Permitted Units": The maximum number of Units which may be developed within the property described in Exhibits "A" and "B" under applicable zoning.

"Person": A human being, a corporation, a partnership, a trust, or any other entity recognized by law.

"Public Records": The place designated as the official location for recording of deeds and similar documents affecting title to real estate in Webb County, Texas.

"Restrictions and Rules": The restrictions and rules relating to uses, activities and conduct within the Community set forth on Exhibit "C," as they may be modified, expanded, and repealed pursuant to the procedures described in Article V.

"Special Assessment": Assessments to cover unanticipated Common Expenses or Common Expenses in excess of those budgeted, as described in Section 8.2(b).

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"Specific Assessment": An Assessment against a particular Unit or Units for expenses which the Association incurs or expects to incur for any purpose described in Section 8.2(c).

"Supplemental Declaration": An instrument filed in the Public Records pursuant to Article XIII which expands the Community by submitting additional property to this Declaration, designates Neighborhoods, imposes additional restrictions and obligations on the land described in such instrument, or all.

"Unit": A portion of the property comprising the Community, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, and occupancy as a residence for a single family. The term shall include each numbered lot shown on the recorded subdivision plat of any portion of the Community, together with the structures and improvements, if any, constructed on each such lot. The term shall not include Common Areas or property dedicated to the public.

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for maintenance, architecture, use and conduct within the Community are what distinguish Concord Hills from other subdivisions and make it a place that people want to call "home." Yet those standards should be more than just a long list of prohibitions. This Declaration establishes guidelines and procedures to establish and maintain community standards and to allow such standards to evolve as the Community changes and grows and as technology, public perception and applicable law change.

Article III Maintenance and Repair of Units

3.1. Maintenance of Units.

Each Owner shall maintain his or her Unit (including all structures, parking areas, landscaping, and other improvements comprising the Unit) in good order and repair, and in a neat, clean and attractive condition consistent with the Community-Wide Standard. Maintenance shall include the responsibility for repair and replacement as necessary. **Owners shall not permit any structures, equipment, or other items on the exterior portions of a Unit to become rusty, dilapidated, or otherwise fall into disrepair.**

3.2. Insurance on Units.

Each Owner shall obtain and maintain in effect at all times property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible. In the event of damage to or destruction of any structures or improvements on the Unit, the Owner shall proceed promptly to repair, reconstruct or replace the damaged structures or improvements in a manner consistent with their original condition or such other plans and

specifications as are approved in accordance with Article IV. Alternatively, the Owner shall clear the Unit of all debris and ruins and maintain the Unit in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

3.3. Maintenance of Neighborhood Property.

Owners within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining and insuring certain portions of the Area of Common Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and lakes or ponds within the Neighborhood, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided, however, all Neighborhoods which are similarly situated shall be treated the same.

All costs of maintenance pursuant to this paragraph shall be assessed as a Neighborhood Assessment only against the Units within the Neighborhood to which the services are provided. The provision of services in accordance with this Section shall not constitute discrimination within a class.

Article IV Architectural Standards

4.1. General.

(a) No person other than the Declarant shall:

(i) undertake any staking, clearing, excavation, grading, or other site work on a Unit;

(ii) construct, place, or install any structures or other improvements on a Unit or alter the exterior of any existing structures or improvements; or

(iii) plant, install or remove any trees, shrubs, or other landscaping materials on a Unit,

except in compliance with this Article and the Architectural Guidelines adopted pursuant to Section 4.3.

(b) This Article shall not apply to:

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(i) remodeling, redecorating or similar activities within the interior of structures on a Unit unless they affect screened porches, patios, and similar portions of a Unit visible from outside the structures;

(ii) repairs, maintenance, or rebuilding in accordance with originally approved plans and specifications;

(iii) the Declarant's activities;

(iv) the Association's activities during the Developer Control Period;

(v) the activities of Builders pursuant to building plans pre-approved by Declarant.

(c) This Article may not be amended without Declarant's written consent so long as Declarant owns any property described in Exhibits "A" or "B" which is or which may become a part of the Community.

4.2. Architectural Review.

No activities within the scope of Section 4.1 ("Work") shall be commenced on any Unit unless and until the Owner of the Unit submits an application for approval of the proposed Work and such application is approved in writing by the Declarant or the Architectural Review Committee appointed pursuant to this Section.

So long as the Declarant owns any property described in Exhibits "A" or "B" to this Declaration which is or may become a part of the Community, the Declarant shall have the exclusive authority to review and act upon all applications for approval and to exercise all authority of the "Reviewer" under this Article. Thereafter, such authority shall be exercised by an architectural review committee comprised of three to five persons appointed by the Board (the "ARC"), the members of which shall serve and may be removed and replaced in the Board's discretion. (For purposes of this Article, the "Reviewer" shall refer to the Declarant or the ARC, as appropriate under the circumstances).

The Declarant may, from time to time, but shall not be obligated to, delegate all or a portion of its authority to the ARC. Any such delegation shall be in writing, specifying the scope of responsibilities delegated, and shall be subject to (i) the right of Declarant to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and (ii) the right of Declarant to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the authority and jurisdiction of the ARC shall be limited to such matters as Declarant specifically delegates to the ARC.

The Declarant or, upon passing of its authority to the ARC, the Board, may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. The Declarant or the ARC may retain architects, engineers or other professionals to assist in reviewing any application and may include the compensation of such persons in the Association's annual operating budget as a Common Expense.

4.3. Guidelines and Procedures.

(a) Architectural Guidelines. Declarant may prepare Architectural Guidelines for the Community which may contain general provisions applicable to all of the Community, as well as specific provisions which vary from Neighborhood to Neighborhood. Copies of the Architectural Guidelines shall be made available to any Owner upon request.

All Work shall be conducted in strict compliance with the Architectural Guidelines in effect at the time the application for such Work is approved, unless the Reviewer has granted a variance in writing pursuant to Section 4.5. So long as the Reviewer has acted in good faith, its findings and conclusions with respect to appropriateness of, applicability of, or compliance with the Architectural Guidelines and this Declaration shall be final. The Architectural Guidelines are intended to provide guidance regarding matters of particular concern in considering applications hereunder, but shall not be the exclusive basis for decisions of the Reviewer. Compliance with the Architectural Guidelines does not guarantee approval of any application.

The Declarant shall have sole and full authority to amend the Architectural Guidelines as long as it has jurisdiction over architectural matters pursuant to Section 4.2. Thereafter, the ARC shall have the authority to amend the Architectural Guidelines. Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines; amendments may eliminate requirements previously imposed or otherwise make the Architectural Guidelines more or less restrictive.

(b) Procedures. An application for approval of any proposed Work shall be in the form required by the Reviewer and shall include plans and specifications ("Plans") in such detail as the Reviewer reasonably deems appropriate to evaluate such matters as the location, size, materials, manner of construction or installation and other features of the proposed Work which the Reviewer deems relevant. The Reviewer may require the submission of such additional information as it deems necessary to consider any application. The Reviewer may refuse to consider any application if the Reviewer determines, in its reasonable discretion, that the Plans are not sufficiently legible, precise, or detailed or are otherwise insufficient in any respect.

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The Reviewer may establish, as part of the Architectural Guidelines, a schedule and procedures for the review process, identifying the specific items to be submitted at each step of the process.

In reviewing each submission, the Reviewer may consider (but shall not be limited to consideration of):

- (i) finished grade elevations;
- (ii) the quality of workmanship and design, including features such as energy efficiency;
- (iii) harmony of external design with surrounding structures and the environment;
- (iv) location in relation to surrounding structures and plant life;
- (v) architectural merit; and
- (vi) compliance with the general intent of the Architectural Guidelines and the general scheme of development for the Community.

Decisions of the Reviewer may be based on purely aesthetic considerations. Each Owner acknowledges that opinions on aesthetic matters are subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements and as the Reviewer and its members change over time.

The Reviewer shall, within 30 days after receipt of each complete application or other required submission, advise the applicant, in writing at an address specified in the application, of (i) the approval of Plans, or (ii) the disapproval of such Plans, specifying the segments or features of the Plans which are objectionable and suggestions, if any, for the curing of such objections. In the event the Reviewer fails to so advise the applicant by written notice within such 30-day period, the applicant may give the Reviewer written notice of such failure to respond. If the Reviewer has still not responded within 10 days after receipt of such notice, approval shall be deemed granted. However, no approval, whether expressly granted or deemed granted, shall be inconsistent with the Architectural Guidelines unless a variance has been granted in writing pursuant to Section 4.5

Notice shall be deemed to have been given at the time the envelope containing such notice, property addressed, and postage prepaid, is deposited with the U.S. Postal Service, registered or certified mail, return receipt requested. Personal delivery of such written notice, shall, however, be sufficient and shall be deemed to have been given at the time of delivery.

All approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Unit,

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unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work, Declarant or the Association shall be authorized, after notice to the Unit Owner and an opportunity to be heard as provided for in the By-Laws, to enter upon the Unit and remove or complete any incomplete work pursuant to the easement set forth in Section 15.5. Declarant or the Association may recover all such costs incurred against the Unit and the Owner thereof as a Specific Assessment pursuant to Section 8.2(d) of this Declaration.

All Work shall be completed within six months of commencement of construction or such shorter period as the Reviewer may specify in the notice of approval, unless completion within such time is delayed due to causes beyond the reasonable control of the Owner, as determined in the sole discretion of the Reviewer.

4.4. No Waiver of Future Approvals.

Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require. However, the ARC may not authorize variances without the written consent of Declarant as long as the Declarant has any authority over architectural matters. Variances may only be granted to accommodate unique circumstances and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) preclude the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain necessary governmental approvals or permits, or to satisfy the terms or conditions of any financing, shall not be considered a hardship warranting a variance.

4.6. Limitation of Liability.

The standards and procedures established pursuant to this Article are intended only to provide a mechanism for maintaining and enhancing the overall appearance and attractiveness of the Community, and shall not create any duty or responsibility to any Person to ensure the structural integrity or soundness of approved Work, the adequacy of soils or drainage, compliance with building codes and other governmental requirements, or any other matter. Neither Declarant, the Association, the Board, the ARC, nor any member of any of the foregoing shall be held liable for any injury, damages, or loss to any Person arising out of the approval or disapproval of any proposed Work. The Association shall defend the ARC and its members and

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reimburse them for any loss, damages, and expenses incurred in any action arising out of their service on the ARC, to the extent provided in the Articles of Incorporation.

Article V Use and Conduct

5.1. Framework for Regulation.

Initial Restrictions and Rules governing use, conduct and activities within the Community are set forth on Exhibit "C." The Governing Documents establish, as part of the general plan of development for the Properties, a framework of covenants (i.e., binding obligations), easements and restrictions which govern the Properties. However, within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends and technology which inevitably will affect the Community, its Owners and residents.

This Article establishes procedures for adopting rules which interpret, expand, modify or repeal the initial Restrictions and Rules set forth on Exhibit "C" and which implement the authority granted to the Association under the Governing Documents.

5.2. Rulemaking Authority and Procedures.

(a) Authority.

(i) Subject to the terms of this Article and its duty to exercise business judgment and act reasonably, the Board may adopt rules applicable to the Common Area or Units. Except to the extent that the Governing Documents specifically assign authority to regulate a particular matter to the Board, any rulemaking action by the Board may be overturned by the Members by a vote of the membership pursuant to subsection (b). The Board shall have no obligation to call for a vote of the membership except upon receipt of a petition of the members calling for a special meeting, as provided for in the By-Laws.

(ii) Subject to the terms of this Article, the Members may adopt rules applicable to the Common Area or Units upon the approval of a majority of the total Class "A" votes in the Association, with the consent of the Class "B" Member, if any.

(iii) Nothing in this Article shall authorize the Board or the Members to modify, repeal, or expand the Architectural Guidelines. In the event of any inconsistency between the Architectural Guidelines and the Restrictions and Rules, the Architectural Guidelines shall control.

(b) Notice to Owners. No rulemaking action shall be taken unless and until a meeting of the Board or the membership has been called to consider and discuss the proposed action. The notice of any meeting at which proposed rulemaking action is to be considered shall state that fact. Members shall have a reasonable opportunity to be heard at such meeting prior to

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any vote being taken on the proposed action. At least 10 days prior to the effective date of any rulemaking action approved under subsections (a) or (b) of this Section, the Board shall send notice to each Owner describing the action and the effective date.

5.3. Owners' Acknowledgment.

All Owners and occupants of Units are given notice that use of their Units is limited by the Restrictions and Rules as they may be amended, expanded, and otherwise modified hereunder. Each Owner, by acceptance of a deed or entering into and recording a contract of sale, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected and that the Restrictions and Rules may change from time to time.

5.4. Rights of Owners.

(a) The Association shall provide, without cost, a copy of the current Restrictions and Rules to any requesting Member or Mortgagee.

(b) Except as may be specifically set forth in this Declaration (either initially or by amendment) or in Exhibit "C," neither the Board nor the Members may adopt any rule in violation of the following provisions:

(i) Abridging Existing Rights. If any rule would otherwise require Owners or occupants of Units to dispose of personal property which they maintained in or on the Unit prior to the effective date of such rule, or to vacate a Unit in which they resided prior to the effective date of such rule, and such property was maintained or such occupancy was in compliance with this Declaration and all rules previously in force, such rule shall not apply to any such Owners without their written consent unless the rule was in effect at the time such Owners or occupants acquired their interest in the Unit.

(ii) Activities Within Dwellings. No rule shall interfere with the activities carried on inside of dwellings, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, that create an unreasonable source of annoyance or nuisance to the neighborhood, or that involve any noxious, offensive, or illegal activity.

(iii) Alienation. No rule shall prohibit the sale of any Unit, or require consent of the Association or Board for the sale of any Unit.

(iv) Allocation of Burdens and Benefits. No rule shall alter the allocation of financial burdens among the various Units or discriminate among Owners with respect to their rights to use the Common Area over the objection of any Owner expressed in writing to the

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Association. Nothing in this provision shall prevent the Association from changing the Common Areas available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who abuse the Common Area (for example, destruction and vandalism of Common Area improvements and equipment), violate rules or this Declaration, or fail to pay assessments. This provision does not affect the right to increase the amount of Assessments as provided in Article VIII.

(v) Household Composition. No rule shall interfere with the freedom of occupants of Units to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Unit on the basis of the size and facilities of the Unit and its fair use of the Common Area.

(vi) Reasonable Rights to Develop. No rule or action by the Association or Board shall unreasonably impede Declarant's right to develop the Community.

(vii) Religious and Holiday Displays. The rights of Owners to display religious and holiday signs, symbols, and decorations in or on their Units of the kinds normally displayed in residences located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions and restrictions on the extent of such displays for the purpose of minimizing damage and disturbance to other Owners and occupants.

(viii) Similar Treatment. Similarly situated Owners shall be treated similarly; provided, the Restrictions and Rules may vary by Neighborhood.

(ix) Speech. The freedom of speech rights of Owners shall not be abridged, except that the Association may adopt time, place, and manner restrictions (including design criteria) for the purpose of minimizing damage and disturbance to other Owners and occupants of Units.

The limitations in this Section 5.4 shall apply to exercise of the rule making authority under this Article only; they shall not apply to amendments to this Declaration adopted in accordance with Section 18.2.

5.5. Restriction on Leasing of Units.

Units owned by the Declarant may be leased at Declarant's discretion. Units purchased by the Association pursuant to the powers granted to it under Section 8.8 of this Declaration may be leased on a short-term basis while such Units are advertised for sale. No other Units may be leased except in the case of financial hardship of the Owner or other compelling reason as determined and approved by the Board on a case-by-case basis. If the Board permits the leasing of any Unit, the Board may impose reasonable conditions upon such lease and may require inclusion of specific terms and conditions in the lease agreement. Any

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lease of a Unit shall provide that the tenant and all occupants of the leased Unit shall be bound by the terms of the Governing Documents.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

The success of the community is dependent upon the support and participation of every owner in its governance and administration. The Declaration establishes Concord Hills Community Association, Inc. as the mechanism by which each owner is able to provide that support and participate in the Community. While many powers and responsibilities are vested in the Association's board of directors, some decisions are reserved for the Association's membership -- the owners of property in the community.

Article VI Association Membership and Voting Rights

6.1. Membership.

(a) Qualification. Every Owner shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation. All co-Owners of a Unit shall be jointly obligated to perform the responsibilities of the Owner of the Unit, and any one co-Owner may be held fully responsible for all such obligations. The membership rights of an Owner which is a corporation, partnership, trust, or other entity may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

(b) Classes. The Association initially shall have two classes of membership, Class "A" and Class "B," with such rights and privileges as are described in this Declaration and in the Association's Articles and By-Laws. Class "A" Members shall be all Owners except the Class "B" Member, if any. The sole Class "B" Member shall be the Declarant. The Class "B" membership shall terminate two years after the earlier of:

(i) the date upon which 75% of the Units permitted by applicable zoning for the property described on Exhibits "A" and "B" of this Declaration have been improved with a dwelling approved for occupancy and have been conveyed to Class "A" Members other than Builders;

(ii) December 31, 2012; or

(iii) the date upon which the Declarant voluntarily terminates such membership by written notice recorded in the Public Records.

Upon termination of the Class "B" membership, the Declarant shall become a Class "A" member as to any Units which the Declarant owns.

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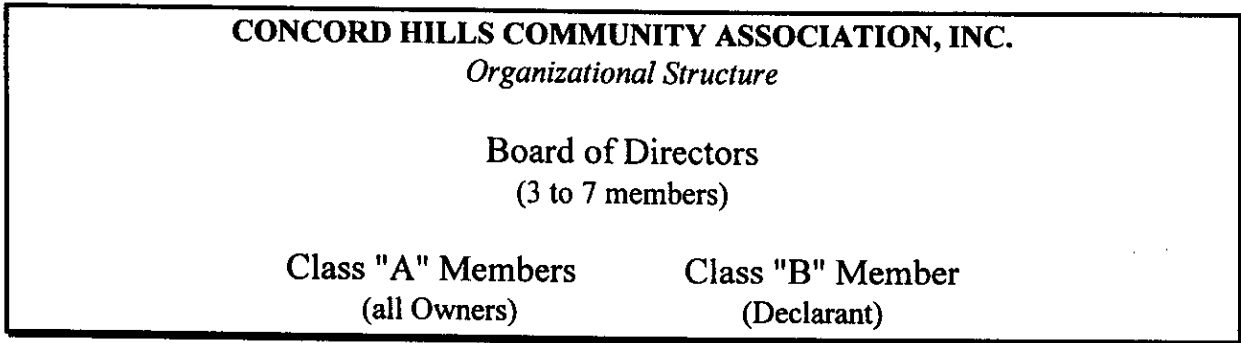
6.2. Voting.

(a) Class "A". Class "A" Members shall have one equal vote for each Unit of which they are the Owner; provided, there shall be only one vote per Unit. In any situation where there is more than one Owner of a Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

(b) Class "B". The Class "B" Member shall have no specific number of votes. The rights of the Class "B" Member, including the right to approve, or withhold approval of, actions proposed under the Governing Documents, are specified in the relevant sections of this Declaration, the By-Laws, and the Articles. The Class "B" Member may appoint members of the Board of Directors during the Developer Control Period, as specified in Sections 3.3 and 3.5 of the By-Laws.

(c) Manner of Voting. On any matter as to which the Governing Documents or Texas law require a vote or approval of the membership, such vote or approval may be obtained by affirmative vote at a meeting or by written consent, or by any combination of votes and written consents, unless the Governing Documents or Texas law expressly require that the vote on such matter be taken at a meeting of the membership.

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6.3 Neighborhoods.

Any Neighborhood may request that the Association provide a higher level of service than that which the Association generally provides to all Neighborhoods, or may request that the Association provide special services for the benefit of Units in such Neighborhood. Upon the affirmative vote, written consent, or a combination thereof, of Owners of a majority of the Units within the Neighborhood, the Association shall provide the requested services. The cost of such services, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service), shall be assessed against the Units within such Neighborhood as a Neighborhood Assessment.

Exhibit "A" to this Declaration, and each Supplemental Declaration submitting additional property to this Declaration shall initially assign the property submitted thereby to a specific Neighborhood (by name or other identifying designation), which Neighborhood may be then existing or newly created. So long as it has the right to subject additional property to this Declaration pursuant to Section 13.1, Declarant may unilaterally amend this Declaration or any Supplemental Declaration to redesignate Neighborhood boundaries.

Article VII Association Powers and Responsibilities

7.1. Function of the Association.

The Association has been established for the purpose of administering the Community in accordance with the Governing Documents. Its responsibilities shall include, but are not limited to:

(a) management, maintenance, operation, and control of the Area of Common Responsibility;

(b) enforcing the Governing Documents, including such reasonable rules regulating use, conduct, activities, and aesthetic matters within the Community as may be set forth in or adopted pursuant to this Declaration; and

(c) administering and enforcing the architectural standards set forth in Article IV and in the Architectural Guidelines, upon delegation or termination of the Declarant's authority under Article IV.

7.2. Implied Rights; Board Authority.

The Association shall have the powers and authority granted by, and shall perform its functions in accordance with, the Governing Documents and the laws of the State of Texas. The Association shall also have any right, power or privilege which may reasonably be implied from, or which is reasonably necessary to exercise, any right, power or privilege expressly granted by the Governing Documents or by law. Except as the Governing Documents or Texas law may otherwise specifically provide, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

7.3. Maintenance Responsibility.

(a) The Association shall maintain the Area of Common Responsibility in good repair and in a neat, clean and attractive condition consistent with the Community-Wide Standard.

(b) The Association may maintain other property which it does not own, including, without limitation, storm drainage facilities and other property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain

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the Community-Wide Standard. In addition, the Association may enter into agreements or to share costs with neighboring property owners for maintaining and/or operating properties or facilities benefiting both parties.

(c) Except as the Governing Documents may otherwise specifically provide, all costs associated with maintenance, repair, replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Units as part of the General Assessment. The Board may, however, allocate the expense of any maintenance, repair, or replacement which benefits one or more, but less than all Units, as a Specific Assessment pursuant to Section 8.2, according to the benefit received by such Units, as the Board may reasonably determine. Maintenance, repair, and replacement of Exclusive Common Areas shall be a Neighborhood Expense assessed to the Neighborhood(s) such to which the Exclusive Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

(d) The Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

7.4. Insurance.

(a) Required Coverages. The Association shall obtain and keep in effect, as a Common Expense, the following types of insurance:

(i) 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 the Common Area, Exclusive Common Area, and on other portions of the Area of Common Responsibility to the extent that it has assumed (or been assigned by Supplemental Declaration) responsibility for maintenance, repair, and/or replacement in the event of a casualty. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. The Association shall have the authority to and interest in insuring any property for which it has maintenance or repair responsibility, regardless of ownership. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, if additional coverage and higher limits are available at a reasonable cost such that a reasonably prudent person would obtain it, the Association shall obtain such additional coverage or limits;

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

(iv) Directors and officers liability coverage;

(v) 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-sixth of the annual General 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; and

(vi) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable, which may include, without limitation, flood insurance and building ordinance coverage.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses, except that, if applicable, (i) premiums for property insurance on Units within a Neighborhood shall be a Neighborhood Expense; and (ii) premiums for insurance on Exclusive Common Areas may be included in the Neighborhood Expenses of the Neighborhood(s) to which such Exclusive Common Areas are assigned unless the Board reasonably determines that other treatment of the premiums is more appropriate.

If any of the above coverages are not available at reasonable cost, the Association shall obtain the most nearly equivalent coverages as are reasonably available.

The Association may contract with or otherwise arrange to obtain any of the insurance described above through the Declarant and, in such event, shall reimburse the Declarant for that portion of its cost which is attributable to the coverage provided to the Association.

The Board shall annually review the types and amounts of insurance coverage for sufficiency.

(b) Insurance Deductibles. The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.4(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage; provided, if the Board reasonably determines, after notice and an opportunity to be heard in accordance of the By-Laws, 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 specifically assess the full amount of such deductible against such Owner(s) and their Units pursuant to Section 8.2.

(c) Policy Requirements. All Association insurance policies shall:

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

(ii) be written in the name of the Association, for the benefit of the Association and its Members;

(iii) provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured;

(iv) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(v) contain an inflation guard endorsement; and

(vi) include an agreed amount endorsement, if the policy contains a co-insurance clause.

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

(i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(iii) an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure;

(iv) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

(v) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(vi) a cross liability provision; and

(vii) a provision vesting in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

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7.5. Safety and Security.

Each Owner and occupant of a Unit shall be responsible for his or her own safety and the security of his or her Unit and personal property. The Association may, but shall not be obligated to, maintain or support certain activities within the Community designed to enhance safety and security within the Community. 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 installed or undertaken cannot be compromised or circumvented, nor that any such systems or measures 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 agrees to inform any and all tenants and occupants of its Unit that the Association, its Board of Directors and committees, Declarant, and any successor or assign of each are not insurers and that each Person using 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.

7.6. Provision of Services.

The Association may arrange for or provide services to the Owners and their Units and shall be authorized to enter into contracts or other agreements with third parties, including Declarant, to provide such services. By way of example, such services may include trash collection, lawn maintenance, pest control, cable television service, fire protection, security monitoring, and other similar services, although the Association shall have no obligation to provide any such services. The Board may modify or cancel any services provided to the Owners and their Units at any time in its discretion.

The cost of any such services provided to all Units shall be a Common Expense and/or the Association may charge use and consumption fees for selected services. No Owner shall be exempt from the obligation to pay for such services based upon non-use or any other reason.

ARTICLE VIII Association Finances

8.1. Budgeting for Common Expenses.

At least 60 days before the beginning of each fiscal year, the Board shall prepare an operating budget reflecting the estimated Common Expenses which the Association expects to incur during the coming year. The budget shall separately list (i) those Common Expenses which benefit and are to be allocated among all Units, and (ii) those Common Expenses which benefit and are to be allocated among less than all Units.

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The budget shall include a contribution to one or more reserve funds, including a reserve fund for repair and replacement of any assets for which the Association is responsible which have an expected useful life of three years or more. The amount of such contribution shall be based upon the Board's reasonable estimate of the annual contribution needed over the remaining estimated useful life of each asset to provide sufficient funds for repair or replacement of such asset as required.

The Board shall provide a copy of the budget to each Owner at least 45 days prior to the effective date of such budget. The budget shall automatically take effect on the date specified by the Board unless Members entitled to cast at least 75% of the total Class "A" votes in the Association and the Class B member veto such budget at a meeting of the Members. The portion of the budget covering Neighborhood Expenses shall automatically take effect unless disapproved by Owners of a majority of the Units in the Neighborhood; provided this right to disapprove shall apply only to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood and shall not apply to any item which the Governing Documents require to be assessed as a Neighborhood Assessment. The Board shall have no duty to call a meeting for the purpose of considering the budget except upon receipt, within 10 days after the budget is provided to each Owner, of a petition signed by the Members as required for a special meeting pursuant to the By-Laws or a petition signed by Owners of at least 20% of the Units within any Neighborhood subject to a Neighborhood Assessment.

The Board may revise the budget from time to time during the fiscal year to reflect unanticipated expenses or changes in anticipated expenses, as the Board deems appropriate. The Board shall provide a copy of any revised budget to the affected Members and the affected Members shall have the right to veto any change from the budget previously in effect, in the same manner as described above.

If a budget is not adopted for any year, then until such time as a budget is adopted, the budget in effect for the immediately preceding year shall continue for the current year.

8.2. Allocating Common Expenses.

The Association is authorized to levy four types of Assessments to cover the Common Expenses of the Association, as follows:

(a) General Assessments. Common Expenses as reflected in the annual operating budget which directly or indirectly benefit all of the Units shall be allocated equally among all of the Units which are subject to Assessment under Section 8.3 as a General Assessment. The Board shall determine the amount of the General Assessment for each fiscal year at the time the budget is prepared, subject to adjustment in the event that the budget is revised during the year. Notice of the amount of the General Assessment, as it may be adjusted, shall be sent to each Owner with a copy of the budget.

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The General Assessment shall be an annual assessment due and payable in advance on the first day of each fiscal year; however, the Board may permit any General Assessment to be paid in monthly, quarterly or semi-annual installments, in its discretion.

(b) **Neighborhood Assessments.** Neighborhood Expenses shall be allocated equally among all Units in the benefited Neighborhood which are subject to assessment under Section 8.4; provided, if so specified in the applicable Supplemental Declaration or if so directed by petition signed by a majority of the Owners within the Neighborhood, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefited Units in proportion to the benefit received. The Board shall determine the amount of the Neighborhood Assessment for each fiscal year at the time the budget is prepared, subject to adjustment in the event that the budget is revised during the year. Notice of the amount of the Neighborhood Assessment, as it may be adjusted, shall be sent to each Owner with a copy of the budget.

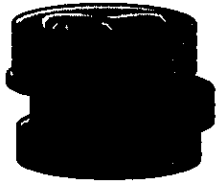
The Neighborhood Assessment shall be an annual assessment due and payable in advance on the first day of each fiscal year; however, the Board may permit any Neighborhood Assessment to be paid in monthly, quarterly or semi-annual installments, in its discretion.

(c) **Special Assessments.** Any Common Expenses of a non-routine nature, or which were not anticipated in the Association's annual operating budget, or which exceed budgeted amounts, may be assessed as a Special Assessment. Any such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses, or against the Units within any Neighborhood if such Special Assessment is for Neighborhood Expenses. Special Assessments shall be allocated equally among all Units subject to Assessment. Special Assessments shall be payable in such manner as the Board may determine, and may be payable in installments over a period of more than one year.

Notice of any Special Assessment shall be sent to each Owner at least 45 days prior to the due date of such Special Assessment (or the first installment thereof). Any Special Assessment may be vetoed by the Members in the same manner and by the same vote as the annual operating budget pursuant to Section 8.1.

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ASSOCIATION FUNDS



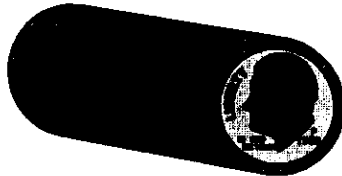
- General Operating Fund**
- Reserve Fund for Repair and Replacement of Capital Items**
- Reserve Fund for Purchase of Units**

PRIMARY SOURCES OF INCOME



- General Assessments**
- Neighborhood Assessments**
- Special Assessments**
- Specific Assessments**
- Declarant Subsidy (if any)**

SECONDARY SOURCES OF INCOME



- Facilities Rental**
- Monetary Penalties**
- Interest on Reserves
and Delinquent Assessments**
- Late Charges**

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(d) Specific Assessments. The Association may assess the following expenses as a Specific Assessment against a particular Unit or Units:

(i) those costs, including overhead and administrative costs, of providing benefits, items, or services to a Unit or the occupants thereof upon request of the Owner, which Assessments may be made in advance of the provision of the requested benefit, item, or service as a deposit against costs to be incurred on behalf of the Owner; and

(ii) those costs incurred in bringing the Unit into compliance with the Governing Documents or as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, or guests (subject to the notice and hearing requirements set forth in Section 18.4).

The Association may also levy a Specific Assessment against the Units within any Neighborhood to reimburse the Association for costs incurred in bringing the Neighborhood into compliance with the provisions of the Governing Documents, provided the Board gives prior written notice to the Owners of Units in the Neighborhood and an opportunity for such Owners to be heard before levying any such assessment.

8.3. Commencement of Assessments; Retroactive Assessment.

(a) The obligation to pay Assessments shall commence as to each Unit on the first day of the month following the conveyance of the Unit by Declarant; however, no Assessments shall be due prior to the month in which the Board first determines a budget and give notice of the Assessment due pursuant to this Article. The first General Assessment and Neighborhood Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time the Declarant conveys the Unit.

(b) Failure of the Board to fix Assessment amounts or rates or to deliver or mail each Owner an Assessment notice shall not waive the Association's right to collect such Assessments retroactively or release any Owner from the obligation to pay any Assessment when made. Each Owner shall continue to pay General Assessments and Neighborhood Assessments, if any, on the same basis as during the last year for which an Assessment was made, if any, until a new Assessment is made, at which time the Association may retroactively assess any shortfalls.

8.4. Personal Obligation and Lien for Assessments.

(a) Personal Obligation. Except as otherwise provided in this Section, each Owner, by accepting a deed or entering into a recorded contract of sale for any Unit, agrees to pay the Assessments authorized in this Declaration. No Owner may exempt himself from liability for assessments by non-use of Common Area, abandonment of his Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No reduction or abatement of Assessments or set-off shall be claimed or allowed for any alleged failure of the Association or the Board to take some action or perform some function required of it, or for inconvenience arising from the making of repairs or improvements, or otherwise as a result of any action or inaction by the Association.

All Assessments, together with:

- (i) interest computed from the due date of each Assessment at a rate of 18% per annum (or the maximum rate permitted by Texas law if less than 18% per annum);
- (ii) late charges in such amount as the Board may establish by resolution (subject to the limitations of Texas law);
- (iii) costs of collection (including reasonable attorneys' fees, whether or not suit is filed);

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shall be the personal obligation of the Person who is the Owner of the Unit at the time the Assessment is due. Upon a transfer of title to a Unit, the new Owner shall be jointly and severally liable with the former Owner for any Assessments and other charges due at the time of conveyance (i.e., both are responsible and either may be required to pay the full amount due to the Association), unless the new Owner took title following foreclosure of a Mortgage which has priority over the Association's lien under subsection (b) below.

The following property shall be exempt from payment of assessments:

- (i) all Common Area;
- (ii) all Units owned by Declarant for purposes of development and sale;
- (iii) any property dedicated to and accepted by any governmental authority or public utility.

(b) Lien for Assessments. The Declarant does hereby establish, create and make each Unit subject to a lien (i.e., a security interest) in favor of the Association to secure payment of all Assessments and other charges authorized in Section 8.4(a). The lien shall remain in existence without being reserved or referenced in any deed or other document and without any other action required. Such lien shall have priority over (i.e., shall be paid before) all other liens, except:

- (i) the liens of all taxes, bonds, assessments, and other levies which by law would have priority;
- (ii) the lien or charge of any Mortgage recorded in the Public Records which was made in good faith and for value and which, by law, would have priority over all other Mortgages on the Unit; and
- (iii) the lien or charge of any Mortgage granted to the Texas Affordable Housing Corporation to secure down-payment and closing cost assistance;

(collectively, "Priority Liens"). In the event of a foreclosure of the Association's lien, the Association shall be entitled to receive only those proceeds remaining after payment of the amounts required to remove or satisfy any Priority Liens, up to the amount of the Association's lien.

In the event that the Owner is delinquent in paying any amounts due to the Association, the Association may sue to collect the amounts due and, upon obtaining a judgment, foreclose its lien in the same manner as mortgages are foreclosed under Texas law. The Association may purchase the Unit at the foreclosure sale and thereafter hold, lease, mortgage, and convey the Unit. The Association may sue for unpaid Assessments and other charges authorized hereunder without foreclosing or waiving its lien.

If a Unit is owned by the Association: (i) no right to vote shall be exercised on its behalf; (ii) no Assessment shall be levied on it; and (iii) 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 sale or transfer of any Unit shall not affect the Association's lien or relieve such Unit from the lien securing any subsequent Assessments. However, a Person who obtains title to a Unit pursuant to the foreclosure of a Mortgage constituting a Priority Lien shall not be personally liable for Assessments due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses which the Association may thereafter allocate among all Owners as part of the General Assessment under Section 8.2(a).

8.5. Payment of Assessments; Delinquencies.

(a) Assessments made against each Unit which is subject to a Mortgage shall be collected by the Mortgagee holding the first Mortgage on such Unit as part of the payment on such Mortgage and the Mortgagee shall pay all Assessments to the Association on behalf of the Unit Owner on or before the due dates of such Assessments. Failure of the Mortgagee to pay any Assessment when due shall not relieve the Owner of responsibility for payment; however, the Association shall give the Owner at least 30 days' prior written notice of the Mortgagee's failure to pay before taking any action against the Owner or its Unit.

(b) **The Association shall, upon request, furnish to any Owner liable for any type of Assessment a certificate in writing 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.

(c) The Board may require advance payment of Assessments at closing of the transfer of title to a Unit and impose special requirements for accounts with a history of delinquent payment. If any Assessment or other charges against a Unit become delinquent, the Board may, upon at least 10 days written notice, require any unpaid installments of all outstanding Assessments on such Unit to be paid in full immediately.

(d) The Association may, at its discretion (but subject to all applicable debt collection statutes):

(i) prepare and file a lien affidavit in the Public Records specifying the amount of any unpaid Assessments and other charges due to the Association as of the date of such filing; and

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(ii) publish and post, in one or more locations within the Community and in one or more publications of general circulation within the Community, a list of those Owners who are delinquent in paying any amounts due to the Association.

Each Owner, by accepting a deed to any Unit, consents to these procedures and authorizes the Board to undertake such measures for the general benefit of the Association.

8.6. Declarant's Subsidy Option.

So long as the Declarant owns any real property within the Community, the Declarant may, but shall not be obligated to, reduce the General Assessment or fund any budget deficit for any fiscal year by payment of a subsidy which may be treated as either a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Common Expense budget and the treatment of such subsidy shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances 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.

The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with Declarant or other entities for payment of Common Expenses.

8.7. Reserve Fund for Purchase of Units.

The Declarant may initially establish and the Association shall thereafter maintain a separate reserve account for the purpose of funding:

(a) the Association's purchase of Units pursuant to Section 8.5(b) upon foreclosure of the Association's lien for Assessments, and pursuant to Section 18.3 upon failure of the Owner to comply with the Governing Documents, and

(b) all repairs, improvements and other costs arising from the Association's ownership and resale of such Units.

Such reserve fund shall be maintained in a separate interest bearing account. Upon the sale of any Unit owned by the Association, the net proceeds of such sale (over and above any expenses paid by the Association from general funds available to it) shall be deposited to the reserve fund. Unless otherwise approved by persons entitled to cast at least 85% of the total Class "A" votes in the Association, and by the Class "B" member, if any, the funds in this account shall be used only for the purposes described in this Section.

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PART FOUR: COMMON AREA

One of the primary functions of the Association is to own, operate, and maintain various portions of the Community, called Common Areas, which are designed and intended for the common use and enjoyment of all residents and the common benefit of all Units. The Common Areas in Concord Hills are designed to enhance the lifestyle and the value of owning property in this Community and set Concord Hills apart from traditional subdivisions which either lack such amenities or have no mechanism for ensuring their continued maintenance and operation.

Article IX Acceptance, Management and Control of Common Area.

9.1. Control of Common Area.

The Association, acting through its Board, may acquire, hold, and dispose of real property (i.e., land and improvements to the land and interests in land) and personal property (for example, furnishings, equipment and other items which are not attached to land), subject to the limitations set forth in this Declaration. Any such property shall be Common Area during such period as it is held by the Association and shall cease to be Common Area upon transfer or conveyance of the Association's interest in the property. The Association shall be responsible for management, operation and control of the Common Area.

9.2. Acceptance of Common Area Conveyed by Declarant.

Declarant and its designees may convey to the Association real and personal property, including easements, leasehold and other interests in property. Such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association.

9.3. Reconveyance of Common Area to Declarant.

Upon request of Declarant, the Association shall reconvey to Declarant any unimproved property or interests therein which the Declarant originally conveyed at no cost to the Association, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines or to accommodate public or quasi-public facilities. The Declarant shall not be required to pay for such property, but shall pay the costs of preparing and recording the deed to effect such reconveyance.

Article X Rights to Use Common Area

10.1. Non-Exclusive Easement.

Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, subject to

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(a) the matters set forth in the Governing Documents and any other instrument affecting title to the property;

(b) any restrictions or limitations contained in any deed or other document conveying an interest in such property to the Association;

(c) the right of the Board and the membership to adopt, amend, and repeal rules regulating the use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;

(d) the right of the Board to charge reasonable use fees, damage deposits, and similar charges for the use of any recreational or social facilities situated upon the Common Area;

(e) the right of the Board to permit use of any recreational or social facilities situated on the Common Area at non-peak times for private events sponsored and attended by Owners or their tenants and to restrict access by others during such events;

(f) the right of the Board to permit use of any community center or other recreational or social facility situated on the Common Area by Persons other than Owners, their families, tenants, and guests, on such terms as the Board, in its business judgment, may establish, and if the Board deems it appropriate, to require payment of use fees, damage deposits, and proof of adequate insurance, among other things, as a condition of such use;

(g) the right of the Board to suspend the right of an Owner, his or her family, tenants, and guests to use recreational and social facilities within the Common Area:

(i) for any period during which any Assessment against such Owner's Unit remains delinquent;

(ii) for a period not to exceed 30 days for a single violation, or for a longer period in the case of any continuing violation, of the Governing Documents, and

(iii) for a period not to exceed 30 days for conduct which the Board determines to be unacceptable or abusive, which causes damage to the Common Area, or which interferes with the ability of Declarant to sell Units;

(h) the right of the Association, acting through the Board, to dedicate, transfer, or grant easements over all or any part of the Common Area, subject to such approval requirements as may be set forth elsewhere in this Declaration;

(i) the right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; and

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(j) the rights of certain Owners to the exclusive use of those portions of the Common Area designated "Exclusive Common Areas," as described in Article XI.

10.2. Assignment of Rights to Use Common Area.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, occupants of the Owner's Unit under any lease authorized pursuant to this Declaration, and guests, subject to reasonable regulation by the Board. The Owner of a Unit which is rented under a lease authorized pursuant to this Declaration shall be deemed to have assigned to the tenant all such rights to use and enjoy recreational and social facilities on the Common Area for the term of the lease.

Article XI Exclusive Common Areas

11.1. Purpose.

Certain portions of the Common Area may be designated as Exclusive Common Area and reserved for the exclusive use or primary benefit of Owners and occupants within a particular Neighborhood or Neighborhoods. By way of illustration and not limitation, Exclusive Common Areas may include entry features, recreational facilities, landscaped medians and cul-de-sacs, and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of an Exclusive Common Area shall be a Neighborhood Expense allocated among the Owners in the Neighborhood(s) to which the Exclusive Common Areas are assigned.

11.2. Designation.

Initially, any Exclusive Common Area shall be designated as such in the deed conveying such area to the Association or on the subdivision plat relating to such Common Area; provided, however, any such assignment shall not preclude Declarant from later assigning use of the same Exclusive Common Area to additional Units and/or Neighborhoods, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 13.1.

Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area and Exclusive Common Area may be reassigned upon approval of the Board and the vote of Members representing a majority of the total Class "A" votes in the Association, including a majority of the Class "A" votes within the Neighborhood(s) affected by the proposed assignment or reassignment. As long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 13.1, any such assignment or reassignment shall also require Declarant's written consent.

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Article XII Changes in Common Area

12.1. Common Area to Remain Undivided.

No Person shall seek to have a court partition or divide the ownership interest of all or any portion of the Common Area unless the portion of the Common Area which is the subject of such action has been removed from the provisions of this Declaration. This section shall not apply to any property which was formerly Common Area once the Association no longer holds any legal interest in such property.

12.2. Conveyance of Common Area.

(a) The Association, acting through the Board without a vote of the membership, may grant licenses, leases or easements over portions of the Common Area to the extent not inconsistent with the intended use of the Common Area.

(b) Except as provided in Sections 9.3 and 12.2(a), the Association shall not Mortgage or convey any real property comprising all or any portion of the Common Area without the approval of Owners representing 67% of the total Class "A" votes in the Association and the written consent of the Class "B" Member, if such exists.

12.3. Repair or Reconstruction After Damage, Destruction or Condemnation.

(a) If any portion of the Common Area containing structures or improvements (other than landscaping) are damaged or destroyed, or taken by or sold under threat of condemnation proceedings, the Association shall file any appropriate insurance claims and shall obtain reliable and detailed estimates of the cost to repair, restore, or rebuild the affected structures and improvements on the available property within the Common Area. The Association shall notify the Owners, within 60 days after the damage, conveyance or condemnation, of the estimated cost of repair, restoration or reconstruction, the amount of funds available to undertake such work, and the estimated shortfall, if any.

(b) The Association shall proceed with the repair, restoration or reconstruction unless, within 30 days after such notice, Members representing at least 75% of the total Class "A" votes in the Association otherwise agree. In addition, so long as the Declarant owns any portion of the Community or property which may become subject to this Declaration in accordance with Section 13.1, no such agreement shall be effective to relieve the Association of its obligation under this Section unless the Declarant also agrees. No Mortgagees shall have the right to participate in such determination. If a determination is made not to repair, restore or rebuild, the Association shall clear any debris or ruins remaining on the Common Area and thereafter maintain it in a neat, attractive condition consistent with the Community-Wide Standard.

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(c) To the extent that the proceeds of condemnation, sale or insurance are insufficient to cover the costs of repair, restoration or reconstruction, the Board may levy a Special Assessment or borrow the funds necessary to cover the excess costs without the approval of the membership. Any such construction shall be in accordance with the original improvements or such other plans as the Board may approve.

(d) If a decision is made not to repair, restore, or rebuild, or if net funds remain after completion of the repair, restoration or reconstruction, then the Association shall deposit the proceeds or net funds to its capital improvements account to be used for future capital expenditures as the Board deems appropriate.

12.4. Improvements to Common Area.

During the Developer Control Period, the Association shall not incur any Common Expenses for development or construction of capital improvements to the Common Area unless approved by Persons entitled to cast a majority of the total Class "A" votes in the Association and by the Class "B" member.

PART FIVE: DEVELOPMENT OF THE COMMUNITY

The Declaration reserves various rights to the Declarant and the Association in order to facilitate the smooth and orderly development of the Community and to accommodate changes in the master plan which inevitably occur as a community the size of the Community grows and matures.

Article XIII Expansion of the Community

13.1. Expansion by Declarant.

Declarant reserves the right to expand the Community to include all or any portion of the real property described in Exhibit "B." Such right shall expire 20 years after the date on which this Declaration is recorded in the Public Records. Declarant may assign this right to any Person who is the developer of at least a portion of the real property described in Exhibits "A" and "B." Any such assignment shall be in writing, signed by the Declarant, and recorded in the Public Records.

Such expansion shall be accomplished by filing a Supplemental Declaration in the Public Records describing the property being added to the Community. Such Supplemental Declaration shall not require the approval of Members, but shall require the consent of the owner of such property, if other than Declarant.

Nothing in this Declaration shall be construed to require Declarant or any successor to expand the Community or develop any of the property described in Exhibit "B" in any manner whatsoever.

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13.2. Expansion by the Association.

The Association may expand the Community to include additional real property with the consent of the owner of such property, the approval of persons entitled to cast a majority of the Class "A" votes represented at a meeting called for such purpose, and the consent of Declarant so long as Declarant has any rights under Section 13.1.

Such expansion shall be accomplished by filing in the Public Records a Supplemental Declaration describing the property being added to the Community. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of such property, and by Declarant, if Declarant's consent is required.

13.3. Additional Covenants and Easements.

Declarant may impose additional covenants, restrictions and easements on any property in the Community by filing a Supplemental Declaration in the Public Records setting forth such additional covenants, restrictions and easements. Any such Supplemental Declaration shall require the written consent of the owner(s) of the property upon which the additional provisions are being imposed, if other than Declarant. Any Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

Article XIV Additional Rights Reserved to Declarant

14.1. Withdrawal of Property.

Declarant reserves the right to amend this Declaration, so long as it has a right to expand the Community pursuant to Section 13.1, for the purpose of removing any portion of the property within the Community from the coverage of this Declaration. No such amendment shall reduce the total number of Units then subject to the Declaration by more than 10%, nor shall any such amendment selectively exempt Units from the coverage of this Declaration where all surrounding property is subject to this Declaration. Such an amendment shall not require the consent of any Person other than the Owner of the property to be removed.

14.2. Marketing and Sales Activities.

Declarant and Builders authorized by Declarant may maintain and carry on upon portions of the Common Area such facilities and activities as, in the sole opinion of Declarant, may be reasonably required, convenient, or incidental to the construction or sale of Units, including, but not limited to, business offices, signs, model homes, and sales offices. Declarant and authorized Builders shall have easements for access to and use of such facilities.

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14.3. Right to Develop.

Declarant and its employees, agents, and designees shall have a right and easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

For so long as Declarant owns any portion of the Community, Declarant may designate sites which it owns within the Community for public or quasi-public facilities and neither the Association nor any Owner shall have a right to object to such designation. The Declarant may also designate such sites on property which it does not own, provided the owner consents to such use.

14.4. Right to Approve Additional Covenants.

No Person shall record any declaration of covenants, conditions, and restrictions or similar instrument affecting any portion of the Community without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed by Declarant and recorded in the Public Records.

14.5. Right to Approve Changes in Community Standards.

No amendment to or modification of the Restrictions and Rules or the Architectural Guidelines made after termination of the Developer Control Period shall be effective without prior notice to and the written approval of Declarant so long as Declarant owns any portion of the Community primarily for development and sale.

14.6. Right to Transfer or Assign Declarant Rights.

Any or all of the special rights and obligations of Declarant set forth in this Declaration or the By-Laws may be transferred or assigned in whole or in part to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the By-Laws. No such transfer or assignment shall be effective unless it is in a written instrument signed by Declarant and duly recorded in the Public Records.

The Declarant may permit other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right permanently or in its entirety, and in such case it shall not be necessary to record any written assignment except as may be required to evidence Declarant's consent to such exercise.

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14.7. Termination of Rights.

The rights sets forth in this Article shall terminate upon the earlier of (a) 15 years from the date this Declaration is filed in the Public Records, or (b) upon recording by Declarant of a written statement that all sales activity has ceased.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

Concord Hills is designed to be a true "community" in which people share common interests, activities and goals and relate to one another in mutually supportive ways, rather than simply rows of houses. The success of Concord Hills in meeting this goal requires attention to and understanding of the relationships within the Community--between Owners, their lenders, the Association and the developer. This part of the Declaration creates special rights and protections to facilitate the growth and development of the Community, establishes a mechanism for the amicable resolution of disputes, should they arise, and provides procedures for enforcing the provisions of the Governing Documents when necessary.

Article XV Easements

15.1. Easements for Encroachment.

The Declarant hereby creates, for the benefit of each Unit and each portion of the Common Area, reciprocal easements for encroachment due to the unintentional placement, or the settling or shifting, of the structures or improvements on such Unit or portion of the Common Area, and for maintenance and use of any encroaching structure or improvement, except that no easement for encroachment shall exist:

- (a) for any structure or improvement constructed in violation of the Governing Documents;
- (b) beyond a distance of three feet, as measured from any point on the common boundary along a line perpendicular to such boundary; or
- (c) if such encroachment occurred due to reckless, willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

15.2. Easements for Utilities, Etc.

- (a) The Declarant reserves for itself and such other Persons as it may designate, 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 for the purposes of:

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(i) installing, on property which Declarant owns or within public rights-of-way or easements reserved for such purpose on recorded plats, utilities and infrastructure to serve the Community, cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems, walkways, pathways and trails, drainage systems, street lights, and signage;

(ii) inspecting, maintaining, repairing and replacing the utilities, infrastructure and other improvements described in Section 15.2(a)(i); and

(iii) access to read, maintain, repair and replace utility meters.

(b) Declarant also reserves for itself the non-exclusive right and power to grant and record in the Public Records such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described in Exhibits "A" and "B."

(c) Any damage to a Unit resulting from the exercise of the easements described in subsections (a) and (b) of this Section shall promptly be repaired by, and at the expense of, the Person exercising the easement. 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.

(d) Declarant reserves the right (i) to release all or any portion of the Community from the burden, effect, and encumbrance of any of the easements granted or reserved under this Section 15.2, or (ii) to define the limits of any such easements; provided, however, Declarant shall relocate, at its own expense, any utility lines or facilities located on or under that portion of the Community being released.

15.3. Easements to Serve Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, representatives, and employees, successors, assigns, licensees, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of any property described in Exhibit "B" or any property adjacent to the property described in Exhibit "B", whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area and the right to connect or tie in to roads and utilities to serve such property. Declarant agrees that it or the Person exercising such easement shall be responsible for any damage caused to the Common Area as a result of the exercise of such easement.

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15.4. Right of Entry.

The Association shall have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons. Such right may be exercised by any member of the Board, the Association's officers, agents (including emergency repair personnel), employees, and managers, members of the ARC. Such right of entry shall also extend to all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall not authorize entry into any single family detached dwelling without permission of the Owner, except by emergency personnel acting in their official capacities.

15.5. Easements to Exercise Powers and Perform Responsibilities.

The Declarant hereby reserves to itself and grants to the Association, perpetual, non-exclusive easements over the Community as necessary to enable the Declarant and the Association, and their respective agents, employees and assigns, to exercise the authority and fulfill the responsibilities that each of them are granted or assigned elsewhere in the Governing Documents, and to inspect for the purpose of ensuring compliance with the Governing Documents.

Article XVI Protection of Mortgagees

16.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage who provides a written request to the Association (stating 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 which affects a material portion of the Community or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;
- (b) Any delinquency in the payment of assessments or charges owed by 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 Declaration or By-Laws relating to such Unit or the Owner which is not cured within 60 days; or
- (c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association.

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16.2. No Priority.

No provision of this Declaration or the By-Laws 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.

16.3. 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.

16.4. 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.

16.5. HUD/VA Approval.

During the period of Declarant control, the following actions shall require the prior approval of the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs, if either such agency is insuring or guaranteeing the Mortgage on any Lot: merger, consolidation or dissolution of the Association; annexation of additional property other than that described in Exhibit "B"; dedication, conveyance or mortgaging of Common Area; or material amendment of this Declaration. The granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a conveyance within the meaning of this Section.

Article XVII Dispute Resolution and Limitation on Litigation

17.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration 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 17.2 in a good faith effort to resolve such Claim.

(b) 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;

except that 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 17.2:

- (i) any suit by the Association to collect Assessments or other amounts due from any Owner;
- (ii) 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 Declaration (relating to creation and maintenance of community standards);
- (iii) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;
- (iv) any suit in which any indispensable party is not a Bound Party; and
- (v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 17.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

17.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice 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

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(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. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the notice described in Section 17.2(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Laredo, Texas area.

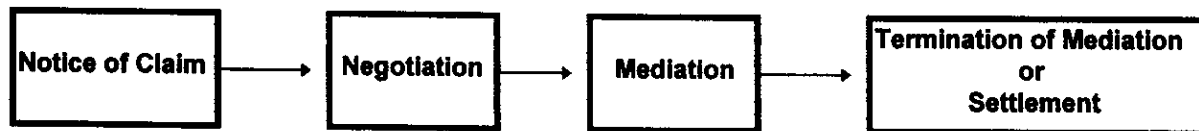
If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such 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 Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all fees charged by the mediator.

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Alternative Dispute Resolution Process



(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 again comply 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.

17.3. 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 persons entitled to cast 75% of the total Class "A" votes in the Association, except that no such approval shall be required for actions or proceedings:

- (a) initiated during the Developer Control Period;
- (b) initiated to enforce the provisions of the governing Documents, 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.

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

Article XVIII Compliance and Enforcement

18.1 Obligation to Comply with Governing Documents; Right to Enforce.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents and shall ensure that his or her guests and any visitors to the Unit also comply. Failure to comply shall be cause for:

(i) the Association or the Declarant to impose sanctions against the Owner, the occupant, and the Unit as authorized in this Declaration and the By-Laws;

(ii) **the Association to purchase the Unit owned or occupied by the violator, as provided in Section 18.3;**

(iii) the Declarant, the Association, or any Owner to take action in a court of law or equity to enforce the Governing Documents, subject to the dispute resolution procedures set forth in Article XVII, if applicable.

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(b) The Association may enforce applicable county and city ordinances and permit local governments to enforce their ordinances within the Community for the benefit of the Association and its Members.

(c) The Association shall not be obligated to take enforcement action if the Board reasonably determines that, under the particular circumstances, (i) the Association's legal position is not strong enough to justify taking action, or (ii) although a technical violation may exist, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources. Such a decision shall not be construed as a waiver of the right of the Association to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other provision of the Governing Documents.

18.2. Association Remedies and Sanctions.

In addition to any remedies or sanctions specifically authorized elsewhere in the Governing Documents, the Association may seek or impose any of the following remedies and sanctions for violation of the Governing Documents:

(a) assessment of reasonable monetary fines which shall constitute a lien upon the violator's Unit (in the event that any occupant, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, however, 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);

(b) suspension of the Owner's right to vote;

(c) suspension of any Person's right to use any recreational facilities within the Common Area for up to 60 days per violation, or for the duration of any continuing violation plus 60 days (however, the Board may not unreasonably restrict access to or from a Unit);

(d) suspension of any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(e) upon the Owner's failure to take required action after written notice and a reasonable opportunity to do so, **entering upon the Unit (which entry shall not be considered a trespass) and taking action to cure any condition or remove any thing or structure which is in violation of the Governing Documents and to restore the Unit to a complying condition, in which event the Association may charge all costs incurred against the Unit and the Owner as a Specific Assessment;**

(f) precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Architectural

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Guidelines from continuing or performing any further activities in the Community (in which event the Association shall have no liability to any Person);

(g) levying Specific Assessments to cover costs incurred by the Association to bring a Unit into compliance with the Governing Documents; and

(h) recording a notice of violation in the Public Records.

18.3. Right to Purchase for Failure to Comply.

Each Owner, by acceptance of a deed to any Unit, acknowledges and agrees that litigation places an emotional and financial burden on all parties to the litigation and that it is in the best interest of the Community and all other Owners to avoid litigation. **Therefore, each Owner agrees that if it is determined, pursuant to the notice and hearing procedures set forth in Section 18.4, that the Owner or occupants of any Unit have engaged in multiple (i.e., two or more), repeated or continuing violations of the Governing Documents, then the Association, its successors or assigns (the "Purchaser"), shall have the option to purchase such Unit upon the following terms and conditions.**

Within 10 days after the hearing at which such determination is made, the Purchaser shall give written notice to the Owner of its intent to purchase the Unit, stating the Purchaser's determination of the fair market value of the Unit. The Owner of the Unit shall have 60 days after receipt of such notice to attempt to sell the Unit to a third party at a price acceptable to the Owner. If the Unit has not been sold or made the subject of a binding contract of sale within such 60 day period, or if it has been made the subject of a binding contract of sale but such sale is not consummated within 30 days after the close of such 60 day period (the "Third Party Sale Deadline"), then the Purchaser may proceed to purchase the Unit in accordance with the following:

The purchase price to be paid by the Purchaser to the Owner shall be the fair market value of the Unit, as determined in accordance with the procedure set forth below, less seven percent (7%) of such fair market value, which the Owner agrees is a reasonable administrative charge to compensate the Purchaser for its costs and to discourage noncompliance. Real property taxes and assessments and all utilities serving the Unit shall be prorated as of the date of such purchase.

The Owner of the Unit shall have 10 days after the Third Party Sale Deadline to object to Purchaser's determination of fair market value, as set forth in the Purchaser's notice, by submitting a different fair market value in writing to Purchaser. **If the Owner fails to so object, the Purchaser's determination of fair market value shall be binding.** If the Owner does so object, the parties shall have 15 days from the date of the Owner's written objection within which to agree upon either (i) the fair market value of the Unit; or (ii) an independent appraiser to determine the fair market value of Unit, for purposes of computing the purchase price.

If the parties fail to reach agreement on either point within the 30 day period, either party may file a special proceeding in the District Court or County Court of Webb County, Texas, having jurisdiction over such matters, requesting the court to appoint an independent professional real estate appraiser for the purpose of determining the fair market value of the Unit. The independent appraiser shall make a binding determination of the fair market value based upon his independent inspection of the Unit and any other factors which he deems relevant to his determination. The appraiser's fees shall be shared equally by the Purchaser and the Owner. **If the court should refuse or fail to appoint an appraiser within 120 days after filing of the request, then the matter shall be submitted to binding arbitration.**

The Purchaser shall have 60 days after receipt of notice of the independent appraiser's determination to tender the purchase price in funds immediately available in Webb County, Texas. Upon receipt of such funds the Owner shall convey the Unit to the Purchaser by special warranty deed, free and clear of all monetary liens and encumbrances or, at the Purchaser's option, Owner shall convey the Unit to the Purchaser by special warranty deed subject to any prior existing liens (such as a first mortgage or lien granted to the Texas Affordable Housing Corporation) and the purchase price shall be reduced accordingly.

If title to the Unit is subject to any defect not existing on the date of conveyance of the Unit by the Developer to the first owner other than the Developer, then the Purchaser, in addition to all other rights and remedies which it may have at law or in equity, may remove such defect and deduct all costs and expenses incurred (including, but not limited to, attorneys' fees) from the amount of the purchase price otherwise payable as provided in this Section.

If the Owner fails or refuses to convey the Unit to the Purchaser immediately upon tendering of the purchase price by Purchaser and Purchaser files suit at law or in equity to enforce its rights hereunder, then upon Purchaser obtaining all or any portion of the relief sought, the Owner shall be liable for all costs incurred by the Purchaser, including reasonable attorneys' fees and court costs.

18.4. Notice and Hearing Procedures.

Except as set forth in Section 18.4(c), prior to imposing any sanction for violation of the Governing Documents, taking any action to enforce the provisions of the Governing Documents, or exercising the rights granted to the Association under this Article, the Association shall comply with the notice and hearing procedures set forth in subsections (a) and (b) below.

(a) Notice. The Association shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the action which the Association proposes or intends to take, and (iii) a period of not less than 10 calendar days within which the alleged violator may present a written request for a hearing. If a timely request for a hearing is not made within the 10 day period, the Association may proceed with the action or impose the sanction described in the notice. If the violation is abated within the 10-day period, the Association may, but shall not be obligated to, suspend the proposed action or sanction. Such suspension shall not

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constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. Notwithstanding any suspension of proceedings hereunder, if the same or a similar violation is repeated within 12 months after the date of notice of the original violation, the Association may pursue any and all remedies described in the original notice without further notice to the alleged violator.

(b) Hearing. If a hearing is requested within the allotted 10-day period, the hearing shall be held before a committee appointed by the Board consisting of not less than five persons, all of whom shall be Owners or residents of the Community or representatives of the Declarant. A representative of the Association shall be afforded a reasonable opportunity to make a statement describing the alleged violation and to present any evidence or witnesses to support its statement. The alleged violator shall also be afforded a reasonable opportunity to be heard and to present any evidence or witnesses on his or her behalf. At the conclusion of all statements and presentations, the committee may close the hearing and retire to discuss the evidence and to render a judgment as to whether, in fact, a violation has occurred. The committee shall notify the Association and the alleged violator in writing of its determination within 5 days after the hearing. If the committee determines that a violation has occurred, the Association may pursue any and all remedies described in its original notice of the violation.

(c) Applicability. The notice and hearing procedures set forth in this Section 18.4 shall not apply to any claim which the Association is required or elects to submit to the dispute resolution procedures set forth in Article XVII, nor to the exercise of self-help to cure violations after written notice to the Owner and an opportunity to cure pursuant to Section 18.2(e). Subject to the provisions of Article XVII, as they may apply, the Association may also file suit in a court of law or equity to enforce the Governing Documents, to enjoin any violation, or to recover monetary damages for any violation without the necessity of complying with the notice and hearing procedures set forth above.

18.5. Remedies Cumulative; Recovery of Costs.

(a) All remedies set forth in this Declaration and the By-Laws shall be cumulative of any remedies available at law or in equity.

(b) In any action to enforce the Governing Documents, if the party seeking to enforce prevails, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

Article XIX Miscellaneous Provisions

19.1. Binding Effect and Duration.

All of the property described in Exhibit "A" and any additional property subjected to this Declaration by Supplemental Declaration shall be held, sold, used, and conveyed subject to the terms of this Declaration which shall run with the title to such real property. This Declaration

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shall be binding upon all parties having any right, title, or interest in any portion of the Community, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner of any portion of the Community.

Unless terminated by the Owners as provided below, this Declaration is intended to have perpetual duration. However, so long as Texas law limits the period during which covenants may run with the land, any provision of this Declaration affected by such law shall run with and bind the land so long as permitted by the law, after which time the provisions shall be automatically extended for successive periods of 20 years, unless amended or terminated by the record Owners as provided in Section 19.2.

Every purchaser or grantee of any interest (including, without limitation, a security interest) in any real property subject to this Declaration, by acceptance of a deed or other conveyance, agrees that provisions of this Declaration may be extended and renewed as provided in this Section. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

If any provision of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provision shall continue in effect only until 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

19.2. Amendment.

Until conveyance of the first Unit to a Person other than a Builder, the Declarant may amend this Declaration without the approval of the Association or the Owners. Thereafter, as long as the Declarant owns any property in the Community or which may become part of the Community pursuant to Section 13.1, the Declarant may amend this Declaration without the approval of the Association or the Owners, if such amendment (i) is specifically required to enable any institutional or governmental entity to make, purchase, insure or guarantee mortgage loans on the Units, or (ii) does not materially adversely affect the rights of any Owner under this Declaration without such Owner's consent.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of persons entitled to cast at least 85% of the total number of Class "A" votes in the Association and the consent of Declarant, so long as Declarant owns any property within the Community or which may become part of the Community pursuant to Section 13.1.

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.

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No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Declaration or the By-Laws, 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 amendment shall become effective upon recording in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within three 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 Declaration.

19.3. Severability.

Invalidation by judgment or court order of any provision of this Declaration shall not affect the validity of other provisions of this Declaration. Invalidation of any provision as applied in a particular case shall not affect the validity of other applications of the same provision.

19.4. Cumulative Effect; Conflict.

The provisions of this Declaration shall be cumulative with the provisions of any applicable Supplemental Declaration. Any Supplemental Declaration or other recorded instruments affecting title to any portion of the Community may contain provisions which are more restrictive than the provisions of this Declaration, and in such case, the more restrictive provision shall control. The Association shall have the standing and authority to enforce all such restrictions.

19.5. Notice of Sale or Transfer of Title.

Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven days' prior 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 be jointly and severally responsible with the Person to whom title is transferred for all obligations of the Owner of the Unit, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

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19.6. Exhibits.

Exhibits "A," "B," "C" and "D" attached to this Declaration are incorporated by this reference. Amendments to Exhibits "A" and "C" shall be governed by the provisions of Section 19.2 or such other applicable provisions of this Declaration. Exhibit "D," the By-Laws, is attached for informational purposes and may be amended as provided therein.

[SIGNATURES NEXT PAGE]

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IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration
this 4 day of SEPTEMBER, 1997.

VAQUILLAS DEVELOPMENT, LTD.,
a Texas limited partnership

By: [Signature]

Its: Managing Partner

Attest: [Signature]

Its: CONSULTANT

[SEAL]

STATE OF TEXAS

COUNTY OF WEBB

This instrument was acknowledged before me on the 5th day of September, 1997,
by Evan J. Quiros and _____, general partners of Vaquillas Development,
Ltd., a Texas limited partnership, on behalf of said limited partnership.

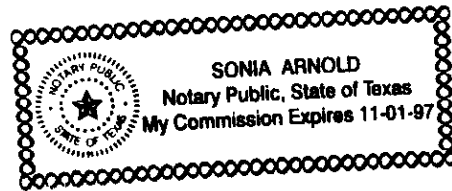
[Signature: Sonia Arnold]
Notary Public, State of Texas

My Commission Expires: 11-01-97

[NOTARIAL SEAL]

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Upon recording, please return to:
Richard E. Sames
5810 SAN BERNARDO, Suite 400
CAREDD, TX. 78041



521301/cadocs/ccrs/062497/rar

HENRY FLORES
COUNTY CLERK
FILED
1997 SEP -9 AM 11:07
WEBB COUNTY, TEXAS
BY _____ DEPUTY

EXHIBIT "A"

Land Initially Submitted

A TRACT OF LAND CONTAINING 8.9421 ACRES, MORE OR LESS, out of a 103.409 acre tract described in a deed from Anthony M. Leyendecker and Maria T. Leyendecker to VAQ. 94, Ltd., a Texas limited partnership and recorded in Volume 212 Pages 359-364, Webb County real property records; this 8.9421 acre tract being more particularly described by metes and bounds as follows:

Commencing from a tie at a ½" iron rod found, same being the Northwest corner of the Southern Development Industrial Park Subdivision Unit I plat recorded in Volume 13, page 18 W.C.P.R., also being a point along the South right-of-way line of TX highway 359, and the Northeast corner of the VAQ 94, Ltd. tract;

Thence N 72°41'04" W along the South boundary line of the TX DOT right-of-way and North boundary of the VAQ. 94 Ltd. tract, a distance of 53.08 feet to a ½" diameter iron rod set in concrete and the point of beginning;

Thence S 62°24'57" W a distance of 35.17 feet to a ½" diameter iron rod set for a deflection corner hereof;

Thence S 17°07'27" W a distance of 121.12 feet to a ½" diameter iron rod set for a point of curvature right;

Thence along curve to the right with radius of 240.00 feet, angle of 17°57'30", tangent distance of 37.92 feet and chord length of 74.92 feet to a ½" diameter iron rod set and point of tangent;

Thence S 35°04'57" W a distance of 54.61 feet to a ½" diameter iron rod set for an interior corner hereof;

Thence S 55°00'20" E a distance of 224.41 feet to a ½" diameter iron rod set, same being a point along the Western boundary of Southern Development Industrial Park Subdivision Unit I and the Eastern boundary of this tract for the most Easterly Northeast corner hereof;

Thence S 00°18'30" E along the Western boundary of the Southern Development Industrial Park subdivision unit I and the Eastern boundary of this tract a distance of 697.73 feet to a ½" diameter iron rod set and the Southeast corner hereof;

Thence S 89°41'30" W a distance of 131.59 feet to a ½" diameter iron rod set for an interior corner hereof;

Thence S 00°18'30" E a distance of 73.50 feet to a ½" diameter iron rod set for an exterior corner hereof;

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Thence S 89°41'30" W a distance of 84.00 feet to a ½" diameter iron rod set for an exterior corner hereof;

Thence N 00°18'30" W a distance of 8.40 feet to a ½" diameter iron rod set for an interior corner hereof;

Thence N 45°18'30" W a distance of 28.28 feet to a ½" diameter iron rod set for an interior corner hereof;

Thence S 89°41'30" W a distance of 123.35 feet to a ½" diameter iron rod set for an interior corner hereof;

Thence S 44°41'32" W a distance of 28.28 feet to a ½" diameter iron rod set for an exterior corner hereof;

Thence S 89°41'30" W a distance of 80.00 feet to a ½" diameter iron rod set for the Southwest corner hereof;

Thence N 00°18'30" W a distance of 337.68 feet to a ½" diameter iron rod set for an interior corner hereof;

Thence N 45°18'29" W a distance of 28.28 feet to a ½" diameter iron rod set for an exterior corner hereof;

Thence N 00°18'30" W a distance of 60.00 feet to a ½" diameter iron rod set for an exterior corner hereof;

Thence N 44°41'31" E a distance of 28.28 feet to a ½" diameter iron rod set for an interior corner hereof;

Thence N 00°18'30" W a distance of 115.34 feet to a ½" diameter iron rod set and point of curve right;

Thence along curve right with a radius of 280.00 feet, an angle of 35°23'26", tangent distance of 89.33 feet, and chord length of 170.22 feet to a ½" diameter iron rod set and point of tangent;

Thence N 35°04'57" E a distance of 328.87 feet to a ½" diameter iron rod set and point of curve left;

Thence along curve left with a radius of 160.00, an angle of 17°57'30", tangent distance of 25.28 feet, and chord length of 49.94 feet to a ½" diameter iron rod set and point of tangent;

Thence N 17°07'27" E a distance of 121.39 feet to a ½" diameter iron rod set for an interior corner hereof;

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Thence N 27°47'04" W a distance of 35.42 feet to a ½" diameter iron rod set and a point along the South right-of-way line of TX highway 359 and Northwest corner of this tract;

Thence S 72°16'35" E along the South row boundary of TX highway 359 and North boundary of this tract a distance of 25.04 feet to a ½" diameter iron rod set for a point of deflection left;

Thence S 72°41'04" E, continuing along the South right-of-way line of TX highway 359 and North boundary of this tract a distance of 104.96 feet to the POINT OF BEGINNING.

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EXHIBIT "B"

Land Subject to Annexation

A tract of land containing 103.409 acres, more or less, out of the East half of Part C-1. Said 103.409 acre tract being situated in Webb County, Texas, and representing approximately the East one-half of a 206 acre tract of land set aside and partitioned to Maria Bruni Leyendecker as the "First Tract" of her Share in that certain partition deed dated July 16, 1951, executed by Maria Bruni Leyendecker, et. al. and recorded in Volume 219 on Pages 521-34 of the Deed Records of Webb County, Texas. Said 206-acre tract is shown also as Part C-1 on the E. J. Foster Map, recorded in Volume 2, on Page 142 of the Plat Records of Webb County, Texas. Said 103.409 acres is described by metes and bounds as follows, to-wit:

BEGINNING at a fence corner post, the Southwest corner of Part D-1 and Southeast corner of Part C-1, being on the North line of Porcion 33, and South line of Porcion 32 for the Southeast corner hereof;

THENCE S 89°37'32" W, with fence on the North line of Porcion 33, at 408.25 feet a fence corner post for a deflection corner hereof;

THENCE S 89°59'26" W, continuing with fence on the North line of Porcion 33, at 794.72 feet a fence corner post for the Southeast corner of the West half of Part C-1 and the Southwest corner hereof;

THENCE N 00°17'30" W, with fence on the division line between the East and West halves of Part C-1, at 2697.25 feet a fence corner post hereof;

THENCE N 00°17'30" W, with fence on the division line between the East and West halves of Part C-1, at 5.60 feet a fence corner post for a deflection corner hereof;

THENCE N 00°22'07" W, continuing with fence on the division line between the East and West halves of Part C-1, at 846.52 feet a fence corner post for an interior corner hereof;

THENCE East, a bearing of record and the SOURCE OF BEARINGS for this survey, with fence on the division line between the East and West halves of Part C-1, at 661.84 feet a fence corner post for an interior corner hereof;

THENCE N 11°34'04" E, with fence on an East line of the West half of Part C-1, at 554.09 feet a ½ inch iron rod found next to a fence corner post on the South line of right-of-way of State Highway 359, for the Northeast corner of the West half of Part C-1 and the Northwest corner hereof;

THENCE with fence on the South line of right-of-way of State Highway 359 the following courses and distances:

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S 75°02'41" E, 143.63 feet, a fence post
S 73°37'24" E, 27.06 feet, a fence post
S 75°24'55" E, 13.67 feet, a fence post
S 72°16'35" E, 103.98 feet, a fence post
S 72°41'04" E, 158.04 feet, a ½ inch iron rod set under fence;

THENCE S 00°18'30" E, with fence on the West line of Part D-1, at 1325.81 feet a ½ inch iron rod set under fence hereof;

THENCE S 00°18'30" E, with fence on the West line of Part D-1, at 2636.78 feet the POINT OF BEGINNING.

EXHIBIT "C"

Initial Restrictions and Rules

The following restrictions applicable to property within the Community shall remain in effect until such time as they are amended, modified, repealed or limited by rules of the Association adopted pursuant to Article V of the Declaration.

1. **General.** The Community shall be used only for residential, recreational, and related purposes (which may include, without limitation, a sales office of Declarant, offices for any manager retained by the Association and a community center) consistent with this Declaration.

2. **Occupancy Restriction.** All occupants of a Unit shall be members of a single housekeeping unit. No more than eight (8) occupants per Unit are permitted

3. **Restricted Activities.** The following activities are prohibited within the Community unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board of Directors:

(a) Parking of more than two (2) vehicles per home on adjacent parking pads, parking of any vehicle in common driveways or on streets except in designated parking spaces, or parking of commercial vehicles or equipment, mobile homes, recreational vehicles, boats and other watercraft, trailers, stored vehicles, or inoperable vehicles in places other than in adjacent parking pads or carports except on a temporary basis for such period of time as is reasonably necessary to load, unload, or prepare such vehicles for imminent use;

(b) Raising, breeding, or keeping of animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted on a Unit; however, those pets which are permitted to roam freely outside the boundaries of the owner's Unit, or, in the sole discretion of the Board, 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 request of the Board. If the pet owner fails to honor such request, the Board may remove the pet, in addition to imposing such other sanctions as are authorized by the Declaration and By-Laws. Dog owners shall keep their dogs on a leash at all times when outside the boundaries of the Unit;

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

(d) Dumping of grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any stream, pond, or elsewhere within the Community, except that fertilizers may be applied to landscaping on Units provided

care is taken to minimize runoff, and Declarant and Builders may dump and bury rocks and trees removed from a building site on such building site. Lawns shall be mowed and landscaping maintained on a frequent basis and in accordance with the Community-Wide Standard;

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

(f) Obstruction or rechanneling of drainage flows after location and installation of drainage swales, storm sewers, or storm drains, except that Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent;

(g) Subdivision of a Unit into two or more Units, or changing the boundary lines of any Unit after a subdivision plat including such Unit has been approved and filed in the Public Records, except that Declarant shall be permitted to subdivide, combine, or replat Units which it owns;

(h) Use of any structure of a temporary character, trailer, tent, shack, or other outbuilding as a residence, either temporarily or permanently. Manufactured homes on foundations shall not be considered structures of a temporary character and shall be permitted;

(i) Any business, trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (ii) the business activity conforms to all zoning requirements for the Community; (iii) the business activity does not involve regular visitation of the Unit by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Community; and (iv) the business activity is consistent with the residential character of the Community and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Community, as may be determined in the sole discretion of the Board.

The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider 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.

The leasing of a Unit shall not be considered a business or trade within the meaning of this subsection. This subsection shall not apply to any activity conducted by Declarant or a Builder approved by Declarant with respect to its development and sale of the Community or its use of any Units which it owns within the Community; and

(j) Any construction, erection, or placement 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 IV of the Declaration. If not addressed in the Architectural Guidelines, the Board or the ARC, in their discretion, may prohibit or permit such things as it deems appropriate. This shall include, without limitation, mailboxes, signs, basketball hoops, swing sets and similar sports and play equipment; garbage cans; ornamental lawn figures; above-ground swimming pools; and hedges, walls, dog runs, animal pens, or fences of any kind including, without limitation, invisible pet fences.

4. Prohibited Activities and Conditions. The following shall be prohibited within the Community:

(a) Satellite dishes, antennas and similar devices for the transmission of television, radio, satellite, or other signals of any kind, except that (i) Declarant and the Association shall have the right, without obligation, to erect or install and maintain any such apparatus for the benefit of all or a portion of the Community, and (ii) antennas or satellite dishes designed to receive direct broadcast satellite service which are one meter or less in diameter; (b) antennas or satellite dishes designed to receive video programming services via multi-point distribution services which are one meter or less in diameter or diagonal measurement; or (c) antennas or satellite dishes designed to receive television broadcast signals ("Permitted Devices") shall be permitted, *provided that* any such Permitted Device is placed in the least conspicuous location on the Unit in which an acceptable quality signal can be received and is screened from the view of adjacent Units in a manner consistent with the Community-Wide Standard and the Architectural Guidelines.

(b) Sprinkler or irrigation systems or wells of any type which draw upon water from creeks, streams, ponds, or other ground or surface waters within the Community; except that Declarant and the Association shall have the right to collect and divert storm water runoff from streets and other hard surfaces for irrigation and other purposes.

(c) Exterior lighting on any Unit which allows excessive light to be directed or reflected on the Common Area or other Units, except as may be permitted by the Reviewer in accordance with Article IV of the Declaration.

(d) The storage of garbage, trash, refuse piles or unsightly objects except in containers and in areas approved by the Association.

(e) Laundry drying facilities including, but not limited to, clothes lines, outside of any improvement constructed on a Unit. In addition, the use of porch railings or any other part of the exterior of the Unit for drying or storing of clothes or other articles is prohibited.

(f) Any thing or condition which will result in the cancellation, or increase in premium, or reduction in coverage of insurance maintained by the Association or which would be in violation or any law or other applicable requirement of governmental authorities.

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(g) Fences or walls placed on any lot nearer to the street or streets adjoining such lot than is permitted under the set-back requirements for the main residence on such lot, except for decorative subdivision entry features (if any).

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EXHIBIT "D"

BY-LAWS

OF

CONCORD HILLS COMMUNITY ASSOCIATION, INC.

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BY-LAWS
OF
CONCORD HILLS COMMUNITY ASSOCIATION, INC.

Article I Name, Principal Office, Definitions

1.1. Name.

The name of the corporation is Concord Hills Community Association, Inc. (the "Association").

1.2. Principal Office.

The principal office of the Association shall be located in Webb County, Texas. The Association may have such other offices, either within or outside the State of Texas, as the Board of Directors may determine or as the affairs of the Association may require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions, unless otherwise specified. In order to minimize repetition, some terms are capitalized to indicate that they have specific definitions as set forth in the Declaration of Covenants, Conditions and Restrictions for Concord Hills (the "Declaration"), filed by Vaquillas Development, Ltd., a Texas limited partnership, in the Public Records of Webb County, Texas, as such Declaration may be amended.

Article II Membership and Meetings

2.1. Membership.

The Association shall have two classes of membership, Class "A" and Class "B," as described in the Declaration, the terms of which pertaining to membership are incorporated by this reference.

2.2. Place of Meetings.

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate, either within the Community or as convenient as possible and practical.

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2.3. Annual Meetings.

The first meeting of the Association membership, whether a regular or special meeting, shall be held within one year from the date of incorporation of the Association. Subsequent regular annual meetings shall be set by the Board so as to occur during the third quarter of the Association's fiscal year on a date and at a time set by the Board.

2.4. Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Members representing at least 10% of the total Class "A" votes in the Association.

2.5. Notice of Meetings.

Written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than 10 nor more than 50 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when hand delivered or deposited in the United States mail addressed to the Member at the address of the Member's Unit or such other address as the Member may have designated in writing to the Association, with postage prepaid.

2.6. Waiver of Notice.

Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings.

If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a time not

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less than 5 nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

The Members present at a duly called or held meeting at which a quorum is initially present may continue to do business until adjournment, notwithstanding the withdrawal of some Members leaving less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.8. Voting.

The voting rights of the Members shall be as set forth in the Declaration and in these By-Laws, and such voting rights provisions are specifically incorporated by this reference.

2.9. Proxies.

Members may vote in person or by proxy, subject to the limitations of Texas law relating to use of proxies and subject to any specific provision to the contrary in the Declaration or these By-Laws. Every proxy shall be in writing and shall identify the Unit for which it is given. Proxies shall be signed by the Member or the Member's attorney-in-fact, dated, and filed with the Secretary of the Association prior to the meeting for which it is to be effective.

Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast. In the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon conveyance of any Unit for which it was given, upon receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, or one year from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate totaling more than 50% of the total eligible number.

2.11. Quorum.

Except as otherwise provided in these By-Laws or in the Declaration, the presence of persons entitled to cast at least 25% of the total Class "A" votes in the Association shall be required to transact business at any meeting of the membership.

2.12. Conduct of Meetings.

The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.13. Action Without a Meeting.

Unless otherwise prohibited by Texas law, any action required or permitted by law to be taken at a meeting of the Members may be taken by written consent or by ballot cast by mail without a meeting, in accordance with the following procedure:

(a) The Secretary shall send written notice of the proposed action for which consent is requested to each Member entitled to vote thereon at least 10 days prior to the deadline for returning the ballots or consents. The notice shall be accompanied by a ballot or consent form which:

(i) describes the proposed action;

(ii) provides a place to indicate, in the case of a ballot, how the Owner's vote is to be cast, or in the case of a consent, the Owner's approval or disapproval of, or consent to the proposed action;

(iii) provides a method of identifying the Owner and the Unit for which the ballot is cast or consent is given, and in the case of a consent, a place for the Owner's signature; and

(iv) indicates the address to which completed forms should be returned and the deadline for returning them, if any.

(b) The proposed action shall be deemed approved if ballots or consents approving the action are received from Members holding at least the minimum number of votes necessary to authorize such action at a meeting if all Members entitled to vote thereon were present, and such ballots or consents shall have the same force and effect as a vote of the Members at a meeting. The ballots or consents shall be filed with the minutes of the Association. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Members entitled to vote fairly summarizing the material features of the authorized action.

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Article III Board of Directors

A. Composition and Selection.

3.1. Governing Body; Composition.

The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one equal vote. Except with respect to directors appointed by the Class "B" Member, the directors shall be Members or residents; provided, however, no Owner and resident representing the same Unit may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Unit within the Community. In the case of a Member which is not a natural person, any individual authorized by written notice to the Association signed by such Member to serve as a director; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2. Number of Directors.

The Board shall consist of three to seven directors, as provided in Sections 3.3 and 3.5 below. The initial Board shall consist of three directors as identified in the Articles of Incorporation.

3.3. Directors During Developer Control Period.

Subject to the provisions of Section 3.5, the Declarant, as the Class "B" Member, shall be entitled to appoint, remove and replace the directors in its sole discretion during the Developer Control Period. Unless earlier terminated by the Declarant in its discretion, the Developer Control Period shall terminate upon the first to occur of the following:

(a) 60 days after the date as of which 75% of the Permitted Units have (i) been conveyed by Declarant and (i) have been improved with dwellings for which a certificate of occupancy has been issued;

(b) December 31, 2012.

3.4. Nomination and Election Procedures.

(a) Nominations and Declarations of Candidacy. Prior to each election of directors, the Board shall announce the opening date and the closing date of a reasonable period in which any eligible person who has an interest in serving as a director may file as a candidate for any position for which he or she may be eligible. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient and cost-effective manner.

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Except with respect to directors selected by the Class "B" Member, nominations for election to the Board may also be made by a Nominating Committee. The Nominating Committee, if any, shall consist of a Chairman, who shall be a member of the Board, and three or more Members or representatives of Members. The Board shall appoint the members of the Nominating Committee, if one is to be appointed, not less than 30 days prior to the election, and such appointment shall be announced in the notice of each election.

The Nominating Committee may make as many nominations for election to the Board as it shall in its discretion determine. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates.

Each candidate shall be given a reasonable, uniform opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) Election Procedures. Each Member may cast all votes assigned to its Unit for each position on the Board of Directors to be filled by such election. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.5. Election and Term of Office.

Notwithstanding any other provision of these By-Laws:

(a) Not later than 60 days after conveyance by Declarant of 25% of the Permitted Units, the Board shall be increased to five directors. The President shall call for an election by which the Class "A" Members shall be entitled to elect one of the five directors. The remaining four directors shall be appointees of the Class "B" Member. The director elected by the Class "A" Members shall be elected for a term of two years or until the happening of the event described in subsection (b), whichever is shorter. If such director's term expires prior to the happening of the event described in subsection (b), a successor shall be elected for a like term.

(b) Not later than 60 days after conveyance by Declarant of 50% of the Permitted Units, one of the directors appointed by the Class "B" Member shall resign and the President shall call for an election by which the Class "A" Members shall be entitled to elect two of the five directors. The remaining three directors shall be appointees of the Class "B" Member. The directors elected by the Class "A" Members shall be elected for a term of two years or until the happening of the event described in subsection (c) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in subsection (c) below, successors shall be elected for a like term.

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(c) Not later than 60 days after termination of the Developer Control Period, the President shall call for an election by which the Class "A" Members shall be entitled to elect three of the five directors. The remaining two directors shall be appointees of the Class "B" Member. The directors elected by the Class "A" Members shall serve until the first annual meeting following the termination of the Developer Control Period. If such annual meeting is scheduled to occur within 60 days after termination of the Developer Control Period, this subsection shall not apply and directors shall be elected in accordance with subsection (d) below.

(d) Not later than the first annual meeting after the termination of the Developer Control Period, the President shall call for an election, and four of the five directors shall be elected by the Class "A" Members. Two directors shall serve a term of two years and two directors shall serve a term of one year, as such directors determine among themselves.

The Class "B" Member shall be entitled to appoint the remaining director until termination of the Class "B" Membership. Upon termination of the Class "B" Membership, the Class "A" Members shall elect a director who shall serve until the first annual meeting following termination of the Class "B" Membership. If such meeting is scheduled to occur within 60 days after termination of the Class "B" Membership, the election of this fifth director position shall be made instead at such meeting. The director elected at the first annual meeting following termination of the Class "B" Membership, and his or her successors thereafter, shall serve a term of two years.

Upon the expiration of the term of office of each director elected by the Class "A" Members, such Members shall be entitled to elect a successor to serve a term of two years. The directors elected by the Members shall hold office until their respective successors have been elected.

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COMPOSITION OF BOARD OF DIRECTORS				
Initial Board	25% of Board held	50% of Board held	Termination of Developer Control Period (30 days)	Termination of Class "B" Membership and Developer Control Period (60 days)
Developer	Developer	Developer	Developer	Owners
Developer	Developer	Developer	Owners	Owners
Developer	Developer	Developer	Owners	Owners
	Developer	Owners	Owners	Owners
	Owners	Owners	Owners	Owners

***Notes to Chart:**

"Developer" indicates position is filled by Developer appointment.

"Owners" indicates position is filled by election by Class "A" Members.

The column entitled "Termination of Developer Control" reflects the Board composition after the first annual meeting in accordance with Section 3.5(d).

3.6. Removal of Directors and Vacancies.

Any director elected by the Class "A" Members may be removed, with or without cause, by a two-thirds vote of the Class "A" Members present and entitled to vote at any meeting at which a quorum is present. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Class "A" Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by the Class "B" Member nor to any director serving as a representative of the Declarant. The Class "B" Member or the Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a director appointed by or elected as a representative of the Class "B" Member or the Declarant.

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B. Meetings.

3.7. Organizational Meetings.

The first meeting of the Board following each annual meeting of the membership shall be held within 10 days thereafter at such time and place the Board shall fix.

3.8. Regular Meetings.

Regular meetings of the Board may be held at such time and place a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter.

Notice of the time and place of a regular meeting shall be communicated to directors not less than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

3.9. Special Meetings.

Special meetings of the Board shall be held when called by written notice signed by the President or Vice President or by any two directors.

3.10. Notices; Waiver of Notice.

(a) Notices of meetings of the Board shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by:

(i) personal delivery;

(ii) first class mail, postage prepaid;

(iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or

(iv) facsimile, computer, fiberoptics or other electronic communication device, with confirmation of transmission.

All such notices shall be given at the director's telephone number, fax number, electronic mail number, or sent to the director's address as shown on the records of the Association. Notices of special meetings of the Board shall also be posted in a prominent place within the Community. Notices sent by first class mail shall be deposited into a United States mailbox at least five business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.11. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other.

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Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

3.12. Quorum of Board of Directors.

At all meetings of the Board, the presence of a majority of the directors shall be necessary to establish a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.13. Compensation.

Directors shall not receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total Class "A" votes in the Association and by the Class "B" Member at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. The Association may compensate a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested director.

3.14. Conduct of Meetings.

The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.15. Open Meetings.

Subject to the provisions of Section 3.16, all meetings of the Board shall be open to all Members, but attendees other than directors may not participate in any discussion or deliberation unless permission to speak is requested on their behalf by a director. In such case, the President may limit the time any such individual may speak. Notwithstanding the above, the President

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may adjourn any meeting of the Board and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.16. Action Without a Formal Meeting.

Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.17. Powers.

The Board of Directors shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Governing Documents and as provided by law. The Board may do or cause to be done, without a vote of the membership, all acts and things except those as to which the Governing Documents or Texas law require a vote of the membership.

3.18. Duties.

The duties of the Board shall include, without limitation:

- (a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses;
- (b) levying and collecting such assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;
- (d) designating, hiring, and dismissing the personnel necessary to exercise the authority and carry out the responsibilities of the Association and where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the directors' best business judgment, in depositories other than banks;

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- (f) making and amending Restrictions and Rules in accordance with the Declaration;
- (g) opening of bank accounts on behalf of the Association and designating the persons authorized to sign on such accounts;
- (h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;
- (i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules adopted by it;
- (j) bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association, subject to the provisions of Article VII of the Declaration;
- (j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (k) paying the cost of all services rendered to the Association;
- (l) keeping books with detailed accounts of the receipts and expenditures of the Association;
- (m) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules and all other books, records, and financial statements of the Association as provided in Section 6.4;
- (n) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Community;
- (o) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required by Texas law, the Articles of Incorporation or the Declaration; and
- (p) assisting in the resolution of disputes between owners and others without litigation, as set forth in the Declaration.

3.19. Right of Declarant to Disapprove Actions.

So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Association, the Board and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of the Declarant or Builders under the Declaration or these By-Laws, or interfere with development or

construction of any portion of the Community, or diminish the level of services being provided by the Association.

(a) The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies as to the Board meetings with Section 3.10 and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting; and

(b) The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

The Class "B" Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, or the Board or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.20. Management.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary for the manager to assist the Board in performing its duties under Section 3.18, but shall not delegate policymaking authority or ultimate responsibility. The Declarant or an affiliate of the Declarant may be employed as managing agent or manager.

The Board of Directors may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

3.21. Accounts and Reports.

The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

(a) cash or accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls should conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors;

(f) commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(g) an annual report consisting of at least the following shall be made available to all Members within 120 days after the close of the fiscal year: (1) a balance sheet; (2) an operating

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(income) statement; and (3) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any first Mortgage on a Unit, the Association shall provide an audited financial statement.

3.22. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain approval of Members entitled to cast at least a majority of the votes cast at a duly called and held meeting of the Members at which a quorum is represented, if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 25% of the budgeted gross expenses of the Association for that fiscal year. During the Developer Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Members representing at least 67% of the total Class "A" votes in the Association and the approval of the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs, if either such agency is insuring or guaranteeing the mortgage on any Unit.

3.23. Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or other owners or residents associations, within and outside the Community; provided, any common management agreement shall require the consent of a majority of the total number of directors of the Association.

Article IV Officers

4.1. Officers.

The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

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4.2 Election and Term of Office.

The Board shall elect the officers of the Association at the first meeting of the Board following each annual meeting of the Members, to serve until their successors are elected.

4.3 Removal and Vacancies.

The Board may remove any officer whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4 Powers and Duties.

The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

4.5 Resignation.

Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.6 Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

4.7 Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.13.

Article V Committees

5.1 General.

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

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5.2. Architectural Review Committee.

The Board shall appoint an architectural review committee upon delegation or termination of the Declarant's authority over architectural matters pursuant to Article IV of the Declaration. Such committee shall operate in accordance with the terms of Article IV and resolutions of the Board of Directors.

5.3. Neighborhood Committees. In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Neighborhood Committee may advise the Board on any other issue, but shall not have the authority to bind the Board. Such Neighborhood Committees, if elected, shall consist of three to five Members, as determined by the vote of at least 51% of the Owners of Units within the Neighborhood.

Neighborhood Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Neighborhood shall be an *ex officio* member of the Neighborhood Committee.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the notice and quorum requirements applicable to the Board under Sections 3.8, 3.9, 3.10, and 3.12. Meetings of a Neighborhood Committee shall be open to all Owners of Units in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

Article VI Miscellaneous

6.1. Fiscal Year.

The fiscal year of the Association shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Texas law, the Articles of Incorporation, the Declaration, or these By-Laws.

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6.3. Conflicts.

If there are conflicts between the provisions of Texas law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Texas law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, By-Laws, and Articles of Incorporation, including any amendments, the rules of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within the Community as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

6.5. Notices.

Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member; or

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

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6.6. Amendment.

(a) By Class "B" Member. During the Class "B" Membership and subject to the approval requirements described in Article XVI of the Declaration, if applicable, the Class "B" Member may amend these By-Laws without approval of the Board or the Class "A" Members. Additionally, the Class "B" Member may amend these By-Laws at any time if such amendment:

(i) is necessary to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination;

(ii) is necessary to enable any reputable title insurance company to issue title insurance coverage on the Units; or

(iii) is necessary to enable any institutional or governmental entity to make, purchase, insure or guarantee mortgage loans on the Units, or

(iv) does not materially adversely affect the rights of any Member without that Member's consent.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of persons entitled to cast 51% of the total Class "A" votes in the Association, and the consent of the Class "B" Member, if such exists. In addition, the approval requirements set forth in Article XV of the Declaration shall be met, if applicable.

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.

No amendment may remove, revoke, or modify any right or privilege of the Declarant or the Class "B" Member without the written consent of the Declarant, the Class "B" Member, respectively (or the assignee of such right or privilege).

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon recording in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within three 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 these By-Laws.

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