

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR PROMONTORY POINTE AT STONE OAK II P.U.D., UNIT 1

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96- 0067045

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FOR PROMONTORY POINTE AT STONE OAK II P.U.D., UNIT 1

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WITNESSETH

NOW, THEREFORE, Declarant hereby adopts the following covenants, conditions, restrictions, reservations and easements which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property (hereinafter defined) and which shall be applicable to all of the Property (hereinafter defined) from time to time subject hereto, and shall run with the land and shall bind all parties having or acquiring any right, title, or interest therein or any part thereof, their heirs or successors in title and assigns, and shall inure to the benefit of each owner thereof.

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ARTICLE I DEFINITIONS

Section 1. "Association" shall mean and refer to PROMONTORY POINTE HOMEOWNERS ASSOCIATION, INC., a non-profit corporation incorporated under the laws of the State of Texas, its successors and assigns.

Section 2. The "Property" shall mean and refer to the initial Property described in the Recitals hereof, together with such portions of the Annexable Land (or other property) as may from time to time be made subject to this Declaration pursuant to the provisions hereof, but shall not include any part of the Annexable Land (or such other property) unless and until so annexed. All of the Property may sometimes be commonly known and referred to as "Promontory Pointe".

Section 3. "Lot" or "Building Plot" shall each mean and refer to each plot of land shown upon the recorded subdivision Plats from time to time within the boundaries of the Property and designated by Lot and block number, and to the Living Unit and other improvements constructed or to be constructed thereon, but shall not mean or include any other portions of the Property. If building sites are created pursuant to Article XI, Sections 9 and 10 herein, the term "Lot" or "Building Plot" shall also thereafter mean and refer to any building site so created.

Section 4. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to the surface estate in any Lot or tract of land which is part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. "Occupant" shall mean any person legally entitled to occupy and use all or a portion of the Properties.

Section 5. "Common Properties" shall mean and refer to all those areas of land within the properties except the platted Lots and public streets shown thereon, together with such other land as the Association may, at any time or from time to time, acquire by purchase or otherwise, subject, however, to the easements, limitations, restrictions, dedications and reservations applicable thereto by virtue hereof and/or by virtue of the Plats, and/or by virtue of prior grants or dedications by Declarant or Declarant's predecessors in title. References herein to the "Plats" shall mean and refer to all subdivision Plats from time to time filed of record in the Bexar County Map Records with respect to Properties covered by The Declaration.

Section 6. "Common Facilities" shall mean and refer to all existing and subsequently provided improvements upon or within the Common Properties, except those as may be expressly excluded herein. Also, in some instances, Common Facilities may consist of improvements dedicated or under contract to the Association for the use and benefit of the Owners of the Lots in the Properties, and/or for the benefit of other owners outside the Property, constructed on portions of one or more Lots or on acreage owned by Declarant

(or Declarant and others) which has not been brought within the scheme of The Declaration. By way of illustration, Common Facilities may include, but not necessarily be limited to, the following: structures for recreation; lake and drainage facilities; structures for storage or protection of detention equipment; fountains; statuary; sidewalks; common driveways; landscaping; guardhouses; esplanades; walls and other similar and appurtenant improvements. References herein to "the Common Facilities" or any "Common Facility" shall mean and refer to Common Facilities as defined respectively in The Declaration and all Supplemental Declarations.

Section 7. "Supplemental Declaration" shall mean and refer to (i) any declaration of supplemental restrictions filed of record by Declarant, its successors or assigns, with respect to the Property, (ii) any supplemental declaration of annexation executed and filed of record by Declarant, its successors or assigns, bringing additional property within the scheme of The Declaration under the authority provided in the Declaration, and (iii) any supplemental declaration executed and filed of record by Declarant, its successors or assigns, purporting to do both of the foregoing. References herein (whether specific or general) to provisions set forth in "all (any) Supplemental Declarations" shall be deemed to relate to the respective Properties covered by the relevant Supplemental Declaration.

Section 8. "Easements" shall mean and refer to the various utility or other easements of record, those shown on the map or Plats of the subdivisions within the Property and such other easements as are created or referred to in The Declaration.

Section 9. "The Declaration" shall mean and refer collectively to the covenants, conditions, restrictions, supplemental restrictions, reservations, easements, liens and charges imposed by or expressed in this Declaration of Covenants, Conditions and Restrictions for Promontory Pointe as supplemented and/or amended, including any and all Supplemental Declarations.

Section 10. "Board of Directors" and "Board" shall mean and refer to the duly elected Board of Directors of the Association.

Section 11. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 12. "Conveyance" shall mean and refer to conveyance of a fee simple title to a Lot.

Section 13. "Declarant" shall mean and refer to VFA Associates, Ltd., the Declarant herein, and its successors and assigns if (i) such successors or assigns should acquire more than one Lot from VFA Associates, Ltd., and (ii) such successors or assigns are designated in writing by VFA Associates, Ltd., as a successor or assignee of all or part of the rights of VFA Associates, Ltd., as Declarant hereunder.

Section 14. "Assessable Tract" shall mean and refer to any Lot or Building Plot from and after the date on which paved public street access, and water and sanitary sewer service have been extended thereto.

Section 15. "Living Unit" shall mean and refer to any improvements on a Lot which are designed and intended for occupancy and use as a residence by one person, by a single family, or by persons maintaining a common household, excluding mobile homes or other non-permanent structures.

Section 16. "Base Annual Assessments" shall mean and refer to the uniform assessment made against Assessable Tracts pursuant to Sections 3 and 5 of Article III hereof.

Section 17. "Assessments" shall mean and refer to any or all of the Base Annual Assessments and Special Assessments (as defined below) referred to, contemplated or authorized herein or in any Supplemental Declaration from time to time filed of record.

Section 18. "New Construction Committee" shall mean and refer to the committee created by the Declarant to exercise exclusive jurisdiction over all original construction of Living Units upon the Lots within the Properties as provided herein.

Section 19. "Modifications Committee" shall mean and refer to the committee created by the Board of Directors of the Association to exercise exclusive jurisdiction over the modifications, additions, or alterations made on or to existing Living Units or other improvements located of Lots as provided in Article IV hereof.

Section 20. "Master Plan" refers to the Stone Oak II Master Plan which provides Development and Deed Restrictions for the overall Stone Oak II project as well as the implementation of the Stone Oak II Project Planning Committee, the Stone Oak II Architectural Review Committee and the Stone Oak II Property Owner's Association (Master Association).

ARTICLE II

PROMONTORY POINTE HOMEOWNERS ASSOCIATION, INC.

Section 1. Duties and Powers. In addition to the duties and powers enumerated in its Articles of Incorporation and Bylaws, or elsewhere provided for in The Declaration, and without limiting the generality hereof, the Association shall also discharge those functions necessary to the general maintenance of the Common Properties. The Board of Directors of the Association shall be empowered to oversee the activities of the Association and may take whatever lawful action that the Board, in its sole discretion, deems necessary to provide for the upkeep, development and aesthetic appearance of the Common Properties and Common Facilities and to enforce The Declaration for the common benefit of all or some of the Members of the Association. All rights of the Association herein and

hereunder are vested in its Board of Directors unless specifically reserved to Declarant or a vote of the Members herein.

Section 2. Membership. Every person or entity who is a record Owner of any of the Properties which are subject to assessment by the Association including declarant, (whether or not it is obligated to pay a full share of Assessments) shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No Owner shall have more than one membership. Membership shall be appurtenant to and may not be separated from ownership of the land which is subject to assessment by the Association. Ownership of such land shall be the sole qualification for membership. Other lands may hereafter be annexed into the jurisdiction of the Association in the manner herein ascribed.

If annexed, the Owners of Lots in each future section so annexed, as well as all Owners subject to the jurisdiction of the Association, shall be entitled to the use and benefit of all Common Properties that may become subject to the jurisdiction of the Association as a result of such annexation, and the Common Facilities thereon, and shall be entitled to the use and benefit of the maintenance fund hereinafter set forth, provided that each future section must be impressed with and subject to the Assessments imposed hereby, and further, such sections shall be made by recorded Supplemental Declaration subject to all of the terms of this initial Declaration (as then amended and/or modified as herein permitted) and to the jurisdiction of the Association. Such additional stages of development may be annexed in accordance with the provisions of Article XI, Section 1, hereinbelow. Upon a merger or consolidation of the Association with another association, the properties, rights and obligations of the other association may be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated Association shall administer the covenants and restrictions established by The Declaration, together with the covenants and restrictions applicable to the properties of the other merged association, as one scheme. No such merger or consolidation, however, shall effect any revocation, change, or addition to the covenants and restrictions established by The Declaration.

Section 3. Classes of Membership. The Association shall have two classes of voting membership:

Class A. Class A Members shall be a Owners of Assessable Tracts with the exception of the Declarant (unless and until its Class B Membership converts to Class A Membership as contemplated below), and each such Class A Member shall be entitled to one vote for each Lot owned by such person or entity. When more than one person holds an interest in a single Lot, all such persons shall be Members. The vote of such Lot shall be exercised as such co-owners among themselves determine, but in no event shall more than one vote be cast with respect to any one Lot. If the co-owners of a single Lot do not vote unanimously and in unison, no vote for that Lot shall be counted as there shall be no fractional vote.

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Class B. Class B Members shall be the Declarant herein, as such term is defined in Article I, Section 13, who shall be entitled to five (5) votes in the Association for each Lot owned by it. Class B Membership shall cease and be converted to Class A Membership (and Declarant may thereafter cast one Class A vote for each Lot owned by it, regardless of whether Declarant pays any or its full share of Assessments) on the happening of the earliest to occur of the following three events (a, b, or c):

- (a) when total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or,
- (b) the twentieth anniversary date of the recordation of this initial Declaration; or,
- (c) when the Declarant terminates Class B votes by an instrument filed in the Official Public Records of Real Property of Bexar County, Texas.

At such time that additional Property is annexed into the Association, the Class B Membership of the Declarant, shall, if it had previously ceased due to one of the conditions listed above in (a), (b), or (c), be reinstated and shall apply to all Lots owned by Declarant in the newly annexed portion of the Property as well as to all Lots owned by Declarant in a other areas of the Property. Such reinstatement is subject to further cessation in accordance with the limitations set forth in the preceding paragraphs (a), b), and (c) of this Article, whichever occurs first. However, upon reinstatement due to annexation of additional Property, the period of time set forth in Section 3(B) of this Article shall be extended to the extent necessary such that in a circumstances it extends for a period no shorter than ten (10) years from the date of each such recorded annexation (i.e., Supplemental Declaration).

Section 4. Non-Profit Corporation. PROMONTORY POINTE HOMEOWNERS ASSOCIATION, INC., a non-profit corporation, has been organized, and all duties, obligations, benefits, liens and rights hereunder in favor of the Association shall vest in said corporation. Declarant will convey the Common Properties to the Association upon final completion of construction of Common Facilities to be located thereon.

Section 5. Bylaws. The Association may make whatever rules or bylaws it may choose to govern the organization, provided that same are not in direct conflict with the terms and provisions hereof.

Section 6. Members' Easements of Enjoyment. Subject to the provisions of Section 7 below, every Member shall have a non-exclusive common right and easement of enjoyment in the Common Properties and Facilities and such right and easement shall be appurtenant to and shall pass with the title to every Assessable Tract.

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Section 7. Extent of Members' Easements. The rights and easements of enjoyment created hereby in favor of the Members shall be subject to the rights and easements now existing or hereafter created in favor of Declarant or others as referred to or provided for in The Declaration, and shall also be subject to the following provisions:

- (a) The Association shall have the right to borrow money and, with the assent of Members entitled to cast not less than two-thirds (2/3) of the aggregate of the Votes of both Classes of Members, to mortgage the Common Properties and Facilities.
- (b) The Association shall have the right to take such steps as are reasonably necessary to protect the Common Properties and Common Facilities against foreclosure of any such mortgage.
- (c) The Association shall have the right to suspend the rights of any Member to enjoyment and use of the Common Properties and Facilities for any period during which an Assessment or other amount owed by the Member to the Association remains unpaid.
- (d) The Association shall have the right to establish reasonable rules and regulations including the setting of usage fees and deposits, governing the Members' use and enjoyment of the Common Properties and Facilities, and to suspend the enjoyment rights of any Member for any period not to exceed sixty (60) days for each and any infraction of such rules and regulations.
- (e) The right of the resident owners or occupants of dwellings within any area of and from time to time owned by the Declarant or its General Partner in the vicinity of but not within the Property, with Declarant's or its General Partner's written authorization, to use, on terms with no more favorable to such users than then made available to the Members, the Common Properties, together with a Common Facilities now or hereafter located thereon. The right of Declarant to grant such use privileges is here by reserved by Declarant.
- (f) The Association shall have the right to dedicate, sell or convey all or any part of the Common Properties, or interests therein, to any public agency, authority, or utility or any utility district, or to any third party whomsoever, for such purposes and subject to such conditions as may be agreed to by a vote of the Members as hereinbelow provided. No conveyance of Common Properties other than the granting of utility easements upon the Common Properties, shall be made without such vote. No such dedication or conveyance (except granting of utility easements) shall be effective unless an instrument agreeing to such dedications or conveyance signed by Members entitled to cast not less than two-thirds (2/3) of the aggregate of the votes of both Classes of Members has been recorded.

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- (g) The Association shall have the right to use, rent or lease any part of the Common Properties and/or Common Facilities for the operation (for profit or otherwise) of any service activity intended to serve a substantial number of residents in the Properties, as well as property owners outside the Properties, provided that any such use or contract providing for use of Common Properties and Facilities by property owners outside the Property shall be approved, prior to being entered into, by Members entitled to cast no less than two-thirds (2/3) of the aggregate of the votes of both Classes of Members voting in person or by proxy, at a meeting duly called for this purpose (or such an agreement may be entered into unilaterally by Declarant so long as it controls two-thirds (2/3) of the aggregate votes in the Association).
- (h) The Association shall have the right, but not the obligation, to contract on behalf of Assessable Tracts, for garbage and rubbish pickup, volunteer fire department, security and/or emergency medical ambulance services, and to charge the Owner (exclusive of the Declarant) of each Assessable Tract for his pro rata share of the cost thereof, such pro rata share to be determined by dividing the number of Assessable Tracts being served into the total cost of providing such security and/or emergency medical ambulance service. If the Association so elects, the charge to each Owner for security and/or emergency medical ambulance service shall be in addition to or part of the Assessments described in Article III hereof.

Section 8. Enforcement of Declaration. The Association shall have the power and authority to enforce the terms and provisions of The Declaration by legal action or other means provided for herein.

ARTICLE III COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Building Plot owned within the Properties, hereby covenants, and each Owner of any Building Plot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree, to pay to the Association as hereafter set forth in this Article III, Sections 3 & 4: (1) Base Annual Assessments or charges, and (2) Special Assessments for capital replacements and improvements, such Assessments to be established and collected as hereinafter provided. The Base Annual and Special Assessments, together with interest, collection costs and reasonable attorney's fees, shall be a charge on the Lot and shall be secured by a continuing Vendor's lien herein reserved and retained in favor of the Association upon the Lot against which each such Assessment is made. Each such Assessment, together with interest, collection costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the Assessment fell due. The personal

obligation for delinquent Assessments shall not pass to an Owner's successors in title unless expressly assumed by them, but shall be secured by the above-referenced continuing lien on the Lot so transferred as security for the delinquent obligation of the prior Owner, and may be enforced against such Lot notwithstanding any such Conveyance.

Section 2. Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to improve, beautify, maintain, manage and operate the Promontory Pointe Common Properties and Common Facilities, and to pay taxes and insurance premiums thereon, and to promote the recreation, health, safety, convenience and welfare of the Members, such benefits to include, by way of illustration but not limitation: providing professional management or financial services; providing patrol or watchman service; providing service contractors to manage and maintain recreational facilities; providing and maintaining lighting standards, fixtures and facilities; providing and maintaining a mechanical and electrical fixtures, plumbing equipment and drainage systems for the Common Properties and Facilities; fogging for insect control; providing garbage and rubbish pickup; maintaining the unpaved portion of, and any esplanades on, any street or right of way adjoining the Property; maintaining landscaping and other improvements (including, without limitation walls, retaining walls, monuments, signage and irrigation systems) contained within esplanades and cu-de-sacs in any public streets located within the Property, or in any landscape reserves; enforcing the provisions contained in The Declaration; employing, at the request of the Modifications Committee and/or New Construction Committee, one or more architects, engineers, attorneys, or other consultants, for the purpose of advising such Committees in carrying out their duties and authority as set forth herein or, at the option of the Board of Directors of the Association, for the maintenance and/or improvement of the Common Properties or Facilities or for the benefit of the Members. The foregoing uses and purposes are permissive and not mandatory, and the decisions of the Board of Directors of the Association shall be final as long as made in good faith and in accordance with the Bylaws of the Association and any applicable governmental laws, rules and regulations. The proceeds of the assessments shall not be used to finance or reimburse the Declarant for any capital expenditure incurred in construction or other improvements within the subdivision. All such facilities shall be conveyed, unencumbered to the association.

Section 3. Maximum Base Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Building Plot to an Owner, the Board of Directors shall levy on each Assessable Tract and collect from the Owner thereof a Base Annual Assessment not to exceed \$240.00 for each Building Plot, which shall be due and payable as provided hereinafter; provided, however, that prior to the date on which a recreation/community center on Common Properties of the Association has been constructed and is operating, if ever, the Board may, in its sole judgment and discretion, establish the Base Annual Assessment at an amount less than \$240.00 per Building Plot. Anything contained herein to the contrary or seemingly to the contrary notwithstanding, the Base Annual Assessments provided for herein shall be payable by the Owners of each

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of the Building Plots comprising Assessable Tracts within the boundaries of the Properties, in the manner hereinafter set forth:

- (a) From and after January 1 of the year immediately following the conveyance of the first Building Plot to an Owner, the maximum Base Annual Assessment may be increased each year by not more than 15% of the maximum Base Annual Assessment in effect for the prior year (such percentage to be cumulative from year to year) by the Board of Directors without a vote of the Members.
- (b) From and after January 1 of the year immediately following the conveyance of the first Building Plot to an Owner, the maximum Base Annual Assessment may be increased by an amount in excess of 15% in a given year (over the maximum Base Annual Assessment permitted in the prior year) by the vote or written assent of at least 51% of a quorum of the Members present and voting at a meeting thereof duly called and held for such purpose.
- (c) The Board of Directors shall from time to time set, fix and levy the Base Annual Assessment at an amount not in excess of the maximum permitted herein.
- (d) The Base Annual Assessments shall be levied on a uniform basis as follows:
 - (1) Building Plots owned by VFA Associates, Ltd., its designated successors and assigns.....None
 - (2) Building Plots conveyed by VFA Associates, Ltd., to builders for the purposes of constructing a residence thereon.....50% of the Base Annual Assessments.
 - (3) Building Plots with completed residences sold to individuals (including corporate or other entity) homebuyers.....100% of the Base Annual Assessment

This assessment applies to the Promontory Pointe Homeowner's Association only. Assessments by the Master Association, Stone Oak II Property Owner's Association, shall be in addition to this assessment and shall be as described and provided for in the Stone Oak II Master Plan.

Section 4. Special Assessments for Capital Improvements. In addition to the Base Annual Assessments authorized by Section 3 hereinabove, the Association may levy against the Assessable Tracts in any calendar year one or more "Special Assessments" applicable to that year only, for the purpose of generating funds reasonably anticipated to be needed for purposes stated in Section 2 of this Article III, including reasonable reserves for contingencies and for capital improvements, replacements, and repairs; and provided

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that said Special Assessments are levied on a uniform basis as set forth above in Section 3 (d) of this Article.

Section 5. Declarant Assessment Liability. As long as there is a Class B Membership, Declarant shall be responsible only for any shortages in the accounts of the Association, but only in the event that the maximum Base Annual Assessments chargeable under the provisions of Article III, Section 3 of The Declaration, are insufficient to cover the actual costs of maintaining the Properties in accordance with the provisions of Article VIII of The Declaration. If shortages can be reduced before Declarant's subsidy by a reduction in excess or non-life threatening services, such as trash removal, then those services may (and, if requested by Declarant, shall) be reduced to enable the Association to operate within its budget under the constraints of the limitations of Section 3 of this Article III and with the least possible subsidy from Declarant. This Section 5 shall be in effect for the first two (2) years following January 1 of the year immediately following the conveyance of the first Building Plot to an Owner.

Section 6. Commencement of Base Annual Assessments; Due Dates. Subject to the provisions of Section 5 of this Article, the Base Annual Assessments provided for herein shall commence on each Assessable Tract on January 6, 1996 provided, however, that the Base Annual Assessments shall not commence with respect to any Lot or Building Plot until such Lot or Building Plot becomes an Assessable Tract as defined herein. The Base Annual Assessment on each Assessable Tract for the first year of such Assessment shall be due and payable on the day a Lot or Building Plot becomes an Assessable Tract, and shall be pro rated for that year. After the first year, the Base Annual Assessment on such Assessable Tract for each such subsequent calendar year shall be due and payable on the first day of January in said year.

Section 7. Common Properties Exempt. Any Common Properties as defined in Article I, Section 5, and a portions of the Property owned or otherwise dedicated to any political subdivision or municipal utility district (excluding portions of public or private utility easements located upon or within the boundaries of Lots, which shall not be exempt), shall be exempt from the Assessments and liens created, reserved and/or contemplated herein.

Section 8. Duties of the Board of Directors. The Board of Directors of the Association shall determine the amount to be levied as the Base Annual Assessment against each Assessable Tract for each calendar year, subject to the criteria and limitations set out in Sections 3, 4 and 5 of this Article. The Board of Directors of the Association shall cause to be prepared a roster of the Assessable Tracts showing the amount of each Assessment, which roster shall be kept in the office of the Association and shall be open to inspection by any Owner. The Association shall upon demand at any time, furnish to any Owner a certificate in writing signed by an officer or agent of the Association setting forth whether or not there are any unpaid Assessments against said Owner's Lot or Lots. Such certificate shall be conclusive evidence of payment of any Assessment therein states to have been paid, as to any third party who in good faith reins thereon to his economic detriment.

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Section 9. Effect of Non-Payment of Assessments; Remedies of the Association; Liens Securing Assessments. Any Base Annual Assessment or Special Assessment not paid within thirty (30) days after the due date shall bear interest at the maximum per annum ceiling rate allowed by applicable Usury laws from the due date until paid. The Association may bring an action at law against the Owner personally obligated to pay the same, foreclose the lien against the Building Plot, or pursue both such remedies to the extent not mutually exclusive. Interest, court and other collection costs and reasonable attorney's fees incurred in any such action shall be added to the amount of such Assessment or charge. Each such Owner, by his acceptance of a deed to a Building Plot, hereby expressly vests in the Association, or its agents, the right and power (i) to bring a actions against such Owner personally for the collection of such charges as a debt, and (ii) to enforce the aforesaid lien by a methods available for the enforcement of such liens, including non-judicial foreclosure pursuant to Section 51.002, Tex. Prop. Code Ann. (Vernon 1983), and such Owner hereby expressly grants to the Association a private power of sale in connection with said lien. The lien provided for in this Declaration shall be in favor of the Association and shall be for the benefit of a Building Lot Owners. No Owner may waive or otherwise escape same for the Assessments provided for herein by non-use of the Common Properties or abandonment of his Building Plot.

Section 10. Subordination of the Lien to Mortgages. The lien securing any Assessment provided for herein shall be subordinate to the lien of any mortgage(s) now or hereafter placed upon the Building Plot subject to the Assessment for the purpose of securing indebtedness incurred to purchase or improve such Building Plot; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to a sale or transfer of such Building Plot pursuant to a decree of foreclosure or a foreclosure by trustee's sale under a deed of trust. Such sale or transfer shall not relieve such Building Plot from liability for any assessment thereafter becoming due, nor from the lien securing any such subsequent Assessment. In addition to the automatic subordination provided for above, the Association, in the discretion of its Board of Directors, may voluntarily subordinate the lien securing any Assessment provided for herein to any other mortgage, lien or encumbrance, subject to such limitations, if any, as such Board may determine. No such voluntary subordination shall be effective unless given in writing by the Association upon a vote of the Board of Directors.

Section 11. Exempt Property. The Assessments and liens created in this Article III shall apply only to Assessable Tracts. The remainder of the Properties (as that term is defined and Article I, Section 2) shall not be subject thereto nor shall the Owners thereof (except Declarant) be entitled to the rights granted to Members in the Association.

ARTICLE IV NEW CONSTRUCTION COMMITTEE AND MODIFICATIONS COMMITTEE

Section 1. New Construction Committee; Tenure. The Declarant shall initially appoint a New Construction Committee, consisting of not less than three (3) members, who need not be Members of the Association. The persons serving on the New

Construction Committee, or their successors, shall serve until such time as all Lots subject to the jurisdiction of the Association shall have completed living Units constructed thereon, at which time the New Construction Committee shall resign and thereafter its duties shall be fulfilled and its powers exercised by the Board of Directors of the Association. In the event undeveloped land is annexed into the Association after resignation of the original New Construction Committee, the Board of Directors may appoint a replacement New Construction Committee to act with the authority and purpose of the original New Construction Committee with respect to new construction, for such a term as the Board may designate, and subject to the Board's continuing right to remove members thereof and fill vacancies in such Committee. In the event of the death or resignation of any person serving on the New Construction Committee, the remaining person(s) serving on the Committee shall designate a successor, or successors (unless same occurs during the Declarant control period specified in Section 2 hereof, in which event Declarant shall make such appointment), who shall have all of the authority and power of his or their predecessor(s). A majority of the New Construction Committee may from time to time designate someone serving on the Committee to act for it as the Designated Representative. No person serving on the Committee shall be entitled to compensation for services performed pursuant to this Article IV. However, the Committee may employ one or more architects, engineers, attorneys, or other consultants to assist the Committee in carrying out its duties hereunder, and the Association shall pay such consultants for such services as they render to such Committee.

Section 2. Rights of the New Construction Committee. The Declarant reserves the right to control and direct the New Construction Committee (including the making of appointments thereto and removing any member thereof) for a period of fifteen (15) years from the date of the recording of this initial Declaration. At the time when future properties are annexed into The Declaration and the jurisdiction of the Association, if ever, the term of the members of the New Construction Committee with extend no less than ten (10) years from the date of the recordation of the annexation document (i.e., the Supplemental Declaration), and Declarant's control of the New Construction Committee shall continue throughout that extended term.

Should the Declarant decide to relinquish control of the New Construction Committee prior to the expiration of the control period stated above, it may do so by causing all its members to resign with a minimum of thirty (30) days prior written notice to the Board of Directors of the Association.

The New Construction Committee shall reserve the right to develop, adopt and from time to time revise Architectural Control Guidelines for use in the review and approval of construction and improvement projects.

Section 3. Modifications Committee. Subsequent to the completion of the last home to be constructed within the properties or any other tracts which become subject to the terms and conditions of this declaration in accordance with its provisions, or at such earlier time as determined in the sole discretion of the Declarant, the Board of Directors is

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authorized to establish a Modifications Committee whose responsibility it will be to set standards, review and act upon a proposed modifications or improvements to those Lots where the living Units have been constructed and sold and are owned by someone other than the Declarant, its successors or assigns, or a Builder hereinafter defined. This Committee will be comprised of no less than three (3) members with at least two (2) members required to be Members of the Association. The Modifications Committee will be governed by the Board of Directors and shall adhere to all the provisions set forth in this Declaration.

The Modifications Committee shall promulgate standards and procedures governing its area of responsibility and practice. In addition thereto, the following requirements shall be adhered to: plans and specifications showing the nature, kind, shape, color, size, materials and location of such modifications, additions, repairs or alterations, shall be submitted to the Modifications Committee for approval as to quality of workmanship and design and harmony of external design with existing structures and as to location in relation to surrounding structures, topography and finish grade elevation. Nothing contained herein shall be construed to limit the right of the Owner to remodel the interior of a living Unit or to paint the interior of a living Unit any color desired unless such interior area will be visible from a public street.

Section 4. General. A Property which is now or may hereafter be subjected to The Declaration is subject to architectural and environmental review. No living Unit or other improvements (including, without limitation, garages, swimming pools, streets, driveways, sidewalks, drainage facilities, landscaping, fences, walks, fountains, statuary and flagpoles, but excluding improvements interior to a living Unit) shall be constructed nor shall any such living Unit or other improvements be modified or altered, without the prior written approval of the New Construction Committee or Modifications Committee, as appropriate.

This review shall be in accordance with this initial Declaration (as amended), any relevant Supplemental Declaration(s) (as amended), and such standards as may be promulgated by the Board, the New Construction Committee, or the Modifications Committee (subject to review by the Board) or the Stone Oak II Master Plan, and such review and standards shall or may include, without limitation: general aesthetic character of improvements to be constructed; placement, orientation and location of improvements on a Lot; landscaping species, location and arrangement; architectural style; elevations; grading plan; color, quality, style and composition of exterior materials, including (without limitation) roofs, walls, patios, sidewalks and driveways; location, style, composition and extent of fencing; roof line and orientation; and appropriateness of permitting any proposed structures or improvements other than a living Unit and garage, such as fountains, flagpoles, statuary, outdoor lighting, or others; neither Committee being obligated under any circumstances to approve any such other improvements if they determine that same would detract from the overall aesthetic quality of the area. Any obligation of Declarant to enforce provisions relating to historic preservation shall become the responsibility of the Association and the Committees created in this Article shall ensure compliance therewith. The Board of

Directors shall have the right and power on behalf of the Association to enforce in Courts of competent jurisdiction decisions of either Committee.

Section 5. Submissions to New Construction Committee. To secure the approval (the "Final Approval") of the New Construction Committee, an Owner shall deliver to the Committee in form and substance reasonably satisfactory to the Committee the number of complete sets hereinafter set forth of:

- (a) The Design Development Plan which shall include:
 - (i) a site plan showing the location, dimensions, orientation to boundary lines and the set-back lines, of proposed buildings, garages, other structures, driveway, sidewalks, fencing and all other improvements;
 - (ii) construction plans, specifications and sections for all floors and levels, height and size of each structure, including the living area square footage of each structure;
- (b) drawings and details of all exterior surfaces, including the roof, all elevations and specifications for all exterior material (collectively, the "Exterior Plan");
- (c) all such other information as may be reasonably required which will enable the New Construction Committee to determine the location, scale, design, character, style and appearance of such Owner's intended improvements.

All of the foregoing (collectively, as original submitted and as revised and resubmitted, the "Plans") shall conform to the applicable provisions of The Declaration. The Owner shall supply as many sets, not to exceed three (3), as deemed appropriate by the Committee.

Where an Owner has neglected to submit a site plan and/or a schematic plan for approval, failure of the New Construction Committee to exercise the powers granted by this Article IV shall never be deemed a waiver of the right to do so either before or after a building or other improvement in the Properties, or any exterior addition to or alteration therein, has been completed.

There shall be no chain link fencing except as may be utilized by builders with the approval of the New Construction Committee for temporary storage of building materials and supplies during the construction phase. Roofing materials shall be as specified in Restrictions of Use and shall meet standards prescribed by the New Construction Committee and/or the Modifications Committee, as the case may be. The surface materials used in the construction of driveways and front sidewalks will consist solely of concrete, brick, stone or other similar hard surface material unless otherwise approved by the New Construction Committee and/or the Modifications Committee, as the case may be. No asphalt drives will be permitted. The New Construction Committee shall have full power and authority to reject any plans and specifications that do not comply with the

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restrictions herein imposed (or imposed in any applicable Supplemental Declaration) or meet its minimum construction requirements or architectural design requirements or that might not be compatible, in its judgment, with the overall character and aesthetics of the Properties.

The New Construction Committee has the full authority to enforce additional restrictions as they are created against any Building Plots within the Property, as imposed pursuant to any Supplemental Declaration. Such restrictions will be more clearly defined in Supplemental Declarations filed by Declarant in the Real Property Records of Bexar County, Texas, creating and/or annexing additional Lots within the Properties.

Section 6. Time for Review of Plans. Upon submission by the Owner to the New Construction Committee or the Modifications Committee of a written request for Final Approval and the submission to the New Construction Committee of the design Development Plan or the Plans (as applicable, and in either case, the "Submitted Plans"), or other plans to the Modifications Committee, each Committee shall endeavor to review same within thirty (30) days from receipt of plans and notify Owner in writing whether the Submitted Plans are approved or disapproved. Committees, as required, shall approve the plans if such plans do not violate The Declaration (including the requirements of any applicable Supplemental Declaration, if any) or the guidelines and criteria from time to time existing and established by the Committees, and are consistent with their judgment on aesthetic compatibility of the proposed improvements with other portions of the Properties and/or improvements thereon. Any such disapproval shall set forth the specific reason or reasons for such disapproval. Any failure by the New Construction Committee to approve or disapprove the Submitted Plans in writing within such thirty (30) day period shall not constitute a waiver of the requirements of The Declaration. No construction of the improvements provided for in the Submitted Plans including those resubmitted under Section 7 of this Article shall be commenced until the receipt of the Committee's written approval of the Plans for such improvements. However, in the event the Modifications Committee fails to either (i) approve or disapprove Plans submitted to it, or (ii) request additional information reasonably required, within thirty (30) days after submission, the Plans for modifications shall be deemed approved.

Section 7. Review of Revised Plans. If the New Construction Committee shall disapprove any part of the Submitted Plans, the Owner may revise the Submitted Plans to incorporate such change requested by the New Construction Committee and may deliver the required number of complete sets of revised Submitted Plans to the New Construction Committee and the New Construction Committee shall endeavor to review such revised Submitted Plans within fifteen (15) days to determine Owner's compliance with the New Construction Committee's requested changes.

Section 8. Changes in Approved Plans. An Owner shall secure the written approval of the New Construction Committee to any material change or revisions in approved Plans in the manner provided in this Article for the approval of Plans.

Section 9. Variances. The New Construction Committee may authorize variances from compliance with any other of the architectural provisions of The Declaration, including restrictions upon height, size, placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations may, in the Committee's judgment and discretion, require. The Committee's decision on a requested variance shall be final, conclusive and binding. Such variances must be evidenced in writing, must be signed by at least a majority of the New Construction Committee, and shall become effective upon their execution. If such variances are granted, no violation of the covenants, conditions and restrictions contained in The Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of The Declaration for any purpose except as to the particular provision hereof covered by the variance, and only for the particular Lot in question, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations.

Upon the recommendation of the Modifications Committee, the Board of Directors may authorize variances, as stated above. Such Modifications Committee's variances must be evidenced by a written instrument signed by a majority of the Board of Directors and a majority of the modifications Committee.

Section 10. Construction Time. Construction of any structure approved by the Committee shall commence within six (6) months of such approval; and the completion of such construction must be accomplished within nine (9) months of the commencement of such construction.

Section 11. No Liability. Neither Declarant, the Association, Board of Directors, the New Construction Committee or Modifications Committee or the members thereof shall be liable in damages to anyone submitting plans or specifications to them for approval, or to any Owner of a Building Plot affected by these restrictions by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications, including specifically, but without limitation, consequences of any defect in any plans or specifications. Every person who submits plans or specifications to the New Construction Committee or Modifications Committee for approval agrees, by submission of such plans and specifications, and every Owner agrees, that he will not bring action or suit against Declarant, the Association, the Board of Directors, the Committees, or any of the members thereof to recover any such damages.

Section 12. Rules and Regulations. The New Construction Committee may from time to time, in its sole discretion, adopt, amend and repeal rules and regulations interpreting and implementing the provisions hereof.

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ARTICLE V EASEMENTS

Section 1. General. The rights and duties of the Owners of Lots within the Property with respect to sanitary sewer, water, electricity, gas, telephone, and cable television lines and drainage facilities shall be governed by the following:

- (a) Wherever sanitary sewer and/or water house connections or electricity, gas or telephone and cable television lines or drainage facilities are installed within the Property, which connection lines or facilities or any Portion thereof, i.e. in or upon Lots owned by any party other than the Owner of a Lot served by said connections, lines or facilities, such Owners of Lots served shall have the right, and are hereby granted an easement to the full extent necessary therefore, to enter upon the Lots within the Property in or upon which said connections, lines or facilities, or any portion thereof, i.e., to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.
- (b) Wherever sanitary sewer and/or water house connection or electricity, gas, telephone or cable television lines or drainage facilities are installed within the Property, which connections serve more than one Lot, the Owner of each Lot served by said connections shall be entitled to the full use and enjoyment of such portions of said connections which service his Lot.

Section 2. Reservation of Easements. Easements over the Lots and Common Properties for the installation and maintenance of electric, telephone, cable television, water, gas and sanitary sewer lines and drainage facilities are hereby reserved by Declarant, together with the right to grant and transfer same.

Section 3. Surface Areas of Utility Easements. Easements for installation and maintenance of utilities are reserved as shown and provided for on the recorded Plat(s). Underground electric, gas and telephone service shall be available to the Lots. For so long as such underground service is maintained, the electric service to each Lot shall be uniform and exclusively of the type known as single-phase, 120/240 volt, three-wire, 60-cycle, alternating current. Easements for the underground service may be crossed by driveways, walkways, patios, brick walls and fences, provided the Owner or the homebuilders make any required or necessary arrangements with the utility companies furnishing electric, gas and telephone service and provides and installs any necessary conduit of approved type and size under such driveways, walkways, patios, brick walls or fences prior to construction thereof. Such easements for the underground service shall be kept clear of a other improvements, and neither the grantor of the easements nor any utility company using the easements shall be liable for any damage done by either of them or their assigns, their agents, employees or servants, to shrubbery, trees, flowers or other improvements

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other than crossing driveways, walkways, patios, brick walls or fences, providing conduit has been installed as outlined above) of the Owner located on the and covered by said easements.

Section 4. Public Streets. All Lots within the Property shall abut and have access to a public street. Public street rights-of-way are or shall be shown on the Plat(s).

Section 5. Emergency and Service Vehicles. An easement is hereby granted to police, fire protection, ambulance and other emergency vehicles and other service vehicles to enter upon the Common Properties, including, but not limited to, private streets, in the performance of their duties and further, an easement is hereby granted to the Association, its officers, agents, employees, and management personnel to enter the Common Properties to render any service or perform any function contemplated herein.

Section 6. Drainage Easements. Easements for drainage in the subdivision are reserved as shown on the recorded plat or plats, such easements being depicted as "drainage easements." No Owner of any Lot in the subdivision may perform or cause to be performed any act which would alter or change the course of such drainage easements in a manner that would divert, increase, accelerate or impede the natural flow of water over and across such easements. More specifically, and without limitation, no Owner may:

- (a) Alter, change or modify the existing natural vegetation of the drainage easements in a manner that changes the character of the original environment of such easement; or
- (b) Alter change or modify the existing configuration of the drainage easements, or fill, excavate or terrace such easements or remove trees or other vegetation therefrom without the prior written approval of the Committee; or
- (c) Construct, erect or install a fence or other structure of any type or nature within or upon such drainage easement; provided, however, fences may be permitted in the event proper openings are incorporated therein to accommodate the natural flow of water over said easement; or
- (d) Permit storage, either temporary or permanent, of any type upon or within such drainage easements;
- (e) Place, store or permit to accumulate trash, garbage, leaves, limbs or other debris within or upon the drainage easements, either on a temporary or permanent basis.

The failure of any Owner to comply with the provisions of this Section shall in no event be deemed or construed to impose liability of any nature on the Committee and/or Declarant, and such Committee and/or Declarant shall not be charged with

Section 3. Disbursement of Proceeds. Proceeds of insurance policies shall be disbursed as follows:

If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction, as hereinafter provided. Any proceeds remaining after defraying such costs of repairs or reconstruction to the Common Properties or Common Facilities, or (in the event no repair or reconstruction is made) after making such settlement as is necessary and appropriate with the affected Owner or Owners and their Mortgagee(s), as their interests may appear, if any living Unit is involved, shall be retained by and for the benefit of the Association.

If it is determined, as provided for in Section 5 of this Article, that the damage or destruction to the Common Properties or Facilities for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed in the manner as provided for excess proceeds herein.

Section 4. Damage and Destruction. Immediately after the damage or destruction by fire or other casualty to a or any part of the property covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent shall proceed with the filing and adjustment of a claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this paragraph, means repairing or restoring the damaged property to substantially the same condition in which it existed prior to the fire or other casualty.

Any damage or destruction to the Common Properties or Facilities shall be repaired or reconstructed unless at least seventy five percent (75%) of all votes in the association shall decide within sixty (60) days after the casualty not to repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made available; provided, however, that such extensions shall not exceed an aggregate of sixty (60) days. No Mortgagee of a Lot shall have the right to participate in the determination of whether the Common Properties or Facilities damaged or destroyed shall be repaired or reconstructed.

In the event that it should be determined by the Association in the manner described above that the damage or destruction of the Common Properties or Facilities shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the damaged property shall be restored to its natural state and maintained as an undeveloped portion of the Common Properties by the Association in a neat and attractive condition.

any affirmative duty to police, control or enforce such provisions. The drainage easements provided for in this Section shall in no way affect any other recorded easement in the subdivision.

ARTICLE VI UTILITY BILLS, TAXES AND INSURANCE

Section 1. Obligation of the Owners. Owners' utility bills, taxes and insurance shall be governed by the following:

- (a) Each Owner shall have his separate electric, gas (unless total electric dwelling) and water meter and shall directly pay at his own cost and expense for a electricity, gas, water, sanitary sewer service, telephone service, cable television and other utilities used or consumed by him on his Lot.
- (b) Each Owner shall directly render for taxation his own Lot and improvements thereon, and shall at his own cost and expense directly pay taxes levied or assessed against or upon his Lot and his improvements and property thereon.
- (c) Each Owner shall be responsible at his own cost and expense for his own property insurance on the building and contents of his own living Unit, and his additions/improvements thereto, including decoration, furnishings, and personal property therein; and also for his personal liability not covered by liability insurance for all Owners which may be obtained by the Association as part of the common expense in connection with the Common Properties or Facilities.

Section 2. Obligation of the Association. The Association shall have the following responsibilities regarding utility bills, taxes and insurance for the Common Properties and Facilities:

- (a) The Association shall pay as a common expense of all Owners, for all water, gas, electricity and other utilities used in connection with enjoyment and operation of the Common Properties or any part thereof.
- (b) The Association shall render for taxation and, as part of the common expenses of all Owners, shall pay a taxes levied or assessed against or upon the Common Properties and the improvements and the property appertaining thereto.
- (c) The Association shall have authority to obtain and continue in effect as a common expense of all Owners, a blanket property insurance policy or policies to insure the structures and facilities, if any, located in the Common Properties and the contents thereof and the Association against the risks of

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loss or damage by fire and other hazards as are covered under standard extended or a-risk coverage provisions, in such limits as the Association deems proper, and said insurance may include coverage against vandalism and such other coverage as the Association may deem desirable. The Association shall have the authority to obtain comprehensive public same insurance in such limits as it shall deem desirable, insuring Common Properties and Facilities, the Association, the Board of Directors, and/or the Association's Members, agents and employees, from and against same in connection with the Common Properties and Facilities.

Director and Officer liability insurance and liability bonds are allowable coverages that may be obtained by the Association.

- (d) All Costs, Charges and premiums for a utility bills, taxes and insurance to be paid by the Association as hereinabove provided shall be paid out of the maintenance fund as a common expense of a Owners and shall be a part of the Base Annual Assessment.
- (e) The Association's Board of Directors shall be required to make every reasonable effort to secure insurance policies that will provide for the following:
 - (i) a waiver of subrogation by the insurer as to any claims against the association's Board of Directors, its manager, the Owners and their respective tenants, servants, agents, and guests;
 - (ii) a Waiver by the insurer of its rights to repair and reconstruct instead of paying cash;
 - (iii) that no policy may be canceled, invalidated, or suspended on account of any act or omission of any one or more individual Owners or Occupants of Lots;
 - (iv) that no policy may be canceled, invalidated or suspended on account of the conduct of any director, officer, or employee of the Association or its duly authorized manager without prior demand in writing delivered to the association to cure the effect and the allowance of a reasonable time thereafter within which the defect may be cured by the association, its manager, any Owner or Mortgagee; and,
 - (v) that any "other insurance" clause in any policy exclude individual Owners' policies from consideration.

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Section 5. Repair and Reconstruction. If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Association's Members, levy a Special Assessment against all Class A Owners in proportion to the number of Lots. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. If the funds available from insurance exceed the cost of repair, such excess shall be deposited to the benefit of the Association.

ARTICLE VII CONDEMNATION

In the event that all or any part of the Common Properties shall be taken by any authority having the power of condemnation or eminent domain, no Owner shall be entitled to notice thereof nor be entitled to participate in the proceedings incidental thereto.

Any decision by the Board of Directors to convey Common Properties in lieu of and under threat of condemnation, or to accept an agreed award as compensation for such taking, shall abide by a quorum of the Members of the Association present and voting at a special meeting called for such purpose. The award made for such taking shall be payable to the Association, as trustee for all Owners, to be disbursed as follows:

If the taking involves a portion of the Common Properties on which improvements have been constructed, then unless within sixty (60) days after such taking the Declarant and at least seventy five percent (75%) of the total number of votes in the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining and included in the Common Properties, to the extent lands are available therefor, in accordance with plans approved by the Board of Directors of the Association. If such improvements are to be repaired or restored, the above provisions in Article VI hereof regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any improvements on the Common Properties, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board of Directors of the Association shall determine.

ARTICLE VIII MAINTENANCE AND REPAIRS

Section 1. By the Owners. It shall be the duty, responsibility and obligation of each Owner at his own cost and expense to care for, maintain and repair the exterior of his living Unit and all other improvements on his Lot and the fixtures, appliances, equipment and other appurtenances thereto and also including the private driveway appurtenant to his living Unit, sidewalks and fences which are appurtenant to and situated on his Lot, excepting only portions of improvements constructed by Declarant or the Association.

The Association shall have no duty or obligation to any Owner in this regard. The Association shall have the right to enforce this restriction to the fullest extent permitted in The Declaration. If any improvement on a Lot is damaged or destroyed, the Owner shall diligently proceed to restore such improvement to the condition existing prior to such damage or destruction or, in the alternative, raze or remove such improvement and landscape the Lot pursuant to a "Removal Plan" approved by the Modifications Committee.

Section 2. By the Association. The Association, as a common expense of a Owners, shall perpetually care for, maintain and keep in good repair the Common Property, Common Facilities and a parts thereof, including but not limited to, landscaped lawns, esplanades, parking areas and improvements and facilities owned by the Association, except that it shall be the obligation of each Owner, and not the obligation of the Association, to pay for the cost of repair and maintenance of any private driveway, sidewalk, and fence or fences which are appurtenant to such Owner's Lot or living Unit. The Board of the Association has the additional right, but not the obligation, to have the grass or vegetation cut and maintained, in a neat and sanitary manner, on the land that is owned by or dedicated to a Flood Control District or any municipal utility district and that lies within the Properties or adjacent thereto if the appropriate county agency's or utility district's maintenance standards are not acceptable to the Board of the Association.

ARTICLE IX RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

Section 1. The Common Properties. The Association, subject to the rights of the Owners set forth in The Declaration, shall be responsible for the exclusive management and control of the Common Properties and all improvements thereon (including furnishings and equipment related thereto) and shall keep it in good, clean, attractive, and sanitary condition, order and repair, pursuant to the terms and conditions hereof. All landscape reserves shall be utilized and maintained as Common Properties for the Association and for no other purpose.

The Board of Directors shall be authorized to contract with outside associations or with developers of areas outside the Properties to provide usage of the recreational Common Facilities of this Association. Such contract shall set forth usage privileges and obligations and monetary payment for such privileges to the Association. All arrangements, fee schedules and contracts will be on terms no more favorable to such users than made available to the Members, but otherwise will be developed and approved at the total discretion of the Board of Directors of the Association.

Section 2. Personal Property and Real Property for Common Use. The Association, through action of its Board of Directors, may acquire, hold, and dispose of tangible and intangible personal property and real property. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold, or other property interests within the Platted Property, conveyed to it by the Declarant. All land conveyed to the Association as Common Properties shall be free of all liens and other similar

encumbrances. Notwithstanding anything contained in this Declaration to the contrary, Declarant, and the Association upon its succeeding to Declarant's rights, shall have the right, power and authority to dedicate to any public or quasi-public authority water lines, sanitary sewer systems, storm water facilities, streets and esplanades situated in the Common Properties and to terminate or modify these restrictive covenants with respect to such dedicated Property. Such dedication and acceptance thereof shall not prohibit the Association from maintaining the land and facilities located within dedicated areas, nor relieve the Owners of the obligation to participate in the payment of the cost of such maintenance.

Section 3. Rules and Regulations. The Association, through its Board of Directors, may make and enforce reasonable rules and regulations governing the use of the Properties, which rules and regulations shall be consistent with the rights and duties established by this initial Declaration and any subsequent Supplemental Declarations. Sanctions may include reasonable monetary fines which shall constitute a lien upon the Owner's Lot (and improvements located thereon), and suspension of the right to vote, and the right to use the Common Properties and Facilities and to receive services contracted for through the Association. In addition, the Board shall have the power (but not the obligation) to seek relief in any court for violations or to abate unreasonable disturbance.

Section 4. Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration or the By-laws, and every other right or privilege reasonable to be implied from the existence of any right or privilege given to it herein necessary to effectuate any such right or privilege.

ARTICLE X RESTRICTIONS OF USE

Section 1. Single Family Residence.

- (a) All buildings, structures, and other improvements erected, altered, or placed in the Property shall be of new Construction, and each Lot and all Property that is subject to The Declaration, whether or not subdivided, (except Common Properties) shall be used only for the construction of living Units (i.e., detached single-family residential structures), each for use only as a residence for a single family of individuals related by blood or marriage, or maintaining a common household as husband and wife, or by co-owners including cooperative-type ownership (if not being used to avoid the intent of this restriction). No structure of a temporary character, trailer, mobile home, tent, shack, barn, or outbuilding shall be permanently or temporarily erected, maintained, or installed on any Lot at any time, except as may be approved by the Association; but in no event shall any such approved non-living Unit structure be used as a residence, either temporarily or permanently. No part of the Property shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial,

manufacturing, mercantile, storing, vending, or other non-residential purposes, or for any commercial use of a residential nature (e.g., as a boarding house, day-care facility, half-way house, nursing home, rehabilitation or therapy facility, etc.).

- (b) Unless the New Construction Committee otherwise agrees in writing, the exterior finish or construction of a living Unit shall be at least seventy-five percent (75%) brick, stone, or other masonry on the first floor; in computing such percentages, roof areas shall be excluded, but garages, porches, and other structures constituting part of the living Unit proper shall be included. All exterior wood products shall require the written approval of the New Construction Committee. No building shall be erected, altered or permitted to remain on any single Lot, other than one single-family residential dwelling and a private garage for not less than two (2) cars nor more than three (3) cars. No carports shall be permitted on any Lot within the Properties, except that porte cochere type structures that are attached and architecturally integrated into a living Unit are allowed. The maximum allowable height of any residential structure shall not exceed two and one half (2 1/2) stories. For purposes hereof, any one-half (1/2) story of a house must be contained within the peaked roof line of a one or two story home, as the case may be.

Section 2. Reasonable Enjoyment. No nuisance shall ever be erected, placed, or suffered to remain upon any Lot in the Property and no Owner or Occupant of any Lot in the Property shall use the same so as to endanger the health or disturb the reasonable enjoyment of any other Owner or Occupant. The Association's Board of Directors is hereby authorized to determine what constitutes a violation of this restriction.

Section 3. Animal Husbandry. No sheep, goats, horses, cattle, swine (or pigs of any kind), poultry, dangerous animals (the determination as to what is a dangerous animal shall be in the sole discretion of the Association's Board of Directors), snakes or livestock of any kind shall ever be kept in or upon any part of the Property except that dogs, cats or other common household pets may be kept by the Owner or Occupant of any living Unit with no more than three (3) adult animals at any one time and provided they are not kept for any commercial purpose. Any allowable pet that is kept in a household must be confined to its Owner's Lot either by constraints of a backyard fence, a leash or within the living Unit. No animal shall be permitted to run freely away from its Owner's Lot and must be controlled by a leash. All applicable leash and licensing laws in effect, to the extent more restrictive than this provision, shall also apply to this animal husbandry provision and shall be complied with by all Owners and Occupants of Lots.

Section 4. Trash and Rubbish Removal. No trash, rubbish, garbage, manure, or debris of any kind shall be kept or allowed to remain on any Lot. The Owner of each Lot shall remove such prohibited matter from his Lot at regular intervals at his expense, and prior to such removal all such prohibited matter shall be placed in sanitary refuse containers with tight fitting lids in an area adequately screened by planting or fencing so as

not to be seen from neighboring Lots or public or private streets. Reasonable amounts of construction materials and equipment may be stored upon a Lot for reasonable periods of time during the construction of improvements thereon.

Section 5. Oil and Mining Operations. No oil or natural gas drilling, oil or natural gas development, or oil refining, quarrying, or mining operations of any kind, no oil, natural gas or water wells, tanks, tunnels, mineral excavations or shafts, and no derricks or other structures for use in boring for oil, natural gas, mineral or water shall be erected, maintained or permitted in the Properties.

Section 6. Prohibited Use. Industrial use of the Properties is prohibited. No use shall be permitted which is offensive by reason of odor, fumes, dust, smoke, noise or pollution, or which is hazardous by reason of excessive danger of fire or explosion. No activity or use shall be permitted on or with respect to the Property which is determined by the Board to be obnoxious to or out of harmony with a distinctive residential community, including, but not limited to, any trailer houses and parks, junk or scrap metal yard, waste material business, any dumping, disposal, incineration or reduction of garbage or refuse, and any fire, bankruptcy or auction sale or operation. No excavations shall be made and no sand, grave or soil shall be removed from the Properties except in connection with a grading and/or building plan approved as provided by the New Construction Committee. No burning of rubbish or trash shall be permitted at any time. No storage area shall be permitted between any building and the front Property line of such Property. No above ground or underground storage tanks of any nature shall be permitted.

No activity, whether for profit or not, which is not related to single-family residential purposes, shall be carried on upon any Lot, except on those Lots which may be designated by Declarant for use as sales offices, construction offices, and storage facilities for a period of time commensurate with home construction and sales within the Property. Except for this temporary use of selected Lots, no noxious or offensive activity of any sort shall be permitted, nor shall anything be done, on any portion of the Properties which may be or become an annoyance or nuisance to the neighborhood.

Section 7. Septic Tanks. No privy, cesspool or septic tank shall be placed or maintained in the Property.

Section 8. Declarant's Rights During Development Period. During that period of time while any parcels of land, Lots or living Units located within the Property are being developed and marketed (the "Development Period"), the Declarant, with the right of assignment, shall have and hereby reserves the right to reasonable use of the Common Properties within the Property in connection with the promotion and marketing of land within the boundaries of the Properties. Without limiting the generality of the foregoing, Declarant may erect and maintain such signs, temporary buildings, model homes and other structures as Declarant may reasonably deem necessary or proper with the promotion, development, and marketing of and within the Property during the Development Period.

Section 9. Builder Rights. During the Development Period, the Declarant shall have the right to allow any one or more approved homebuilders (a "Builder") the right to erect and maintain such signs, model homes, and other structures Declarant may reasonably deem necessary or proper in connection with such Builders' promotion, development, and marketing of Lots and residential improvements located within the Property. The approvals granted by the Declarant as described above are discretionary and may be revoked in the manner specified in an agreement between Declarant and the Builders or, if there is no agreement, a Builder shall be given at least ten (10) days' notice to comply with any revocation of approval by the Declarant.

Section 10. Storage of Boats, Trailers and other Vehicles and Equipment. No boat, trailer, recreational vehicle, camping unit, bus, Commercial use truck, or self-propelled or towable equipment or machinery of any sort or any item deemed offensive by Declarant or the Association shall be permitted to park on any Lot except in an enclosed structure or behind a solid fence so as not to be visible from the street, except that during the construction of improvements on a Lot, necessary construction vehicles may be parked thereon from and during the time of necessity therefore. This restriction shall not apply to automobiles or small non-commercial passenger trucks in operable condition, provided that any such vehicles are parked on an improved driveway which has been approved by the New Construction Committee. Storage of approved vehicles on the driveway or street right-of-ways is defined as parking without movement for a period of forty eight (48) hours or more during a period of seven (7) consecutive days. No vehicle shall ever be permitted to be parked on the front or side lawn within view of the public. No vehicle shall ever be permitted to park on a driveway at a point where the vehicle obstructs pedestrians from use of a sidewalk. Trucks with tonnage in excess of one ton shall not be permitted to park overnight within the property, except during construction. No vehicle of any size which transports inflammatory or explosive cargo may be kept on the Property at any time.

Section 11. Clothes Lines. No clothing or other materials shall be aired or dried within the boundaries of the Property except in an enclosed structure so as not to be visible to public view.

Section 12. Construction Work. Except in an emergency or when other unusual circumstances exist, as determined by the Board of Directors of the Association, outside construction work or noisy interior construction work on new construction of a living Unit, shall be permitted only after 6:00 A.M. and before 9:00 P.M., and on modification or alteration work subsequent to original construction, only after 9:00 A.M. and before 6:00 P.M.

Section 13. Television and Radio Antennas and Satellite Dishes. Without the prior written authorization of the New Construction Committee or the Modifications Committee, as the case may require, no television, radio antenna or satellite dishes of any sort shall be placed, allowed or maintained outside a living Unit or on the exterior of any permitted building or other improvement located on a Lot within the Property.

Section 14. Electrical, Telephone and other Utility Lines. All electrical, telephone and other utility lines and facilities which (i) are located on a Lot, (ii) are not within or part of any building, and (iii) are not owned by a governmental entity, a public utility company, or the Association, shall be installed in underground conduits or other underground facilities. Lighting fixtures may be installed above ground if approved in writing by the New Construction Committee.

Section 15. House Numbers and Mail Boxes. House numbers, mail boxes and similar matter used in the Property must be harmonious with the overall character and aesthetics of the community and be continually maintained in an attractive manner. All mailboxes will be cluster type receptacles, provided by the U.S. Postal Service. The decision of the New Construction Committee that any such matter is not harmonious shall be final.

Section 16. Signs, Advertisements, Billboards. No sign, advertisement, billboard, or advertising structure of any kind shall be displayed to public view on any Lot except for one (1) sign on each Lot, which sign may not exceed six (6) square feet, for the purpose of advertising the Property for sale or rent, except signs used by Declarant, its successors or assigns, or a homebuilder, for a period of time commensurate with its home construction/sales program. No sign shall be permitted that shall advertise that a Property has been or will be foreclosed. Declarant and the New Construction Committee shall have the right to remove any sign. Except as provided to the contrary herein, in no event shall the use of flags or banners be permitted in the promotion or sale of any Lot or living Unit in the Property, except those owned by Declarant or a Builder. The New Construction Committee must approve any use of said items by Declarant or any Builder.

Section 17. Lot Maintenance. The Owner of each Lot shall maintain the same and adjacent street right-of-way, and the improvements, sod, trees, hedges, and plantings thereon, in a neat and attractive condition. Such maintenance shall include regular mowing, edging of turf areas, weeding of plant beds, fertilizing, weed control and watering of the turf and landscape areas on each Lot. Diseased or dead plants or trees must be removed and replaced within a reasonable time. On front lawns and wherever visible from any street, there shall be no decorative appurtenances placed, such as sculptures, birdbaths, birdhouses, fountains or other decorative embellishments unless such specific item(s) have been approved in writing by the New Construction Committee or the Modifications Committee. The Association or Declarant shall have the right, after ten (10) days notice to the Owner of any Lot, setting forth the action intended to be taken by the Association or Declarant, provided at the end of such time such action has not already been taken by such owner (i) to mow or edge the grass thereon, (ii) to remove any debris therefrom, (iii) to trim or prune any tree, hedge, or planting that, in the opinion of the Association or Declarant, by reason of its location or height, or the manner in which it has been permitted to grow, is detrimental to the enjoyment of adjoining Property or is unattractive in appearance, (iv) to repair or stain/paint any fence thereon that is out of repair or not in harmony, with respect to color, with fencing on adjacent Property, and (v) to do any and all things necessary or desirable in the opinion of the Association or

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Declarant to place such Property in a neat and attractive condition consistent with the intention of The Declaration. The person who is the Owner of such Property at the time such work is performed by the Association shall be personally obligated to reimburse the Association (or Declarant, as the case may be) for the cost of such work within ten (10) days after it is performed by the Association or Declarant, and if such amount is not paid within said period of time, such owner shall be obligated thereafter to pay interest thereon at the maximum rate allowable by law, and to pay attorney's fees and court costs incurred by the Association in collecting said obligation, and all of the same to the extent performed by the Association shall be secured by a lien on such Owner's Lot, subject to liens then existing thereon. Such lien shall be enforceable as any other Assessment lien as provided in The Declaration.

Section 18. Removal of Dirt and Trees. The digging or removal of dirt from any land is expressly prohibited except as necessary in conjunction with the initial construction and subsequent landscaping or improvements. No trees shall be removed without the prior written approval of Declarant or New Construction Committee, as applicable, except to remove the dead or diseased trees, to provide room for permanent improvements, or to permit construction of drainage swales. Approval of a Builder's plans and specifications shall be deemed approval of the site plan for that particular Lot, and shall authorize removal of any trees necessary to complete the improvements.

Section 19. Roof Ventilators or Projections. Every effort will be made by builder to locate all roof ventilators (other than ridge ventilators) at the rear of the roof ridge line and/or gable of any structure and not extend above the highest point of such structure, so as not to be visible from any public street. Declarant and the New Construction Committee may approve exceptions to this restriction when energy conservation and heating/cooling efficiency require ventilators that, because of a particular roof design, cannot be hidden from view as described above.

Section 20. Window Coolers and Condensers. No window or wall type air conditioners or water coolers shall be permitted to be used, erected, placed or maintained on or in any residential building on any part of the Property. No air conditioners shall be located on the ground in front of a residence. All others must be screened from public view.

Section 21. Driveways. The Owner of each Lot shall construct and maintain at his expense a driveway of not less than twelve feet (12') in width (unless such minimum width has been increased by Supplemental Declaration) from his garage to an abutting street, and not less than ten feet (10') in width when the garage is detached and when there is a front hook-in garage, including the portion in the street easement, and he shall repair at his expense any damage to the street occasioned by connecting his driveway thereto. All driveways or entry walks shall be of concrete, masonry or other hard surface material approved by the Committee. No asphalt driveways will be permitted.

The New Construction Committee reserves the right to restrict the location of any driveway on any Lot. Such restriction will be so stated in the Supplemental Restrictions recorded for any or all Neighborhoods within the Property.

Section 22. Landscape. The Owner of each Lot, as a minimum, shall sod the front of his Lot with grass, and shall at a times maintain such grass in a neat, clean and attractive condition, periodically resodding damaged areas of the lawn as they occur. No more than ten percent (10%) in area of the front yard area of any Lot, excluding driveways and sidewalks, may be covered by rock material other than vegetation.

Section 23. Outbuildings. No treehouse or children's playhouse shall be permitted on any Lot in the Property without prior written approval of the New Construction Committee or the Modifications Committee, as the case may require. Outbuildings or other structures, temporary or permanent, other than the main residence or garage shall be limited to eight feet (8') in height and shall be subject to approval by the New Construction Committee. Temporary structures may be used as building offices and other related purposes by Declarant or a Builder. Any other type of permitted outbuilding must be in keeping with the overall character and aesthetics of the living Unit located on the Lot, provided that metal storage sheds may be permitted in styles and locations approved in the discretion of the New Construction Committee or the Modifications Committee, as the case may require. The New Construction Committee or the Modifications Committee shall be entitled to review and approve or disapprove, without limitation, all outbuildings, playstructures (including basketball backboards and hoops), and storage structures. Any such outbuildings will be required to be constructed with material and design that is determined by the New Construction Committee or Modifications Committee to be architecturally and aesthetically compatible with the design of the living Unit thereon and other structures in the Neighborhood or nearby Property. All playground and recreational equipment pertaining to a Lot must be placed at the rear of such Lot. No basketball hoop and/or backboard shall be installed closer to the front or side Lot lines facing on any adjacent street than the applicable building set-back line along such street. No outbuilding or play structure will be permitted (a) to be placed on an easement; or (b) be located nearer to a Lot boundary than the applicable building set-back established by Plat or Supplemental Declaration. The New Construction Committee is hereby authorized to determine what constitutes a violation of this restriction.

Section 24. Lot Drainage. All drainage of water from any Lot and the improvements thereon shall drain or flow as set forth below:

- (a) Any such water shall drain or flow from the rear Lot line to the front Lot line into adjacent streets (unless plat of subdivision or construction plans dictate otherwise) and shall not be allowed to drain or flow upon adjoining Lots or Common Properties unless an easement for such purpose is granted. The Owner shall provide drains or swales to effect such drainage upon construction of the dwelling unit of the Lot.

- (b) All slopes or terraces on any Lot shall be maintained so as to prevent any erosion thereof upon adjacent streets or adjoining Property.
- (c) No structure, planting or other material shall be placed or permitted to remain or other activities undertaken within the Property or any portion thereof by any Owner which might damage or interfere with established slope ratios or interfere with established drainage functions or facilities.

Section 25. Building Height; Minimum Square Footage. No building or living Unit in the Property shall exceed two and one-half (2-1/2) stories in height. Furnished attics and/or basements shall not be considered for the purposes of this Section to be separate stories. No developed area labeled fifty-five feet (55') front lots shall contain less than one thousand four hundred square feet (1,400') of heated/air-conditioned living space. No developed area labeled sixty-five (65') front Lots shall contain less than two thousand eight hundred square feet (1,800') of heated/air-conditioned living space. No developed area labeled seventy-five (75') and above front Lots shall contain less than two thousand two hundred square feet (2,200') of heated/air-conditioned living space. All computations of living area shall be exclusive of attics, basements, open or screened porches, terraces, patios, driveways, and garages. Measurements shall be to the face of the outside walls of the living area.

Section 26. Building Requirements. As to each Lot in the Property, the following building requirements shall apply unless the New Construction Committee agrees to the contrary in writing, to-wit:

- (a) No building (i) shall be placed or built on any Lot nearer to the front Lot line or nearer to a side Lot line than the building lines therefor shown on the relevant subdivision Plat, or (ii) shall encroach on any easement shown on the relevant subdivision Plat unless (A) approved in writing by the New Construction Committee as having resulted from settling or shifting of improvements, and (B) permitted by applicable law and governmental authorities having jurisdiction. In no case shall a structure be located closer than twenty feet (20') to a rear property line or five feet (5') to a side property line. Outbuildings, provided they do not exceed one story in height, may be placed as close as ten feet (10') to a rear property line. The eaves of buildings, fireplaces and steps shall not be deemed to be part of a building or structure, but covered porches shall be deemed to be a part of a building or structure for the purpose of this covenant. However, in no case should an Improvement other than landscaping or a fence be permitted closer than five feet (5') from a property line.
- (b) Before the living Unit constructed on the Lot is completed, the Owner shall construct a sidewalk parallel to and within the street right-of-way for the full width of the Lot at the street and other walkways of a size, nature, type and configuration to be approved by the New Construction Committee. For corner

lots, similar sidewalks parallel to the perpendicular street shall be constructed at the same time.

- (c) Each living Unit located on a corner Lot shall face the public street having the lesser frontage, unless otherwise approved by the New Construction Committee or otherwise provided in an applicable Supplemental Declaration.
- (d) Orientation of each garage entrance to the public street on which the living Unit fronts may be (i) front loading, (ii) front hook-in, or (iii) detached. Any different configuration shall be as approved by the New Construction Committee or in any applicable Supplemental Declarations filed (now or hereafter) in the Real Property Records of Bexar County, Texas, with respect to the particular Lot or Neighborhood in question.

Section 27. Walls and Fences. No walls or fences shall be erected or maintained nearer to the front Lot line than the front building line on such Lot, nor on corner Lots nearer to the side Lot line than the building setback line parallel to the side street, except in special circumstances necessitated by the geography and platting of a particular area, and specifically permitted by the Supplemental Declaration(s). No fence or walls shall be more than six (6) feet in height, unless otherwise permitted in a Supplemental Declaration or unless approved for such Lots in writing by the New Construction Committee or Modification Committee, as the case may be, in their sole judgment and discretion. No chain link fence type construction will be permitted on any Lot except, however, Declarant is exempt from this prohibition as long as it owns portions of the Property. Any wall or fence erected on a Lot by Declarant, or its assigns, shall pass ownership with title to the Lot and it shall be Owner's responsibility to maintain said wall or fence thereafter. Approval of the New Construction Committee shall be obtained prior to the erection of any wall or fence on any Lot.

All walls and fencing shall be made of wood, ornamental metal or masonry except as set forth herein or in any applicable Supplemental Declaration filed by Declarant, or as otherwise permitted in the discretion of the New Construction Committee or Modifications Committee, as the case may be. The use of chain link fencing is prohibited on all Lots, except for tennis courts and other special applications, and then only with prior written permission from the New Construction Committee or Modifications Committee, as the case may be.

Specific Lots in the Property are subject to the requirement that uniform fencing be constructed and maintained as specified by the New Construction Committee along the building set-back lines of such Lots adjacent to the roads and/or landscape reserves which abut such Lots, such fencing to be more specifically addressed in any subsequent Supplemental Declaration or in the New Construction Committee guidelines.

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Section 28. Roofs. The roof of each living Unit shall be covered with composition type Dimensional shingles for all sixty-five foot (65') Lots and Three Tab or better for all fifty-five foot (55') Lots. Any other type roofing material may be permitted only at the sole discretion of the New Construction Committee, upon written request. All roof stacks and flashings must be painted to match the approved roof color. No flat roofs shall be permitted.

Section 29. Garages. A garage able to accommodate a minimum of two (2) and a maximum of three (3) automobiles must be constructed and maintained for each residence. All garage doors must be pre-wired for garage door openers. Except for detached garages, interior walls of all garages must be sheetrock. No garage shall be permitted to be used or enclosed for living purposes, but must be maintained for storage of automobiles and other vehicles and related purposes.

Section 30. Hunting and Firearms. No hunting shall take place within the Subdivision. No firearms may be discharged thereon at any time.

Section 31. Window Treatments. No aluminum foil, reflective film, paper, or similar treatment shall be placed on windows or glass doors at any time.

Section 32. Tree Protection. Trees on any Individual Lot will potentially be enjoyed by and benefit all residents in the subdivision, and consequently it is the intent of the Declarant and the Association to retain the overall character of the tree massing in the development. To prevent the unnecessary damage or death to existing trees, the Lot Owner, his architect, and/or builder is encouraged to refer to and follow Tree Care and Protection Procedures.

ARTICLE XI ANNEXATION OF ADDITIONAL PROPERTY

Section 1. Annexation Without Approval of Membership.

- (a) As the Owner thereof, or if not the Owner, with the consent of the Owner thereof, Declarant, its successors or assigns, shall have the unilateral right, privilege, and option, from time to time at any time until twenty (20) years from the date this initial Declaration is recorded in the Office of the County Clerk of Bexar County, Texas, to annex and subject to the provisions of The Declaration and the jurisdiction of the Association all or any portion of tracts of real property, whether in fee simple or leasehold, by filing in the Bexar County Real Property Records a Supplemental Declaration annexing such property. Such Supplemental Declaration shall not require the vote of Members of the Association or approval by the Association or any person. Any such annexation shall be effective upon the filing of such Supplemental Declaration in the Bexar County Real Property Records: unless otherwise provided therein.

Declarant shall have the unilateral right to transfer to any other person its right, privilege, and option to annex herein portions of the annexable and/or additional Property, provided that such transferee or assignee shall be the developer of at least a portion of annexable land shall be expressly designated by Declarant in writing to be successor to all or any part of Declarant's rights hereunder.

Any such annexation or addition shall be accomplished by the execution and filing for record by Declarant (or the other Owner of the Property being added or annexed, to the extent such Owner has received a written assignment from Declarant of the right to annex), of an instrument to be called "SUPPLEMENTAL DECLARATION." Each Supplemental Declaration of annexation must set out and provide for the following:

- (i) the name of the Owner of the Property being added or annexed who shall be called the "Declarant" for purposes of that Supplemental Declaration;
- (ii) the legal sufficient perimeter (or recorded subdivision description of the Property being added or annexed, separately describing a portions of the annexed Property that are dedicated and/or conveyed to the public or any governmental or quasi-governmental authority for street right-of-way or utility facility purposes, those portions that are to comprise Lots for construction of living Units and related improvements and those portions that comprise Common Property (those being the only three permitted uses for annexed Property);
- (iii) a mutual grant and reservation of rights and easements of the Owners in and to the existing and annexed Common Property and Facilities;
- (iv) that the Property is being added or annexed in accordance with and subject to the provisions of this initial Declaration, as theretofore amended, and that the Property being annexed shall be developed, held, used, sold and conveyed in accordance with and subject to the provisions of this Declaration as theretofore and thereafter amended;
- (v) that all of the provisions of this Declaration, as theretofore amended, shall apply to the Property being added or annexed with the same force and effect as if said Property were original included in this Declaration as part of the Property; and,
- (vi) that a vendor's lien is therein reserved in favor of the Association, in the same manner as herein provided, to secure collection of the Assessments provided for, authorized or contemplated herein or in the Supplemental Declaration of annexation.

Each such "Supplemental Declaration" may contain other provisions not inconsistent with the provisions of The Declaration, as amended.

After additions or annexations are made, all assessments collected by the Association from the Owners in the annexed areas shall be commingled with the Assessments collected from all other Owners so that there shall be a common maintenance fund for the Properties. Nothing in this Declaration shall be construed to represent or imply that Declarant, its successors or assigns, are under any obligation to add or annex additional Property to this residential development.

Section 2. Annexation With Approval of Membership. Subject to the written consent of the owner thereof, upon the written consent by affirmative vote of two-thirds (2/3) of the total number of votes of the Association present or represented by proxy at a meeting duly called for such purpose, the Association may annex or permit the annexation of real property and to the provisions of The Declaration and the jurisdiction of the Association by filing, or having the party owning such property file, a Supplemental Declaration in respect to the Property being annexed in the Bexar _County Real Property Records. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and any such annexation shall be effective upon recording in the Bexar County Property Records unless otherwise provided therein. The timing of and manner in which notice of any such meeting of the Members of the Association, called for the purpose of determining whether additional Property shall be annexed, and the quorum required for the transaction of business at any such meeting, shall be as specified in the By-laws of the Association for regular or special meetings, as the case may be.

ARTICLE XII GENERAL PROVISIONS

Section 1. Enforcement. The terms and provisions run with and bind the land included in the Property, and shall inure to the benefit of and be enforceable by Declarant, the Association, or the Owner of any Lot, and by their respective legal representatives, heirs, successors and assigns. The Declaration may be enforced in any proceeding at law or in equity against any person or entity violating or threatening to violate any term or provision hereof, to enjoin or restrain violation or to recover damages, and against the Property to enforce any lien created by The Declaration, and failure of Declarant, the Association, or any Owner to enforce any term or provision of The Declaration shall never be deemed a waiver of the right to do so thereafter.

Section 2. Incorporation. The terms and provisions of The Declaration shall be construed as being adopted in each and every contract, deed, or conveyance hereafter executed by Declarant conveying all or any part of the land in the Property, whether or not referred to therein, and all estates conveyed therein and warranties of title contained shall be subjected to the terms and provisions of The Declaration.

Section 3. Covenants Running with Title. The covenants and restrictions of The Declaration shall run with and bind the Properties, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Property subject to The Declaration, their respective legal representatives, heirs, successors and assigns.

Section 4. Amendments. The Declaration may be amended in whole or in part by any instrument executed by the President of the Association when approved by Members entitled to cast not less than seventy-four percent (74%) of the aggregate of the votes of all Members of the Association, regardless of whether such Members are or are not present at a meeting of the Members called for that purpose. Following any such amendment, every reference herein to The Declaration shall be held and construed to be a reference to The Declaration as so amended. All amendments shall be recorded in the Real Property Records of Bexar County, Texas. Nothing herein or in any Supplemental Declaration shall permit or be construed to permit the Owners of Lots within a given Neighborhood or a portion of the Property annexed by Supplemental Declaration to alone decide to de-annex all or any part of such Neighborhood or annexed Property from The Declaration or the jurisdiction of the Association, or to amend any particular restriction, requirement or provision herein, except upon a vote of seventy-four percent (74%) of all of the Members in the entire Association, including (but not requiring any Particular percentage vote of) those Owners who were Members of the Association prior to the annexation of the neighborhood or annexed area in question. No such group of Owners or Members shall have such right to secede from the Association or amend such restrictions except on an Association-wide vote as above contemplated.

Section 5. Amendments by Declarant.

- (a) Declarant shall have and reserves the right at any time and from time to time, without the joinder or consent of any other party, to amend The Declaration by any instrument in writing duly signed, acknowledged, and filed for record for the purpose of correcting any typographical or grammatical error, ambiguity or inconsistency appearing herein, provided that any such amendment shall be consistent with and in furtherance of the general plan and scheme of development as evidenced by The Declaration, and shall not impair or affect the vested property or other rights of any Owner or such Owner's mortgagee.
- (b) Particularly reserved to Declarant is the right and privilege of Declarant to designate, by Supplemental Declaration, additional and/or more specific restrictions applicable to any portion of the Properties within The Declaration so long as Declarant owns at least ninety percent (90%) of the number of Lots within the portion(s) of the Property to be so affected. Such additional restriction may be done by Declarant without the consent or joinder of the other ten percent (10%) of Lot owners in such affected area. No such designation of additional or more specific requirements or restrictions, or subsequent change of requirements or restrictions, as provided for herein,

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shall be deemed to adversely affect any substantial right of any existing Owner.

Section 6. Books and Records. The books and records of the Association shall, during reasonable business hours, be subject to reasonable inspection by any Member. The Board of Directors may, by resolution, establish rules and regulations governing the frequency of inspection and other matters to the end that inspection of the books and records by any Member or Members will not become burdensome to nor constitute harassment of the Association. The Declaration and the Articles of Incorporation and the By-laws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

Section 7. Indemnification and Hold Harmless.

- (a) By the Association. The Association shall indemnify every officer and director against any and all expenses, including fees of legal counsel, reasonably incurred by or imposed upon any officer or director in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) which he or she may be a party by reasons of being or having been an officer or director. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be members of the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless from and against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or director, may be entitled. The Association may, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation.
- (b) By an Owner. Each Owner shall be liable to the Association for any damage to the Common Properties and/or Facilities of any type or to any equipment thereon which may be sustained by reason of the negligence of said Owner, his tenants, employees, agents, customers, guests or invitee, to the extent that any such damage shall not be covered by insurance. Further, it is specifically understood that neither the Declarant, the Association, the Board of Directors, or any Owner shall be liable to any person for injury or damage sustained by such person occasioned by the use of any portion of the recreational facilities or other Common Properties or Facilities within the Properties. Every Owner does hereby agree to defend, indemnify and hold harmless the Declarant, the Association, the Board of Directors and other

Owners from and against any such claim or damage as referenced in the immediately preceding sentence hereof, including, without limitation, legal fees and court costs.

Section 8. Rights of Mortgagees and lienholders. No violations of any of these restrictions, covenants or conditions shall affect or impair the rights of any mortgagee or lienholder under any mortgages or deed of trust, or the rights of any assignee of any mortgagee or lienholder under any such mortgage or deed of trust.

Section 9. Right to Subdivide or Resubdivide. Prior to the time Declarant parts with title thereto, Declarant shall have the right (but shall never be obligated) to subdivide or resubdivide into Lots, by recorded Plat or in any other lawful manner, all or any part of the land included within the Property.

Section 10. Building Sites. With the written approval of the New Construction Committee, the Owner of a group of Lots, each of which is adjacent to one or more of the other Lots in the group, may designate a part of a Lot, or any combination of Lots or portions of Lots, to be a building site or building sites. The front, rear and side lines of the platted Lots affected by any such action, as such lines are designated on the subdivision Plat, shall be adjusted to conform to the front, rear and side lines of the new building sites for building and other purposes. Improvements, limited to the improvements permitted in The Declaration or subsequent Supplemental Declarations, may be constructed on any such building site in accordance with the new front, rear and side lines thereof. Each such building site, upon being designated as such by the Owner(s) thereof with the written approval of the New Construction Committee, shall thereafter be a Lot for a purposes of this Declaration, except that a future assessments payable by the Owner of a building site comprised of several Lots combined into one building site in accordance with this Section 10 will be based upon one Assessment for each of the original Platted Lots.

Section 11. No Obligation as to Adjacent Property. The Property is a part of a larger tract or block of and owned by or under contract to Declarant. While Declarant may subdivide other portions of its property now or hereafter acquired, or may subject the same to a declaration similar to or dissimilar from this Declaration, Declarant shall have no obligation to do so, and if Declarant elects to do so, any subdivision plat or declaration executed by Declarant with respect to any of its other property may be the same as or as similar or dissimilar from any Subdivision Plat, The Declaration or Supplemental Declaration covering the Property, or any part thereof, as Declarant may desire and determine in its sole and exclusive discretion. Some of the tracts shown as "acreage" on the Property Plats are or may be a part of the other property of Declarant referred to in this Section 11.

Section 12. Renting or Leasing. Improvements on Lots may be rented or leased only by written leases and subject to the following restrictions:

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- a. All Tenants shall be subject to the terms and conditions of The Declaration, the By-laws, the Articles of Incorporation, and the rules and regulations promulgated thereunder as though such tenant were an Owner.
- b. Each Owner agrees to cause his lessee, Occupant, or persons living with such Owner to comply with The Declaration, By-laws, and the rules and regulations promulgated thereunder, and is responsible for all violations and losses caused by such tenants or Occupants, notwithstanding the fact that such Occupants of the living Unit are fully liable for any violation of the documents and regulations. Failure to comply shall, at the Board's option, be considered a default under the Occupant's lease.
- c. In the event that a lessee, Occupant or Person living with the lessee violates a provision of The Declaration, By-laws or rules and regulations adopted pursuant to thereto, the Board shall have the power to bring an action or suit against the lessee or other Occupant and/or Owner (in the Association's sole discretion) to recover sums due for damages or injunctive relief, or for any other remedy available at law or equity, including, but not limited to, all remedies available to a landlord upon the breach or default of the lease agreement by the lessee.
- d. The Board of Directors shall also have the power to impose reasonable fines upon the lessee, other Occupant and/or the Owner for any violation by the lessee, Occupant, or person living with the lessee of any duty imposed under The Declaration, the Association By-laws, or rules and regulations adopted pursuant thereto, and to suspend the right of the Owner, lessee, Occupant or person living with the lessee to use the Common Properties and Facilities. The Board shall have authority and standing to enforce any lease restrictions contained in or promulgated in accordance with any recorded instrument causing any part of the Property to become subject to The Declaration and/or any Supplemental Declaration.

Section 13. Notice. Any notice required or desired to be given under The Declaration shall be in writing and shall be deemed to have been properly served when (i) delivered in person and receipted for, or (ii) three (3) days after deposit in the United States Mail, certified, return receipt requested, postage Prepaid, addressed, if to an Owner, to the Owner's last known address as shown on the records of the Association at the time of such mailing or, if to the Association, to its President, Secretary or registered agent. The initial address for the Association and Declarant shall be:

PROMONTORY POINTE HOMEOWNERS ASSOCIATION, INC.
8000 IH-10 West, Suite 700
San Antonio, Texas 78230

Any such address for the Association and Declarant shall be effective unless and until a supplement to this Declaration shall be made and filed in the Real Property Records of Bexar County, Texas, specifying a different address for the party filing such supplement (in which event such address specified in such supplement shall be the address, for the purposes of this Section 13, for the addressee named in such supplement).

Section 14. Enforcement. The covenants, conditions, restrictions, easements, uses, privileges, assessments and liens of The Declaration shall run with the and be binding upon and inure to the benefit of Declarant, the Association and each Owner of the Properties or any part thereof, their respective heirs, legal representatives, successors and assigns. The enforcement of the provisions of The Declaration shall be vested in the Association. In the event the Association fails or refuses to enforce a provision of The Declaration for a period of thirty (30) days after written notice from Declarant or any Owner, as the case may be, Declarant or any Owner shall have the right, but not the obligation, to enforce such provisions. A breach of any of the provisions of this Declaration shall give to the party entitled to enforce such provision the right to bring a proceeding at law or in equity against the party or parties breaching or attempting to breach The Declaration and to enjoin such party or parties from so doing or to cause such breach to be remedied or to recover damages resulting from such breach. A breach of The Declaration by an owner relating to the use or maintenance of any portion of the Properties or part thereof is hereby declared to be and constitute a nuisance and every public or private remedy allowed by law or equity for the abatement of a public or private nuisance shall be available to remedy such breach. In any legal or equitable proceedings for the enforcement of The Declaration or to restrain a breach thereof, the party or parties against whom judgment is entered shall pay the attorney's fees and costs of the party or parties for whom judgment is entered in such amount as may be fixed by the court in such proceedings. All remedies provided under The Declaration, including those at law or in equity, shall be cumulative and not exclusive. No party having the right to enforce The Declaration shall be liable for failure to enforce The Declaration.

Section 15. Good Faith Lender's Cause. No violation of The Declaration shall affect any lien or deed of trust of record upon any Property subject to assessment of any part of the Property, when held in good faith. These liens may be enforced in due course, subject to the provisions of The Declaration.

Section 16. Mergers. If the Association shall merge or consolidate with another association as provided in the Articles of Incorporation, then the Association's properties, assets, rights, and obligations may be transferred to another surviving or consolidated association or, alternatively, the properties, assets, rights, and obligations of another association may be transferred to the Association as a surviving corporation. The surviving or consolidated association shall administer any restrictions, together with any declarations of covenants, conditions, and restrictions governing these and any other properties, under one administration. No merger or consolidation shall cause any revocation, change, or addition to this Declaration.

Section 17. Conflict with Deeds of Conveyance; Declarant's Rights. If any part of The Declaration shall be in conflict with any term of a previously recorded deed of conveyance to any portion of the Property, the term of the prior deed of conveyance shall govern, but only to the extent of such conflict, where rights are reserved to Declarant by the restrictions of this Declaration, Declarant reserves the right to modify such restrictions as necessary in subsequent deeds of conveyance, in which case the terms of the deeds of conveyance shall prevail.

Section 18. Duration. The Declaration shall remain in full force and effect for a term of twenty (20) years from the date The Declaration is recorded in the Office of the County Clerk of Bexar County, Texas, after which time The Declaration shall be extended automatically for successive periods of ten (10) years each unless and until an instrument signed by the Members entitled to cast not less than seventy-four percent (74%) of the aggregate of the votes of both Classes of Membership has been filed for record in the Office of the County Clerk of Bexar County, Texas, agreeing to terminate this Declaration.

Such an instrument so filed for record shall become effective on the date stated therein or one (1) year after it is so filed for record, whichever is the alter date. No particular area annexed herein by Supplemental Declaration, nor the Owners thereof, shall be entitled to elect not to renew the term hereof, as it pertains to such annexed Property, except upon a vote of the requisite percentage (set forth above) of a Members of the entire Association, including those Members owning Lots within and those owning Lots outside of the annexed area that desires non-renewal.

Section 19. Severability. Invalidation of any term or provision of The Declaration by judgment or otherwise shall not affect any other term or provision of this Declaration, and this Declaration shall remain in full force and effect except as to any terms and provisions which are invalidated.

Section 20. Gender and Grammar. The singular wherever used herein shall be construed to mean or include the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations (or other entities) or individuals, male or female, shall in all cases be assumed as though in each case fully expressed.

Section 21. Titles. The titles of The Declaration and of Articles and Sections contained herein are for convenience only and shall not be used to construe, interpret, or limit the meaning of any terms or provisions contained in this Declaration.

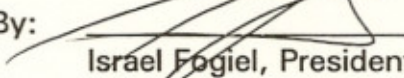
Section 22. Successors in Title. The terms and provisions of this Declaration shall apply to, be binding upon, and inure to the benefit of Declarant and the Association, and their respective successors and assigns.

IN WITNESS WHEREOF, this Declaration is executed this the 19th day of March, 1996.

DECLARANT:

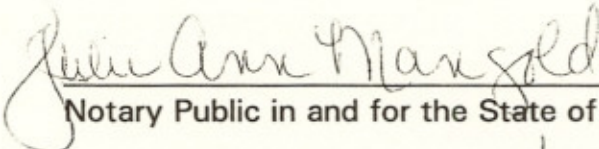
VFA ASSOCIATES, LTD.,
a Texas limited partnership

By: Great America Companies, Inc.,
Managing General Partner

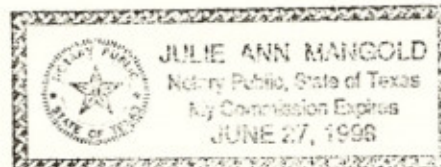
By: 
Israel Fogiel, President

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on the 19th day of March, 1996, by Israel Fogiel, President of Great America Companies, Inc., a Texas Corporation, Managing General Partner of VFA Associates, Ltd., a Texas limited partnership, on behalf of said Corporation and said partnership.


Notary Public in and for the State of Texas
Commission Expiration Date: 6/27/98

AFTER RECORDING, RETURN TO:
VFA Associates, Ltd.
8000 IH-10 West, Suite 700
San Antonio, TX 78230



CONSENT OF MORTGAGEE

The undersigned, International Bank of Commerce, a state banking association, being the owner and holder of an existing mortgage or lien upon and against the land and property described as the Property in the foregoing Declaration of Covenants, Conditions and Restrictions for Promontory Pointe at Stone Oak II P.U.D., Unit 1, as such mortgagee and lienholder, does hereby consent to said Declaration as if the same had been recorded prior to the creation of such lien.

This consent shall not be construed or operate as a release of said mortgage ^{or} ~~of~~ liens *the* owned and held by the undersigned, or any part thereof. *

Signed by the undersigned this the 20 day of March, 1996.

INTERNATIONAL BANK OF COMMERCE
a State Banking Association

By:

Richard L. Capps
Richard L. Capps, First Vice President

STATE OF TEXAS

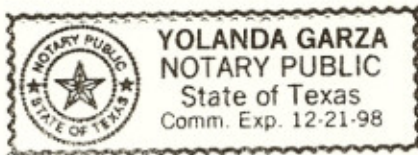
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COUNTY OF BEXAR

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This instrument was acknowledged before me on the 20th day of March, 1996, by Richard L. Capps, First Vice President of International Bank of Commerce, a state banking association.



Yolanda Garza
Notary Public in and for the State of Texas

Yolanda Garza
Printed or Typed Name of Notary

Commission Expiration Date: 12-21-98

[SIGNATURE PAGE FOR THE MORTGAGEE ON THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PROMONTORY POINTE, UNIT 1]

* or otherwise limit, waive or restrict any rights that the undersigned may have as the lienholder.

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