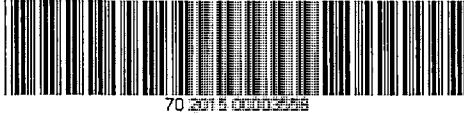


Matagorda County
Janet Hickl County Clerk
1700 7th St. Rm 202
Bay City, TX 77414



Instrument Number: 2015-3558

As

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Janet Hickl
COUNTY CLERK, Matagorda County, Texas

DOCUMENT :

3558

Little River Ranch

Declaration of Covenants, Conditions and Restrictions

Matagorda County, Texas

Declarant: Sitz Family Investments, LLC, a Texas limited liability company

LITTLE RIVER RANCH COVENANTS, CONDITIONS AND RESTRICTIONS
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Declaration of
Covenants, Conditions & Restrictions
For
Little River Ranch

This Declaration of Covenants, Conditions & Restrictions for Little River Ranch is made by Sitz Family Investments, LLC, a Texas limited liability company (“Declarant”), on the date signed below. Declarant owns the real property described in Appendix A of this Declaration, together with the improvements thereon.

Declarant desires to establish a general plan of development for the subdivision to be known as Little River Ranch. Declarant also desires to provide a reasonable and flexible procedure by which Declarant may expand the Property to include additional real property, and to maintain certain development rights that are essential for the successful completion and marketing of the Property.

Declarant further desires to provide for the preservation, administration, and maintenance of portions of Little River Ranch, and to protect the value, desirability, and attractiveness of Little River Ranch. As an integral part of the development plan, Declarant deems it advisable to create a property owners’ association to perform these functions and activities more fully described in this Declaration and the other Documents described below.

Declarant DECLARES that the property described in Appendix A, and any additional property made subject to this Declaration by recording one or more amendments of or supplements to this Declaration, will be owned, held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, and easements of this Declaration, including Declarant’s representations and reservations in the attached Appendix C, which run with the real property and bind all parties having or acquiring any right, title, or interest in any part of the property, their heirs, successors, and assigns, and inure to the benefit of each Owner of any part of the property.

ARTICLE 1.
DEFINITIONS

The following words and phrases, whether or not capitalized, have specified meanings when used in the Documents, unless a different meaning is apparent from the context in which the word or phrase is used.

1.1. “Additional Land” means real property which may be added to the Property and subjected to this Declaration by Declarant and the owner of such property.

1.2. "Applicable Law" means the statutes and public laws and ordinances in effect at the time a provision of the Documents is applied, and pertaining to the subject matter of the Document provision. Statutes and ordinances specifically referenced in the Documents are "Applicable Law" on the date of the Document, and are not intended to apply to the Project if they cease to be applicable by operation of law, or if they are replaced or superceded by one or more other statutes or ordinances.

1.3. "Architectural Control Committee" or "ACC" means the committee created pursuant to this Declaration to review and approve or deny plans for the construction, placement, modification, alteration or remodeling of Improvements on a Lot. During the Development Period, the ACC is Declarant, Declarant's designee, or Declarant's delegatee.

1.4. "Assessment" means any charge levied against a lot or owner by the Association, pursuant to the Documents or State law, including but not limited to Annual Assessments, Special Assessments, Individual Assessments, and Deficiency Assessments, as defined in Article 9 of this Declaration.

1.5. "Association" means the association of owners of all lots in the Property, initially organized as Cattle Drive Property Owners' Association, Inc., a Texas nonprofit corporation, and serving as the "property owners' association" defined in Section 202.001(2) of the Texas Property Code. The failure of the Association to maintain its corporate charter from time to time does not affect the existence or legitimacy of the Association, which derives its authority from this Declaration and the bylaws.

1.6. "Board" means the board of directors of the Association.

1.7. "Bylaws" means the Bylaws of the Association as adopted and amended from time to time.

1.8. "Certificate" means the Certificate of Formation of the Association, filed in the Office of the Secretary of State of Texas, as the same may be amended from time to time.

1.9. "Common Area" means portions of real property and improvements thereon that are owned, leased, and/or maintained by the Association, as described in Section 2.6 below and as referenced in Appendix B of this Declaration, and may include parcels owned by the Declarant.

1.10. "Declarant" means Sitz Family Investments, LLC, a Texas limited liability company, which is developing the Property, or the successors and assigns of Sitz Family Investments, LLC, which acquire any portion of the Property for the purpose of development and which are designated a Successor Declarant by Sitz Family Investments, LLC, or by any such successor and assign, in recorded document.

1.11. "Declarant Control Period" means that period of time during which Declarant controls the operation and management of the Association, pursuant to Appendix B of this Declaration.

1.12. "Declaration" means this document, as it may be amended from time to time.

1.13. "Development Period" means the 25-year period beginning the date this Declaration is recorded, during which Declarant has certain rights pursuant to Appendix B hereto, including rights relating to development, construction, expansion, and marketing of the Property and the Additional Land. The Development Period is for a term of years and does not require that Declarant own land described in Appendix A. Declarant may terminate the Development Period at any time by recording a notice of termination.

1.14. "Documents" means, singly or collectively as the case may be, this Declaration, the Plat, the bylaws, the Association's articles of incorporation, Little River Ranch Architectural Standards, and the rules and policies of the Association, as any of these may be amended from time to time. An appendix, exhibit, schedule, or certification accompanying a Document is a part of that Document.

1.15. "Improvement" means all physical enhancements and alterations to the Property, including but not limited to grading, clearing, removal of trees, and site work, and every structure and all appurtenances of every type and kind, whether temporary or permanent in nature, including, but not limited to, buildings, outbuildings, storage sheds, tennis courts, sport courts, recreational facilities, swimming pools, putting greens, garages, driveways, parking areas and/or facilities, storage buildings, sidewalks, fences, gates, screening walls, retaining walls, stairs, patios, decks, walkways, landscaping, mailboxes, poles, signs, antennae, exterior air conditioning equipment or fixtures, exterior lighting fixtures, water softener fixtures or equipment, and poles, pumps, wells, tanks, reservoirs, pipes, lines, meters, antennas, towers and other facilities used in connection with water, sewer, gas, electric, telephone, regular or cable television, or other utilities.

1.16. "Lot" means any portion of the Property designated by Declarant or as shown as a subdivided Lot on a Plat other than Common Area. Where the context indicates or requires, "Lot" includes all improvements thereon and any portion of a right-of-way that customarily is used exclusively by and in connection with the lot.

1.17. "Majority" means more than half.

1.18. "Member" means every person or entity that holds membership privileges in the Association.

1.19. "Owner" means a holder of recorded fee simple title to a lot. Declarant is the initial owner of all lots. Contract sellers and mortgagees who acquire title to a lot through a deed in lieu of foreclosure or through judicial or nonjudicial foreclosure are owners. Persons or entities having

ownership interests merely as security for the performance of an obligation are not owners. Every owner is a member of the Association. A reference in any Document or applicable law to a percentage or share of owners or members means owners of at least that percentage or share of the lots, unless a different meaning is specified. For example, “a majority of owners” means owners of at least a majority of the lots.

1.20. “Plat” means all plats, singly and collectively, recorded in the Real Property Records of Matagorda County, Texas, and pertaining to the real property described in Appendix A of this Declaration, including all dedications, limitations, restrictions, easements, notes, and reservations shown on the plat, as it may be amended from time to time.

1.21. “Property” means all the land subject to this Declaration and all improvements, easements, rights, and appurtenances to the land. The name of the Property is Little River Ranch. The Property is located on land described in Appendix A to this Declaration, and includes every lot and any common area thereon.

1.22. “Resident” means an occupant of a Lot, regardless of whether the person owns the lot.

1.23. “Rules” means rules, regulations, policies, procedures, standards, and guidelines of the Association adopted in accordance with the Documents or applicable law, including without limitation any rules and signs posted from time to time on the Property by the Association. The initial Rules may be adopted by Declarant for the benefit of the Association.

1.24. “Underwriting Lender” means Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Housing Administration (HUD/FHA), Federal National Mortgage Association (Fannie Mae), or U.S. Department of Veterans Affairs (VA), singly or collectively. The use of this term and these institutions may not be construed as a limitation on an owner’s financing options nor as a representation that the Property is approved by any institution.

1.25. “Water Utility” means the privately owned Water Utility that provides water for Little River Ranch.

ARTICLE 2. CERTAIN PROPERTY FEATURES

2.1. PROPERTY. The real property described in Appendix A is held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, liens, and easements of this Declaration, including Declarant’s representations and reservations in the attached Appendix B, which run with the Property and bind all parties having or acquiring any right, title, or interest in the Property, their heirs, successors, and assigns, and inure to the benefit of each owner of the Property.

2.2. **CHANGE OF CIRCUMSTANCE.** This Declaration discloses some characteristics of the Property that may change or that may cease to apply because of acts or decisions by authorities external to the Property, such as whether the Property is located within a city. If the change of circumstance is of public record or is capable of independent verification by any interested person, the board of directors, without a vote of the owners, may issue a Notice of Change that references the provision of this Declaration that ceases to apply to the Property. The Notice may be recorded in the Real Property Records of Matagorda County, Texas, and does not constitute an amendment of this Declaration. If such a Notice is issued, the Association will notify owners of its existence and will make it available to owners as an Association record. This provision may not be construed to give the board unilateral amendment powers, nor to prevent an amendment of this Declaration by a vote of the owners to achieve the same purpose.

2.3. **NOT IN CITY.** On the date of this Declaration, Little River Ranch is located in an unincorporated portion of Matagorda County, which means the Property is not located within the city limits of any municipality. Not being in a city, the owners in Little River Ranch are not subject to city property taxes or city sales taxes. Nor do the residents receive taxpayer-supported city services. Instead, the Water Utility or the Association under contract with service providers contracts for the basic property services for the homes in Little River Ranch. The initial services provided by or through the Water Utility, or under agreements negotiated by the Water Utility or the Association, include (without limitation) drinking water, storm water drainage, meter reading and billing, trash pick-up, street maintenance, and street signs. Lot 47 may not be included in contracts with all service providers due to access via Channel View Road.

2.4. **ADDITIONAL PROPERTY.** Additional real property may be annexed to the Property and subjected to the Declaration and the jurisdiction of the Association on approval of owners representing at least a majority of the lots in the Property, or, during the Development Period, by Declarant as permitted in Appendix B. Annexation of additional property is accomplished by recording a declaration of annexation, including an amendment of Appendix A, in the Real Property Records of Matagorda County, Texas. Annexed property shall be brought in subject to all requirements and regulations contained in this Declaration.

2.5. **PLAT DEDICATIONS, EASEMENTS & RESTRICTIONS.** In addition to the easements and restrictions contained in this Declaration, the Property is subject to the dedications, limitations, notes, easements, restrictions, and reservations shown or cited on the plat, which is incorporated herein by reference. Each owner, by accepting an interest in or title to a lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by the plat, and further agrees to maintain any easement that crosses his lot and for which the Association does not have express responsibility.

2.6. **COMMON AREA.** Little River Ranch contains a number of common areas which are governed by this Section, including Lot 36, The Red Barn.

2.6.1. Ownership. The designation of real property as a common area is determined by the plat and this Declaration, and not by the ownership of the property. This Declaration contemplates that each component of the common area capable of independent ownership will be owned by the Association. This Declaration does not require that all common area components share one ownership. Some components may be owned by the Association, others by the Developer.

2.6.2. Lease. On the date of this Declaration, it is contemplated that Declarant may will lease lands and facilities to the Association under a lease agreement by which the Association may be required to make lease payments to the Declarant.

2.6.3. Improvement. The Declarant may design, install, construct, or authorize certain improvements on common areas in connection with the initial development of the Property. The Association may make improvements to The Red Barn on Lot 36 and the other common areas as a common expense of the Association.

2.6.4. Maintenance. After the initial installation, all costs attributable to common areas, including maintenance, property taxes, insurance, and enhancements, are automatically the responsibility of the Association, regardless of the nature of title to the common areas, unless (1) this Declaration elsewhere provides for a different allocation for a specific common area, or (2) the Association shifts the maintenance responsibility by contract. In other words, regardless of what entity owns a common area, the Association is generally responsible for maintaining, insuring, repairing, and replacing, as needed, the common area as a common expense of the Association.

2.6.5. Owner Acceptance. By accepting an interest in or title to a lot, each owner is deemed (1) to accept the common area of the Property, and any improvement thereon, in its then-existing condition; (2) to acknowledge the authority of the Association, acting through its board of directors, for all decisions pertaining to the common area; (3) to acknowledge that some components of the common area may be owned by the Association; (4) to acknowledge that transfer of a common area by or through the Declarant is a ministerial task that does not require acceptance by the Association; and (5) to acknowledge the responsibility of the Association for maintenance of the common area, regardless of changes in ownership of the common area, or changes in the Association's board of directors or management.

2.6.6. Components. The common area of the Property consists of the following components on or adjacent to the Property, even if located on a lot or a public right-of-way:

- a. all of the Property, save and except the house Lots.
- b. any area designated on a recorded plat of Little River Ranch as common area or an area to be maintained by the Association.
- c. the formal entrances to the Property, including (if any) the signage, landscaping, electrical and water installations, planter boxes and fencing.

- d. the greenbelt, fences, or berms (if any) along the major perimeter streets of the Property, if initially installed or authorized by Declarant, and replacements thereof.
- e. grounds maintenance of street rights-of-way, being the grounds along the Property's side of perimeter streets.
- f. landscaping on islands on interior and perimeter streets.
- g. any modification, replacement, or addition to any of the above-described areas and improvements.
- h. personal property owned by the Association, such as furnishings, sports equipment, books and records, office equipment, and supplies.

2.7. **STREETS WITHIN PROPERTY.** Because streets, alleys, and cul de sacs within the Property (hereafter "streets") are capable of being converted from owned by the Developer, to publicly dedicated or to owned by the Association, this Section addresses all conditions. Private streets are part of the common area, which is governed by the Association. Public streets are part of the common area only to the extent they are not maintained or regulated by the Developer, Matagorda County, or by a city. To the extent not prohibited by public law, the Association, acting through the board, is specifically authorized to adopt, amend, repeal, and enforce rules, regulations, and procedures for use of the streets - whether public or private - including but not limited to:

- a. identification of vehicles used by owners and residents and their and guests.
- b. designation of speed limits and parking or no-parking areas.
- c. limitations or prohibitions on curbside parking.
- d. removal or prohibition of vehicles that violate applicable rules and regulations.
- e. fines for violations of applicable rules and regulations.

ARTICLE 3. PROPERTY EASEMENTS AND RIGHTS

3.1. **GENERAL.** In addition to other easements and rights established by the Documents, the Property is subject to the easements and rights contained in this Article.

3.2. **GREENBELT EASEMENT.** The Association is hereby granted a perpetual easement (the "Greenbelt Easement") over each lot on or along the thoroughfare on the perimeter of or through the Property for the purposes stated in this Section, regardless of whether or how the plat shows the easement or improvements thereon. During the Development Period, Declarant reserves the same easement for itself. The purpose of the Greenbelt Easement is to provide for the design, siting, construction or installation, existence, repair, improvement, and replacement of improvements reasonably related to the perimeter landscaping or screening of a residential subdivision, including, without limitation, planter beds, landscaping, and plant material; greenbelt, fences and/or berms; electrical and water meters and equipment, including light fixtures and

sprinkler systems; and signage relating to Little River Ranch, any of which may be installed on lots with completed homes. The inclusion of this Section in the Declaration may not be construed to create an obligation on any party to install a greenbelt feature for Little River Ranch. Further, the use of the term "greenbelt" or "screening" may not be construed to create an obligation on any party to construct a fence or wall, or to create a visual obstruction.

3.2.1. **Installation.** During the Development Period, Declarant or the Association has the right, but not the duty, to design and to construct or install one or more greenbelt features on the portion of a lot along the perimeter of Little River Ranch or along thoroughfares within Little River Ranch. Design of the greenbelt feature may entail changes of grade.

3.2.2. **Maintenance.** The greenbelt feature will either be maintained by the Association as a common expense, or by the lot owner at his individual sole expense, depending on the location and nature of the greenbelt feature.

3.2.3. **Owner's Use.** The owners of the lots burdened with the Greenbelt Easement will have the continual use and enjoyment of their lots for any purpose that does not interfere with and prevent the Association's use of the Greenbelt Easement. If Declarant or the Association installs a uniform greenbelt feature, the owners of the lots burdened with the Greenbelt Easement may not alter or remove any planting which is part of the uniform greenbelt feature.

3.2.4. **Other.** In addition to the easement granted herein, the Association has the temporary right, from time to time, to use as much of the surface of a burdened lot as may be reasonably necessary for the Association to perform its contemplated work on the Greenbelt Easement. This easement is perpetual. The Association may assign this easement, or any portion thereof, to a city or county if the city or county, agrees to accept the assignment. This Greenbelt Easement applies only to the original continuous features installed or authorized by Declarant or the Association, and replacements thereof, and does not apply or pertain to fences installed on individual lots, even though the lot abuts a thoroughfare. The Greenbelt Easement will be maintained by the Developer during the development period and may be maintained by the Association, at the Association's election, after the period of development.

3.3. **DRAINAGE EASEMENT.** As shown on the plat, a number of lots and tracts are burdened with a drainage easement. All drainage easements in the Property are hereby granted and dedicated to the Association.

3.4. **OWNER'S EASEMENT OF ENJOYMENT.** Every owner is granted a right and easement of enjoyment over the common areas and to use of improvements therein, subject to other rights and easements contained in the Documents. An owner who does not occupy a lot delegates this right of enjoyment to the residents of his lot. Notwithstanding the foregoing, the Association may temporarily reserve the use of The Red Barn, or portions of The Red Barn, for certain persons and purposes to the exclusion of others, in accordance with Association's rules.

3.5. **OWNER'S INGRESS/EGRESS EASEMENT.** Every owner is granted a perpetual easement over the Property's streets, as may be reasonably required, for vehicular ingress to and egress from his lot; except that Lot 47 will have ingress and egress via Channel Industries Road.

3.6. **ASSOCIATION'S ACCESS EASEMENT.** Each owner, by accepting an interest in or title to a lot, whether or not it is so expressed in the instrument of conveyance, grants to the Association an easement of access and entry over, across, under, and through the Property, including without limitation all common areas and the owner's lot and all improvements thereon - including the house and yards - for the below-described purposes.

3.6.1. **Purposes.** Subject to the limitations stated below, the Association may exercise this easement of access and entry for the following express purposes:

- a. to inspect the property for compliance with maintenance and architectural standards.
- b. to perform maintenance that is permitted or required of the Association by the Documents or by applicable law.
- c. to perform maintenance that is permitted or required of the owner by the Documents or by applicable law, if the owner fails or refuses to perform such maintenance.
- d. to enforce architectural standards.
- e. to enforce use restrictions.
- f. to exercise self-help remedies permitted by the Documents or by applicable law.
- g. to enforce any other provision of the Documents.
- h. to respond to emergencies.
- i. to grant easements to utility providers as may be necessary to install, maintain, and inspect utilities serving any portion of the Property.
- j. to perform any and all functions or duties of the Association as permitted or required by the Documents or by applicable law.

3.6.2. **No Trespass.** In exercising this easement on an owner's lot, the Association is not liable to the owner for trespass.

3.6.3. **Limitations.** If the exercise of this easement requires entry onto an owner's lot, including into an owner's fenced yard, the entry will be during reasonable hours and after notice to the owner. This Subsection does not apply to situations that - at time of entry - are deemed to be emergencies that may result in imminent damage to or loss of life or property.

3.7. **UTILITY EASEMENT.** The Association may grant permits, licenses, and easements over common areas for utilities, roads, and other purposes necessary for the proper operation of the

Property. A company or entity, public or private, furnishing utility service to the Property, is granted an easement over the Property for ingress, egress, meter reading, installation, maintenance, repair, or replacement of utility lines and equipment, and to do anything else necessary to properly maintain and furnish utility service to the Property. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, cable television, drainage systems, and security.

3.8. MINERAL RIGHTS. Some or all of the Property may be subject to a previous owner's acquisition, reservation, or conveyance of oil, gas, or mineral rights pursuant to one or more deeds recorded in the Real Property Records of Matagorda County, Texas, including but not limited to rights to all oil, gas, or other minerals lying on, in, or under the Property and surface rights of ingress and egress. Because the deed reserving the mineral interest was recorded prior to this Declaration, it is a superior interest in the Property and is not affected by any provision to the contrary in this Declaration. By accepting title to or interest in a lot, every owner acknowledges the existence of the mineral right or reservation referenced in this Section and its attendant rights in favor of the owner of the mineral interest.

3.9. SECURITY. The Association may, but is not obligated to, maintain or support certain activities within the Property designed, either directly or indirectly, to improve security or safety in or on the Property. Each owner and resident acknowledges and agrees, for himself and his guests, that Declarant, the Association, and their respective directors, officers, committees, agents, and employees are not providers, insurers, or guarantors of security or safety within the Property. Each owner and resident acknowledges and accepts his sole responsibility to provide security for his own person and property, and assumes all risks for loss or damage to same. Each owner and resident further acknowledges that Declarant or the Association, and their respective directors, officers, committees, agents, and employees have made no representations or warranties, nor has the owner or resident relied on any representation or warranty, express or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any fire, burglar, and/or intrusion systems recommended or installed, or any security measures undertaken within the Property. Each owner and resident acknowledges and agrees that Declarant, the Association, and their respective directors, officers, committees, agents, and employees may not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

ARTICLE 4. ARCHITECTURAL STANDARDS

4.1. PURPOSE. Because the lots are part of a single, unified community, this Declaration creates rights to regulate the design, use, and appearance of the lots and common areas in order to preserve and enhance the Property's value and architectural harmony. One purpose of this Article is to promote and ensure the level of taste, design, quality, and harmony by which the Property is developed and maintained. Another purpose is to prevent improvements and modifications that

may be widely considered to be radical, curious, odd, bizarre, or peculiar in comparison to then existing improvements. A third purpose is to regulate the appearance of every aspect of proposed or existing improvements on a lot, including but not limited to dwellings, fences, landscaping, retaining walls, yard art, sidewalks and driveways, and further including replacements or modifications of original construction or installation. During the Development Period, a primary purpose of this Article is to reserve and preserve Declarant's right of architectural control for the creation and marketing of Little River Ranch.

4.2. ARCHITECTURAL CONTROL DURING THE DEVELOPMENT PERIOD. During the Development Period, neither the Association, the board of directors, nor a committee appointed by the Association or board (no matter how the committee is named) may involve itself with the approval of new homes on vacant lots. During the Development Period, the Architectural Control Committee (the "ACC"), for new homes on vacant lots is the Declarant or its delegates.

4.2.1. Declarant's Rights Reserved. Each owner, by accepting an interest in or title to a lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees that Declarant has a substantial interest in ensuring that the improvements within the Property enhance Declarant's reputation as a developer and do not impair Declarant's ability to market its property or the ability of Builders to sell homes in the Property. Accordingly, each owner agrees that - during the Development Period - no improvements will be started or progressed on owner's lot without the prior written approval of Declarant, which approval may be granted or withheld at Declarant's sole discretion. In reviewing and acting on an application for approval, Declarant may act solely in its self-interest and owes no duty to any other person or any organization. Declarant may designate one or more persons from time to time to act on its behalf in reviewing and responding to applications.

4.2.2. Delegation by Declarant. During the Development Period, Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under this Article to (1) an Architectural Control Committee appointed by the board, or (2) a committee comprised of architects, engineers, or other persons who may or may not be members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (2) to veto any decision which Declarant in its sole discretion determines to be inappropriate or inadvisable for any reason.

4.3. ARCHITECTURAL REVIEW & REGULATION BY ASSOCIATION. Unless and until such time as Declarant delegates all or a portion of its reserved rights to the ACC, or the Development Period is terminated or expires, the Association has no jurisdiction over architectural matters. On termination or expiration of the Development Period, or earlier if delegated in writing by Declarant, the Association, acting through the ACC will assume jurisdiction over architectural control.

4.3.1. ACC. The ACC will consist of at least 3 but not more than 7 persons appointed by the board, pursuant to the bylaws. Members of the ACC serve at the pleasure of the board and may be removed and replaced at the board's discretion. At the board's option, the board or a committee of the board may act as the ACC, in which case all references in the Documents to the ACC are construed to mean the board. Members of the ACC need not be owners or residents, and may but need not include architects, engineers, and design professionals whose compensation, if any, may be established from time to time by the board.

4.3.2. Limits on Liability. The ACC has sole discretion with respect to taste, design, and all standards specified by this Article. The members of the ACC have no liability for the ACC's decisions made in good faith, and which are not arbitrary or capricious. The ACC is not responsible for: (1) errors in or omissions from the plans and specifications submitted to the ACC, (2) supervising construction for the owner's compliance with approved plans and specifications, or (3) the compliance of the owner's plans and specifications with governmental codes and ordinances, state and federal laws.

4.4. ARCHITECTURAL APPROVAL REQUIRED FOR CONSTRUCTION, ALTERATION & IMPROVEMENT. Without the ACC's prior written approval, a person may not construct a dwelling or make an addition, alteration, improvement, installation, modification, redecoration, or reconstruction of or to the Property, if it will be visible from a street, another lot, or the common area. The ACC has the right but not the duty to evaluate every aspect of construction, landscaping, and property use that may adversely affect the general value or appearance of the Property.

4.5. ARCHITECTURAL APPROVAL PROCESS. To request architectural approval, an owner must make written application to the ACC and submit 2 identical sets of plans and specifications, drawn to scale, showing the nature, kind, shape, color, size, materials, and locations of the work to be performed.

The application must clearly identify any requirement of this Declaration for which a variance is sought. The ACC will return one set of plans and specifications to the applicant marked with the ACC's response, such as "Approved," "Denied," or "More Information Required." The ACC will retain the other set of plans and specifications, together with the application, for the ACC's files. Verbal approval by an ACC, the Declarant, an Association director or officer, a member of the ACC, or the Association's manager does not constitute architectural approval by the appropriate ACC, which must be in writing.

4.5.1. Deemed Approval. Under no circumstance may approval of the ACC be deemed, implied, or presumed for an improvement or modification that would require a variance from the requirements and construction specifications contained in this Declaration and in any design guidelines for the Property in effect at the time of application. Under the following limited conditions, the applicant may presume that his request has been approved by the ACC:

- a. if the applicant or a person affiliated with the applicant has not received the ACC's written response - approving, denying, or requesting additional information - within 60 days after delivering his complete application to the ACC; and
- b. if the proposed improvement or modification strictly conforms to requirements and construction specifications contained in this Declaration and in any design guidelines for the Property in effect at the time of application.

If those conditions are satisfied, the owner may then proceed with the improvement, provided he adheres to the plans and specifications which accompanied his application, and provided he initiates and completes the improvement in a timely manner. In exercising deemed approval, the burden is on the owner to document the ACC's actual receipt of the owner's complete application.

4.5.2. No Approval Required. No approval is required to rebuild a dwelling in accordance with originally approved plans and specifications. Nor is approval required for an owner to remodel or repaint the interior of a dwelling.

4.5.3. Building Permit. If the application is for work that requires a building permit from a governmental body, the ACC's approval is conditioned on the issuance of the appropriate permit. The ACC's approval of plans and specifications does not mean that they comply with the requirements of the governmental body. Alternatively, governmental approval does not ensure ACC approval.

4.5.4. Declarant Approved. Notwithstanding anything to the contrary in this Declaration, any improvement to the Property made or approved by Declarant during the Development Period is deemed to have been approved by the ACC.

4.6. ARCHITECTURAL GUIDELINES. Declarant during the Development Period, and the Association thereafter, may publish architectural restrictions, guidelines, and standards, which may be revised from time to time to reflect changes in technology, style, and taste.

ARTICLE 5. CONSTRUCTION AND USE RESTRICTIONS

5.1. VARIANCE. The use of the Property is subject to the restrictions contained in this Article, and subject to rules adopted pursuant to this Article. The board or the ACC, as the case may be, may grant a variance or waiver of a restriction or rule on a case-by-case basis when unique circumstances dictate, and may limit or condition its grant. To be effective, a variance must be in writing. The grant of a variance does not effect a waiver or estoppel of the Association's right to deny a variance in other circumstances. Approval of a variance or waiver may not be deemed, implied, or presumed under any circumstance.

5.2. CONSTRUCTION RESTRICTIONS. Without the ACC's prior written approval for a variance, improvements constructed on every lot must have the characteristics described in this Article and in the Little River Ranch Architectural Standards, which may be treated as the minimum requirements for improving and using a lot. The ACC and the board may promulgate additional rules and restrictions, as well as interpretations, additions, and specifications of the restrictions contained in this Article. An owner should review the Association's architectural restrictions, if any, before planning improvements, repairs, or replacements to his lot and dwelling.

5.3. ASSOCIATION'S RIGHT TO PROMULGATE RULES. The Association, acting through its board, is granted the right to adopt, amend, repeal, and enforce reasonable Rules, and penalties for infractions thereof, regarding the occupancy, use, disposition, maintenance, appearance, and enjoyment of the Property. In addition to the restrictions contained in this Article, each lot is owned and occupied subject to the right of the board to establish Rules, and penalties for infractions thereof, governing:

- a. use of common areas.
- b. architectural standards.
- c. hazardous, illegal, or annoying materials or activities on the Property.
- d. The use of Property-wide services provided through the Association.
- e. the consumption of utilities billed to the Association.
- f. the use, maintenance, and appearance of exteriors of dwellings and lots.
- g. landscaping and maintenance of yards.
- h. the occupancy and leasing of dwellings.
- i. animals.
- j. vehicles.
- k. disposition of trash and control of vermin, termites, and pests.
- l. anything that interferes with maintenance of the Property, operation of the Association, administration of the Documents, or the quality of life for residents.

5.4. ACCESSORY STRUCTURES. Accessory structures, such as dog houses, gazebos, metal storage sheds, playhouses, and greenhouses, are permitted as long as they are typical for the Property in terms of type, number, size, location, color, material, and height, subject to all of the following limitations:

- a. an accessory structure may not be located in front yards or in unfenced portions of side yards facing streets. Accessory structures may be located within fenced yards.
- b. an accessory structure must not be readily visible from any street, but may be visible from an alley. For corner lots, this limitation applies to both streets.
- c. if an accessory structure that is readily visible from a street is installed on a lot without the prior written approval of the ACC, the ACC reserves the right to determine that the accessory structure is unattractive or inappropriate or

otherwise unsuitable for the Property, and may require the owner to screen it or to remove it.

5.5. **ANIMAL RESTRICTIONS.** No animal, bird, fish, reptile, or insect of any kind may be kept, maintained, raised, or bred anywhere on the Property for any commercial purpose or for food. "Domestic household pet" shall not mean or include non-traditional pets such as pot-bellied pigs, chickens, miniature horses, exotic snakes or lizards, ferrets, monkeys or other exotic animals. Customary domesticated household pets may be kept for personal companionship subject to rules adopted by the board. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, locations, and behavior of animals at the Property. If the rules fail to establish animal occupancy quotas, no more than 4 dogs and/or cats, in the aggregate, may be maintained on each lot. The feeding of stray animals is prohibited. Pets must be kept in a manner that does not disturb the peaceful enjoyment of residents of other lots. Pets must be maintained inside the dwelling, and may be kept in a fenced yard only if they do not disturb residents of other lots, which typically means that pets may not be allowed to howl, yap, whine, caterwaul, or screech more often than infrequently. Pets must not be allowed to roam. No pet is allowed on a common area or the lot of another owner unless carried or leashed. Resident is responsible for the removal of his pet's wastes from the common areas of the Property and from the lot of another owner.

5.6. **ANNOYANCE.** No lot or common area may be used in any way that: (1) may reasonably be considered annoying to neighbors; (2) may be calculated to reduce the desirability of the Property as a residential neighborhood; (3) may endanger the health or safety of residents of other lots; (4) may result in the cancellation of insurance on the Property; or (5) violates any law. The board has the sole authority to determine what constitutes an annoyance.

5.7. **APPEARANCE.** Both the lot and the dwelling must be maintained in a manner so as not to be unsightly when viewed from the street or neighboring lots. The ACC is the arbitrator of acceptable appearance standards.

5.8. **BUSINESS USE.** A resident may use a dwelling for personal business or professional pursuits provided that: (1) the uses are incidental to the primary use of the dwelling as a residence; (2) the uses conform to applicable governmental ordinances; (3) the uses do not entail visits to the lot by employees or the public in quantities that materially increase the number of vehicles parked on the street; and (4) the uses do not interfere with residents' use and enjoyment of neighboring lots.

5.9. **CARPORTS.** No carport may be installed, constructed, or maintained on the front of any lot or dwelling, with or without approval of the ACC. No carport may be installed, constructed, or maintained on any other portion of a lot without the ACC's prior written consent. In other words, all carports require the written approval of the ACC, and carports on the front sides or front yards of dwellings are expressly prohibited.

5.10. **COLOR CHANGES.** The colors of buildings, fences, exterior decorative items, window treatments, and all other improvements on a lot are subject to regulation by the ACC. Because the relative merits of any color are subjective matters of taste and preference, the ACC determines the colors that are acceptable to the Association. A change or addition of a color that is visible from the street, a common area, or another lot is not permitted without the prior written approval of the ACC.

5.11. **DECLARANT PRIVILEGES.** In connection with the development and marketing of the Property, Declarant has reserved a number of rights and privileges to use the Property in ways that are not available to other owners and residents, as provided in Appendix B of this Declaration. Declarant's exercise of a Development Period right that appears to violate a rule or a use restriction of this Article does not constitute waiver or abandonment of the restriction by the Association.

5.12. **DRAINAGE.** Each lot has a surface water drainage and grading pattern that relates to the surface water drainage pattern for the entire Property. No person may interfere with the established drainage pattern over any part of the Property unless an adequate alternative provision for proper drainage has been approved by the board. The owner of each lot is responsible for maintenance of the original drainage and grading pattern for his lot and is hereby prohibited from altering or interfering with the drainage pattern on his lot, by act or by omission. If any portion of a drainage feature or easement is within the fenced portion of his lot, the owner will keep the drainage feature or easement area free of debris and excess vegetation and will ensure that the fence does not obstruct or restrict the free flow of surface water under and through the fence, which must have openings or be sufficiently elevated to allow the flow of rainfall runoff. The owners hereby (1) acknowledge that their lots share a common drainage pattern and (2) hold the Association and Declarant harmless from damage or claims relating to the maintenance of drainage features and easements. In case of emergency, the Association and any owner may enter any lot in the Property, with or without notice or permission, for the purpose of clearing or unclogging the surface water drainage system that serves the Property.

5.13. **DRIVEWAYS.** The driveway portion of each lot, which is the route of vehicular access to the garage, must be maintained in a neat condition and may not be used for any purpose that interferes with ongoing access from a street or alley to the garage.

5.14. **EXISTING STRUCTURES.** Pre-existing structures on Lots 2 and 6 are permitted to remain, however if the owner performs a substantial improvement (improvements worth more than 50% of the value of the structure) then the structure must conform to these covenants, conditions and restrictions.

5.15. **FIRES.** Except for fires that are supervised, contained, and permitted by the Rules, no exterior fires on the Property are permitted. Bonfires, campfires, and burning of refuse are

prohibited everywhere on the Property, except for common area events sponsored by The Red Barn.

5.16. **FLAGS.** Subject to this section, and approval by the ACC, Owners may display a flag of the United States of America, the flag of the State of Texas, or an official or replica flag of any branch of the United States armed forces. The flag of the United States shall only be displayed in accordance with 4 U.S.C. Sections 5-10, which qualify the times and occasions for the flag's display, the position of the flag, and respect for it. The flag of the State of Texas shall only be displayed in accordance with Chapter 31 of the Texas Government Code. A flagpole attached to a dwelling or a freestanding pole is to be constructed of permanent, long-lasting materials, with a finish appropriate to the materials used in the construction of the flagpole and harmonious with the dwelling on the Lot. The display of the flag, and its location and construction of the supporting flagpole shall comply with appropriate ordinances, easements and setbacks of record, and a displayed flag and flagpole on which it is flown shall be maintained in good condition. Any deteriorated flag or structurally unsafe flagpole shall be repaired, replaced or removed. A flagpole attached to the dwelling on a Lot may not exceed six (6) feet in height. A freestanding flagpole shall not exceed twenty (20) feet in height, measured from the ground base to the top of the flagpole. Illumination of permitted flags must be sub-surface and not exceed 200 watts, and positioned in a manner not directed toward an adjacent Lot. A flag displayed on a freestanding flagpole shall not be more than ten (10) feet in height, and a flag displayed on a flagpole attached to a dwelling shall be no more than three (3) by five (5) feet. No more than one of each permitted flags may be displayed on a flagpole at any time. Owners may not install flagpoles or display flags in the Common Area without the express written consent of the Association. No other types of flags, pennants, banners, kites, or similar types of displays are permitted on a lot if the display is visible from a street or common area.

5.17. **GARAGES.** Each residence constructed upon a Lot shall have a private garage for not less than two (2) automobiles and off-street parking for a minimum of two (2) automobiles. The location, orientation and opening of each garage to be located on a Lot shall be approved in advance of construction by the ACC. No garage may be permanently enclosed, used for habitation or used in a manner which prevents the parking of vehicles in the garage. Garage doors are to be kept closed at all times except when a vehicle is entering or leaving.

5.18. **GARAGE SALES.** The Association may adopt rules limiting the frequency, location, and signage of garage sales, yard sales, estate sales, rummage sales, and other types of merchandise sales activities that may be expected to attract the public to Little River Ranch.

5.19. **GUNS & FIREWORKS.** Hunting, shooting, discharging firearms, and the storage or use of fireworks are not permitted anywhere on or from the Property except for wild animal control and events sponsored by The Red Barn. For purposes of illustration but not limitation, this prohibition includes uses of the following implements: air rifles or BB guns, paint ball guns, slingshots, bows

and arrows, spears, and crossbows. The Association is not required to enforce this provision by confronting an armed person.

5.20. HOLIDAY DECORATIONS. Residents may display cultural and holiday decorations in and on their homes and yards subject to the Association's right to regulate the time, place, and manner of displays that are visible from the street. Decorations, including lighting displays, are permitted inside windows, on the exteriors of homes, and on front yards provided (1) they are customary for residential neighborhoods, (2) they are to scale or proportionate to the size and setback of the home, (3) they do not create a noise or light disturbance for neighbors, (4) they are appropriate for the holiday, and (5) they are installed no earlier than 30 days before the holiday, and are removed within 30 days after the holiday.

5.21. LANDSCAPING. No person may perform landscaping, planting, or gardening on the common area without the ACC's prior written authorization. Planting or introducing invasive plants such as cattails, water lilies, or bamboo into any water ways is prohibited.

5.22. LEASING OF HOMES. An owner may lease the dwelling on his lot. Whether or not it is so stated in a lease, every lease is subject to the Documents. An owner is responsible for providing his tenant with copies of the Documents and notifying him of changes thereto. Failure by the tenant or his invitees to comply with the Documents, federal or state law, or local ordinance is deemed to be a default under the lease. When the Association notifies an owner of his tenant's violation, the owner will promptly obtain his tenant's compliance or exercise his rights as a landlord for tenant's breach of lease.

If the tenant's violation continues or is repeated, and if the owner is unable, unwilling, or unavailable to obtain his tenant's compliance, then the Association has the power and right to pursue the remedies of a landlord under the lease or state law for the default, including eviction of the tenant. The owner of a leased lot is liable to the Association for any expenses incurred by the Association in connection with enforcement of the Documents against his tenant. The Association is not liable to the owner for any damages, including lost rents, suffered by the owner in relation to the Association's enforcement of the Documents against the owner's tenant.

5.23. LIGHTS. Exterior light sources on a lot should be unobtrusive, shielded to prevent glare, directed away from neighboring homes and yards, with no spillover light on neighboring property. All visible exterior light fixtures on a lot should be consistent in style and finish with the home architecture. The wattage of building-mounted exterior lighting may not exceed 150 watts per fixture. All exterior light must be in shades of white. Color lights and sodium vapor lights are prohibited. This Section does not apply to any light fixtures the Association may elect to install and maintain.

5.24. NOISE & ODOR. A resident must exercise reasonable care to avoid making or permitting to be made (1) loud, disturbing, or objectionable noises, (2) harmful fumes, or (3) obnoxious odors

that may disturb or annoy residents of neighboring lots. The Rules may prohibit the use of noise-producing security devices and windchimes.

5.25. OCCUPANCY. Other than the completed principal dwelling, no thing or structure on a lot may be occupied as a residence at any time by any person. This provision applies, without limitation, to the garage, mobile homes, campers, and storage sheds.

5.26. PARKING. Residents are expected to park their vehicles in their garages, and use their driveways for overflow parking. The Association has the right to prohibit or limit parking on streets, and may impose different rules on different streets in the Property, or along sections or sides of streets, and may change the street parking rules from time to time in response to changing conditions, neighborhood standards, governmental recommendations, aesthetics, or any combination of these. Unless and until the board adopts different rules for street parking, (1) without board approval, no vehicle may be parked on a Little River Ranch street for more than 3 consecutive days and/or nights, and (2) with board approval, no vehicle may be parked on a Little River Ranch street for more than 7 consecutive days and/or nights. Moving the vehicle during the day but parking on the street at night constitutes one day. No vehicle may be parked in a manner that may impede access to homes in Little River Ranch by an emergency vehicle.

5.27. PATIO COVERS. Only patio covers approved by the ACC in advance of construction are allowed. If a patio cover is installed in violation of this Section, the ACC reserves the right to determine that the patio cover is unattractive or inappropriate or otherwise unsuitable for the Property, and may require the owner to screen it or to remove it.

5.28. RELIGIOUS ITEM DISPLAYS. Subject to this section, and approval by the ACC, Owners may display or affix on the entry to the Owner's dwelling one or more religious items, the display of which is motivated by the Owner's or resident's sincere religious belief. No religious item may individually or in combination exceed twenty-five (25) square inches, and shall not extend past the outer edge of the door frame of the dwelling. Notwithstanding the foregoing, the display or affixation of a religious item on an Owner's dwelling that threatens public health or safety, violates a law, or contains language, graphics, or any display that is patently offensive to a passerby is prohibited. This section does not authorize an Owner to use a material or color for an entry door or door frame, or make an alteration to the door or door frame of the Owner's dwelling that is not authorized by the ACC and Design Guidelines. The Association may remove an item displayed in violation of this section.

5.29. RESIDENTIAL USE. The use of a house lot is limited exclusively to residential purposes or any other use permitted by this Declaration, including limited business uses described above.

5.30. SCREENING. The ACC may require that the following items must be screened from the view of the public and neighboring lots and dwellings, if any of these items exists on the lot: (1) air conditioning equipment; (2) satellite reception equipment; (3) clotheslines, drying racks, and

hanging clothes, linens, rugs, or textiles of any kind; (4) yard maintenance equipment; (5) wood piles and compost piles; (6) garbage cans and refuse containers; (7) anything determined by the board to be unsightly or inappropriate for a residential subdivision. Screening may be achieved with fencing or with plant material, such as trees and bushes, or any combination of these. If plant material is used, a reasonable period of time is permitted for the plants to reach maturity as an effective screen. As used in this Section, "screened from view" refers to the view of a person in a passenger vehicle driving on a street or alley, or the view of a person of average height standing in the middle of a yard of an adjoining lot.

5.31. SIGNS. Except for the below-specified signs, no sign or unsightly object (including "yard art") may be erected, placed, or permitted to remain on the Property or to be visible from windows in the dwelling without the board's prior written approval. The board's approval may specify the location, nature, appearance, dimensions, number, and time period of a sign or object. The Association may effect the removal of any sign or object that violates this Section or which the board deems inconsistent with neighborhood standards without liability for trespass or any other liability connected with the removal. The following signs are permitted during applicable periods, provided an owner's exercise of this right is not excessive or abusive to the neighborhood:

- a. one professionally made sign of not more than 5 square feet advertising the lot for sale or for rent. During the Development Period, the sign must conform to the sign requirements in Appendix B and standard broker signs are not permitted. After the Development Period, the sign must conform to any sign specifications maintained by the Association.
- b. one professionally made security service sign of not more than one square foot.
- c. one sign celebrating an event or an accomplishment, such as a baby's arrival or a child's school achievement, provided the sign is tasteful, modest in size, and removed within 7 days after it is erected.
- d. ground-mounted political signs (limited to one sign for each candidate or ballot item) which may be erected no earlier than the 90th day before the date of election to which the sign relates, and which must be removed before the 10th day after the election date. Any political sign that contains roofing material, siding, paving materials, flora, one or more balloons or lights, or any other similar building, landscaping, or nonstandard decorative components, is attached in any way to plant material, a traffic control device, a light, a trailer, a vehicle, or any other existing structure or object, includes the painting of architectural surfaces, threatens the public health or safety, is larger than four (4) feet by six (6) feet, violates a law, contains language, graphics, or any display that would be offensive to the ordinary person, or is accompanied by music or other sounds or by streamers or is otherwise distracting to motorists is prohibited.
- e. a temporary sign identifying the home as the site of a social event is permitted for 24 hours.

5.32. TELEVISION. Each resident of the Property will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, electronic, microwave, cable, or satellite reception on the Property. Antennas, satellite or microwave dishes, and receiving or transmitting towers that are visible from a street or from another lot are prohibited within the Property, except reception-only antennas or satellite dishes designed to receive television broadcast signals, antennas or satellite dishes that are one meter or less in diameter and designed to receive direct broadcast satellite service (DBS), or antennas or satellite dishes that are one meter or less in diameter or diagonal measurement and designed to receive video programming services via multipoint distribution services (MDS) (collectively, the "Antenna") are permitted if located (a) inside the structure (such as in an attic or garage) so as not to be visible from outside the structure, (b) in a fenced yard, or (c) attached to or mounted on the rear wall of a structure below the eaves. If an owner determines that an Antenna cannot be located in compliance with the above guidelines without precluding reception of an acceptable quality signal, the owner may install the Antenna in the least conspicuous location on the lot where an acceptable quality signal can be obtained. The Association may adopt reasonable rules for the location, appearance, camouflaging, installation, maintenance, and use of the Antennas to the extent permitted by public law.

5.33. TEMPORARY STRUCTURES. Except for "accessory structures" as described above, improvements or structures of a temporary or mobile nature, such as tents, portable sheds, and mobile homes, may not be placed on a lot if visible from a street or another lot. However, an owner or owner's contractor may maintain a temporary structure (such as a portable toilet or construction trailer) on the lot during construction of the dwelling.

5.34. TRASH. Each resident will endeavor to keep the Property clean and will dispose of all refuse in receptacles designated specifically by the Association or by the solid waste disposal contractor for that purpose. Trash must be placed entirely within the designated receptacle. The board may adopt, amend, and repeal rules regulating the disposal and removal of trash from the Property. If the rules fail to establish hours for curbside trash containers, the container may be in the designated area from dusk on the evening before trash pick-up day until dusk on the day of trash pick-up. At all other times, trash containers must be kept inside the house, garage, or fenced yard and may not be visible from a street or another lot.

5.35. VEHICLES. All vehicles on the Property, whether owned or operated by the residents or their families and guests, are subject to this Section, the sections above pertaining to "Parking" and "Driveways" and "Garages," and rules adopted by the board. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on the Property.

5.35.1. Repairs. Without the board's prior approval, a driveway or street may not be used for repair or restoration of vehicles.

5.35.2. Storage. Without the board's prior approval, a driveway or street may not be used for storage purposes, including storage of boats, trailers, and inoperable vehicles.

5.35.3. Towing. The Association may effect the removal of any vehicle in violation of this Section or the Rules without liability to the owner or operator of the vehicle.

5.35.4. Prohibited Vehicles. Without prior written board approval, the following types of vehicles and vehicular equipment - mobile or otherwise - may not be kept, parked, or stored anywhere on the Property - including overnight parking on streets and driveways - if the vehicle is visible from a street: mobile homes, motor homes, buses, trailers, boats, aircraft, inoperable vehicles, commercial truck cabs, trucks with tonnage over one ton, vehicles which are not customary personal passenger vehicles, and any vehicle which the board deems to be a nuisance, unsightly, or inappropriate. This restriction does not apply to vehicles and equipment temporarily on the Property in connection with the construction or maintenance of a dwelling. Vehicles that transport inflammatory or explosive cargo are prohibited from the Property at all times.

5.36. WATER FRONT LOTS. The following restriction applies to any Lot which adjoins or abuts water: no pier or other structure shall be permitted which projects beyond the Lot line into the water (whether within or outside of the Lot line) as shown on the Plat.

5.37. WATER WELLS. Water wells on house lots are prohibited, with the exception of Lot 21, 47 and a pre-existing well on Lot 2. On a house lot, underground well water may not be used for any purpose, even nonpotable uses such as landscape irrigation. Siphoning or pumping water from the waterways is prohibited.

5.38. WINDOW TREATMENTS. All window treatments within the dwelling that are visible from the street or another dwelling must be maintained in good condition and must not detract from the appearance of the Property. The ACC may require an owner to change or remove a window treatment that the ACC determines to be inappropriate or unattractive. The ACC may prohibit the use of certain colors or materials for window treatments. Reflective glass, reflective tinting, and reflective film are prohibited.

5.39. YARD ART. The Association is interested in the appearances of yards that are visible from the street and from neighboring homes. Some changes or additions to a yard may defy easy categorization as an improvement, a sign, or landscaping. This Section confirms that all aspects of a visible yard are within the purview of the ACC, including, without limitation, the shape of pruned shrubs; the number, shapes, and uses of flower beds; and the integration of items such as sculptures, fountains, decorative embellishments, wheelbarrows, boulders, and driftwood into the landscaping.

ARTICLE 6.
ASSOCIATION OPERATIONS

6.1. THE ASSOCIATION. The duties and powers of the Association are those set forth in the Documents, together with the general and implied powers of a property owners' association and a nonprofit corporation organized under the laws of the State of Texas. Generally, the Association may do any and all things that are lawful and necessary, proper, or desirable in operating for the peace, health, comfort, and general benefit of its members, subject only to the limitations on the exercise of such powers as stated in the Documents. The Association comes into existence on issuance of its corporate charter. The Association will continue to exist at least as long as the Declaration is effective against the Property, regardless of whether its corporate charter lapses from time to time.

6.2. BOARD. After the Declarant Control Period, the Association will be governed by a board of directors elected by the members. Unless the Association's bylaws or articles of incorporation provide otherwise, the board will consist of at least 3 persons elected at the annual meeting of the Association, or at a special meeting called for that purpose. Unless the Documents expressly reserve a right, action, or decision to the members/owners, Declarant, or another party, the board acts in all instances on behalf of the Association. Unless the context indicates otherwise, references in the Documents to the "Association" may be construed to mean "the Association acting through its board of directors."

6.3. MEMBERSHIP. Each owner is a member of the Association, ownership of a lot being the sole qualification for membership. Membership is appurtenant to and may not be separated from ownership of the lot. The board may require satisfactory evidence of transfer of ownership before a purported owner is entitled to vote at meetings of the Association. If a lot is owned by more than one person or entity, each co-owner is a member of the Association and may exercise the membership rights appurtenant to the lot. A member who sells his lot under a contract for deed may delegate his membership rights to the contract purchaser, provided a written assignment is delivered to the board. However, the contract seller remains liable for all assessments attributable to his lot until fee title to the lot is transferred. Unless the Documents provide otherwise, any action requiring approval of the members may be approved in writing by owners of at least a majority of all lots, or at a meeting by owners of at least a majority of the lots that are represented at the meeting at which a quorum is present.

6.4. VOTING BY OWNERS. The right to cast votes and the number of votes which may be cast for election of members to the Board and on all other matters to be voted on by the Members will be calculated as set forth below:

6.4.1. Owner Votes. The Owner of each Lot will have one (1) vote for each Lot owned.

6.4.2. Declarant Votes. In addition to the votes to which Declarant is entitled by reason of Section 6.4.1., for every one (1) vote outstanding in favor of any other person or entity, Declarant will have four (4) additional votes until the expiration or termination of the Development Period.

6.4.3. Co-Owner Votes. When more than one person or entity owns a portion of the fee simple interest in any Lot, all such persons or entities will be Members. The vote or votes (or fraction thereof) for such Lot will be exercised by the person so designated in writing to the Secretary of the Association by the Owner of such Lot, and in no event will the vote for such Lot exceed the total votes to which such Lot is otherwise entitled under this Section 6.4.1.

6.5. GOVERNANCE. The Association will be administered in accordance with the bylaws, the other Documents, and applicable State law. Although the board may delegate the performance of certain functions to one or more managers or managing agents of the Association, the board is ultimately responsible to the members for governance of the Association. As more specifically described in the Bylaws, the Board will consist of at least three (3) persons elected at the annual meeting of the Association, or at a special meeting called for such purpose. Notwithstanding the foregoing provision or any provision in this Declaration to the contrary, Declarant will have the sole right to appoint and remove all members of the Board until the 10th anniversary of the date this Declaration is Recorded. Not later than the 10th anniversary of the date this Declaration is Recorded, or sooner as determined by Declarant, the Board shall hold a meeting of Members of the Association for the purpose of electing one-third of the Board (the "Initial Member Election Meeting"), which Board member(s) must be elected by Owners other than the Declarant. Declarant shall continue to have the sole right to appoint and remove two-thirds of the Board from and after the Initial Member Election Meeting until expiration or termination of the Development Period.

6.6. BOOKS & RECORDS. The Association will maintain copies of the Documents and the Association's books, records, and financial statements. Books and records of the Association will be made available for inspection and copying pursuant to applicable law, such as Article 1396-2.23.B. of the Texas Nonprofit Corporation Act.

6.7. INDEMNIFICATION. To the fullest extent permitted by Applicable Law but without duplication (and subject to) any rights or benefits arising under the Certificate or Bylaws of the Association, the Association will indemnify any officer, director, committee chair, and committee member (for purposes of this Section, "Leaders") against expenses, including attorney's fees, reasonably incurred by or imposed on the Leader in connection with an action, suit, or proceeding to which the Leader is a party by reason of being or having been a Leader. A Leader is not liable for a mistake of judgment, negligent or otherwise. A Leader is liable for his willful misfeasance, malfeasance, misconduct, or bad faith. This right to indemnification does not exclude any other rights to which present or former Leaders may be entitled. The Association may maintain general liability and directors and officers liability insurance to fund this obligation. Additionally, the

Association may indemnify a person who is or was an employee, trustee, agent, or attorney of the Association, against any liability asserted against him and incurred by him in that capacity and arising out of that capacity. Additionally, the Association may indemnify a person who is or was an employee, trustee, agent, or attorney of the Association, against any liability asserted against him and incurred by him in that capacity and arising out of that capacity.

6.8. OBLIGATIONS OF OWNERS. Without limiting the obligations of owners under the Documents, each owner has the following obligations:

6.8.1. Address. Each owner will maintain one or more effective mailing addresses with the Association, including an email address (if any) and a U. S. postal address.

6.8.2. Mortgagee Information. On request by the Association, each owner will provide the Association with current information about each and every mortgage or deed of trust lien against the owner's lot, including the mortgagee's name, address, and loan number.

6.8.3. Resident Information. If the owner does not occupy his home, the owner will maintain with the Association the names and phone numbers of the residents, and the name, address, and phone number of owner's managing agent, if any.

6.8.4. Pay Assessments. Each owner will timely pay assessments properly levied by the Association against the owner or his lot, and will pay regular assessments without demand by the Association.

6.8.5. Comply. Each owner will comply with the Documents as amended from time to time.

6.8.6. Reimburse. Each owner will pay for damage to the Property caused by the owner, a resident of the owner's lot, or the owner or resident's family, guests, employees, contractors, agents, or invitees.

6.8.7. Liability. Each owner is liable to the Association for violations of the Documents by the owner, a resident of the owner's lot, or the owner or resident's family, guests, employees, agents, or invitees, and for costs incurred by the Association to obtain compliance, including attorney's fees whether or not suit is filed.

6.9. HOME RESALES. This Section applies to every sale or conveyance of a lot or an interest in a lot:

6.9.1. Resale Certificate. An owner intending to sell his home will notify the Association and will request a resale certificate from the Association.

6.9.2. No Right of First Refusal. The Association does not have a right of first refusal and may not compel a selling owner to convey the owner's lot to the Association. If the Developer retains a right of first refusal it will be contained in the deed.

6.9.3. Other Transfer-Related Fees. A number of independent fees may be charged in relation to the transfer of title to a lot, including but not limited to fees for resale certificates, estoppel certificates, copies of Documents, compliance inspections, ownership record changes, and priority processing, provided the fees are customary in amount, kind, and number for the local marketplace. Transfer-related fees are not refundable and may not be regarded as a prepayment of or credit against regular or special assessments. Transfer-related fees may be charged by the Association or by the Association's managing agent, provided there is no duplication of fees. Transfer-related fees charged by or paid to a managing agent must have the prior written approval of the Association, are not subject to the Association's assessment lien, and are not payable by the Association. This Section does not obligate the board or the manager to levy transfer-related fees.

6.9.4. Information. Within 30 days after acquiring an interest in a lot, an owner will provide the Association with the following information: a copy of the settlement statement or deed by which owner has title to the lot; the owner's email address (if any), U. S. postal address, and phone number; any mortgagee's name, address, and loan number; the name and phone number of any resident other than the owner; the name, address, and phone number of owner's managing agent, if any.

6.9.5. Exclusions. The requirements of this Section do not apply to the following transfers: (1) the initial conveyance from a Builder to the first homeowner; a) foreclosure of a mortgagee's deed of trust lien, a tax lien, or the Association's assessment lien; conveyance by a mortgagee who acquires title by foreclosure or deed in lieu of foreclosure; (2) transfer to, from, or by the Association; voluntary transfer by an owner to one or more co-owners, or to the owner's spouse, child, or parent; (3) a transfer by a fiduciary in the course of administering a decedent's estate, guardianship, conservatorship, or trust; (4) a conveyance pursuant to a court's order, including a transfer by a bankruptcy trustee; or (5) a disposition by a government or governmental agency.

ARTICLE 7. COVENANT FOR ASSESSMENTS

7.1. PURPOSE OF ASSESSMENTS. The Association will use assessments for the general purposes of preserving and enhancing the Property, and for the common benefit of owners and residents, including but not limited to (1) maintenance, repair, and replacement of real and personal property; (2) management and operation of the Association; and (3) any expense reasonably related to the purposes for which the Property was developed. If made in good faith, the board's decision with respect to the use of assessments is final.

7.2. PERSONAL OBLIGATION. An owner is obligated to pay assessments levied by the board against the owner or his lot. An owner makes payment to the Association at its principal office or at any other place the board directs. Payments must be made in full regardless of whether an owner has a dispute with the Association, another owner, or any other person or entity regarding any matter to which this Declaration pertains. No owner may exempt himself from his assessment liability by waiver of the use or enjoyment of the common area or by abandonment of his lot. An owner's obligation is not subject to offset by the owner, nor is it contingent on the Association's performance of the Association's duties. Payment of assessments is both a continuing affirmative covenant personal to the owner and a continuing covenant running with the lot.

7.3. TYPES OF ASSESSMENTS. There are four types of assessments: Regular, Special, Individual, and Deficiency.

7.3.1. Regular Assessments. Regular assessments are based on the annual budget. Each lot is liable for its equal share of the annual budget. If the board does not approve an annual budget or fails to determine new regular assessments for any year, or delays in doing so, owners will continue to pay the regular assessment as last determined. If during the course of a year the board determines that regular assessments are insufficient to cover the estimated common expenses for the remainder of the year, the board may increase regular assessments for the remainder of the fiscal year in an amount that covers the estimated deficiency. The initial regular assessment is \$650.00 per year per lot. Increases or decreases in the rate of regular assessments are determined by the board and do not require amendment of this Declaration. Regular assessments are used for common expenses related to the reoccurring, periodic, and anticipated responsibilities of the Association, including but not limited to:

- a. maintenance, repair, and replacement, as necessary, of the common area.
- b. maintenance of property or improvements within, adjacent to, or near the property, the appearance or condition of which is deemed important to the Association, to the extent the Association is permitted or not prevented from performing such work.
- c. expenses pertaining to the Association's employment of personnel.
- d. utilities billed to the Association.
- e. services billed to the Association and serving all lots.
- f. taxes on property owned by the Association and the Association's income taxes, if any.
- g. management, legal, accounting, auditing, and professional fees for services to the Association.
- h. costs of operating the Association, such as telephone, postage, office supplies, printing, meeting expenses, and educational opportunities of benefit to the Association.
- i. premiums and deductibles on insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association,

- including fidelity bonds and directors and officers liability insurance.
- j. contributions to the reserve funds.
- k. any other expense which the Association is required by law or the Documents to pay, or which in the opinion of the board is necessary or proper for the operation and maintenance of the Property or for enforcement of the Documents.

7.3.2. **Special Assessments.** In addition to regular assessments, and subject to the owners' control for assessment increases, the board may levy one or more special assessments against all lots for the purpose of defraying, in whole or in part, common expenses not anticipated by the annual budget or reserve funds. Special assessments do not require the approval of the owners, except that special assessments for the following purposes must be approved by owners of at least a majority of the lots:

- a. acquisition of real property, other than the purchase of a lot at the sale foreclosing the Association's lien against the lot.
- b. construction of additional improvements within the Property, but not replacement of original improvements.
- c. any expenditure that may reasonably be expected to significantly increase the Association's responsibility and financial obligation for operations, insurance, maintenance, repairs, or replacement.

7.3.3. **Individual Assessments.** In addition to regular and special assessments, the board may levy an individual assessment against a lot and its owner. Individual assessments may include, but are not limited to: interest, late charges, and collection costs on delinquent assessments; reimbursement for costs incurred in bringing an owner or his lot into compliance with the Documents; fines for violations of the Documents; insurance deductibles; transfer-related fees and resale certificate fees; fees for estoppel letters and project documents; reimbursement for damage or waste caused by willful or negligent acts; common expenses that benefit fewer than all of the lots, which may be assessed according to benefit received; fees or charges levied against the Association on a per-lot basis; and "pass through" expenses for services to lots provided through the Association and which are equitably paid by each lot according to benefit received.

7.3.4. **Deficiency Assessments.** The board may levy a deficiency assessment against all lots for the purpose of defraying, in whole or in part, the cost of repair or restoration if insurance proceeds or condemnation awards prove insufficient.

7.4. **CONTROL FOR ASSESSMENT INCREASES.** This Section of the Declaration may not be amended without the approval of owners of at least two-thirds of the lots. In addition to other rights granted to owners by this Declaration, owners have the following powers and controls over the Association's budget:

7.4.1. Veto Increased Dues. At least 30 days prior to the effective date of an increase in regular assessments, the board will notify an owner of each lot of the amount of, the budgetary basis for, and the effective date of the increase. The increase will automatically become effective unless owners of at least a majority of the lots, in person or by actual proxy, disapprove the increase by petition or at a meeting of the Association. In that event, the last-approved budget will continue in effect until a revised budget is approved.

7.4.2. Veto Special Assessment. At least 30 days prior to the effective date of a special assessment, the board will notify an owner of each lot of the amount of, the budgetary basis for, and the effective date of the special assessment. The special assessment will automatically become effective unless owners of at least majority of the lots, in person or by actual proxy, disapprove the special assessment by petition or at a meeting of the Association.

7.5. BASIS & RATE OF ASSESSMENTS. The share of liability for common expenses allocated to each lot is uniform for all lots, regardless of a lot's location or the value and size of the lot or dwelling. Nevertheless, a lot that is owned by Declarant during the Development Period is eligible for the assessment exemption in Appendix B.

7.6. ANNUAL BUDGET. The board will prepare and approve an estimated annual budget for each fiscal year. The budget will take into account the estimated income and expenses for the year, contributions to reserve funds, and a projection for uncollected receivables. The board will make the budget or its summary available to an owner of each lot, although failure to receive a budget or summary does not affect an owner's liability for assessments.

7.7. DUE DATE. The board may levy regular assessments on any periodic basis - annually, semi-annually, quarterly, or monthly. Regular assessments are due on the first day of the period for which levied. Special and individual assessments are due on the date stated in the notice of assessment or, if no date is stated, within 10 days after notice of the assessment is given. Assessments are delinquent if not received by the Association on or before the due date.

7.8. RESERVE FUNDS. The Association will establish, maintain, and accumulate reserves for operations and for replacement and repair of the common areas. The Association must budget for reserves and may fund reserves out of regular assessments.

7.8.1. Operations Reserves. The Association will endeavor to maintain operations reserves at a level determined by the board to be sufficient to cover the cost of operational or maintenance emergencies or contingencies, including the full amount of deductibles on insurance policies maintained by the Association.

7.8.2. Replacement & Repair Reserves. The Association will maintain replacement and repair reserves at a level that anticipates the scheduled replacement or major repair of components of the common area.

ARTICLE 8.
ASSESSMENT LIEN

8.1. **ASSESSMENT LIEN.** Each owner, by accepting an interest in or title to a lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay assessments to the Association. Each assessment is a charge on the lot and is secured by a lien on the lot. Each owner, and each prospective owner, is placed on notice that his title may be subject to the continuing lien for assessments attributable to a period prior to the date he purchased his lot.

8.2. **SUPERIORITY OF ASSESSMENT LIEN.** The assessment lien is superior to all other liens and encumbrances on a lot, except only for (1) real property taxes and assessments levied by governmental and taxing authorities, (2) a deed of trust or vendor's lien recorded before this Declaration, (3) a recorded deed of trust lien securing a loan for construction of the original dwelling, and (4) a first or senior purchase money vendor's lien or deed of trust lien recorded before the date on which the delinquent assessment became due. The assessment lien is subordinate and inferior to a recorded deed of trust lien that secures a first or senior purchase money mortgage, an FHA-insured mortgage, or a VA-guaranteed mortgage.

8.3. **EFFECT OF MORTGAGEE'S FORECLOSURE.** If a foreclosure of a superior lien extinguishes the Association's claim against the lot for unpaid assessments that became due before the sale, the Association's claims against the former owner are not extinguished. The purchaser at the foreclosure sale of a superior lien is liable for assessments coming due from and after the date of the sale, and for the owner's pro rata share of the pre-foreclosure deficiency as an Association expense.

8.4. **NOTICE AND RELEASE OF NOTICE.** The Association's lien for assessments is created by recordation of this Declaration, which constitutes record notice and perfection of the lien. No other recordation of a lien or notice of lien is required. However, the Association, at its option, may cause a notice of the lien to be recorded in the county's Real Property Records. If the debt is cured after a notice has been recorded, the Association will record a release of the notice at the expense of the curing owner.

8.5. **POWER OF SALE.** By accepting an interest in or title to a lot, each owner grants to the Association a private power of nonjudicial sale in connection with the Association's assessment lien. The board may appoint, from time to time, any person, including an officer, agent, trustee, substitute trustee, or attorney, to exercise the Association's lien rights on behalf of the Association, including the power of sale. The appointment must be in writing and may be in the form of a resolution recorded in the minutes of a board meeting.

8.6. **FORECLOSURE OF LIEN.** The assessment lien may be enforced by judicial or nonjudicial foreclosure. A foreclosure must comply with the requirements of applicable law, such as Chapter 209 of the Texas Property Code. A nonjudicial foreclosure must be conducted in accordance with

the provisions applicable to the exercise of powers of sale as set forth in Section 51.002 of the Texas Property Code, or in any manner permitted by law. In any foreclosure, the owner is required to pay the Association's costs and expenses for the proceedings, including reasonable attorneys' fees, subject to applicable provisions of the bylaws and applicable law, such as Chapter 209 of the Texas Property Code. The Association has the power to bid on the lot at foreclosure sale and to acquire, hold, lease, mortgage, and convey same. The Association may not foreclose the assessment lien if the debt consists solely of fines and/or a claim for reimbursement of attorney's fees incurred by the Association.

**ARTICLE 9.
EFFECT OF NONPAYMENT OF ASSESSMENTS**

An assessment is delinquent if the Association does not receive payment in full by the assessment's due date. The Association, acting through the board, is responsible for taking action to collect delinquent assessments. The Association's exercise of its remedies is subject to applicable laws, such as Chapter 209 of the Texas Property Code, and pertinent provisions of the bylaws. From time to time, the Association may delegate some or all of the collection procedures and remedies, as the board in its sole discretion deems appropriate, to the Association's manager, an attorney, or a debt collector. Neither the board nor the Association, however, is liable to an owner or other person for its failure or inability to collect or attempt to collect an assessment. The following remedies are in addition to and not in substitution for all other rights and remedies which the Association has.

9.1. **INTEREST.** Delinquent assessments are subject to interest from the due date until paid, at a rate to be determined by the board from time to time, not to exceed the lesser of 18 percent or the maximum permitted by law. If the board fails to establish a rate, the rate is 10 percent per annum.

9.2. **LATE FEES.** Delinquent assessments are subject to reasonable late fees, at a rate to be determined by the board from time to time.

9.3. **COSTS OF COLLECTION.** The owner of a lot against which assessments are delinquent is liable to the Association for reimbursement of reasonable costs incurred by the Association to collect the delinquent assessments, including attorneys fees and processing fees charged by the manager.

9.4. **ACCELERATION.** If an owner defaults in paying an assessment that is payable in installments, the Association may accelerate the remaining installments on 10 days' written notice to the defaulting owner. The entire unpaid balance of the assessment becomes due on the date stated in the notice.

9.5. **SUSPENSION OF USE AND VOTE.** If an owner's account has been delinquent for at least 30 days, the Association may suspend the right of owners and residents to use The Red Barn and common services during the period of delinquency. The Association may also suspend the right to vote appurtenant to the lot. Suspension does not constitute a waiver or discharge of the owner's obligation to pay assessments.

9.6. **MONEY JUDGMENT.** The Association may file suit seeking a money judgment against an owner delinquent in the payment of assessments, without foreclosing or waiving the Association's lien for assessments.

9.7. **NOTICE TO MORTGAGEE.** The Association may notify and communicate with the holder of any lien against a lot regarding the owner's default in payment of assessments.

9.8. **FORECLOSURE OF ASSESSMENT LIEN.** As provided by this Declaration, the Association may foreclose its lien against the lot by judicial or nonjudicial means.

9.9. **APPLICATION OF PAYMENTS.** The board may adopt and amend policies regarding the application of payments. The Association may refuse to accept partial payment, i.e., less than the full amount due and payable. The Association may also refuse to accept payments to which the payer attaches conditions or directions contrary to the board's policy for applying payments. The Association's policy may provide that endorsement and deposit of a payment does not constitute acceptance by the Association, and that acceptance occurs when the Association posts the payment to the lot's account.

ARTICLE 10. ENFORCING THE DOCUMENTS

10.1. **ENFORCEMENT DISCRETION.** Neither the board nor the ACC is required to treat all violations in a lockstep uniform and consistent manner. However, the board and the ACC should be consistent in responding to similarly situated properties, or comparable types of situations. For example, the board may be more lenient towards owners who are experiencing personal loss, than towards owners who are flagrant and repeat violators. Similarly, the Association may have different policies for responding to architectural violations on homes along prominent thoroughfare versus violations on a quiet cul de sac. The board may use its sole discretion in determining whether to pursue a violation of the Documents, provided the board does not act in an arbitrary or capricious manner. In evaluating a particular violation, the board may determine that under the particular circumstances (1) the Association's position is not sufficiently strong to justify taking any or further action; (2) the provision being enforced is or may be construed as inconsistent with applicable law; (3) although a technical violation may exist, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or (4) that enforcement is not in the Association's best interests, based on hardship, expense, or other reasonable criteria.

10.2. NOTICE AND HEARING. Before the Association may exercise many of its remedies for a violation of the Documents or damage to the Property, the Association must give an owner written notice and an opportunity for a hearing, according to the requirements and procedures in the bylaws and in applicable law, such as Chapter 209 of the Texas Property Code. Notices are also required before an owner is liable to the Association for certain charges, including reimbursement of attorneys fees incurred by the Association.

10.3. REMEDIES. The remedies provided in this Article for breach of the Documents are cumulative and not exclusive. In addition to other rights and remedies provided by the Documents and by law, the Association has the following right to enforce the Documents, subject to applicable notice and hearing requirements:

10.3.1. Nuisance. The result of every act or omission that violates any provision of the Documents is a nuisance, and any remedy allowed by law against a nuisance, either public or private, is applicable against the violation.

10.3.2. Fine. The Association may levy reasonable charges, as an individual assessment, against an owner and his lot if the owner or resident, or the owner or resident's family, guests, employees, agents, or contractors violate a provision of the Documents. Fines may be levied for each act of violation or for each day a violation continues, and does not constitute a waiver or discharge of the owner's obligations under the Documents.

10.3.3. Suspension. The Association may suspend the right of owners and residents to use The Red Barn for any period during which the owner or resident, or the owner or resident's family, guests, employees, agents, or contractors violate the Documents. A suspension does not constitute a waiver or discharge of the owner's obligations under the Documents.

10.3.4. Self-Help. The Association has the right to enter any part of the Property, including lots, to abate or remove, using force as may reasonably be necessary, any erection, thing, animal, person, vehicle, or condition that violates the Documents. In exercising this right, the board is not trespassing and is not liable for damages related to the abatement. The board may levy its costs of abatement against the lot and owner as an individual assessment. Unless an emergency situation exists in the good faith opinion of the board, the board will give the violating owner at least 15 days written notice of its intent to exercise self-help. The Association's right to enter a lot is secured by the Association's access easement in Article 3 of this Declaration.

10.3.5. Suit. Failure to comply with the Documents will be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Prior to commencing any legal proceeding, the Association will give the defaulting party reasonable notice and an opportunity to cure the violation.

10.4. NO WAIVER. The Association and every owner has the right to enforce all restrictions, conditions, covenants, liens, and charges now or hereafter imposed by the Documents. Failure by the Association or by any owner to enforce a provision of the Documents is not a waiver of the right to do so thereafter. If the Association does waive the right to enforce a provision, that waiver does not impair the Association's right to enforce any other part of the Documents at any future time. No officer, director, or member of the Association is liable to any owner for the failure to enforce any of the Documents at any time.

10.5. ENFORCEMENT BY OWNER. The right of individual owners to enforce the Documents is not intended to deputize every owner as a community enforcer, nor to substitute an owner's interpretation of the Documents for the collective judgment of the Association's directors. Any owner who desires to have the Documents enforced on a particular matter must inform the board in writing about the situation requiring enforcement, and may request a hearing before the board to discuss the enforcement issue. The board may respond to the owner in writing or at a hearing for which minutes are taken. If the board (1) considers the owner's issue, (2) makes an informed decision within its discretionary powers, and (3) communicates the decision to the owner, either in writing or at a hearing for which minutes are taken, the owner's right to enforce the Documents will have been exercised. An owner who is not satisfied by that outcome may utilize the dispute resolution procedures of Article 14 to continue the enforcement process. The requirements of this Section for formal responses to enforcement issues raised by individual owners may be modified or waived by the board for an owner who submits more than 5 enforcement requests in a 12-month period.

10.6. RECOVERY OF COSTS. The costs of curing or abating a violation are at the expense of the owner or other person responsible for the violation. If legal assistance is obtained to enforce any provision of the Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Documents or the restraint of violations of the Documents, the prevailing party is entitled to recover from the nonprevailing party all reasonable and necessary costs incurred by it in such action, including reasonable attorneys' fees.

ARTICLE 11. MAINTENANCE AND REPAIR OBLIGATIONS

11.1. ASSOCIATION MAINTAINS. The Association's maintenance obligations will be discharged when and how the board deems appropriate. The Association maintains, repairs, and replaces, as a common expense, the portions of the Property listed below, regardless of whether the portions are on lots or common areas:

- a. the common areas, including The Red Barn.
- b. any real and personal property owned by the Association but which is not a common area, such as a lot owned by the Association.
- c. any property adjacent to Little River Ranch if maintenance of same is deemed to

be in the best interests of the Association and if not prohibited by the owner or operator of said property.

- d. any area, item, easement, or service - the maintenance of which is assigned to the Association by this Declaration or by the plat.

11.2. OWNER RESPONSIBILITY. Every owner has the following responsibilities and obligations for the maintenance, repair, and replacement of the Property, subject to the architectural requirements of Article 4 and the restrictions of Article 5.

11.2.1. House Maintenance. Each owner, at the owner's expense, must maintain all improvements on the lot, including but not limited to the dwelling, fences, sidewalks, and driveways. Maintenance includes preventative maintenance, repair as needed, and replacement as needed. Each owner is expected to maintain his lot's improvements at a level, to a standard, and with an appearance that is commensurate with the neighborhood. Specifically, each owner must repair and replace worn, rotten, deteriorated, and unattractive materials, and must regularly repaint all painted surfaces.

11.2.2. Yard Maintenance. Each owner, at the owner's expense, must maintain the yards on his lot at a level, to a standard, and with an appearance that is commensurate with the neighborhood. Specifically, each owner must:

- a. maintain an attractive ground cover or lawn on all yards visible from a street.
- b. edge the street at regular intervals.
- c. mow the lawns and grounds at regular intervals.
- d. prevent weeds or grass from exceeding 6 inches in height in lawns and beds.
- e. not plant vegetable gardens that are visible from a street.
- f. maintain an attractive appearance for shrubs and trees visible from a street or alley.
- g. replace plant material, as needed, to maintain the minimum landscaping requirements of the Little River Ranch Architectural Standards.

11.2.3. Avoid Damage. An owner may not do any work or to fail to do any work which, in the reasonable opinion of the board, would materially jeopardize the soundness and safety of the Property, reduce the value of the Property, adversely affect the appearance of the Property, or impair any easement relating to the Property.

11.2.4. Responsible for Damage. An owner is responsible for his own willful or negligent acts and those of his or the resident's family, guests, agents, employees, or contractors when those acts necessitate maintenance, repair, or replacement to the common areas or the property of another owner.

11.3. OWNER'S DEFAULT IN MAINTENANCE. If the board determines that an owner has failed to properly discharge his obligation to maintain, repair, and replace components of his house, yard, and lot for which the owner is responsible, the board may contact the owner about the need for repairs.

11.3.1. Notice. Before the board exercises any of its remedies, the board must give the owner a written notice, or a series of written notices that collectively state, with reasonable particularity, (1) the maintenance deemed necessary, (2) a reasonable period of time in which to complete the work, (3) the charges and fines that may be levied against the owner and his lot if the owner does not timely perform the work, (4) the owner's 30-day right to request a hearing before the board, and (5) whether the Association intends to pursue self-help or legal remedies, or both, to cure the violation. To the extent permitted by applicable law, the fine and notice requirements may be varied for an owner who repeats the same violation for which he was given the notice required by this Section.

11.3.2. Emergency. In case of an emergency, the board may take any action it deems necessary to protect persons or property from imminent damage, the cost of the action being the owner's expense. In that event, the written notice will also recite the circumstances deemed to be an emergency and the action taken

11.3.3. Self-Help. If the owner fails or refuses to timely perform the maintenance described in the notice, and does not request or prevail at a hearing before the board, the board may give the owner written notice of the Association's intent to exercise its access easement (provided in Article 3 of this Declaration) for the purpose of entering the owner's lot to perform some or all of the work described in the board's notice to the owner. As appropriate for the circumstances, and without limitation, the Association may enter and work on an unfenced yard, a driveway, a fenced yard, and the exterior surfaces of the house (such as the roof and wood trim). The board may levy an individual assessment against the lot and its owner to reimburse the Association's expenses. This Subsection may not be construed as a requirement to exercise self-help and may not be construed as a prerequisite or required alternative to instituting legal actions against the owner or the lot.

11.4. PARTY WALL FENCES. A fence located on or near the dividing line between 2 lots and intended to benefit both lots constitutes a Party Wall Fence and, to the extent not inconsistent with the provisions of this Section, is subject to the general rules of law regarding party walls and liability for property damage due to negligence, willful acts, or omissions.

11.4.1. Encroachments & Easement. If the Party Wall Fence is on one lot or another due to an error in construction, the fence is nevertheless deemed to be on the dividing line for purposes of this Section. Each lot sharing a Party Wall Fence is subject to an easement for the existence and continuance of any encroachment by the fence as a result of construction, repair, shifting, settlement, or movement in any portion of the fence, so that the encroachment may

remain undisturbed as long as the fence stands. Each lot is subject to a reciprocal easement for the maintenance, repair, replacement, or reconstruction of the Party Wall Fence.

11.4.2. Right to Repair. If the Party Wall Fence is damaged or destroyed from any cause, the owner of either lot may repair or rebuild the fence to its previous condition, and the owners of both lots, their successors and assigns, have the right to the full use of the repaired or rebuilt fence.

11.4.3. Maintenance Costs. The owners of the adjoining lots share equally the costs of repair, reconstruction, or replacement of the Party Wall Fence, subject to the right of one owner to call for larger contribution from the other under any rule of law regarding liability for negligence or willful acts or omissions. If an owner is responsible for damage to or destruction of the fence, that owner will bear the entire cost of repair, reconstruction, or replacement. If an owner fails or refuses to pay his share of costs of repair or replacement of the Party Wall Fence, the owner advancing monies has a right to file a claim of lien for the monies advanced in the county's Real Property Records, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an owner to contribution from another owner under this Section is appurtenant to the land and passes to the owner's successors in title.

11.4.4. Alterations. The owner of a lot sharing a Party Wall Fence may not cut openings in the fence or alter or change the fence in any manner that affects the use, condition, or appearance of the fence to the adjoining lot. The Party Wall Fence will remain in the same location as when erected.

ARTICLE 12. INSURANCE

12.1. GENERAL PROVISIONS. All insurance affecting the Property is governed by the provisions of this Article, with which the board will make every reasonable effort to comply. The cost of insurance coverages and bonds maintained by the Association is an expense of the Association. Insurance policies and bonds obtained and maintained by the Association must be issued by responsible insurance companies authorized to do business in the State of Texas. The Association must be the named insured on all policies obtained by the Association. Additionally:

12.1.1. Insurance Trustee. Each owner of a common area that is not owned by the Association, and each owner of a lot, irrevocably appoints the Association, acting through its board, as his trustee to negotiate, receive, administer, and distribute the proceeds of any claim against an insurance policy maintained by the Association.

12.1.2. Notice of Cancellation or Modification. Each insurance policy maintained by the Association should contain a provision requiring the insurer to give at least 10 days' prior written notice to the board before the policy may be canceled, terminated, materially modified,

or allowed to expire, by either the insurer or the insured.

12.1.3. **Deductibles.** An insurance policy obtained by the Association may contain a reasonable deductible, which will be paid by the party who would be liable for the loss or repair in the absence of insurance. If a loss is due wholly or partly to an act or omission of an owner or resident or their invitees, the owner must reimburse the Association for the amount of the deductible that is attributable to the act or omission.

12.2. **PROPERTY.** To the extent it is reasonably available, the Association will obtain blanket all-risk insurance for insurable common area improvements. If blanket all-risk insurance is not reasonably available, then the Association will obtain an insurance policy providing fire and extended coverage. Also, the Association will insure the improvements on any lot owned by the Association.

12.3. **GENERAL LIABILITY.** The Association will maintain a commercial general liability insurance policy over the common areas - expressly excluding the liability of each owner and resident within his lot - for bodily injury and property damage resulting from the operation, maintenance, or use of the common areas. If the policy does not contain a severability of interest provision, it should contain an endorsement to preclude the insurer's denial of an owner's claim because of negligent acts of the Association or other owners.

12.4. **DIRECTORS & OFFICERS LIABILITY.** To the extent it is reasonably available, the Association will maintain directors and officers liability insurance, errors and omissions insurance, indemnity bonds, or other insurance the board deems advisable to insure the Association's directors, officers, committee members, and managers against liability for an act or omission in carrying out their duties in those capacities.

12.5. **OTHER COVERAGES.** The Association may maintain any insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association, including but not limited to worker's compensation insurance, fidelity coverage, and any insurance and bond requested and required by an Underwriting Lender for planned unit developments as long as an Underwriting Lender is a mortgagee or an owner.

12.6. **OWNER'S RESPONSIBILITY FOR INSURANCE.** Each owner will obtain and maintain property insurance on all the improvements on his lot, in an amount sufficient to repair or reconstruct the improvements in event of damage or destruction from any hazard for which property owners customarily obtain insurance.

ARTICLE 13.
AMENDMENTS

13.1. **CONSENTS REQUIRED.** As permitted by this Declaration, certain amendments of this Declaration may be executed by Declarant alone, or by the board alone. Otherwise, amendments to this Declaration must be approved by owners of at least a majority of the lots.

13.2. **METHOD OF AMENDMENT.** For an amendment that requires the approval of owners, this Declaration may be amended by any method selected by the board from time to time, pursuant to the bylaws, provided the method gives an owner of each lot the substance if not exact wording of the proposed amendment, a description of the effect of the proposed amendment, and an opportunity to vote for or against the proposed amendment.

13.3. **EFFECTIVE.** To be effective, an amendment must be in the form of a written instrument referencing the name of the Property, the name of the Association, and the recording data of this Declaration and any amendments hereto; signed and acknowledged by an officer of the Association, certifying the requisite approval of owners and, if required, Eligible Mortgagees; and recorded in the Real Property Records of Matagorda County, Texas.

13.4. **DECLARANT PROVISIONS.** Declarant has an exclusive right to unilaterally amend this Declaration for the purposes stated in Appendix B. No amendment may affect Declarant's rights under this Declaration without Declarant's written and acknowledged consent, which must be part of the recorded amendment instrument. This Section may not be amended without Declarant's written and acknowledged consent.

13.5. **PUBLIC LAW COMPLIANCE.** When amending the Documents, the Association must consider the validity and enforceability of the amendment in light of current public law.

13.6. **MERGER.** Merger or consolidation of the Association with another association must be evidenced by an amendment to this Declaration. The amendment must be approved by owners of at least a majority of the lots. Upon a merger or consolidation of the Association with another association, the property, rights, and obligations of another association may, by operation of law, be added to the properties, rights, and obligations of the Association as a surviving corporation pursuant to the merger. The surviving or consolidated association may administer the provisions of the Documents within the Property, together with the covenants and restrictions established upon any other property under its jurisdiction. No merger or consolidation, however, will effect a revocation, change, or addition to the covenants established by this Declaration within the Property.

13.7. **TERMINATION.** Termination of the terms of this Declaration and the status of the Property as a planned unit development are according to the following provisions. In the event of substantially total damage, destruction, or public condemnation of the Property, an amendment

to terminate must be approved by owners of at least two-thirds of the lots. In the event of public condemnation of the entire Property, an amendment to terminate may be executed by the board without a vote of owners. In all other circumstances, an amendment to terminate must be approved by owners of at least 85 percent of the lots. The owners' approvals must be obtained from the actual owners or their actual proxies, and not by use of Voting Delegates.

13.8. CONDEMNATION. In any proceeding, negotiation, settlement, or agreement concerning condemnation of the common area, the Association will be the exclusive representative of the owners. The Association may use condemnation proceeds to repair and replace any damage or destruction of the common area, real or personal, caused by the condemnation. Any condemnation proceeds remaining after completion, or waiver, of the repair and replacement will be deposited in the Association's reserve funds.

ARTICLE 14. DISPUTE RESOLUTION

14.1. INTRODUCTION & DEFINITIONS. The Association, the owners, Declarant, all persons subject to this Declaration, and any person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, the "Parties") agree to encourage the amicable resolution of disputes involving the Property and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, each Party hereby covenants and agrees that this Article applies to all claims as hereafter defined. As used in this Article only, the following words, have the following specified meanings:

14.1.1. "Claim" means any claim, grievance, or dispute between Parties involving the Properties, except Exempt Claims as defined below, and including without limitation:

- a. claims arising out of or relating to the interpretation, application, or enforcement of the Documents.
- b. claims relating to the rights and/or duties of Declarant as Declarant under the Documents.
- c. claims relating to the design, construction, or maintenance of the Property.

14.1.2. "Claimant" means any Party having a Claim against any other Party.

14.1.3. "Exempt Claims" means the following claims or actions, which are exempt from this Article:

- a. the Association's claim for assessments, and any action by the Association to collect assessments.

- b. an action by a Party to obtain a temporary restraining order or equivalent emergency equitable relief, and such other ancillary relief as the court deems necessary to maintain the status quo and preserve the Party's ability to enforce the provisions of this Declaration.
- c. enforcement of the easements, architectural control, maintenance, and use restrictions of this Declaration.
- d. a suit to which an applicable statute of limitations would expire within the notice period of this Article, unless a Party against whom the Claim is made agrees to toll the statute of limitations as to the Claim for the period reasonably necessary to comply with this Article.

14.1.4. "Respondent" means the Party against whom the Claimant has a Claim.

14.2. MANDATORY PROCEDURES. Claimant may not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of its Claim until Claimant has complied with the procedures of this Article. Although this Article describes several steps that are precedent to litigation, the parties may mutually agree to waive any of the steps and proceed to the method of dispute resolution that is favored by the parties.

14.3. NOTICE. Claimant must notify Respondent in writing of the Claim (the "Notice"), stating plainly and concisely: (1) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim; (2) the basis of the Claim (i.e., the provision of the Documents or other authority out of which the Claim arises); (3) what Claimant wants Respondent to do or not do to resolve the Claim; and (4) that the Notice is given pursuant to this Section.

14.4. NEGOTIATION AND MEDIATION. Claimant and Respondent will make every reasonable effort to meet in person to resolve the Claim by good faith negotiation. If the parties do not resolve the Claim through negotiation within 60 days from the date of the Notice (or within such other period as may be agreed on by the parties), Claimant will have 30 additional days within which to submit the Claim to mediation under the auspices of a mediation center or individual mediator on which the parties mutually agree. The mediator must have at least two years of experience serving as a mediator and must have technical knowledge or expertise appropriate to the subject matter of the Claim.

14.5. TERMINATION OF MEDIATION. If the Parties do not settle the Claim within 30 days after submission to mediation, or within a time deemed reasonable by the mediator, the mediator will issue a notice of termination of the mediation proceedings indicating that the Parties are at an impasse and the date that mediation was terminated. Thereafter, the parties may mutually submit the Claim to arbitration, or Claimant may file suit or initiate administrative proceedings on the Claim, as appropriate.

14.6. ALLOCATION OF COSTS. Unless otherwise agreed by the Parties, each Party bears all of its own costs incurred prior to and during the proceedings described in the Notice, Negotiation, and Mediation sections above, including its attorneys fees. Respondent and Claimant will equally divide all expenses and fees charged by the mediator.

14.7. LITIGATION APPROVAL & SETTLEMENT. In addition to and notwithstanding the above alternate dispute resolution procedures, the Association may not initiate any judicial or administrative proceeding without the prior approval of owners of at least a majority of the lots, except that no such approval is required (1) to enforce provisions of this Declaration, including collection of assessments; (2) to challenge condemnation proceedings; (3) to enforce a contract against a contractor, vendor, or supplier of goods or services to the Association; (4) to defend claims filed against the Association or to assert counterclaims in a proceedings instituted against the Association; or (5) to obtain a temporary restraining order or equivalent emergency equitable relief when circumstances do not provide sufficient time to obtain the prior consents of owners in order to preserve the status quo. The board, on behalf of the Association and without the consent of owners, is hereby authorized to negotiate settlement of litigation, and may execute any document related thereto, such as settlement agreements and waiver or release of claims. This Section may not be amended without the approval of owners of at least 75 percent of the lots.

ARTICLE 15. GENERAL PROVISIONS

15.1. COMPLIANCE. The owners hereby covenant and agree that the administration of the Association will be in accordance with the provisions of the Documents and applicable laws, regulations, and ordinances, as same may be amended from time to time, of any governmental or quasi- governmental entity having jurisdiction over the Association or Property.

15.2. HIGHER AUTHORITY. The Documents are subordinate to federal and state law, and local ordinances. Generally, the terms of the Documents are enforceable to the extent they do not violate or conflict with local, state, or federal law or ordinance.

15.3. COMMUNICATIONS. This Declaration is drafted in an era of rapidly changing communication technologies. Declarant does not intend to limit the methods by which the Association, owners, and residents communicate with each other. Such communications may be by any method or methods that are available and customary. For example, if the Association is required by the Documents or applicable law to make information available to owners of all lots, that requirement may be satisfied by posting the information on the Association's website or by using electronic means of disseminating the information, unless applicable law requires a specific method of communication. It is foreseeable that meetings of the Association and voting on issues may eventually be conducted via technology that is not widely available on the date of this Declaration. As communication technologies change, the Association may adopt as its universal standard any technology that is used by owners of at least 85 percent of the lots. Also, the

Association may employ multiple methods of communicating with owners and residents.

15.4. NOTICE. All demands or other notices required to be sent to an owner or resident by the terms of this Declaration may be sent by electronic, ordinary, or certified mail, postage prepaid, to the party's last known address as it appears on the records of the Association at the time of mailing. If an owner fails to give the Association an address for mailing notices, all notices may be sent to the owner's lot, and the owner is deemed to have been given notice whether or not he actually receives it.

15.5. USE OF LITTLE RIVER RANCH NAMES. In creating and naming Little River Ranch, The Red Barn, and Cattle Drive Property Owners' Association, Inc., Declarant intends for those names to be used exclusively by the Association or by persons and entities expressly authorized by Declarant or by the Association. No person may use the above-named terms, or any version of them, in any promotional material or for any public or quasi-public uses without the prior written consent of Declarant during the Development Period, and thereafter the prior written consent of the Association.

15.6. LIBERAL CONSTRUCTION. The terms and provision of each Document are to be liberally construed to give effect to the purposes and intent of the Document. All doubts regarding a provision, including restrictions on the use or alienability of property, will be resolved in favor of the operation of the Association and its enforcement of the Documents, regardless which party seeks enforcement.

15.7. SEVERABILITY. Invalidation of any provision of this Declaration by judgment or court order does not affect any other provision, which remains in full force and effect. The effect of a general statement is not limited by the enumeration of specific matters similar to the general.

15.8. CAPTIONS. In all Documents, the captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer. Boxed notices are inserted to alert the reader to certain provisions and are not to be construed as defining or modifying the text.

15.9. APPENDIXES. The following appendixes are attached to this Declaration and incorporated herein by reference:

Appendix A - Description of Subject Land

Appendix B - Declarant Representations & Reservations

Appendix C - Purchasers Covenants During Development Period

15.10. INTERPRETATION. Whenever used in the Documents, unless the context provides otherwise, a reference to a gender includes all genders. Similarly, a reference to the singular includes the plural, the plural the singular, where the same would be appropriate.

15.11. DURATION. Unless terminated or amended by owners as permitted herein, the provisions of this Declaration run with and bind the Property, and will remain in effect perpetually to the extent permitted by law.

EXECUTED on June 24, 2015, and effective on the date this instrument is recorded.

DECLARANT:

Sitz Family Investments, LLC
a Texas limited liability company

By: *David F. Sitz*
DAVID F. SITZ, as Managing Member

DECLARANT:

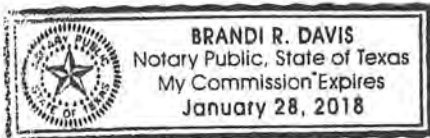
Sitz Family Investments, LLC
a Texas limited liability company

By: *Marilyn L. Sitz*
MARILYN L. SITZ, as Managing Member

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF MATAGORDA §

This instrument was acknowledged before me on June 24, 2015, by DAVID F. SITZ, in his capacity as Managing Member of Sitz Family Investments, LLC.

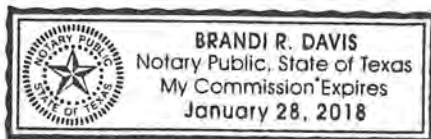


Brandi R. Davis
Notary Public, State of Texas

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF MATAGORDA §

This instrument was acknowledged before me on June 24, 2015, by MARILYN L. SITZ, in her capacity as Managing Member of Sitz Family Investments, LLC.



Brandi R. Davis
Notary Public, State of Texas

APPENDIX A

49.929 acres out of the Thomas Cayce Survey, Abstract No. 14, Matagorda County, Texas and being all of that certain 2.348 acre tract and that certain 1.857 acre tract, both of which were conveyed to Sitz Family Limited Partnership, a Texas Limited Partnership by Document No. 2014-4755, Official Records, Matagorda County, Texas and also being part of that certain 68.89 acre tract conveyed to Sitz Family Limited Partnership, a Texas Limited Partnership by Document No. 2013-5151, Official Records, Matagorda County, Texas and being all of that 8.72 acre tract which was conveyed to the Sitz Family Investment, a Texas Limited Partnership by Document No. 2015-1988, Official Records, Matagorda County, Texas.

The Plat of said subdivision is recorded in the Matagorda County Clerk's Office Plat Records as: 533B, 534A, 534B, 535A, 535B, 536A, and 536B (7 pages).

APPENDIX B

DECLARANT REPRESENTATIONS & RESERVATIONS

B.1. GENERAL PROVISIONS.

B.1.1. Introduction. Declarant intends the Declaration to be perpetual and understands that provisions pertaining to the initial development, construction, marketing, and control of the Property will become obsolete when Declarant's role is complete. As a courtesy to future users of the Declaration, who may be frustrated by then-obsolete terms, Declarant is compiling the Declarant-related provisions in this Appendix.

B.1.2. Purpose. The purpose of this Appendix is to protect Declarant's interest in the Property. This Appendix gives Declarant certain extraordinary rights during the Development Period and the Declarant Control Period to ensure a complete and orderly buildout and sellout of the Property, which is ultimately for the benefit and protection of owners and mortgagees.

B.1.3. General Reservation & Construction. Every provision of this Appendix is superior to and controls over any provision elsewhere in the Documents. Notwithstanding other provisions of the Documents to the contrary, nothing contained therein may be construed to, nor may any mortgagee, other owner, or the Association, prevent or interfere with the rights contained in this Appendix which Declarant hereby reserves exclusively unto itself and its successors and assigns. In case of conflict between this Appendix and any other Document, this Appendix controls. The terms and provisions of this Appendix must be construed liberally to give effect to Declarant's intent to protect Declarant's interests in the Property.

B.1.4. Amendment. This Appendix may not be amended without the prior written consent of Declarant.

B.1.5. Definitions. As used in this Appendix and elsewhere in the Documents, the following words and phrases, when capitalized, have the following specified meanings:

a. "Builder" means a person or entity who purchases, or contracts to purchase, one or more lots from Declarant for the purpose of constructing a dwelling to be marketed for sale or lease, and who contracts with Declarant for the rights and obligations specific to "Builders" under this Declaration.

b. "Declarant Control Period" means that period of time during which Declarant controls the operation of the Association. The duration of the Declarant Control Period will be from the date this Declaration is recorded for a maximum period not to exceed the earlier of:

- (1) Twenty-five years from date this Declaration is recorded; or
- (2) Four months after title to 85 percent of the lots that may be created in the Property and on the Additional Land has been conveyed to owners other than Builders.

B.1.6. Builders. Declarant does not intend to construct dwellings on the lots. Instead, Declarant intends to sell the lots to private individuals and Builders to improve the lots with dwellings to be sold and occupied.

B.2. DECLARANT CONTROL PERIOD RESERVATIONS. Declarant reserves the following powers, rights, and duties during the Declarant Control Period:

B.2.1. Officers & Directors. During the Declarant Control Period, Declarant may appoint, remove, and replace any officer and any director of the Association, none of whom need be members or owners, and each of whom is indemnified by the Association as a "Leader." During the Declarant Control Period, the board may consist of any number of directors, but not less than three. Declarant may change the size of the board from time to time.

B.2.2. Organizational Formalities. During the Declarant Control Period, the Declarant-appointed board will try to ensure that the Association complies with the minimum requirements of applicable law for nonprofit corporations and property owners associations, and is not required to exceed those minimum requirements, even if the Declaration or the Bylaws require or permit higher performance standards.

B.2.3. Voting Delegates. During the Declarant Control Period, Declarant may personally appoint any or all of the Voting Delegates. If Declarant does not make such appointments when notified by the board, the appointments will be made by the board.

B.2.4. Budget Funding. During the Declarant Control Period only, Declarant is responsible for the difference between the Association's operating expenses and the regular assessments received from owners other than Declarant, and will provide any additional funds deemed by the Declarant-appointed board as necessary to pay actual cash outlays of the Association. On termination of the Declarant Control Period, Declarant will cease being responsible for the difference between the Association's operating expenses and the assessments received from owners other than Declarant.

B.2.5. Declarant Assessments. During the Declarant Control Period, any real property owned by Declarant is not subject to assessment by the Association.

B.2.6. Builder Obligations. During the Declarant Control Period only, Declarant has the right but not the duty (1) to reduce or waive the assessment obligation of a Builder, and (2) to

exempt a Builder from any or all liabilities for transfer-related fees charged by the Association or its manager, provided the agreement is in writing. Absent such an exemption, any Builder who owns a lot is liable for all assessments and other fees charged by the Association in the same manner as any owner.

B.2.7. Commencement of Assessments. During the initial development of the Property, Declarant may elect to postpone the Association's initial levy of regular assessments until a certain number of lots are sold. During the Declarant Control Period, Declarant will determine when the Association first levies regular assessments against the lots. Prior to the first levy, Declarant will be responsible for all operating expenses of the Association.

B.2.8. Budget Control. During the Declarant Control Period, the right of owners to veto assessment increases or special assessments is not effective and may not be exercised.

B.2.9. Organizational Meeting. Within 60 days after the end of the Declarant Control Period, or sooner at the Declarant's option, Declarant will call an organizational meeting of the members of the Association for the purpose of electing, by vote of the owners, directors to the board. Notice of the organizational meeting must be given to an owner of each lot at least 10 days before the meeting. For the organizational meeting, owners of 5 percent of the lots constitute a quorum.

B.3. DEVELOPMENT PERIOD RESERVATIONS. Declarant reserves the following easements and rights, exercisable at Declarant's sole discretion, at any time during the Development Period:

B.3.1. Expansion. The Property is subject to expansion. During the Development Period, Declarant may - but is not required to - annex any real property: (1) any portion of which is contiguous with, adjacent to, or within one mile of any real property that is subject to this Declaration, (2) in any addition or subdivision platted by Matagorda County as a phase or section of Little River Ranch, or (3) located in a planned development district created by Matagorda County for the property subject to this Declaration. Declarant annexes real property by subjecting it to the Declaration and the jurisdiction of the Association by recording a supplement or an amendment of this Declaration, executed by Declarant, in the county's Real Property Records. The supplement or amendment of annexation must include a description of the additional real property or a reference to the recorded plat that describes the additional real property. Declarant's right to annex land is for a term of years and does not require that Declarant own land described in Appendix A at the time or times Declarant exercises its right of annexation.

B.3.2. Withdrawal. During the Development Period, Declarant may remove from the effects of this Declaration any portion of the Property (1) that is not platted with house lots or (2) that is platted as a phase of Little River Ranch, provided that no house lot in the phase to be withdrawn has been conveyed to an owner other than Declarant or a Builder. On the date of this Declaration, Declarant anticipates that several parcels of land may be removed from the effects

of this Declaration.

B.3.3. Changes in Development Plan. Declarant, at Declarant's sole discretion, may modify the initial development plan. Subject to approval by the owner of the land or lots to which the change would directly apply (if other than Declarant), Declarant may (1) change the sizes, dimensions, and configurations of lots and streets; (2) change the minimum dwelling size; (3) change the building setback requirements; and (4) eliminate or modify any other feature of the Property.

B.3.4. Adjacent Land Use. Declarant makes no representations as to future uses of (1) land that is adjacent to Little River Ranch or (2) land that is not subject to this Declaration even if initially platted within a phase of Little River Ranch. Although site maps may show a future school site on land within or near Little River Ranch, Declarant makes no representations about the future location of any school in relation to the Property.

B.3.5. Builder Limitations. All documents and materials used by a Builder in connection with the development and sale of lots and homes, including without limitation promotional materials; deed restrictions; forms for deeds, lot sales, and lot closings, must be approved by Declarant. Without Declarant's prior written approval, a Builder may not use a sales office or model in the Property to market houses, lots, or other products located outside the Property or the Additional Land.

B.3.6. Architectural Control. During the Development Period, Declarant has the absolute and exclusive right to serve as the Architectural Reviewer pursuant to Article 6. Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under Article 6 and this Appendix. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (2) to veto any decision by the delegatee. Declarant also has the exclusive and unilateral right to exercise architectural control over vacant lots in the Property. Neither the Association, the board of directors, nor a committee appointed by the Association or board (no matter how the committee is named) may involve itself with the approval of new homes and related improvements on vacant lots.

B.3.7. Website & Little River Ranch Name. During the Development Period, Declarant has the unilateral right to approve or disapprove uses of the Little River Ranch website, if any, including all information available on or through the Little River Ranch website, and all uses of "Little River Ranch" by the Association and the Builders.

B.3.8. For Sale and For Lease Signs. The design, appearance, and placement of any sign advertising a home for sale or for lease must (1) have the Little River Ranch logo, (2) be in Little River Ranch colors, (3) conform to the Little River Ranch Sign Design Guidelines, and (4) be

approved by Declarant. No corporate or standard broker signs are allowed. Signs may not be placed on common areas, on public property, inside or on windows, in street rights-of-way, off-site on a neighboring property, or mounted on buildings or trees. Declarant may have different sign standards for Builders.

B.3.9. Amendment. During the Development Period, Declarant may amend this Declaration and the other Documents, without consent of other owners or any mortgagee, for the following purposes:

- a. To add real property to the Property.
- b. To withdraw real property from the Property.
- c. To create lots, easements, and common areas within the Property.
- d. To subdivide, combine, or reconfigure lots.
- e. To convert lots into common areas.
- f. To modify the construction and use restrictions of Article 7 of this Declaration.
- g. To modify the Little River Ranch Architectural Standards.
- h. To adopt and/or to modify community rules and policies for Little River Ranch.
- i. To modify or clarify the Association's relationship with the Water District.
- j. To merge the Association with another property owners association.
- k. To comply with requirements of an underwriting lender.
- l. To resolve conflicts, clarify ambiguities, and to correct misstatements, errors, or omissions in the Documents.
- m. To enable any reputable title insurance company to issue title insurance coverage on the lots.
- n. To enable an institutional or governmental lender to make or purchase mortgage loans on the lots.
- o. To change the name or entity of Declarant.
- p. To change the name of the addition in which the Property is located.
- q. To change the name of the Association.
- r. For any other purpose, provided the amendment has no material adverse effect on any right of any owner.

B.3.10. Completion. During the Development Period, Declarant has (1) the right to complete or make improvements indicated on the plat; (2) the right to sell or lease any lot owned by Declarant; and (3) an easement and right to erect, construct, and maintain on and in the common area and lots owned or leased by Declarant whatever Declarant determines to be necessary or advisable in connection with the construction, completion, management, maintenance, leasing, and marketing of the Property.

B.3.11. Easement to Inspect & Right to Correct. During the Development Period, Declarant reserves for itself the right, but not the duty, to inspect, monitor, test, redesign, correct, and relocate any structure, improvement, or condition that may exist on any portion of

the Property, including the lots, and a perpetual nonexclusive easement of access throughout the Property to the extent reasonably necessary to exercise this right. Declarant will promptly repair, at its sole expense, any damage resulting from the exercise of this right. By way of illustration but not limitation, relocation of a screening wall located on a lot may be warranted by a change of circumstance, imprecise siting of the original wall, or desire to comply more fully with public codes and ordinances. This Section may not be construed to create a duty for Declarant or the Association.

B.3.12. Promotion. During the Development Period, Declarant reserves for itself and for the Builders an easement and right to place or install signs, banners, flags, display lighting, potted plants, exterior decorative items, seasonal decorations, temporary window treatments, and seasonal landscaping on the Property, including items and locations that are prohibited to other owners and residents, for purposes of promoting, identifying, and marketing the Property and/or Builders' houses and lots. Declarant reserves for itself and the Builders an easement and right to maintain, relocate, replace, or remove the same from time to time within the Property. Declarant also reserves for itself and the Builders the right to sponsor sales or marketing events, including parties, at the Property to promote the sale of lots and homes. With the prior written permission of Declarant, a Builder may also exercise the rights herein to market Builder's products located outside the Property.

B.3.13. Offices. During the Development Period, Declarant reserves for itself and for the Builders the right to use dwellings owned or leased by the Builders as models, storage areas, and offices for the marketing, management, maintenance, customer service, construction, and leasing of the Property and/or Declarant's developments or other products located outside the Property. Also, Declarant reserves for itself and for the Builders the easement and right to make structural changes and alterations on and to lots and dwellings used by Declarant or the Builders as models, storage areas, and offices, as may be necessary to adapt them to the uses permitted herein.

B.3.14. Access. During the Development Period, Declarant has an easement and right of ingress and egress in and through the Property for purposes of constructing, maintaining, managing, and marketing the Property and the Additional Land, and for discharging Declarant's obligations under this Declaration. Declarant also has the right to provide a reasonable means of access for the home buying public through any existing or future gate that restricts vehicular access to the Property or to the Additional Land in connection with the active marketing of lots and homes by Declarant or Builders, including the right to require that the gate be kept open during certain hours and/or on certain days. This provision may not be construed as an obligation or intent to gate the Property.

B.3.15. Utility Easements. During the Development Period, Declarant may grant permits, licenses, and easements over, in, on, under, and through the Property for utilities, roads, and other purposes necessary for the proper development and operation of the Property.

Declarant reserves the right to make changes in and additions to the easements on any lot, as shown on the plat, to more efficiently or economically install utilities or other improvements. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, television, cable, internet service, and security. To exercise this right as to land that is not a common area of the Property or not owned by Declarant, Declarant must have the prior written consent of the land owner.

B.3.16. Assessments. For the duration of the Development Period, any lot owned by Declarant is not subject to assessment. After the Development Period, Declarant is liable for assessments on each lot owned in the same manner as any owner.

B.3.17. Land Transfers. During the Development Period, any transfer of an interest in the Property to or from Declarant is not subject to any transfer-related provision in the Documents, including without limitation an obligation for transfer or resale certificate fees, and the transfer-related provisions of Article 8 of this Declaration. The application of this provision includes without limitation Declarant's lot take-downs, Declarant's sale of lots to Builders, and Declarant's sale of lots to home buyers.

B.4. COMMON AREAS.

B.4.1. Little River Ranch Reservation. Declarant hereby reserves an easement over, under, and through Little River Ranch common areas to fulfill the purposes of this Section including, without limitation:

a. The right to install and maintain signs, flags, banners, and lighting in, on, and around the Little River Ranch to direct prospective home buyers.

b. The right to install, maintain, modify, relocate, and remove signs, displays, media presentations, and other items pertaining to the marketing of Little River Ranch.

B.4.4. Conveyance. Declarant will convey title to the common areas to the Association by one or more deeds - with or without warranty. Initial common area improvements will be installed, constructed, or authorized by Declarant, the cost of which is not a common expense of the Association. At the time of conveyance to the Association, the common areas will be free of encumbrance except for the property taxes accruing for the year of conveyance. Declarant's conveyance of title is a ministerial task that does not require and is not subject to acceptance by the Association. The transfer of control of the Association at the end of the Declarant Control Period is not a transfer of common areas requiring inspection, evaluation, acceptance, or approval of common area improvements by the owners.

B.5. INITIAL RESERVE FUNDS. Declarant will establish a reserve fund for the Association by requiring home purchasers to make a contribution to this fund, subject to the following conditions:

a. The amount of the contribution will be \$120.00 per lot, and will be collected from the purchaser on the closing of the sale of the lot to an owner other than Declarant, a Successor Declarant, or a Builder.

b. If a lot's contribution is not collected from the purchaser at closing, neither Declarant nor the Builder is thereafter liable for the contribution. The purchaser remains liable to the Association for the contribution.

c. Contributions to the fund are not advance payments of regular assessments and are not refundable to the contributor by the Association, the Builder, or Declarant. This may not be construed to prevent a selling owner from negotiating reimbursement of the contribution from a purchaser.

e. Declarant will transfer the balance of the initial reserve fund to the Association on or before termination of the Declarant Control Period. Declarant may not use the fund to defray Declarant's expenses or construction costs.

B.6. SUCCESSOR DECLARANT. Declarant may designate one or more Successor Declarants for specified designated purposes and/or for specified portions of the Property, or for all purposes and all of the Property. To be effective, the designation must be in writing, signed and acknowledged by Declarant and Successor Declarant, and recorded in the Real Property Records of Matagorda County, Texas. Declarant (or Successor Declarant) may subject the designation of Successor Declarant to limitations and reservations. Unless the designation of Successor Declarant provides otherwise, a Successor Declarant has the rights of Declarant under this Section and may designate further Successor Declarants.

[End of Appendix B]

APPENDIX C

PURCHASERS COVENANTS DURING DEVELOPMENT PERIOD

Each owner of a Little River Ranch home, by the act of accepting an interest in or title to a lot during the Development Period, whether or not it is so expressed in the instrument of conveyance, acknowledges, understand, covenants, and agrees to each of the following statements:

1. During the Development Period, the Declarant has rights and opportunities for marketing Little River Ranch.
2. Little River Ranch is not located within a city, and is not located within a public water supply district.
3. Owner has read and understands the significance of this Declaration of Covenants, Conditions, and Restrictions for Little River Ranch, which contains important information about the nature and ownership of Little River Ranch and owner's obligations.
4. Declarant has reserved for itself the right to control the Association until Little River Ranch is fully phased and developed, and after 85 percent of the lots are sold and closed to home buyers.
5. Declarant or its appointees are the Architectural Reviewer during the Development Period. Neither the owners nor the Association have a voice in the architectural review and approval of new homes on vacant lots.
6. Declarant's development plan for Little River Ranch is subject to change during the Development Period to respond to perceived or actual changes and opportunities in the marketplace.
7. Subject to the approval of governmental entities, if applicable, Declarant may (1) change the sizes, dimensions, and configurations of lots and streets; (2) change the minimum dwelling size; (3) change the minimum lot size; (4) change the building setback requirements; and (5) eliminate or modify any other feature of the Property.
8. In purchasing a lot, owner has not relied on any representation, warranty, or assurance - verbal or otherwise - by any person as to (1) the design, construction, completion, development, use, benefits, or value of Little River Ranch or any common areas; (2) the number, types, sizes, prices, or designs of homes to be built in any part of Little River Ranch; or (3) the type, number, or quality of common area improvements.

9. The Association may not protest or use Association funds to oppose Declarant's development or marketing plan for Little River Ranch by Declarant or Builders pursuant to the Declaration.

10. Declarant is not the Builder from whom owner is purchasing the home.

11. Owner will execute a version of this 2-page document at or prior to closing if so requested by Declarant or a Builder, although failure to execute the document does not affect the validity of this Appendix to the Declaration or its application to the owner or the owner's lot.

12. Whether or not executed by owner, these covenants run with the land and bind owner and owner's successors and assigns.

Property Description:

Lot _____, Little River Ranch Subdivision

Purchaser's Signature

Date: _____

Purchaser's Signature

Date: _____