

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
WATER'S EDGE RANCH

STATE OF TEXAS

§

COUNTY OF HENDERSON

§

KNOW ALL MEN BY THESE PRESENTS:

§

This Declaration, made on the date hereinafter set forth by TEXAS LAND & LAKES, LTD., a Texas Limited Partnership by and through its general partner, TEXAS LAND & LAKES, INC., hereinafter referred to as "Developer" or "Declarant."

WITNESSETH:

WHEREAS, Developer is the owner of that certain tract of land known as WATER'S EDGE RANCH, a subdivision situated in Henderson County, Texas. The Property that is the subject of these covenants, conditions and restrictions shall be the subdivision called WATER'S EDGE RANCH, including any and all phases, sections or Additional Property (as defined herein) that is attached hereto as Exhibit "A", which is incorporated herein by reference. Exhibit "A" may from time to time be supplemented and/or amended as additional phases or sections of WATER'S EDGE RANCH are added, developed and approved by Henderson County, Texas or other governmental agency with jurisdiction over the development.

WHEREAS, it is the desire of Developer and the Developer hereby places certain restrictions, easements, covenants, conditions, stipulations and reservations (herein sometimes referred to as the "Restrictions") upon and against WATER'S EDGE RANCH in order to establish a uniform plan for its development, improvement and sale, and to insure the preservation of such uniform plan for the benefit of both the present and future owners of tracts in WATER'S EDGE RANCH.

WHEREAS, Developer hereby reserves and retains unto itself, the right, as it shall determine, in its sole and unfettered discretion, to (i) add to or delete areas from the Subdivision (defined in Section IX below); and (ii) hereafter place and impose such restrictions, easements, covenants, conditions, stipulations and reservations on any and all remaining unrestricted Tracts, Lots and/or Properties, or portions thereof, in the Subdivision, in order to establish any plan or common scheme chosen by Developer for the development, improvement and sale thereof.

NOW, THEREFORE, Developer hereby adopts, establishes and imposes upon WATER'S EDGE RANCH and declares the following reservations, easements, restrictions, covenants and conditions, applicable thereto, all of which are for the purposes of enhancing and protecting the value, desirability and attractiveness of said property, which Restrictions shall run with said Tracts, Lots and/or property and title or interest therein, or any part thereof, and shall inure to the benefit of each owner thereof. Developer also declares that WATER'S EDGE RANCH shall be subject to the jurisdiction of the "Association" (as hereinafter defined in Paragraph 1.04 below).

Developer hereby declares that all of the property described in Exhibit "A" and any Additional Property subjected to this Declaration by Supplemental Declaration (as defined in Paragraph 1.02 below) shall be held, sold, used and conveyed subject to the following easements, restrictions, covenants and conditions, which shall run with the title to the real property subjected to this Declaration. This Declaration shall be binding upon all parties having any right, title or interest in any portion of the Properties, their heirs, successors, successors-in-title and assigns, and shall inure to the benefit of each owner of any portion of the Properties.

Developer is the owner of the real property described in Exhibit "A", attached and incorporated by reference, or, if Developer is not the owner, such owner has consented to this Declaration. This Declaration imposes upon the Properties mutually beneficial restrictions under a general plan of improvement for the benefit of the Owners of each portion of the Properties and establishes a flexible and reasonable procedure for the overall development, administration, maintenance and preservation of the Properties. In furtherance of such plan, this Declaration

SECTION I
DEFINITIONS

- 1.01. "The Act" shall mean The Texas Residential Property Owners Protection Act, Title 11, Chapter 209 of the Texas Property Code, as such act may be amended.
- 1.02. "Additional Property" shall mean all of that certain real property which is more particularly described in Exhibit "B", attached and incorporated herein by this reference, and which real property is subject to annexation to the terms of this Declaration.
- 1.03. "Adjacent Property" shall mean any residential, non-residential, or recreational areas, including, without limitation, single family residential developments, assisted living facilities, retail, office, commercial, or institutional areas and Private Amenities, which are located adjacent to, in the vicinity of, or within the Properties, which are owned and operated, in whole or in part, by Persons other than the Association; which are not subject to this Declaration; and which are neither Tracts nor Common Area as defined in this Declaration.
- 1.04. "Association" shall mean and refer to the property owners association for the Subdivision whose legal name is the **"WATER'S EDGE RANCH PROPERTY OWNERS ASSOCIATION"**, its successors and assigns and is a Texas Non-Profit corporation.
- 1.05. "WATER'S EDGE RANCH" shall mean and refer to **WATER'S EDGE RANCH** and any phase or section **WATER'S EDGE RANCH**, hereafter or heretofore made subject to the jurisdiction of the Association, which property shall be described in Exhibit "A" as supplemented and/or amended.
- 1.06. "Barn" shall mean and refer to a building used for storing farm products and sheltering livestock.
- 1.07. "Board of Directors" shall mean and refer to the Board of Directors of the Association.
- 1.08. "Boat Dock" shall mean and refer to a watercraft storage facility built on waterfront tracts adjacent to the Lake (Valley View Lake as defined below) located within **WATER'S EDGE RANCH** Subdivision.
- 1.09. "Boat Slips" shall mean and refer to a community watercraft storage facility which is used exclusively by Owners of Tract(s) in **WATER'S EDGE RANCH** Subdivision.
- 1.10. "Builders" shall mean and refer to persons or entities that purchase tracts and build speculative or custom homes or residential dwellings thereon for third party purchasers or for lot owners in the Water's Edge Ranch development.
- 1.11. "Common Area" shall mean all real property (including the improvements thereto) within the Subdivision owned by the Developer and/or the Association for the common use and enjoyment of the Owners. Such Common Area is managed and maintained by the Association.
- 1.12. "Contractor" shall mean and refer to the person or entity with which an Owner contracts to construct anything other than residential dwelling on such Owner's Tract.
- 1.13. "Control Transfer Date" shall mean and refer to the date that Developer transfers control of the Association to the owners of **WATER'S EDGE RANCH** Subdivision and as further defined in Paragraph 6.02.2.

1.14. "County Road" shall mean and refer to the roads constructed to the specifications outlined by Henderson County within WATER'S EDGE RANCH Subdivision and which will be maintained by Henderson County, Texas once completed, approved and accepted into the roadway system of Henderson County, Texas.

1.15. "Developer" shall mean and refer to TEXAS LAND & LAKES, LTD. and its successors and assigns.

1.16. "Dwelling" shall mean and refer to a building that is constructed on any tract to be used for residential purposes.

1.17. "Front Lot Line" or "Front Property Line" shall mean and refer to the property boundary line adjoining the street to which the front of the dwelling faces.

1.18. "Lake" shall mean the approximately 328-acre Private Lake known as Valley View Lake and designated as Common Area.

1.19. "Tract" or "Lot" shall mean and refer to any plot of land identified as a tract or home site on the Plat of WATER'S EDGE RANCH which is recorded in the Map and Plat records of Henderson County, Texas. For purposes of this instrument, "Tract" shall not be deemed to include any portion of the "Common Areas" or "Unrestricted Reserves," or "Reserves" (defined herein as any Common Areas, Reserves and Unrestricted Reserves shown on the Plat) in WATER'S EDGE RANCH regardless of the use made of such area.

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

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

1.22. "Pier" shall mean and refer to a structure built on the Lake (Valley View Lake) for use as a fishing or sitting area.

1.23. "Private Amenities" shall mean and refer to areas designated on the Plat and certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within the Properties, designated by the Developer and which are owned and operated, in whole or in part, by the owners of the tracts of land adjacent thereto for recreational or other purposes. Private Amenities may be operated exclusively for those tract owners, or on a daily fee, use fee, public, or private basis or otherwise, and may include, any recreational amenities so located and all related and supporting facilities and improvements upon the sole discretion of all of the tract owners adjacent to such Private Amenity. Developer reserves the right to designate additional Private Amenities in its sole discretion.

1.24. "Private Road" or "Private Street" shall mean and refer to roads or streets constructed to Henderson County, Texas specifications within WATER'S EDGE RANCH Subdivision and which will be controlled and maintained by the Association.

1.25. "Properties" shall mean and refer to any land previously not defined by these restrictions found within the Subdivision.

1.26. "Rear Lot Line" or "Rear Property Line" shall mean and refer to that boundary line opposite the front property boundary line as delineated by the Plat.

1.27. "Retaining Wall," "Bulkhead" or "Seawall" shall mean and refer to a wall built along the shoreline of the Lake (Valley View Lake).

1.28. "Side Lot Line" or "Side Property Line" shall mean and refer to any boundary line that is not a front property line or a rear property line.

1.29. "Soffit" shall be defined as the underside of structural components, such as eaves and overhangs.

1.30. "Subdivision" shall mean all those properties or units forming a part of WATER'S EDGE RANCH and as described and shown on the attached Exhibit "A" as amended and supplemented.

1.31. "Waterfront Tract" shall mean and refer to those particular Tracts in the Subdivision that are adjacent to the Lake (Valley View Lake) and that have frontage on the Lake (Valley View Lake).

SECTION II RESERVATIONS, EXCEPTIONS AND DEDICATIONS

2.01. Recorded Subdivision map of the Property. The plat ("Plat") of WATER'S EDGE RANCH, for all separate and distinct phases of the Subdivision dedicates for use as such, subject to the limitations as set forth therein, the roads (public or private as the case may be), streets and easements shown thereon. The Plat further establishes certain restrictions applicable to WATER'S EDGE RANCH. All dedications, restrictions, easements and reservations created herein or shown on the Plat, any subsequent Plats of additional Phases, which are governed by these Restrictions, replats or amendments of the Plats of WATER'S EDGE RANCH recorded or hereafter recorded shall be construed as being included in each contract, deed, or conveyance executed or to be executed by or on behalf of Developer, whether specifically referred to therein or not.

2.02. Easements. Developer reserves for public utility or private utility use the utility easements shown on the Plat or that have been or hereafter may be created by separate instrument recorded in the Official Public or Official Real Property Records of Henderson County, Texas, for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, telegraph and telephone line or lines, storm surface drainage, cable television, oil pipeline, gas pipelines or any other utility the Developer sees fit to install in, across and/or under the Property. All utility easements in the subdivision may be used for the construction of drainage swales in order to provide for improved surface drainage of the Reserves, Common Area and/or Tracts. Should any utility company furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, Developer, without the joinder of any other Owner, shall have the right to grant such easement on said Property without conflicting with the terms hereof. Any utility company serving the subdivision shall have the right to enter upon any utility easement for the purpose of installation, repair and maintenance of their respective facilities. Neither Developer nor any utility company, political subdivision or other authorized entity using the easements herein referred to shall be liable for any damages done by them or their assigns, agents, employees, or servants, to fences, shrubbery, trees and lawns or any other property of the Owner on the property covered by said easements. Additionally, Developer reserves all areas located within the 100-year flood plain as depicted by the Federal Emergency Management Authority ("FEMA") as a drainage easement. Developer reserves the right and ability to enter the Lot or Tract where a drainage easement is located, the 100-year flood plain is located, or the 100 year water surface elevation is located to perform work as necessary within such drainage easements to insure proper drainage of the Subdivision and as designed. Any and all Access Easements found within the Subdivision are dedicated for use by the Members of the Association for ingress and egress across such Tracts as may be burdened by such Access Easement, and may be used for ingress and egress by the Developer or such other individuals, persons, or entities as may be provided for by the Developer through written consent or written license.

2.03. Title Subject to Easements. It is expressly agreed and understood that the title conveyed by developer to any of the Tracts by contract for deed or other conveyance shall be subject to any easement affecting same for roadways or drainage, electric lighting, electric power, telegraph or telephone purposes, maintenance, utility, access and other easements hereafter granted affecting the Tracts. The Owners of the respective Tracts shall not be deemed to own pipes, wires,

conduits or other service lines running through their Tracts which are utilized for or service other Tracts, but each Owner shall have an easement in and to the aforesaid facilities as shall be necessary for the use, maintenance and enjoyment of his Tract. The Developer may convey title to said easements to the public, a public utility company or the Association.

2.04. Utility Easements. There are hereby reserved to the Developer at all times prior to the Control Transfer Date, and thereafter, the Association, and the designees of each (which may include, without limitation, any governmental or quasi-governmental entity and any utility company with condemnation rights) perpetual non-exclusive easements upon, across, over, and under all of the Tracts to the extent reasonably necessary for the purpose of installing, constructing, monitoring, replacing, repairing, maintaining, operating and removing cable television systems, master television antenna systems, and other devices for sending or receiving data and/or other electronic signals; security and similar systems; roads, walkways, pathways and trails; lakes, ponds, wetlands, irrigation, and drainage systems; street lights and signage; and all utilities, including but not limited to sewer, telephone, oil, gas and electricity, and utility meters; and an easement for access of vehicular and pedestrian traffic over, across and through the Properties, as necessary, to exercise the easements described above.

2.05. Developer specifically grants to the local water supplier, electric company, telephone company, and cable company the easements set forth herein across the Properties for ingress, egress, installation, reading, replacing, repairing, and maintaining utility lines, meters and boxes, as applicable.

2.05.1. Utility ground and aerial easements have been dedicated in accordance with the Plat and by separate recorded easement documents.

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

2.05.3. Except for the items that are the responsibility of the Owner stated in the Paragraph 2.05.2. above, any damage to a Tract resulting from the exercise of the easements described in this Section shall promptly be repaired by, and at the expense of, the Person exercising the easement *i.e.* the entity which benefits from the easement (a public or private utility). The exercise of these easements shall not extend to permitting entry into the structures on any Tract, and except in an emergency, entry onto any Tract shall be made only after reasonable notice to the Owner or occupant.

2.06. Easement for Slope Control, Drainage and Waterway Maintenance. The Developer, for itself and the Association, and their respective representatives, successors and assigns, contractors and agents, hereby establishes and reserves a permanent and perpetual non-exclusive easement appurtenant over, across, under, through and upon each Tract for the purpose of:

2.06.1. controlling soil erosion, including grading and planting with vegetation any areas of any Tract which are or may be subject to soil erosion.

2.06.2. drainage of natural or man-made water flow and water areas from any portion of the Property or any amenity;

2.06.3. changing, modifying or altering the natural flow of water, water courses or waterways on or adjacent to any Tract or Common Area.

2.06.4. Dredging, enlarging, reducing or maintaining any water areas or waterways within the Property other than those approved by Henderson County; and

2.06.5. installing such pipes, lines, conduits or other equipment as may be necessary for slope control, drainage and waterway maintenance of any portion of the Property or any amenity.

2.07. Easements to Serve Additional Property. The Developer 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 the Additional Property, 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 for construction of roads, for the posting of signs and for connecting and installing utilities serving the Additional Property. Developer agrees that it and its successors and assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of the Additional Property.

2.08. Easement for Entry. The Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association to enter all portions of the Properties, including each Tract, for emergency, security, and safety reasons. Such right may be exercised by the authorized agents, employees and managers of the Association, any members of its Board or committees, and its officers, police officers, fire fighters, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in emergencies, entry onto a Tract shall be only during reasonable hours and after notice to and permission from the Owner. This easement includes the right to enter any Tract to cure any condition which may increase the possibility of fire, slope erosion, immediate risk of personal injury, or other hazard if Owner fails or refuses to cure the condition within a reasonable time after request by the Board, but shall not authorize entry into any dwelling without permission of the Owner, except by emergency personnel acting in their official capacities. Any entry by the Association or its authorized agents, employees or managers of the Association, any member of its Board or committees, or its officers onto a Tract for the purposes specified herein shall not constitute trespass.

2.09. Easements for Maintenance and Enforcement. Authorized agents of the Association shall have the right, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each Tract to (a) perform its maintenance responsibilities, and (b) make inspections to ensure compliance with the Governing Documents. Except in emergencies, entry onto a Tract shall be only during reasonable hours. This easement shall be exercised with a minimum of interference to the quiet enjoyment of the Owners' property, and any damage shall be repaired by the Association at its expense. Entry under this Section shall not constitute a trespass.

The Association also may enter a Tract to abate or remove, using such measures as may be reasonably necessary, any structure, thing or condition which violates the Governing Documents. All costs incurred, including reasonable attorneys' fees as allowed by the Act, may be assessed against the violator as a Specific Assessment.

2.10. Easements for Lake and Pond Maintenance and Flood Water. The Developer reserves for itself and its successors, assigns, and designees the nonexclusive right and easement, but not the obligation, to enter upon the lakes, ponds, streams, and wetlands located within Common Areas or Easements to (a) install, keep, maintain, and replace pumps and irrigation systems in order to provide water for the irrigation of any of the Common Areas or Reserves; (b) construct, maintain, and repair any Retaining Wall, bulkhead, wall, dam or other

structure retaining water; and (c) remove trash and other debris there from and fulfill their maintenance responsibilities as provided in this Declaration. Developer and its designees shall have an access easement over and across any of the Properties abutting or containing any portion of any pond, stream or wetland to the extent reasonably necessary to exercise their rights under this Section.

Developer further reserves for itself and its successors, assigns and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Tracts (but not the dwellings thereon) adjacent to or within twenty feet (20') of lakes, ponds, streams and wetlands in order to (a) temporarily flood and back water upon and maintain water over such portions of the Properties; (b) fill, drain, dredge, deepen, clean, fertilize, dye, and generally maintain the ponds, streams, and wetlands within the Common Areas; (c) maintain and landscape the slopes and banks pertaining to lakes, ponds, streams, and wetlands; and (d) enter upon and across such portions of the Properties for the purpose of exercising its rights under this Section. All persons entitled to exercise these easements shall use reasonable care in such easements and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Developer or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural disasters.

Developer reserves unto itself the right, in the exercise of its sole discretion, upon the request of any Person holding, or intending to hold, an interest in the Properties, or at any other time, (i) to release all or any portion of the Properties from the burden, effect, and encumbrance of any of the easements granted or reserved under this Section, or (ii) to define the limits of any such easements.

2.11. Drainage Easement/Lake Maintenance Easement. Developer reserves a ten (10) foot Drainage/Lake Maintenance Easement from the uphill side of the 391' Contour (100 Year Water Surface Elevation). No residence of any kind shall be permitted to be built below this Easement.

2.12. Lateral Support. Every portion of the Common Area, every Tract, and any improvement which contributes to the lateral support of another portion of the Common Area or of another Tract shall be burdened with an easement for lateral support, and each shall also have the right to lateral support which shall be appurtenant to and pass with title to such property.

2.13. Rights to Stormwater Runoff, Effluent and Water Reclamation. Developer hereby reserves for itself and its designees, including, but not limited to, the owner of any Amenity, all rights to ground water, surface water, storm water runoff, and effluent located or produced within the Properties, and each Owner agrees, by acceptance of a deed to a Tract, that Developer shall retain all such rights. Such right shall include an easement over the Properties for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff and effluent.

2.14. Liability for Use of Easements. No Owner shall have a claim or cause of action against the Developer, its successors or assigns, including without limitation the owner(s) of any Common Areas or Amenities, arising out of the exercise or non-exercise of any easement reserved hereunder or shown on any subdivision plat for the Properties, except in cases of intentional, willful or wanton misconduct.

2.15. Mowing Easement. Developer reserves an easement for the mowing and/or bailing of hay across tracts subject to these Restrictions. Such easement shall terminate on each tract the earlier of (a) the beginning of construction of a residence on the tract, (b) the fencing of such tract or (c) three (3) years from the Effective Date of these Restrictions. Although Developer reserves the right to mow, move and bail hay, no obligation to do so shall arise from this reservation. This paragraph in no way shall limit or diminish the obligation of the Owner of each tract to maintain the tract or tracts owned.

2.16. Utility and Maintenance Easement. Developer hereby grants and dedicates a twenty (20) foot Utility/Maintenance easement along Tracts 72, 75, 79-91

inclusive, 142, and 146-163 inclusive. No improvement of any kind including fencing may be located within this Utility and Maintenance easement.

SECTION III **USE RESTRICTIONS**

3.01. Single Family Residential Construction. No building shall be erected, altered, placed or permitted to remain on any Tract other than dwellings to be used for residential purposes. All single story dwellings on tracts must have at least One Thousand, Eight Hundred (1,800) square feet of living area, excluding porches, and have at least a two (2) car garage and no more than a five (5) car garage, which may be detached. One and one-half (1½) and two story dwellings must have a minimum of Two Thousand, Two Hundred (2,200) square feet of living area, excluding porches, with at least One Thousand, Two Hundred (1,200) square feet on the ground floor and must have at least a two (2) car garage and no more than a five (5) car garage, which may be detached. No carports shall be allowed. Garage door openings must face Side or Rear Lot Lines for all size dwellings. One secondary dwelling may be built on tracts, provided said secondary dwelling contains a minimum of Five Hundred (500) square feet and cannot exceed One Thousand, Two Hundred (1,200) square feet of living area size. Secondary dwellings must be built after or while the primary dwelling is being built and must be approved by the Architectural Control Committee. Detached garages, workshops, barns, and other accessory buildings may be constructed on the property prior to the main dwelling being built but may not have interior plumbing prior to occupancy of the primary residence. Barns shall not be allowed on Waterfront Tracts. No person shall live in the garage, barn, or workshop. All dwellings, detached garages, work shops, barns and any other improvements must be approved in writing by the Architectural Control Committee prior to being erected, altered or placed on property. The term "dwelling" does not include mobile homes, single or doublewide manufactured homes or prefabricated (prefab) homes, and said mobile homes, manufactured homes and prefab homes are not permitted within the subdivision. All primary and secondary dwellings must be site constructed, built with new construction materials and use exterior materials that are approved by the Architectural Control Committee. Aluminum, asbestos, plywood, and vinyl and/or vinyl siding shall not be allowed. It is the complete responsibility of the Tract Owner and/or the Home Builder to ensure structural reliability, proper construction and proper design of all primary and secondary dwellings. It is highly recommended that the Owner determine the type of soil present on the Tract by conducting a Geotechnical Study (Soil Test) on the Tract prior to construction by a Professional Engineer. It is also recommended that a licensed structural Professional Engineer licensed in the State of Texas should design and seal the slab or foundation prior to construction. A licensed architect is recommended for the proper design and construction of a home. The approval supplied by the Architectural Control Committee is not a substitute for the use of qualified professionals to assist you in the construction of a home. Detached garages must be built out of similar material as the main dwelling. Other accessory buildings and barns must be built with new construction material and may be built with wood or metal siding. Detached garages, work shops, or barns may not be used as a temporary or permanent residence. All shingle roofs must have at least a 30-year life. Metal and tile roofs will be permitted. Any building, structure or improvement commenced on any Tract shall be completed as to exterior finish and appearance within nine (9) months from the commencement date. While dwellings are being constructed, the Owner and/or Contractor must provide a trash dumpster and temporary restroom facilities on the Tract.

3.02. Composite Building Site. Any Owner of one or more adjoining Tracts (or portions thereof) may, with the prior written approval of the Architectural Control Committee, consolidate such Tracts or portions into one (1) building site, with the privilege of placing or constructing improvements on such resulting site, in which case the side set-back lines shall be measured from the resulting Side Property Lines rather than from the Tract lines as indicated on the Plat. It is the responsibility of the owner to obtain all needed easement releases from the

appropriate agencies and all approvals from the appropriate County and/or City authorities.

3.03. Location of the Improvements upon the Tract. On Waterfront Tracts, no building of any kind shall be located on any Waterfront Tract nearer than fifty (50) feet from the Front Property Line and ten (10) feet from any Side Lot Line and seventy-five (75) feet from any Rear Lot Line. On tracts 4.99 acres or less in size, no building of any kind shall be located on any tract nearer than fifty (50) feet from the Front Property Line and twenty (20) feet from any Side or Rear Lot Line. Regardless of property line, no building shall be closer than fifty (50) feet from the property line adjoining any road. On Tracts five (5.00) acres and greater in size, no building of any kind shall be located on any Tract nearer than one hundred (100) feet from the Front Property Line and fifty (50) feet from any Side or Rear Lot Line. All dwellings must directly face the Front Property Line i.e. the front door of the dwelling must face the Front Property Line. Notwithstanding the foregoing, no Dwelling may be constructed or built on or below the Elevation 391' and the finish floor shall not be below Elevation 393' without the specific approval from the Architectural Control Committee and the appropriate County and/or City authorities.

Notwithstanding, the maximum height shall be two stories, but not to exceed thirty-five (35) feet per dwelling from the first floor elevation, which is measured from the highest point of the virgin soil. Height of any accessory building shall not exceed twenty-five (25) feet. Provided however, as to any Tract, the Architectural Control Committee may waive or alter any such setback line or height restriction, if the Committee, in its sole discretion determines that such waiver, or alteration is necessary to permit effective utilization of a Tract. Any such waiver or alteration must be in writing and recorded in the Deed of Records of Henderson County, Texas. All dwellings placed on Tracts within the Subdivision must be equipped with a septic system meeting all applicable laws, rules, standards and specifications, and all such dwellings must be served with water and electricity. Tracts adjacent to any body of water shall utilize aerobic, low pressure dosing, or any new technology that is approved by the Architectural Control Committee. It shall be the Owner's responsibility to obtain the necessary permits and requirements from the proper governmental authority before construction of the sewage disposal system.

3.04. Use of Temporary Structures. Except as set forth below, no structure of a temporary character, whether basement, shack, garage, barn, recreational vehicle, camper or other outbuilding shall be maintained or used on any Tract at any time as a residence, either temporarily or permanently. Notwithstanding, the Developer reserves the exclusive right to erect, place and maintain such facilities in or upon any portion of the subdivision as in its sole discretion may be necessary or convenient while selling Tracts. Occupied, self contained and non-self contained campers or recreational vehicles will be permitted on the property so long as such campers or recreational vehicles are on the property no longer than seven (7) consecutive day and no longer than fourteen (14) total days out of a thirty (30) day period. All non-self contained campers must have some type of chemical toilet.

3.05. Walls and Fences. Walls, fences and gates if any, must be approved prior to construction by the Architectural Control Committee. No fence shall be closer to the Front Property Line than the front line of the main dwelling on all Tracts (2.99) acres or less in size. On all Tracts, except for waterfront tracts, regardless of size, the fences must be constructed of game fencing, wood, metal pipe, masonry, masonry veneer, wrought iron, coated chain link, PVC and/or vinyl rail, or a combination thereof. On all Tracts prior to the main dwelling being constructed, one hundred-fifty (150) feet of the side fencing, beginning where the side fencing joins the front fence, must be constructed of the same material as the front fence. After construction of the main dwelling, the side fencing must be constructed of the same material as the front fence up to the front line of the main dwelling. All wooden fences (except cedar and redwood) must be painted or stained in a color approved by the Architectural Control Committee. Fences on all lot lines adjacent to

any street, regardless of Tract size, shall be constructed of white wood, white PVC and/or vinyl rail, white pipe, white pipe and cable or a combination of those materials. All walls and fences, if any, constructed on Waterfront Tracts must be constructed of wrought iron or wrought iron and masonry. All fencing on waterfront Tracts shall be a minimum of four (4) feet in height and a maximum of six (6) feet in height. All other fencing shall be a minimum of four (4) feet in height and a maximum of ten (10) feet in height. No fencing shall be built within any equestrian/pedestrian easement or walking trail. All gates that front a road must be of a decorative nature and be constructed of steel. Standard aluminum ranch gates are not permitted. Privacy fencing may be allowed on non-perimeter fencing, around the house area, at the sole discretion of the Association. All fences must be maintained to the satisfaction of the Board of Directors of the Association. Fencing may be constructed in the easements surrounding the Lake (Valley View Lake), however, the Association shall have the right to remove such fencing, at the owner's expense, if the Association needs access across the easement. Additionally, the Association shall have no obligation to replace such fencing.

3.06. Mailboxes. All individual mailboxes must be of masonry construction.

3.07. Piers and Docks. Owners of Waterfront Tracts adjacent to the Lake (Valley View Lake) may erect Boat Docks/Piers into the Lake (Valley View Lake), with the approval of the Architectural Control Committee. The size allowed for any structure is determined as follows: four (4) square feet of structure is allowed per linear foot of shoreline owned with the maximum size allowed for any structure being eight hundred (800) square feet in size. The area measurement shall exclude all walkways less than four (4) feet wide that extend from the shoreline to the structure. The distance the structure extends into the Lake (Valley View Lake) shall not exceed fifty (50) feet from the average water level line of the Lake (Valley View Lake). The maximum square footage may not be allowed in all cases. The maximum height of the structure can not exceed more than a single story and eighteen (18) feet, which is measured from the normal pool elevation (393.4') to the highest portion of the structure. No part of an improvement can be closer than five (5) feet to the property line, excluding fences, sidewalks, and retaining walls. No structure may occupy more than one third (1/3) of any channel width and in no case shall any part of the structure come within ten feet of the centerline of the channel. Exceptions may be granted for structures located at the end of the channel. Enclosed structures are not allowed and are prohibited. In order to protect a raised boat within a dock from the elements, solid sides on the dock will only be permitted for a maximum of two (2) feet downward from the roofline. No additional materials (i.e. lattice, fencing, bars, screen fabric, doors, glass, etc.) may be installed below the two (2) foot sidewall. A small storage area is allowed on the structure for tackle, life jackets, etc. A twenty (20) square foot enclosure shall be considered maximum for any such storage area. No toilet facilities of any type will be allowed on structures. The deck of a structure shall be no less than 18 inches above the normal pool level (Elevation 383.4') of the Lake (Valley View Lake). The electrical services shall be installed in accordance with the National Electric Code as amended and revised. A complete electrical plan must be provided with the application. The Owner is required to have a licensed electrician, electrical inspector, or other professional with expertise in electrical installations to inspect all electrical components to ensure that the installation meets all requirements specified in the National Electric Code. All materials exposed to the elements shall be cedar, redwood, treated wood, concrete, or steel materials. Other materials with long life expectancy will be considered. No metal barrels may be used for flotation. Only extruded (closed cell) polystyrene or foam bead expanded polystyrene that is encased in a high quality protective cover and that has been approved by the Association may be used for flotation. Creosote treated materials will not be permitted below the Lake (Valley View Lake) level. All connections below the walkway shall be bolted with galvanized, zinc plated, cadmium plated, or stainless steel bolts. Steel materials may be welded. Other connections may be nailed or attached by screws. All construction activities disturbing the soil at or below the flood flowage boundary of the reservoir must employ erosion control practices to minimize the amount of

sediment entering the reservoir. Steel pilings shall be a minimum of two and seven eighths inches (2 7/8) in diameter. Wood pilings must be pressure treated and at least six inches in diameter. Creosote pilings will not be allowed. An approval issued by the Association in no way releases the improvement owner from the responsibility of meeting the requirements of Federal, State, County, or City regulations that may apply. All piers must be maintained to the satisfaction of the Association. All piers and boathouses must be approved by the Architectural Control Committee.

Notwithstanding anything to the contrary, no boat ramp of any kind shall be located upon any Tract except as it applies to the Common Area for use by the Association, its members, permittees and invitees.

3.08. Retaining Walls and Dredging. Owners of Tracts adjacent to the Lake (Valley View Lake) may build a retaining wall along any body of water with the approval of the Architectural Control Committee. Retaining walls shall be constructed in a manner that improves the shoreline alignment. If an eroded area along the shoreline is approved by the Association to be reclaimed then the backfill material must also be reclaimed from the Lake (Valley View Lake). Approved materials for retaining walls or bulkheads or seawalls include concrete, soil cement, minimum 8 gauge steel sheet piling, PVC sheet piling, pressure treated lumber, and rip rap. Other materials with a long life expectancy will be considered. Creosote materials will not be approved. All dredging activity must be performed in such a manner that will maintain a gently sloping lake bottom and prevent the formation of holes or sudden drop-offs. All construction activities disturbing the soil at or below the flood flowage boundary of the Lake (Valley View Lake) must employ erosion control practices to minimize the amount of sediment entering the Lake (Valley View Lake). All dredging materials shall be placed in such a manner as to prevent any sediment runoff back into the Lake (Valley View Lake). Containment and/or silt screens may be required. Any building of retaining walls or dredging must be approved by the Architectural Control Committee.

3.09. Prohibition of Offensive Activities. No Activity, whether for profit or not, shall be conducted on any Tract except for Tract 1, which is not related to single family residential purposes, unless said activity meets the following criteria: (a) no additional exterior sign of activity is present, (b) no additional traffic, that would not be there normally, is created, (c) nothing dangerous is present and (d) the activity does not constitute a nuisance or annoyance. Nothing herein shall prevent a home office so long as the requirements of (a), (b), (c) and (d) above are met. Further, this restriction is waived in regard to the customary sales activities required to sell homes in the Subdivision. The Association shall have the sole and absolute discretion to determine what constitutes a nuisance or annoyance.

3.10. Garbage and Propane Storage. Garbage and trash or other refuse accumulated in this subdivision shall not be permitted to be dumped at any place upon adjoining land where a nuisance to any residence of this subdivision is or may be created. No Tract shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be allowed to accumulate, shall be kept in sanitary containers and shall be disposed of regularly. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition and out of sight from public roadways, except on pickup days. Propane tanks must not be visible from the road, and screened with vegetation and/or privacy fencing as approved by the Architectural Control Committee.

3.11. Unsightly Articles. Junked Motor Vehicles Prohibited. Except as set forth in Paragraph 3.04, no campers, recreational vehicles, boats, trailers, graders, trucks other than pickups, tractors, wagons, busses, motorcycles, motor scooters or garden maintenance equipment may be kept on property unless such items are placed in an approved enclosed structure and kept in a clean and tidy manner. No maintenance work shall be done on any of the foregoing, or on any automobile (other than minor emergency repairs), except in enclosed garages or other structures. No vehicle may be parked in excess of seventy-two (72) hours on any roadway within

the Property.

No article deemed to be unsightly by the Architectural Control Committee shall be permitted to remain on any Tract. Service area, storage area, loading area, and compost piles shall be appropriately screened from view from public or private thoroughfares, the Lake (Valley View Lake) and adjacent properties and no lumber, grass, plant, waste, shrub or tree clippings, metals, bulk materials, scrap or refuse shall be kept, stored or allowed to accumulate on any portion of the Owner(s) Tract. No junk, abandoned or unregistered vehicles and no vehicles without current inspections shall be allowed on any Tract. Tractor trailer rigs and/or trailers and trucks with more than ten (10) wheels may not be parked or kept on the property or in the subdivision.

3.12. Signs. No signs, advertisements, billboards or advertising structures of any kind may be erected or maintained on any Tract without the consent in writing of the Architectural Control Committee. The Architectural Control Committee shall allow one (1) professionally made sign not more than twenty-four inches (24") by thirty-six inches (36") advertising the Owner's Tract for sale or rent after such home has been built, and one (1) professionally made sign, not more than twelve inches (12") by twenty-four inches (24") identifying the Tract owner's name or names. The term "professionally made sign" does not include store bought pre-made "for sale" or "for rent" signs. Notwithstanding, builders may place a pre-approved sign that does not exceed four (4) feet by eight (8) feet advertising a model home on the tract. Except as it applies to the Developer, no sign shall be nailed to a tree or placed within twenty-five (25) feet from any Lot line and all signs must be properly maintained. Developer, any member of the Association, or Architectural Control Committee shall have the right to remove such sign, advertisement, billboard or structure which is placed on any Tract in violation of these restrictions, and in doing so, shall not be liable, and are hereby expressly relieved from any liability for trespass or other tort in connection therewith, or arising from such removal.

3.13. Animal Husbandry. No livestock, poultry or large animal of any kind may be kept on any tract, except that on tracts two acres or larger, animals being raised for 4-H or FFA school sponsored programs, excluding poultry, pigs or hogs, may be raised, bred, or kept. Additionally, on all tracts two (2) acres and larger, one (1) horse, cow or other large animal (excluding pigs and hogs) may be kept so long as such animal does not become a nuisance or threat to other owners. On all tracts three (3) acres or larger, one (1) horse, cow or other large animal (excluding pigs and hogs) for every one (1) acre owned may be kept, as long as such animal(s) does not become a nuisance or threat to other owners. All animals being raised by individual tract owners must be kept in a fenced area on the Owner's Tract. Dogs must be kept in a kennel, dog run, or fenced in area that confines said dog(s) to that area, however, no breeding or other for-profit dog operation shall be allowed. Dogs will not be permitted to run loose and must be vaccinated for rabies according to State Law once a year and registered with Henderson County once a year.

3.14. Mineral Development. No commercial oil drilling, oil development operations, oil refining, quarrying, or mining operation of any kind shall be permitted upon the surface of any Tract except for those areas designated by the Plat as "Drill Sites," "Well Locations" or other nomenclature that designates an area for the drilling and production of oil, gas or other minerals within the Water's Edge Ranch. No derricks or other structures designed for the use of boring for oil or natural gas shall be erected, maintained or permitted upon the surface of any Tract except for those areas designated by the Plat as "Drill Sites," "Well Locations" or other nomenclature that designates an area for the drilling and production of oil, gas or other minerals within the Water's Edge Ranch. All utility easements may be utilized by the mineral developer or pipeline utility to place gathering lines from any well within the Water's Edge Ranch development, but no trunk or main line for the transportation of oil, gas or other mineral may be located within the Water's Edge Ranch development. All pipelines must be buried at least 42-inches below the surface and no less than 48-inches below any roadway. All pipelines must be in

compliance with all rules and regulations for pipelines as promulgated by the Texas Railroad Commission as such pertain to pipelines within a residential subdivision. All costs associated with the burying of lines shall be the responsibility of the pipeline company or mineral developer.

3.15. Drill Sites. Any and all Drill Sites or Surface Sites used for oil/gas drilling, oil/gas development operations, oil refining, quarrying, or mining operation of any kind must be landscaped and completely fenced with a masonry fence that must be at least 6-feet in height before operations begin on such Drill Site. All landscaping must be approved the Architectural Control Committee, and such landscaping must be dense enough to block the view of the Drill Site once operations on such site begin.

3.16. Drainage. Natural or man-made established drainage patterns of streets, tracts or roadway ditches will not be impaired by any person or persons. No creeks, man-made or natural drainage areas may be filled, impacted, dammed, or water therefore improved, diverted or used for any purpose without the prior written consent of the Architectural Control Committee. Driveway culverts must be installed and must be approved by Henderson County of sufficient size to afford proper drainage of ditches without backing water up into ditch or diverting flow. Drainage culvert installation must meet County and/or, when necessary, the Association requirements. All areas designated on the plat are hereby dedicated as 100-year flood plains and are to be Drainage Easements.

3.17. Antennas/Solar Panels. Antennas of any kind shall not exceed ten (10) feet above the roof of the dwelling or accessory building. No solar panels, satellite dishes or similar apparatus shall be placed on any dwelling in such a way that panel/apparatus is visible from the street. Ground satellite dishes shall not be erected, installed or placed on property without the prior written approval of the Architectural Control Committee and such dishes shall be screened from the view of the road.

Nothing herein shall be constructed to conflict with the latest rules and regulations set forth by the Federal Communications Commission.

3.18. Resubdivision. Except as it applies to the Developer or the Veterans Land Board, no tract shall be resubdivided or split unless otherwise permitted in the restrictions. These restrictions, however, specifically allow the Declarant/Developer to divide, subdivide, realign and re-subdivide any unsold and platted tract in the Development as it deems necessary in its sole discretion for the continued development of the Subdivision until the Control Transfer Date. A Lot or Tract may be combined into one or more composite Tracts if that Tract will be combined with two or more adjoining lots or tracts to form larger resulting Tracts.

3.19. Driveways. The first One Hundred (100) feet of all driveways up to the garage must be surfaced with concrete, concrete pavers, asphalt, two (2) course chip and seal, or a combination thereof. Driveways must be surfaced within nine (9) months of installation or when the main dwelling is complete, whichever is earliest.

3.20. Timber, Landscaping, and Mowing. Four times each year, on dates determined by the Association, the Association shall schedule days on which the Tract owner shall have mowed his Tract. If a Tract is not mowed within two weeks prior to that day, the Association may, at the Tract Owner's expense have the grass, weeds and cover on the Tract mowed, or the Tract otherwise cleaned as often as in their sole discretion is deemed necessary. After construction has begun (reasonable period), as well as after completion of Improvements, each Owner shall keep all shrubs, trees, grass and planting of every kind on such Owner's Tract cultivated, pruned, mowed and free of trash and other unsightly materials. Front, side and rear yards shall be planted, landscaped and maintained in such a manner as is deemed acceptable by the Developer, or the Association. If, in the opinion of the

Developer or the Association, an Owner shall, at any time, fail to maintain his yard in a safe, clean and attractive condition, the Association shall give the Owner ten (10) days written notice thereof. In the event the Owner shall fail to remedy the objectionable matter, the Owner agrees, by virtue of having accepted these Restrictions upon the purchase of the Tract, hereby waiving any claim for damages, that Developer or Association may, without being deemed to have trespassed upon the Tract, enter upon such Tract and perform such maintenance. Thereafter, the Owner shall be liable for the cost of such work, which shall promptly be reimbursed to the Developer or the Association. All landscaping as approved in the plans and specifications shall be completed within twelve (12) months following the completion of the Residence.

No Tract owner shall cut or clear any trees which are ten (10) inches in diameter measured at four (4) feet from the ground without the written approval of the Architectural Control Committee. The Architectural Control Committee shall allow any tract owner to clear the trees located on the area where the house and other improvements will be placed.

3.21. Hunting. No hunting is allowed in the subdivision; no discharge of handguns, rifles, shotguns or other firearms, pellet or air guns, bows or cross bows, or other weapons are allowed.

3.22. Existing Buildings. All improvements existing on the property on the date of the recording of these Restrictions shall be considered in compliance with these restrictions. However, all future building, demolition and all exterior alterations and additions must be approved by the Architectural Control Committee and must comply in all respects with all sections of these Restrictions, as written.

3.23. Septic Systems. All sanitary plumbing must comply with the requirements of the Health Department of Henderson County and the State of Texas, and the Texas Water Quality Board. All Tracts adjacent to any body of water shall utilize aerobic, low pressure dosing, or any new technology that is approved by the Architectural Control Committee.

3.24. Burning. No open fires shall be allowed in the subdivision unless such fires comply with all County and/or City rules and regulation.

3.25. Water Wells. Private water wells may be drilled on Tracts two (2) acres or larger. No private water wells shall be drilled on any Tract unless such wells are for agricultural or livestock use only and have been approved prior to being drilled by Bethel Ash Water Supply Corporation and/or its assigns.

3.26. Lake Rules and Regulations. The Tract owner shall comply with all Rules and Regulations adopted by the Association with regard to any lake.

3.27. Irrigation. Those Tracts adjacent to the Lake (Valley View Lake) shall NOT be allowed to use the water from the Lake (Valley View Lake) for irrigation purposes.

3.28. Vehicle Traffic. For the safety of all property owners, their families, guests, or other visitors, no one shall operate recklessly or exceed a speed limit of thirty (30) miles per hour while operating any motor vehicle within the Subdivision. All state and local laws regarding motor vehicle traffic will be enforced.

Additionally, ATV's of any type may not be operated within the Subdivision on the roads or streets.

3.29. Notice. In the event of the failure of Owner to comply with the above requirements after ten (10) days written notice thereof, the Association or their designated agents may, without liability to the Owner, Contractor or any occupants of the Tract in trespass or otherwise, enter upon (and/or authorize one or more

others to enter upon) said Tract, and do any other thing necessary to secure compliance with this Declaration. Payment for the charges shall be payable on the first day of the next calendar month.

SECTION IV COMMERCIAL TRACT

4.01. Tract 1 Commercial Use. Notwithstanding anything contained in these restrictions to the Contrary, Tract 1 may be used for either residential, commercial or a combination of residential and commercial purposes. If used solely for residential purposes, Tract 1 and any and all improvements shall comply with all restrictions set forth in Section III of these restrictions and this Section IV shall not apply. If Tract 1 is used for commercial use or a combination of commercial and residential use, then Tract 1 and all improvements constructed on Tract 1 shall, except as in Paragraph 3.09, comply with these restrictions, unless otherwise determined by the Architectural Control Committee. The decision of the Architectural Control Committee as to the applicability or non-applicability of the restrictions, once made shall not be subject to reversal by a subsequent or other Architectural Control Committee without the written consent of the then owner of Tract 1.

4.02. Uses. The following limitations apply to the use of commercial uses of Tract 1:

4.02.1. No liquor store, bar or other facility dedicated solely to the sale or serving of alcoholic beverages shall be permitted.

4.02.2. No car, truck or automobile garage, body shop, mechanic's shop or building, oil change facility, or automobile, truck or car repair shop shall be permitted.

4.02.3. No "adult only" houses, including, but not limited to, video, movie or other similar type facilities shall be permitted; nor shall any massage parlor, unless staffed by an in-house, state licensed, physical therapist shall be permitted.

4.02.4. No car, mobile home, or manufactured home sales lot shall be permitted.

4.02.5. No bait or tackle shop shall be permitted.

4.02.6. No offensive or noxious odors or activities shall be permitted on this Tract, nor shall anything be done upon this Tract which may be or may become an annoyance or nuisance to the Owners or the subdivision.

4.02.7. All other uses shall be approved by the Architectural Control Committee.

4.03. Membership. The owner or owners of Tract 1 shall be members of the Association. However, the Association shall have the right, with respect to the Common Areas, to limit the number of guests of Owners, or if the Owner is a business entity or if such Tract is owned by more than two persons, to limit the number of Owners allowed to use the Common Area at any one time. The Common Areas shall be used only by the Tract Owner and his family. Commercial customers, clients or patients shall not be allowed to use the Common Areas.

SECTION V COMMON AREAS

5.01. Easement. Developer reserves a Maintenance/Utility Easement, ten (10) feet in width along the Property Line of the Subdivision, along with an Access Easement across any and all Tracts for ingress and egress to such Maintenance Easement. This Maintenance Easement shall be used by Developer and/or its assigns as needed.

5.02. Equestrian / Pedestrian Easement. Developer reserves, as set forth on the Plat, easements for equestrian / pedestrian use. Such easements shall be maintained by and at the expense of the Property Owners Association. No building, fence or other improvement shall be located over, under, upon or across any portion of any Equestrian / Pedestrian Easement.

5.03. Watercraft Motors. No above water exhaust shall be allowed on any watercraft used on the Lake (Valley View Lake).

5.04. All other Common Areas and easement regulation and restrictions contained herein are hereby incorporated herein by reference.

SECTION VI ARCHITECTURAL CONTROL COMMITTEE

6.01. Basic Control.

6.01.1. No building or other improvements of any character shall be erected or placed, or the erection or placing thereof commenced or changes made in the design or exterior appearance thereof, or any addition or exterior alteration made thereto after original construction, or demolition or destruction by voluntary action made thereto after original constructed, on any Tract in the subdivision until the obtaining of the necessary approval (as hereinafter provided) from the Committee of the construction plans and specification for the construction or alteration of such improvements or demolition or destruction of existing improvements by voluntary action. Approval shall be granted or withheld based on matters of compliance with the provisions of this instrument and other rules and regulations instituted by the Architectural Control Committee.

6.01.2. Each application made to the Committee, or to the Developer, shall be accompanied by two sets of plans and specifications, one set of which shall be retained by the Committee, for all proposed construction (initial or alteration) to be done on such Tract, including plot plans showing location on the tract.

6.02. Architectural Control Committee.

6.02.1. The authority to grant or withhold architectural control approval as referred to above is initially vested in the Developer; provided, however, the authority of the Developer shall cease and terminate upon the appointment of the Architectural Control Committee of the Association (sometimes herein referred to as the "Committee"), in which event such authority shall be vested in and exercised by the Committee, hereinafter referred to, except as to plans and specifications and plot plans theretofore submitted to the Developer which shall continue to exercise such authority over all such plans, specifications and plot plans. The term "Committee," as used in this Declaration, shall mean or refer to the Developer or to the WATER'S EDGE RANCH ARCHITECTURAL CONTROL COMMITTEE composed of members of the Association, as applicable.

6.02.2. On or after such time (as shall be solely determined by Developer) ninety five-percent (95%) of all of the Tracts in all phases of the Subdivision, including those Tracts to be platted in all unplatted (whether annexed or declared to be annexed), as well as areas owned by Developer, are conveyed by Developer to third parties or within six (6) months after 95% of the Tracts within the Subdivision have been transferred to third parties in the complete unfettered discretion of the Developer (from time to time hereafter referred to as the "Control Transfer Date"), the Developer shall cause an instrument transferring control to the Association to be placed of record in the Official Public Records of Henderson County, Texas (the effective Control Transfer Date shall be the date of its recording). The first Board of Directors of the WATER'S EDGE RANCH PROPERTY OWNERS ASSOCIATION, which Board shall be appointed by developer, shall be the

Architectural Control Committee who shall serve staggered terms of one (1), two (2), and three (3) year terms following the Control Transfer Date. From and after the Control Transfer Date, each member of the Committee must be an Owner of Property in some phase of the WATER'S EDGE RANCH subdivision. Additionally, the Developer shall have the right to discontinue the exercise of Architectural Control privileges and arrange for the transfer to the Association at any time prior to the Control Transfer Date by filing a statement and instrument to that effect in the Official Public Records of Henderson County, Texas.

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

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

6.04.1. The approval of your house plans by the Architectural Control Committee means that the plans are in compliance with the applicable Sections found in these Declaration of Covenants, Conditions and Restrictions of the Subdivision, and any supplements or amendments to the Declaration of Covenants, Conditions and Restrictions and that such plans are in compliance with the Architectural Guidelines as set forth in the Declaration of Covenants, Conditions and Restrictions i.e. the location of the house is within the prescribed setbacks, square footage requirements, masonry requirements, etc.

6.04.2. The Architectural Control Committee assumes no responsibility for the construction, the design or the structural integrity of your home construction or for the type of residence constructed. The Architectural Control Committee has not reviewed your plans to determine anything other than the guidelines as set forth in the Declaration of Covenants, Conditions and Restrictions.

6.04.3. It is the complete responsibility of the Tract Owner and/or the Home Builder to ensure structural reliability of the home, proper construction and proper design. It is highly recommended that the Owner determine the type of soil present on the Tract by conducting a Geotechnical Study (Soil Test) on the Tract prior to construction by a Professional Engineer. It is also recommended that a licensed structural Professional Engineer licensed in the State of Texas should design and seal the slab or foundation prior to construction. A licensed architect is recommended for the proper design and construction of a home. The approval supplied by the Architectural Control Committee is not a substitute for the use of qualified professionals to assist you in the construction of a home.

6.05. Variance. The Developer or, if applicable, the Committee, may, on a case by case basis, authorize variances from compliance with any of the provisions of either (i) this Declaration, or (ii) the minimum acceptable construction standards or

regulations and requirements as promulgated from time to time by the Developer or the Committee. Notwithstanding, after the Control Transfer Date, both the Developer and the Architectural Control Committee shall have the right to grant a variance from the Building setback line restrictions. Either party may grant this variance, as it determines in its sole discretion is needed, without the consent of the other. Such variances must be evidenced in writing and shall become effective when signed by the Developer or by at least a majority of the members of the Committee. If any such variances are granted, no violation of the provisions of this Declaration shall be deemed to have occurred with respect to the matter for which the variance is granted; provided, however, that the granting of a variance shall not operate to waive any of the provisions of this Declaration for any purpose except as to the particular property and particular provisions hereof covered by the variance, nor shall the granting of any variance effect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the property concerned and the Plat.

6.06. The Association shall indemnify every officer, director and Committee member against all damages, liability, and expenses, including attorneys' fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section, the Articles of Incorporation and Texas law.

The officers, directors, and Committee and other committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers, directors and Committee and other committee members shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers, directors or Committee or other committee members may also be Members of the Association). The Association shall indemnify and forever hold each such officer, director and Committee and other committee member harmless from any and all liability to others on account of any such contract, commitment or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or Committee or other committee member may be entitled. The Association shall, as a common expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

SECTION VII WATER'S EDGE RANCH PROPERTY OWNERS ASSOCIATION

7.01. Membership. Every person or entity who is a record owner of any Tract, which is subject to the Maintenance Charge (or could be following the withdrawal of an exemption therefrom) and other assessments provided herein, shall be a "Member" of the Association. The foregoing is not intended to include persons or entities that hold an interest merely as security for the performance of an obligation or those having only an interest in the mineral estate. No Owner shall have more than one (1) membership for each Tract owned by such Member. Membership shall be appurtenant to and may not be separated from the ownership of the Tracts. Regardless of the number of persons who may own a Tract (such as husband and wife, or joint tenants, etc.) there shall be but one (1) membership for each Tract. Additionally, the Directors of the Association must be Members of the Association (as more particularly described in the By-laws). Ownership of the Tracts shall be the sole qualification for membership. These restrictive covenants will not be construed as to assess the Veterans Land Board or the State of Texas. Any assessments are the personal obligation of the Veteran Land Board Purchaser, his successors, heirs and assigns. Any lien imposed by the restrictive covenants does not affect the Veterans Land Board's interest in the Tract or Lot.

7.02. Voting Rights. Notwithstanding anything herein to the contrary, Developer shall have and exercise sole control over the Association until such time

as Developer shall have transferred control to the Association in accordance with Paragraph 5.02.2. Thereafter, each member shall be entitled to one vote for each Tract owned. When more than one (1) person holds an interest in any Tract, all such persons shall be members of the Association but the vote for such Tract shall be exercised as they among themselves determine. In no event shall more than one (1) vote be cast with respect to any Tract.

7.03. Non-Profit Corporation. WATER'S EDGE RANCH PROPERTY OWNERS ASSOCIATION, a non-profit corporation, has been organized and it shall be governed by the Articles of Incorporation and Bylaws of said Association; and all duties, obligations, benefits, liens and rights hereunder in favor of the Association shall vest in said corporation.

7.04. Bylaws. The Association has adopted or may adopt whatever Bylaws it may choose to govern the organization or operation of the subdivision and the use and enjoyment of the Tracts and Common Areas, provided that the same are not in conflict with the terms and provisions hereof.

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

7.05.1. The right of the Association, with respect to the Common Areas, to limit the number of guests of Owners.

7.05.2. The right of the Association, in accordance with its Articles and Bylaws (and until 95% of all tracts in the subdivision are sold or six (6) months thereafter, subject to the prior written approval of the Developer), to (i) borrow money for the purpose of improving and maintaining the Common Areas and facilities (including borrowing from the Developer or any entity affiliated with the Developer) and (ii) mortgage said property, however, the rights of such mortgagee of said property shall be subordinate to the rights of the Owners hereunder.

7.05.3. The right of the Association to suspend the Member's voting rights and the Member's and Member's Guests' right to use any recreational facilities within the Common Areas during any period in which the Maintenance Charge or any assessment against his Tract remains unpaid.

7.05.4. The right of the Association to suspend the Member's voting rights and the Member's and Member's Guests' right to use any recreational facilities within the Common Area, after notice and hearing by the Board of Directors, for the infraction or violation by such Member or Member's Guests of this Declaration or the Rules and Regulations, as hereinafter defined, which suspension shall continue for the duration of such infraction or violation, plus a period not to exceed sixty (60) days following the cessation or curing of such infraction or violation.

SECTION VIII MAINTENANCE FUND

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

8.02. Basis of the Maintenance Charge.

8.02.1. The Maintenance Charge referred to shall be used to create a

fund to be known as the "Maintenance Fund", which shall be used as herein provided; and each such Maintenance Charge (except as otherwise hereinafter provided) shall be paid by the Owner of each Tract (or residential building site) to the Association. The Maintenance Charge for the year of purchase shall be pro-rated at closing and then shall be paid annually, in advance, on or before the first day of the first month of each calendar year. Provided, however if such owner owns more than one tract in the subdivision, such Owner shall pay only twice the assessment of one (1) tract no matter how many tracts are owned or in the event Owner obtains consent from the Committee for a Composite Building site pursuant to Paragraph 3.02 hereof and replats two or more tracts into one Composite Building Site, such Composite Building Site shall be considered for the Maintenance Charge as one Tract upon the recording of the replat.

8.02.2. Any Maintenance Charge not paid within thirty (30) days after the due date shall bear interest from the due date at the lesser of (i) the rate of eighteen percent (18%) per annum or (ii) the maximum rate permitted by law. The Association may bring an action at law against the owner personally obligated to pay the same, or foreclose the hereinafter described lien against the owner's tract. No owner may waive or otherwise escape liability for the Maintenance Charge by non-use of any Common Areas or recreational facilities available for use by owners of the subdivision or by the abandonment of his Tract.

8.02.3. The initial amount of the Maintenance Charge applicable to each Tract will be determined by the Developer. All other matters relating to the Maintenance Charge and the collection, expenditures and administration of the Maintenance Fund shall be determined by the Developer or the Board of Directors of the Association, subject to the provisions hereof.

8.02.4. The Association, from and after the Control Transfer Date, shall have the further right at any time, with a two-thirds vote of all association members to adjust or alter said Maintenance Charge from year to year as it deems proper to meet the reasonable operating expenses and reserve requirements of the Association in order for the Association to carry out its duties hereunder.

8.02.5. In addition to the Maintenance Charge, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Any such Special Assessment may be levied against all Tracts and may be enforced in the same manner and the Maintenance Charge.

8.03. Creation of Lien and Personal Obligation. In order to secure the payment of the Maintenance Charge, and other charges and assessments hereby levied, each Owner of a Tract in the subdivision, by such party's acceptance of a deed thereto, hereby grants to the Association a contractual lien on such Tract which may be foreclosed on by non-judicial foreclosure and pursuant to the provisions of Chapters 51 and 209 of the Texas Property Code (and any successor statute); and each such owner hereby expressly grants the Association a power of sale in connection therewith. The Association shall, whenever it proceeds with non-judicial foreclosure pursuant to the provisions of said Chapters 51 and 209 of the Texas Property Code and said power of sale, designate in writing a Trustee to post or cause to be posted all required notices of such foreclosure sale and to conduct such foreclosure sale. The Trustee may be changed at any time and from time to time by the Association by means of written instrument executed by the President or any Vice-President of the Association and filed for record in the Official Public Records of Henderson County, Texas. In the event that the Association has determined to non-judicially foreclose the lien provided herein pursuant to the provisions of said Chapters 51 and 209 of the Texas Property Code and to exercise the power of sale hereby granted, the Association, or the Association's agent, shall give notice of foreclosure sale as provided by the Texas Property Code as then amended. Upon request by Association, Trustee shall give any further notice of foreclosure sale as may be required by the Texas Property Code as then amended, and shall convey such Tract to the highest bidder for cash by a Trustee's Deed. Out of the proceeds of

such sale, if any, there shall first be paid all expenses incurred by the Association in connection with such default, including reasonable attorney's fees and a reasonable trustee's fee; second, from such proceeds there shall be paid to the Association an amount equal to the amount in default; and third, the remaining balance shall be paid to such Owner.

Following any such foreclosure, each occupant of any such Tract foreclosed on and each occupant of any improvements thereon shall be deemed to be a tenant at sufferance and may be removed from possession by any and all lawful means, including a judgment for possession in an action of forcible detainer and the issuance of a writ of restitution thereunder.

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

It is the intent of the provisions of this Paragraph 8.03 to comply with the provisions of said Chapters 51 and 209 of the Texas Property Code relating to non-judicial sales by power of sale and, in the event of the amendment of said Chapters 51 and 209 of the Texas Property code hereafter, the President or any Vice-President of the Association, acting without joinder of any other Owner or mortgagee or other person may, by amendment to this Declaration filed in the Official Public Records of Henderson County, Texas, amend the provisions hereof so as to comply with said amendments to Chapters 51 and 209 of the Texas Property Code.

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

8.05. Liens Subordinate to Mortgages. The lien described in Paragraph 8.03 hereof shall be deemed subordinate to a first lien granted by Developer on the Property or any part thereof to any lender and to each and every lien of Developer, any bank, insurance company, savings and loan association, university, pension and profit sharing trust or plans, or any other third party lender, which may have heretofore or may hereafter lend money or extended credit in good faith for the acquisition or improvement of the Property or any part thereof, including without limitation, any one or more Tract(s), and any renewal, extension, rearrangement or refinancing of such acquisition or improvement costs. The lien described in Paragraph 8.03 hereof shall further be deemed subordinate to any home equity loan. Each such lienholder who obtains title to any portion of the Property encumbered by its lien pursuant to the remedies provided in the deed of trust or mortgage granting the lien or by judicial foreclosure of the lien shall take title to said Property free and clear of any claims for unpaid Maintenance Charges or other charges of assessments against such Property which accrued prior to the time such holder acquired title to such Property. No such sale or transfer shall relieve such holder from liability for any Maintenance Charge or other charges or assessments accruing thereafter or from the lien described in Paragraph 8.03 hereof on account thereof. Any other sale or transfer of the Property shall not affect the Associations lien for Maintenance Charges or other charges or assessments. The Association shall make a good faith effort to give each such lienholder having a lien on any portion of the Property to be

foreclosed sixty (60) days advance written notice of the Associations proposed foreclosure of the lien described in Paragraph 8.03 hereof, which notice shall be sent to the nearest office of such mortgagee by prepaid United States registered or Certified mail, return receipt requested, and shall contain a statement of delinquent Maintenance Charges or other charges or assessments upon which the proposed action is based, provided, however, the Associations failure to give such notice shall not invalidate any foreclosure conducted by the Association pursuant to the provisions of this Section VIII.

8.06. Purpose of the Maintenance Charges. The maintenance charge levied by the Developer or the Association shall be used exclusively for the purpose of promoting the recreation, health, safety, and welfare of the Owners of the subdivision which hereafter may become subject to the jurisdiction of the Association. In particular, the Maintenance Charge shall be used for any improvement or services in furtherance of these purposes and the performance of the Association's duties described in Section X, including the maintenance of any Common Areas, Roads, any Drainage Easements and the establishment and maintenance of a reserve fund for maintenance of any Common Areas. The Maintenance Fund may be expended by the Developer or the Association for any purposes which, in the judgment of the Association, will tend to maintain the property values in the subdivision, including, but not limited to, providing funds for the actual cost to the Association of all taxes, insurance, repairs, energy charges, replacement and maintenance of the Common Area and roads as may from time to time be authorized by the Association. Except for the Association's use of the Maintenance Charge to perform its duties described in this Declaration and in the Bylaws, the use of the Maintenance Charge for any of these purposes is permissive and not mandatory. It is understood that the judgment of the Association as to the expenditure of said funds shall be final and conclusive so long as such judgment is exercised in good faith.

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

8.08. Exempt Property. The following property shall be exempt from the Maintenance Charge and all other charges and assessments created herein:

8.08.1. All properties dedicated to and accepted by a local public authority; and

8.08.2. All Common Areas and Roadways; and

8.08.3. All properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of Texas; and

8.08.4. All Property owned by Developer.

SECTION IX DEVELOPER'S RIGHTS AND RESERVATIONS

9.01. Period of Developer's Rights and Reservations. Developer shall have, retain and reserve certain rights as set forth in this declaration with respect to the Association and the Common Area from the date hereof, until the earlier to occur of (i) the Control Transfer Date or (ii) Developer's written notice to the Association of Developer's termination of the rights described herein. The rights and reservations hereinafter set forth shall be deemed accepted and reserved in each conveyance of a Tract by Developer to an Owner whether or not specifically stated therein and in each deed or other instrument by which any property within the Common Area is conveyed by Developer. The rights, reservations and easements hereafter set forth shall be prior and superior to any other provisions of this Declaration and may not,

without Developer's prior written consent, be modified, amended, rescinded or affected by any amendment of this Declaration. Developer's consent to any one such amendment shall not be construed as consent to any other or subsequent amendment

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

9.03. Developer's Rights to Use Common Areas in Promotion and Marketing of the Property. Developer shall have and hereby reserves the right to use of the Common Area and of services offered by the Association in connection with the promotion and marketing of land within the boundaries of the Property. Without limiting the generality of the foregoing, Developer may erect and maintain on any part of the Common Area such signs, temporary buildings and other structures as Developer may reasonably deem necessary or proper in connection with the promotion, development and marketing of land within the Property; may use vehicles and equipment within the Common Area for promotional purposes; and may permit prospective purchasers of property within the boundaries of the Property, who are not Owners or Members of the Association, to use the Common Area at reasonable times and in reasonable numbers; and may refer to the services offered by the Association in connection with the development, promotion and marketing of the property.

9.04. Developer's Rights to Grant and Create Easements. Developer shall have and hereby reserves the right, without the consent of any other Owners or the Association, to grant or create temporary or permanent easements, for access, utilities, pipeline easement, cable television systems, communication, security systems, drainage, water, and other purposes incidental to development, sale, operation and maintenance of the Subdivision, located in, on, under, over and across (i) the Tracts or other property owned by Developer, (ii) the Common Area, and (iii) existing Utility Easements. Developer also reserves the right, without the consent of any other Owner or the Association, to grant or create temporary or permanent easements for access over and across the streets and roads within the subdivision, and for any other such reason as the Developer deems necessary in its own discretion, to promote and develop the Subdivision.

9.05. Developer's Rights to Convey Additional Common Area to the Association. Developer shall have and hereby reserves the right, but shall not be obligated to, convey additional real property and improvements thereon, if any, to the Association as Common Area at any time and from time to time in accordance with this Declaration, without the consent of any other Owner or the Association.

9.06. Annexation of Annexable Area. Additional property outside of the subdivision, may, at any time and from time to time, be annexed by Developer into the real property which becomes subject to the jurisdiction and benefit of the Association, without the consent of the Owners or any other party.

9.07. Home Place Annexation upon Development. An approximately 185-acre tract adjacent to the Subdivision that contains a residence and other buildings (the "Home Place") is not part of the Water's Edge Ranch subdivision and is owned by the Declarant. The Declarant has placed restrictions on the Home Place that in the event such acreage is purchased by a third party and subsequently divided into more than seventeen (17) residential tracts, then at such time the entire 185-acre Home Place tract shall become a part of and automatically be annexed into the Water's Edge Ranch subdivision. In the event the Home Place is subdivided into 17 or fewer tracts then upon the agreement of all tracts, those subdivided tracts may join the Water's Edge Ranch development, otherwise such tracts shall have the

option to pay the then current Maintenance Fee for a waterfront lot to utilize the roads, streets and amenities of the Water's Edge Ranch. If such fee is paid then the owners of those tracts may utilize the streets, roads and amenities, if such fee is not paid, then those owners shall have no right or ability to utilize the roads, streets and/or amenities of Water's Edge Ranch.

SECTION X

DUTIES AND POWERS OF THE PROPERTY OWNERS ASSOCIATION

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

10.02. Duty to Accept the Property and Facilities Transferred by Developer. The Association shall accept title to any property, including any improvements thereon and personal property transferred to the Association by Developer, and equipment related thereto, together with the responsibility to perform any and all administrative functions and recreation functions associated therewith (collectively herein referred to as "Functions"), provided that such property and Functions are not inconsistent with the terms of this Declaration. Property interests transferred to the Association by Developer may include fee simple title, easements, leasehold interests, and licenses to use such property. Any property or interest in property transferred to the Association by Developer shall, except to the extent otherwise specifically approved by resolution of the Board of Directors, be transferred to the Association free and clear of all liens and mortgages (other than the lien for property taxes and assessments not then due and payable), but shall be subject to the terms of this Declaration, the terms of any declaration of covenants, conditions and restrictions annexing such property to the Common Area, and all easements, covenants, conditions, restrictions and equitable servitude or other encumbrances which do not materially affect the Owners authorized to use such property. Except as otherwise specifically approved by resolution of the Board of Directors, no property or interest in property transferred to the Association by the Developer shall impose upon the Association any obligation to make monetary payments to Developer or any affiliate of Developer including, but not limited to, any purchase price, rent, charge or fee.

10.03. Duty to Manage and Care for the Common Area. The Association shall manage, operate, care for, maintain and repair all Common Areas and entrances and keep the same in a safe, attractive and desirable condition for the use and enjoyment of the Members. Further, the Association shall pay for electrical services and for all other costs and expenses necessary to operate and maintain any lighting within street right-of-ways and Common Areas.

10.04. Other Insurance Bonds. The Association shall maintain a general liability insurance policy covering all common areas in an amount determined adequate by the Board of Directors. The Association shall obtain such other insurance as may be required by law, including worker's compensation insurance, and shall have the power to obtain such other insurance and such fidelity, indemnity or other bonds as the Association shall deem necessary or desirable.

10.05. Duty to Prepare Budgets. The Association shall prepare budgets for the Association, which budgets shall include a reserve fund for the maintenance of all Common Areas, roads and drainage easements.

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

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

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

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

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

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

thereof, if any, to such violating Members, plus attorney's fees incurred by the Association with respect to exercising such remedy.

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

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

SECTION XI GENERAL PROVISIONS

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

11.02. Annexation by Developer. Until forty (40) years after the recording of this Declaration in the Public Records of Henderson County, Texas, Developer may from time to time unilaterally subject to the provisions of this Declaration all or any portion of the Additional Property. The Developer may transfer or assign this right to annex property, provided that the transferee or assignee is the developer of at least a portion of the real property described in Exhibits "A" or "B" and that such transfer is memorialized in a written, recorded instrument executed by Developer. Notwithstanding anything to the contrary, the Home Place as defined in Paragraph 9.07 may be annexed by future development automatically or through consent of the owners.

11.03. Such annexation shall be accomplished by filing a Supplemental Declaration in the Public Records of Henderson County, Texas describing the property being annexed. Such Supplemental Declaration shall not require the consent of Members, but shall require the consent of the owner of such property, if other than Developer. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein.

11.04. Nothing in this Declaration shall be construed to require the Developer or any successor to annex or develop any of the Additional Property in any manner whatsoever.

11.05. Withdrawal of Property. The Developer reserves the right to amend this Declaration at any time prior to the Control Transfer Date, for the purpose of removing any portion of the Properties from the coverage of this Declaration. Such amendment shall not require the consent of any Person other than the Owner of the property to be withdrawn, if not the Developer. If the property is Common Area or a Reserve area, the Association shall consent to such withdrawal.

11.06. Additional Covenants and Easements. The Developer may unilaterally subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through assessments. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrently with or after the annexation of the subject property, and shall require the written consent of the owner(s) of such property, if other than the Developer. Any such

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.

11.07. Termination. Unless otherwise provided by Texas law, in which case such law shall control, this Declaration may not be terminated within forty (40) years of the date of recording without the consent of all Owners. Thereafter, it may be terminated only by an instrument signed by Owners of at least seventy-five percent (75%) of the total Tracts within the Properties and by the Developer, if the Developer owns any portion of the Properties, which instrument is recorded in the Public Records of Henderson County, Texas. 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.

11.08. Amendments. This Declaration may be amended or changed, in whole or in part, at any time by the written agreement or by signed ballots voting for such amendment, of not less than two-thirds (2/3rds) of all of the Owners (including Developer) of the subdivision. There shall be one vote per Tract. Anyone owning more than one Tract shall have one vote for each Tract owned. If the Declaration is amended by a written instrument signed by those Owners entitled to cast not less than two-thirds (2/3rds) of all of the votes of the Owners of the Association, such amendment must be approved by said Owners within three hundred sixty-five (365) days of the date the first Owner executes such amendment. The date an Owner's signature is acknowledged shall constitute prima facie evidence of the date of execution of said amendment by such Owner. Any such amendment shall become effective when an instrument is filed for record in the Official Public Records of Henderson County, Texas, accompanied by a certificate, signed by a majority of the Board of Trustees, stating that the required number of Members (Owners, including the Developer) executed the instrument amending this Declaration or cast a written vote, in person or by proxy, in favor of said amendment at the meeting called for such purpose. Copies of the written ballots pertaining to such amendment shall be retained by the Association for a period of not less than three (3) years after the date of filing of the amendment or termination. The Owners shall not amend this Declaration in such a manner as to increase the priority of the Association's lien for the Maintenance Charge or any other charge or assessment as against any lienholder, without the affirmative unanimous vote to do so of all Owners and lienholders directly affected thereby. Furthermore, no amendment to this Declaration which adversely affects the rights or security interests of any holder of a lien to which the lien described in Paragraph 8.03 hereof has been subordinated pursuant to Paragraph 8.05 hereof shall become effective unless and until approved, in writing, by such lienholder. No amendment to this Declaration which adversely affects the rights and privileges of Developer shall become effective unless and until approved, in writing, by Developer and any Mortgagee of Record which is a lender to Developer.

11.09. Amendments by the Developer. The Developer shall have and reserves the right at any time and from time to time prior to the Control Transfer Date, without the joinder or consent of any Owner or other party, to amend this Declaration by an instrument in writing duly signed, acknowledged, and filed for record. Additionally, Developer shall have and reserves the right at any time and from time to time prior to the Control Transfer Date, without the joinder or consent of any Owner or other party, to amend this Declaration by an instrument in writing duly signed, acknowledged and filed for record for the purpose of permitting the Owners to enjoy the benefits from technological advances, such as security, communications or energy-related devices or equipment which did not exist or was not in common use in residential communities at the time this Declaration was adopted. Likewise, the Developer shall have and reserves the right at any time and from time to time prior to the Control Transfer Date, without the joinder or consent of any Owner or other party, to amend this Declaration by an instrument in writing duly signed, acknowledged and filed for record for the purpose of prohibiting the use of any device or apparatus developed and/or available for residential or commercial use following the date of this Declaration if the use of such device or apparatus will adversely affect the Association or will adversely affect the property values within the subdivision.

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

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

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

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

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

IN WITNESS WHEREOF, the undersigned, being the Developer herein, has hereunto set its hand on this 9 day of MAY, 2007

TEXAS LAND & LAKES, LTD.
By and through its General Partner
TEXAS LAND & LAKES, INC.

By:

Marcus Smith, President

STATE OF TEXAS

COUNTY OF VAN ZANDT

This instrument was acknowledged before me on the 9th day of MAY, 2007, by Marcus Smith, President of TEXAS LAND & LAKES, INC. the General/Partner of TEXAS LAND & LAKES, LTD., Developer/Declarant in the capacity therein stated, on behalf of said Limited Partnership.

Notary Public, State of Texas

AFTER RECORDING RETURN TO:

TEXAS LAND & LAKES, LTD.
24632 State Highway 64 East
Canton, Texas 75103.



EXHIBIT "A"

Land Initially Submitted to this Declaration

ALL THOSE TRACTS or parcel of land, together with the improvements and appurtenances belonging thereto, lying and being in Henderson County, Texas, as shown on a plat for survey made by Engineering Concepts & Design, LP, dated April 9, 2007, a copy of which plat was recorded on May 1, 2007, in the real property records of Henderson County, Texas in Cabinet E, Slide 373, and to which plat reference is hereby made for a more particular description of said land.

EXHIBIT "B"

Land Subject to Annexation

Any property located within a five (5) mile radius of the perimeter boundary of the land described on Exhibit "A" of this Declaration.

FILED FOR RECORD
2007 MAY 10 AM 9:06
GWEN MOFFETT
COUNTY CLERK
HENDERSON COUNTY, TEXAS

19788

Waters Edge Ranch
**FIRST AMENDMENT TO DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR WATER'S EDGE RANCH**

STATE OF TEXAS

COUNTY OF HENDERSON

§
§
§

KNOW ALL MEN BY THESE PRESENTS:

This FIRST AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATER'S EDGE RANCH is made as of the date listed below by TEXAS LAND & LAKES, LTD., a Texas limited partnership, duly authorized to do business in the State of Texas by and through its General Partner TEXAS LAND & LAKES, INC. (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant prepared and filed of record on May 10, 2007, that certain Declaration of Covenants, Conditions and Restrictions for WATER'S EDGE RANCH under Henderson County Clerk's Doc. # 0007713 in the Official Public Records of Henderson County, Texas (herein referred to as the "Master Declaration"); and

This First Amendment modifies the previously filed Master Declaration and any supplemental filing that may be filed in the future to add additional property (the "Supplemental Declaration") which imposed upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of the Owners of each portion of the Property and established a flexible and reasonable procedure for the overall development, administration, maintenance and preservation of the Property. In furtherance of such plan, the Master Declaration and the Supplemental Declaration provides for the Water's Edge Ranch Property Owners Association (the "POA") to own, operate and maintain Common Areas and to administer and enforce the provisions of this Declaration, the By-Laws, and the Design Guidelines. (Capitalized terms are defined in the Master Declaration as shall have the same meaning in this First Amendment.)

Declarant hereby declares that all of the property described in Exhibit "A" in the Master Declaration and any Supplement and any future Supplement to the Master Declaration as well as any Additional Property subjected to this Declaration by Supplemental Declaration (as defined in Section I of the Master Declaration) shall be held, sold, used and conveyed subject to the following easements, restrictions, covenants and conditions, which shall run with the title to the real property subjected to this First Amendment. The Exhibit "A" from the Master Declaration and all Supplements are hereby incorporated herein by reference as if set forth in full. This First Amendment shall be binding upon all parties having any right, title or interest in any portion of the Properties, their heirs, successors, successors-in-title and assigns, and shall inure to the benefit of each owner of any portion of the Properties.

WHEREAS, pursuant to Section XI, Paragraph 11.09 of the Master Declaration the Declarant reserved the right, to unilaterally amend the Master Declaration for any purpose until the Control Transfer Date; and

WHEREAS, the Control Transfer Date has not occurred and Declarant has determined that to further the general plan and scheme of development as evidenced by the Master Declaration and all supplements thereto, it is desirable to execute and file this First Amendment in furtherance of the general plan and scheme of development;

NOW, THEREFORE, pursuant to the powers retained by Declarant in the Master Declaration, Declarant hereby subjects the properties covered by the Master Declaration and all supplements thereto to the provisions of this First Amendment, which shall apply to such property in addition to the provisions of the Master Declaration, and all supplements thereto as amended hereby. Such property in Water's Edge Ranch development shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise encumbered pursuant to the provisions of this First Amendment as well as the Master Declaration and other supplements or amendments to the Master Declaration, all of which shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title and assigns. Wherever a conflict exists between the Master Declaration or any supplements thereto and this First Amendment, this First Amendment shall be controlling.

ARTICLE 1
Reservations, Exceptions and Dedications

The Reservations, Exceptions and Dedications set forth in Section II of the Master Declaration are hereby amended as follows in that following paragraphs shall be deleted in their entirety and the following shall be inserted in the Master Declaration.

2.15. Mowing Easement. Developer reserves an easement for the mowing and/or baling of hay across tracts subject to these Restrictions. Such easement shall terminate on each tract the earlier of (a) the beginning of construction of a residence on the tract, (b) the fencing of such tract or (c) four (4) years from the Effective Date of these Restrictions. Although Developer reserves the right to mow, move and bail hay, no obligation to do so shall arise from this reservation. This paragraph in no way shall limit or diminish the obligation of the Owner of each tract to maintain the tract or tracts owned.

2.16. Utility and Maintenance Easement. Developer hereby grants and dedicates a twenty (20) foot Utility and Maintenance easement adjacent to the perimeter of the Home Place Tract affecting Tracts 72, 75, 76, 79-91 inclusive, 142, 143, and 146-163 inclusive. No improvements of any kind including fencing may be located within this Utility and Maintenance easement.

ARTICLE 2
Use Restrictions

The Use Restrictions set forth in Section III of the Master Declaration are hereby amended as follows in that Paragraph 3.12 entitled "Signs" is hereby deleted in its entirety and the following shall be inserted in the Master Declaration.

3.12. Signs. No signs, advertisements, billboards or advertising structures of any kind may be erected or maintained on any Tract without the consent in writing of the Architectural Control Committee. This sign prohibition does not apply to the Developer as Developer maintains the ability to place signs, advertisements, billboards and/or advertising structures within the Property at its discretion. The Architectural Control Committee shall allow one (1) professionally made sign not more than twenty-four inches (24") by thirty-six inches (36") advertising the Owner's Tract for sale or rent after a Dwelling or home has been built, and one (1) professionally made sign approved by the Architectural Control Committee (the "ACC"), not more than twelve inches (12") by twenty-four inches (24") identifying the Tract owner's name or names. The term "professionally made sign" does not include store bought pre-made "for sale" or "for rent" signs. Notwithstanding, Builders and/or Contractors may place an ACC pre-approved sign that does not exceed four feet (4') by eight feet (8') advertising a Dwelling or home constructed or under construction by the Builder and/or Contractor on a Tract. A Builder/Contractor sign shall be permitted to remain on the Tract where the Dwelling or home is constructed for as long as such Dwelling remains unsold to a third party; however the sign shall be permitted during construction. Except as it applies to Developer, no sign shall be nailed to a tree or placed within twenty-five (25) feet from any Lot line and all signs must be properly maintained. Developer or any member of the Association or Architectural Control Committee shall have the right to remove such sign, advertisement, billboard or structure which is placed on any Tract in violation of these restrictions, and in doing so, shall not be liable, and are hereby expressly relieved from any liability for trespass or other tort in connection therewith, or arising from such removal.

ARTICLE 3
General Provisions

The General Provisions set forth in Section XI of the Master Declaration are hereby amended as follows in that following paragraphs shall be inserted in the Master Declaration.

11.15. View Impairment. Neither the Declarant, nor the Association, guarantee or represent that any view over and across the Lots, Common Areas, reserves or open space within the Subdivision will be preserved without impairment. The Declarant and the Association shall have no obligation to relocate, prune, or thin trees or shrubs on the Common Area. The Association shall have the right to add trees and other landscaping to the Common Area. There shall be no express or implied easements for view purposes or for the passage of light and air.

11.16. Service Mark. Declarant is the prior and exclusive owner and proprietor of, and reserves all rights with respect to the service mark for Water's Edge Ranch ("Service Mark"). Unless and until a written license agreement has been sought and obtained from Declarant (and in this connection Declarant may withhold consent in its sole and absolute discretion), no person or entity may at any time and/or for any reason whatsoever, use, depict, draw, demonstrate, reproduce, infringe, copy or resemble, directly or indirectly, the Service Mark.

11.17. Security. NEITHER THE ASSOCIATION, ITS DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, NOR THE DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL IN ANY WAY BE CONSIDERED AN INSURER OR GUARANTOR OF SECURITY WITHIN THE PROPERTY. NEITHER SHALL THE ASSOCIATION, ITS DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, DECLARANT OR SUCCESSOR DECLARANT BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. ALL OWNERS AND OCCUPANTS OF ANY LOT TENANTS, GUESTS AND INVITEES OF ANY OWNER, AS APPLICABLE, ACKNOWLEDGE THAT THE ASSOCIATION, ITS BOARD OF DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, DECLARANT OR ANY SUCCESSOR DECLARANT DOES NOT REPRESENT OR WARRANT THAT ANY FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL PREVENT LOSS BY FIRE, SMOKE, BURGLARY, THEFT, HOLD-UP OR OTHERWISE, NOR THAT FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL IN ALL CASES PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH OWNER AND OCCUPANT OF ANY LOT AND EACH TENANT, GUEST AND INVITEE OF AN OWNER, AS APPLICABLE, ACKNOWLEDGES AND UNDERSTANDS THAT THE ASSOCIATION, ITS DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, DECLARANT OR ANY SUCCESSOR DECLARANT ARE NOT INSURERS AND THAT EACH OWNER AND OCCUPANT OF ANY DWELLING AND EACH TENANT, GUEST AND INVITEE OF ANY OWNER ASSUMES ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO DWELLINGS AND TO THE CONTENTS OF DWELLINGS AND FURTHER ACKNOWLEDGES THAT THE ASSOCIATION, ITS DIRECTORS, OFFICERS, MANAGERS, AGENTS, OR EMPLOYEES, DECLARANT OR ANY SUCCESSOR DECLARANT HAVE MADE NO REPRESENTATIONS OR WARRANTIES NOR HAS ANY OWNER, OCCUPANT, TENANT, GUEST OR INVITEE RELIED UPON ANY REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, RELATIVE TO ANY FIRE AND/OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS RECOMMENDED OR INSTALLED OR ANY SECURITY MEASURES UNDERTAKEN WITHIN THE PROPERTY.

11.18. Bulk Purchaser. Notwithstanding anything to the contrary contained in the Declaration, Declarant shall have the right at any time to sell to Tracts or undeveloped property that it owns in bulk to purchaser (the "Bulk Purchaser"). In the event Declarant sells to a Bulk Purchaser, the following special provisions shall apply (notwithstanding such sale):

- (a) Declarant shall not be deemed to be the Owner of the Lots owned by the Bulk Purchaser for all purposes under this Declaration; and

(b) Bulk Purchaser and its affiliates shall have no membership interest or voting rights in the Association (except to the extent required by applicable law); and

(c) Bulk Purchaser and its affiliates shall not be deemed the Declarant nor shall it have any of its rights or obligations of the Declarant; and

(d) The Control Transfer Date shall not occur until the Bulk Purchaser or its affiliates no longer own a Tract within the Development and the rights of the Declarant shall be based upon the Tracts owned by the Bulk Purchaser or its affiliates unless otherwise stated in an amendment to the Restrictions; and

(e) To the extent that applicable law requires, the Bulk Purchaser to have membership interest in and voting rights in the Association, the Bulk Purchaser shall assign to Declarant or execute appropriate proxies to allow Declarant to exercise the membership interest and voting rights of Bulk Purchaser (and Bulk Purchaser shall be deemed a member or the Association in such event, with all rights thereof), upon conveyance by Bulk Purchaser to a third party of a Tract the voting rights associated with the applicable Tract shall be that of a voting member of the Association.

11.19. No Warranty of Enforceability. While the Declarant has no reason to believe that any of the restrictive covenants or other terms or provisions contained in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenants. Any Owner acquiring a Tract in the Development in reliance on one or more of such restrictive covenants, terms or provisions shall assume all risks of the validity or enforceability thereof and, by acquiring the Tract, agrees to hold Declarant, the Association and their legal counsel and other professional advisors harmless therefrom. The Declarant shall not be responsible for the acts or omissions of any individual, entity or other Owners.

Except as specifically amended hereby, the Declaration and all terms thereof shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned has executed this First Amendment as of the 13 day of November, 2007.

TEXAS LAND & LAKES, LTD.
a Texas limited partnership
By: TEXAS LAND & LAKES, INC., a Texas corporation, its General Partner

By: Marcus Smith
Marcus Smith, President

STATE OF TEXAS §
COUNTY OF VAN ZANDT §

The foregoing First Amendment to Declaration of Covenants, Conditions and Restrictions for Water's Edge Ranch, was acknowledged before me on the 13 day of November, 2007, by Marcus Smith, President of Texas Land & Lakes, Inc., the general partner of Texas Land & Lakes, Ltd. on behalf of such corporation.

Notary Public, State of Texas

AFTER RECORDING RETURN TO:

TEXAS LAND & LAKES, LTD.
24632 State Highway 64 East
Canton, Texas 75103

