

EXHIBIT C

STATE OF TEXAS

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COUNTY OF WALLER

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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF
PENICK NORTH-2000**

A&M REAL ESTATE DEVELOPMENT, LTD. BY A&M GENERAL PARTNER, INC. hereinafter called "Declarant" is the Owner in fee simple of certain real property located in WALLER County, Texas, said property being known as PENICK NORTH-2000, as per plat thereof of record in the plat records of WALLER County, Texas.

Subject property is now or will be divided into smaller parts or tracts, the total of which will hereinafter be referred to as the "Project", or as PENICK NORTH-2000.

For the purpose of enhancing and protecting the value, utility, attractiveness and desirability of the tracts constituting such project, Declarant hereby declares that all the real property described above and each part thereof shall be held, sold, and conveyed only subject to the following easements, authority, covenants, conditions, and restrictions, which shall constitute covenants running with the land and shall be binding on all parties having any right, title, or interest in the above described property or any part thereof, their heirs, successors, and assigns, and shall inure to the benefit of each Owner thereof.

**ARTICLE I
DEFINITIONS**

Section 1. "Association" shall mean and refer to PENICK NORTH-2000 Property Owners Association, its successors and assigns, or corporate entity of similar name created by Developer, also called P.O.A.

Section 2. "Declarant" shall mean A&M REAL ESTATE DEVELOPMENT, LTD. BY A&M GENERAL PARTNER, INC. their heirs, successors and assigns, provided such an assign acquires the project in total, or the remainder in total for purposes of development and sale. Declarant may be referred to as "Developer".

Section 3. "Tract" shall mean any plot of land as is divided or re-divided within the project.

Section 4. "Maintenance" shall mean the exercise of reasonable care to keep buildings, roads, landscaping, lighting, drainage, irrigation systems, commons and other related improvements and fixtures in a condition comparable to their original condition, normal wear and tear excepted.

Section 5. "Member" shall mean every person or entity who holds membership in the Association. Each purchaser of property in the project becomes a member of the Association upon such purchase.

Section 6. "Mortgagee" shall mean a holder of a bona fide mortgage or a beneficiary under or holder of a Deed of Trust.

Section 7. "Mortgage" shall mean a bona fide mortgage, a Deed of Trust, or a Vendor's Lien.

Section 8. "Board" shall mean the Board of Directors of the Association.

Section 9. "Drives" shall mean any common area reserved for the use by all Owners for vehicular traffic.

Section 10. "Commons" shall mean any property reserved for or dedicated to the common use of property Owners, or established through easements across tracts, or any properties leased for such purpose.

Section 11. "Owner" shall mean the record Owner, including Declarant, whether one or more persons or entities, of the fee simple title to any tract which is a part of the project, and shall include purchasers under contract for deed, but shall not include those holding title merely as security for performance of an obligation.

Section 12. "Project" shall mean the real property described herein, and such additions thereto as may be brought with the Jurisdiction of the Association as herein under provided.

Section 13. "Vote" where one vote per acre is stated herein, it will mean one vote for a full acre and/or a fractional vote for a fraction of an acre, i.e., a 1/4 acre ownership will count as 1/4 of a vote.

ARTICLE II EASEMENTS, DRIVES, ROADS, AND PRIVATE ROADS

Section 1. Private roads, drives, or access easements and easements for installation and maintenance of utilities, irrigation and drainage, are established by separate instrument of record or to be placed of record in the office of the County Clerk and as hereinafter set forth. With such easements and private roads, no structure, planting, or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of service or utilities, or which may damage, interfere with, or change the direction or flow of drainage facilities in the easements, or which may interfere with passage along such common or private road easements. The easement area of each tract and all improvements therein shall be continuously maintained by the Owner of such tract, except for improvements or maintenance of which a public, private, or quasi-public authority or utility company is responsible. Easements established as commons for greenbelts, riding trails, hiking trails, etc. will be maintained by the Association and may not be fenced into private property except as to hereinafter prescribed.

Section 2. No dwelling unit or other structure of any kind shall be built, erected or maintained on any such easement, reservation, or right of way and such easements, reservations or rights of way shall at all times be open and accessible to representatives of the Association, to public and quasi-public utility corporations, their employees and contractors, and shall also be open and accessible to Declarant, its successors and assigns, all of whom shall have the right and privilege of doing whatever may be necessary on, or under, and above such locations to carry out any of the purposes for which such easements, reservations and rights of way are reserved.

Section 3. Neither Declarant, Association nor any utility company using the above mentioned easements shall be liable for any damage on by either of them or their assigns, agents, employees, or servants, to shrubbery, trees, flowers, or other property of the owner situated on the land covered by said easements.

Section 4. The Association, through its duly authorized employees and contractors shall have the right, after reasonable notice to the Owner thereof, to enter any tract at any reasonable time to perform such maintenance as may be authorized herein.

Section 5. The private drive or roadway easements as set forth herein or by separate instruments or as established within the commons upon the ground, are for the private use and benefit of the Owners of the tracts within the project as therein prescribed, and under the conditions as therein set forth, and are not dedicated to the general public.

Section 6. The Declarant/Developer or the Association in its authority may take unto itself or execute unto any fresh water supply, electric utility, gas utility, telephone or other utility entity right of way easements in the form and under the conditions as may at the time be required by said entity as a prerequisite to service of this project with fresh water or other utility.

Section 7. The Declarant/Developer or the Association in its authority may take unto itself or execute unto others right of way easements in the form and under the conditions as at that time may be required by said entity to distribute to each and every tract herein water for the purposes of irrigation and/or provide drainage.

Section 8. It is understood and agreed that the easements granted herein and to be granted hereafter are reserved as permanent easements for the purposes set forth and are not subject to the time limit applicable to other restrictions.

Section 9. There is hereby reserved and established a utility easement adjacent and parallel to all roadway easements and/or drainage easements. Said utility easement is sixteen (16) feet wide upon the ground and sixteen (16) feet above the ground and extends from the outside boundary of the roadway easement or right of way into and upon the adjoining property on each side thereof. There is further reserved an easement, including an aerial easement, into all property adjacent thereto and in addition thereto for the purpose of installation of guy wires where necessary for securing utility poles.

Section 10. Easements for installation and maintenance of utilities and drainage facilities, pipelines and alley ways are reserved as shown on the recorded plat. No construction may exist over

or across any such easement. By acceptance of a deed to any one or more of the above lots, the owner thereof covenants and agrees to keep and maintain in a neat and clean condition any easement which may traverse a portion of the lot being conveyed.

Section 11. Subject to the terms and conditions of this Section, the roads and streets in this PENICK NORTH-2000 as shown on the plat are hereby dedicated, in addition to roadways, as utility easements for the purpose of constructing, operating, maintaining or repairing a system or systems of electric lighting, electrical power, telegraph and telephone lines, gas lines, sewers, water lines, storm drainage (surface or underground), cable television, or any other utilities that the developer sees fit to install in, across and/or under the property.

ARTICLE III **ARCHITECTURAL CONTROL**

Section 1. No external improvements or changes shall be erected, placed, or altered on any tract until the construction plans and specifications and a plan showing the location of the structure, complete plan of septic system showing relation to tract lines and water lines or sources have been approved by the Architectural Control Committee as to quality of workmanship and materials, harmony of external design with existing structures, and as to location with respect to topography and finish grade elevation. Approval shall be provided herein.

Section 2. The Architectural Control Committee is hereby authorized to enforce any building of fire codes, or any rules, restrictions, or requirements concerning the construction of buildings on this project. Said requirements having been made by an Authority, local, county, state, or otherwise, having the legal authority to make such requirements. It is further stipulated herein that the Architectural Control Committee is empowered to require fire walls to be constructed as wall sections in contiguous housing, should such type housing in the future be allowed, wherever said Architectural Control Committee deems that such requirement is necessary or beneficial to the safety and preservation of property or life. Such requirement would be based on the requirements of municipalities of the area or some other standard code ordinarily pertaining to the construction industry.

Section 3. The Architectural Control Committee may be composed of as many as three persons appointed by the Board of the PENICK NORTH-2000 Property Owners Association. In the event of death, dismissal, or resignation of any member of the committee, the remaining members shall have full authority to designate a successor, subject to approval of the Association Board. Neither of the members of the committee nor its designated representative, shall be entitled to any compensation for services performed pursuant to this covenant except as is budgeted and approved the Association Board.

Section 4. The committee's approval or disapproval as required in the covenants shall be in writing. In the event the committee, or its designated representative, fail to approve or disapprove within thirty (30) days after plans and specifications have been submitted to it, or in any event, if no suit to enjoin the construction has been commenced prior to the completion thereof, approval will not be required and the related covenants shall be deemed to have been fully complied with; however, any building or improvements placed upon a lot herein that was not presented to the Architectural

Control Committee for approval prior to start of construction or placement will be in violation of these restrictions and may be removed by the Architectural Control Committee at the property owner's expense. If the P.O.A. pays for such removal, the cost plus interest will become a lien upon the property.

ARTICLE IV **USE RESTRICTIONS**

Section 1. All tracts in this PENICK NORTH-2000 are designated as residential home sites for single family dwellings unless otherwise approved in writing by the Declarant or the Association.

Section 2. Any modular or manufactured housing unit must be newly constructed or manufactured. No manufactured units will be allowed to be placed on these lots that are not new at the time of delivery, without the written approval of the Declarant or Architectural Control Committee. Manufactured homes and mobile homes must be skirted upon installation on a lot. Each unit must either be located parallel or perpendicular to the street. A unit that is parallel to the street must be set back from the front property line at least 50 feet, from each side property line a minimum of 5 feet (unless approved in writing by Declarant or Architectural Control Committee) and the rear property line at least 20 feet. A unit that is perpendicular to the street must be set back from the front property line 25 feet, from the side property lines at least 20 feet and from the rear property lines at least 10 feet. All homes that are placed perpendicular to the street must have written approval by Declarant or Architectural Control Committee.

Section 3. The Owner of a lot may occupy a manufactured home with written permission obtained from Declarant or Architectural Control Committee prior to the placement of the manufactured home on said lot, therein designating model, size, description, and proposed location of the manufactured:

- a. A Doublewide or Triplewide Manufactured Home shall not be placed or situated less than TWO HUNDRED (200') from all property lines which are adjacent to the road or street and must have written approval of the Declarant or Architectural Control Committee prior to placement on the property. No single-wide manufactured home or mobile home may be placed or situated on the land, without written approval of Declarant or the association.
- b. All manufactured homes shall be of good repair, of attractive design and appearance and built by a commercial manufacturer properly registered with the Texas Department of Housing and Community Affairs. No porches, rooms or other additions or improvements to the manufactured home may be constructed or added to the premises without the primary written consent of Architectural Control Committee;
- c. All manufactured homes shall meet the building, installation, electrical wiring, health and safety requirements of the National Mobile Home Construction Safety Standards Act of 1974 and all standards, rules, and regulations of the Texas Department of

Houston and Community Affairs and the Department of Housing and Urban Development;

- d. Prior to occupancy, manufactured homes must be properly blocked with cement blocks of solid construction and anchored;
- e. All porches and steps must be approved by Declarant or Architectural Control Committee;
- f. Unless authorized in writing by Declarant or Architectural Control Committee, only one manufactured home shall be placed or maintained on any single lot; however, nothing herein shall prohibit double wides or triple-wides;
- g. Each manufactured home shall be skirted at the same time the unit is placed on the property;
- h. All out-buildings must be approved by Declarant or Architectural Control Committee;
- i. All steps used to gain entrance to a mobile home must be wood, concrete, wrought iron or such other material as may be approved by the Declarant or Architectural Control Committee;
- j. No travel trailer or recreational vehicle may be placed on the property unless a covered parking structure approved by Declarant is provided for such. An old home can only be moved onto the property with the express prior written permission of Declarant. Only new manufactured homes or mobile homes are allowed unless written approval in writing by Declarant or Architectural Control Committee is received; and
- k. Unless approved by Declarant or Architectural Control Committee in writing, manufactured homes must have wood siding, simulate wood siding (masonite) or vinyl, with residential wood trim (no metal) and skirted.

Section 4. An Owner shall submit to and obtain written approval of the Architectural Control Committee of any plans and specifications for primary or secondary buildings, before commencement of work, to determine architectural suitability and conformity with restrictions. Approval shall be granted or withheld based on matters of compliance with the provisions of this instrument, quality of materials, harmony of external design with existing and proposed structures and location with respect to topography and finish grade elevation. Should the Architectural Control Committee not approve plans so submitted within (30) days from submission, such plans will be deemed to have been disapproved. When construction of any improvement is begun, it shall be completed with reasonable diligence and no construction material or equipment shall be stored on the property except as construction is begun and continue with reasonable diligence. In this connection it is agreed and understood that the erection of the exterior portion of any residence shall be completed on or before 12 months from the inception date of construction. The moving of used

buildings onto any building site in the development is prohibited unless such building is first inspected and approved in writing by the Architectural Control Committee. At each lot where a unit is placed the Owner of such lot shall construct at its sole cost and expense a driveway from the street fronting such lot onto the lot with four inch thick iron ore, limestone, concrete, or other material which may be approved by the Architectural Control Committee. Undemeath such driveway at the point of the bar ditch there shall also be placed an eighteen (18) inch or larger culvert as determined by the requirements allowing for surface water drainage along the bar ditch.

Section 5. There shall be no radio or TV tower, or any other kind of outdoor tower or antenna more than twenty (20) feet higher than the normal roof apex of the residence on such lot. All satellite dishes must be set at least behind the property line of the residence. All satellite dishes in excess of 18" in diameter must be set back at least 30 feet behind the front line of the residence and inside the side line of the residence and back yard). All clothes line must be set at least 30 feet behind the front line of the residence.

Section 6. No structure of a temporary character, tent, shack, garage or other outbuilding shall be used on any tract at any time as a residence, either temporarily or permanently. Outbuildings shall be permitted in the project. Storage buildings may not be utilized as residences on the tract. Any building of any type must be approved by the Declarant or Architectural Control Committee the same as a dwelling.

Section 7. No tract shall be used or maintained as a dumping ground for rubbish or trash, and no garbage or other waste shall be kept except in sanitary containers. All other equipment for the storage and disposal of such materials shall be kept in a clean and sanitary condition.

Section 8. Animals, livestock, emu, and ostrich, or poultry may be kept, bred, and maintained on any tract under the following conditions:

- a. No livestock of any type shall be allowed to run loose upon the streets or commons;
- b. All horses, cattle or other livestock or animals shall be kept enclosed by suitable fencing of the tract;
- c. No swine may be bred, kept or maintained on any tract in this project;
- d. No chickens, turkeys, or other poultry may be kept or raised in this project, except five per acre owned for personal consumption and/or show competition;
- e. Though horses are permitted, public stables are not permitted;
- f. Though cattle are permitted, feed lots are not permitted; and
- g. The premises shall be maintained in such a manner as to prevent health hazards and shall not be offensive to neighboring tracts. Should any animal, including but not limited to cats and dogs, become offensive to the neighborhood, that offense constitutes a violation of these covenants.

Section 9. No abandoned or inoperative automobile, other vehicle or trailer shall be permitted to remain on any tract or in front of any tract. This is not to be construed to mean that personal campers, boats, tractors, trailers, recreational vehicles, etc. in good and valuable condition may not be kept on premises; however, campers, trailers, boats, tractors and utility vehicles of every nature must be kept on the rear ½ of the premises or in a garage, shed or other suitable building.

Section 10. No commercial activity other than that of permitted livestock shall be conducted on any tract.

Section 11. No tract may be used to rent space to campers, recreational vehicles, trailers or other units for occupancy or storage or to maintain stables, kennels or space for rental to others.

Section 12. No dwelling or garage shall be placed nearer to any property line than twenty-five (25) feet from the street or fifteen (15) feet from adjacent property owner's line, or as shown on the plat of this section. Furthermore,

- a. No barn, shed or outbuilding shall be placed nearer to the front or street line than twenty-five (25) feet, nor nearer the side line than ten (10) feet, nor nearer the front than the primary dwelling.
- b. No barn, shed or building designed and/or used for live-stock will be located nearer than twenty-five (25) feet to the dwelling proper of any adjacent property owner's dwelling, provided said adjacent dwelling is set no farther away from the street line than twenty-five (25) feet.

Section 13. All lot owners shall provide for the disposal of waste material through a septic system or other disposal system approved by the appropriate governmental authority.

Section 14. No outside privies or toilets shall be permitted on any lot. All toilets shall be inside the houses and shall be connected to a sewage disposal system or a septic tank prior to occupancy, all at the expense of the owner of the lot. All septic tanks shall have field lines and shall be constructed and maintained in accordance with the requirements of the Health Department or all governmental agencies having jurisdiction over this land.

Section 15. No noxious or offensive, unlawful or immoral activity shall be carried on upon any lot, nor shall anything be done thereon which shall or may become an annoyance or nuisance of the neighborhood. Said nuisances include, but are not limited to activities such as to making loud noises, allowing dogs to roam unattended by an owner, using paint colors which are nonharmonious with the development, etc.

Section 16. No removal of trees and no excavation of materials for other than landscaping of construction of buildings or driveways will be permitted without the prior written permission of Declarant or Architectural Control Committee.

Section 26. No culvert, bridge, or crossing may be installed by lot owners unless approved by the proper authorities and the Architectural Control Committee. Conformance to size and grade requirements are mandatory. All culverts will be installed with headers, or retainers on each end to prevent erosion and dress culvert ends. These must be approved by the Architectural Control Committee prior to installation of culvert or wings.

Section 27. "For Sale" signs may be placed upon any vacant lot by individual lot owners, developers or any other person on entity. No other signs are permitted without approval of the Architectural Control Committee. The PENICK NORTH-2000 Property Owners Association, or its designated authority has the right to remove or dispose of any such signs.

Section 28. Should any property owner herein violate these covenants and restrictions, the PENICK NORTH-2000 Property Owners Association and the authority created herein will fifteen (15) days after notice, have the power to file suit to enforce compliance. The PENICK NORTH-2000 Property Owners Association will be empowered to charge as a special assessment all cost of time and expenditures, including legal fees, member's time, meeting fees, costs of removal of improvements in violation, and pay all related expenses. This special assessment will attach to the property upon which the violation rests and will become a lien as provided in these covenants for assessments and liens.

Section 29. Any on-going violation may be prosecuted on an on-going basis with the goal of the PENICK NORTH-2000 Property Owners Association being to correct the violation by whatever means is necessary. PENICK NORTH-2000 Property Owners Association cure of violations is authorized at the violating property owner's expense.

Section 30. Storage of equipment, materials, or any other product, or pasturing of livestock is strictly prohibited prior to construction of primary residence.

Section 31. Developer's Rights and Reservations. Developer shall have, retain and reserve the right to construct additional improvements in common areas, use common areas in promotion and marketing of the property and any annexable area, grant and create easements, whether temporary or permanent, for access, utilities, pipelines, drainage, water, and sanitary sewer. Such easements shall be located within the PENICK NORTH-2000 over and across roadways, lots, other easements in common areas at the Developer's sole discretion. Developer further reserves the right of annexation of additional residential property in common areas outside of the PENICK NORTH-2000 without the consent of the owners or any other party.

ARTICLE V **OWNER'S OBLIGATION TO REPAIR**

Each Owner shall, at his sole cost and expense, repair and maintain his residence, and other buildings on his tract, keeping the same in a condition comparable to the condition of such building at the time of its initial construction, excepting only normal wear and tear.

ARTICLE VI
MEMBERSHIP IN ASSOCIATION: VOTING RIGHTS

Section 1. Membership. Every Owner of a tract shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of a tract.

Section 2. Developer. For purposes of voting, Developer/Declarant will be construed as an owner and member with the same voting privileges of one (1) vote per acre owned, and a fractional vote for a fractional ownership, and Developer is entitled to one vote for each acre sold so long as Developer retains a financial interest or any ownership in this development.

Section 3. Votes Per Member. All owners shall be entitled to one vote for each full acre and a fractional vote for a fraction of an acre owned. When more than one person holds an interest in a given tract, all such persons shall be members and the vote for such tract shall be exercised as they may determine among themselves. In no event shall more than one (1) vote be cast with respect to any acre owned by such members.

Section 4. Voting Procedure. Voting may be by petition as prescribed for certain specific procedures herein. However, unless otherwise specifically stated herein, all votes will be by ballots mailed to the last known address of each member. These ballots must be mailed back by the member to a certified public accountant or lawyer designated by the board. The public accountant will tally all votes and certify the results to be true. Each vote will be identified by a lot, block and section number, stating the acreage owned and the number of votes represented thereby.

Any ballot vote must allow no less than a 30 day period between mail out of ballots and the return of mailed ballots.

Section 5. Boards. Declarant shall initially appoint a three (3) member Board of Directors of the Association with terms running one to five years, who shall serve until their respective terms expire. On the anniversary date of such appointments, and the same date of each following year, the members of the Association shall meet for the purpose of electing a member or members of the Board of Directors for that year as set forth herein. Such Board of Directors shall have the full powers and duties as may be reasonably necessary to carry out the purposes and duties of the Association as provided herein. The above stated terms and election date may vary fifteen (15) days before or after said date at the option of the Board. Mail ballots will be provided for all voters who may return the ballots within the prescribed time and manner or who may bring the completed ballots to the above mentioned meeting.

ARTICLE VII
ASSESSMENTS

Section 1. Declarant hereby covenants for each tract within the project, and each Owner of a tract is hereby deemed to covenant by acceptance of his contract or deed for such tract, whether or not it shall be expressed in his contract or deed, to pay to the Association, (1) annual assessments, and (2) special assessments for capital improvements. Such assessments will be established and

collected by the Board as hereinafter provided. The annual and special assessments, together with interests, costs, and reasonable attorney's fees, shall be a charge on the land and a continuing lien on each tract against which such an assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees shall also be the personal obligation of the person or persons who owned the tract at the time the assessment fell due; and such personal obligation shall pass to the successors in title of such person or persons whether or not expressly assumed by them. However, the first owner liable will not be relieved of liability thereafter.

Section 2. The annual assessments levied by the Board of the Association shall be used exclusively to promote the health, safety, welfare, and recreation of the residents of the project, and for the construction, improvement and maintenance of the commons, drainage, irrigation systems, or community facilities and private or public roadway easements or rights of way within the project. The provision for maintenance of public roadways is made herein only in case that the county, city, state or other public entity responsible therefore would fail to maintain said roadways properly.

Section 3. In addition to the annual assessments authorized above, the Association may levy in any assessment year, a special assessment applicable to that year only for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair, or replacement of the commons or a capital improvement to the project or any designated private roadway, or public roadway within or giving access to the project. Any such assessment must be approved by a majority of votes cast by members, in a manner of voting as herein prescribed.

Section 4. The Association's Board of Directors shall fix the amount of the annual assessment against each tract at least thirty (30) days in advance of the due date thereof and shall fix the dates such amounts become due. Assessments may be made payable monthly. Notice of the annual assessments shall be sent to every Owner subject thereto. The Association shall, on demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association, setting forth whether the assessment against a specific tract has been paid, and shall on or before February 15th of each year, cause to be recorded in the office of the County Clerk of the County, a list of delinquent assessments as of that date setting forth and establishing the amount of the lien therefor.

Section 5. Any assessment not paid within thirty (30) days after the due date shall be deemed in default and shall bear interest from the thirtieth (30th) day after the date due at the highest legal rate per annum. The Association, acting through its Board of Directors, may bring an action at law against the Owner personally obligated to pay the same, and/or may foreclose the lien against the property. No Owner may waive or otherwise escape the liability for the assessments provided for herein by non-use of the common areas, community facilities, roadway easements, or abandonment of his tract.

Section 6. The assessment lien provided for herein shall not be subordinate to the lien of any mortgage hereafter created. A sale or transfer of any tract shall not affect the assessment lien. The sale or transfer of any tract pursuant to a mortgage foreclosure or any proceeding in lieu thereof, shall not extinguish the assessment lien as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such tract from liability for any assessment thereafter becoming due or from the lien thereof, except as otherwise provided herein in Section 12 of Article VIII. However, any lender, investor or purchaser may accept without further pursuit of diligence a certificate

executed by the president and attested by the Secretary of the Association certifying the status of dues, assessments or liens.

Section 7. Any expenses of suit brought by the Association and/or declarant herein and any expense of defense of any suit against the Association, its officers, or directors, and/or declarant in regard to the functions thereof in the administration or enforcement of these covenants shall be borne by the Association and the Association shall have and hold any rights to recovery of such expenses.

If the Association, its officers, or directors, and/or declarant prevail in any suit brought against them by any Owner in the project with regard to the Association of declarant's administration or enforcement of these covenants and said Association, officers, directors, or declarant prevail in said suit, then such defendants are entitled to recovery and judgment against the suing Owner for their costs of suit, including but not limited to, expert witnesses, attorneys, appraisers, surveyors, and litigation expenses.

The amount of any such judgment obtained for damages or costs shall automatically become a lien against defendant's property in this project and subject to the same stipulations for assessments. This lien will attach as otherwise prescribed by law.

Section 8. Each Owner in the project agrees that should suit be brought by Declarant and/or Association to enforce performance of the covenants the suing party will be and is entitled to judgment for damages and all costs of suit, including but not limited to, expert witnesses, attorneys, appraisers, surveyors, and court costs, should the action prevail.

The amount of any such judgment obtained for damages or costs shall automatically become a lien against defendant's property in this project and subject to the same stipulations for assessments. This lien will attach as otherwise prescribed by law.

Section 9. It is specifically stipulated that should Developer, its successors or assigns foreclose on any property sold under deed or contract such property will revert to status of inventory free of the obligation of any accrued and unpaid assessments or costs and/or liens therefor. Any such liens of record will be released by the appropriate officer or officers upon presentation of release thereto by Developer. Upon failure of such action by said authority, or in lieu thereof, Developer may file a release executed on and by its own behalf which will be conclusive evidence to all persons that such lien is thereby released unless the Association acting within its authority files a proper court action to invalidate said release within thirty (30) days after recordation. Furthermore, see Section 13 of Article VIII herein.

ARTICLE VIII

NOTICE OF AUTHORITY FOR ASSESSMENT

Section 1. Maintenance of Common Elements. Each interested party or purchaser of a tract or parcel of ground in this project is hereby made aware of the fact that some of the roadways herein within the commons are dedicated or will be dedicated to the use of the property Owners and are not dedicated to the county, any municipal body or public authority nor to the public. Such purchaser or other interested party is hereby given notice that the maintenance of such commons and county

roads where deemed necessary by the Association, and other designated areas and facilities, called common areas, and the payment for Security Guards and Patrols, if any, garbage pick-up and other conveniences deemed necessary and requisite to the pleasure, comfort, security and enjoyment of the property Owners in this project, will be provided for through an assessment or assessments, as the case may be, to be levied against each and every tract or parcel of land sold therein that will benefit for the use of the common areas and common facilities to be maintained by assessment, such determination to be made by the Association created herein. Determination of pro-rata assessment will be on a tract basis.

Section 2. Agreement. Each purchaser of a property in this project hereby agrees that PENICK NORTH-2000 Property Owners Association ("Association"), as created and chartered or to be created and chartered by Developer, under the laws of the State of Texas, has the authority to administer the funds and attend to the management and maintenance of all common areas, services and facilities in said project, and does hereby grant and give unto the said Association, its successors and assigns, the authority to levy and collect assessments as necessary, and to expend said funds as necessary, subject to the requirements as hereinafter set forth, for the purpose of the maintenance of all facilities and areas and services as herein above and hereinafter described. Until such association is formed, this authority is vested in Developer.

Section 3. Commons. It is stipulated that designated common areas may be used for any purpose required or deemed advantageous to the property owners in the project, such purpose to include but not be limited to, the installation of any and all utilities, and dedication of such easements and rights of way as deemed necessary by said Association. Such dedications may be made upon a plat thereof or by separate instrument in writing and such dedication may be made at the discretion of the Association at any time, present or future. The Association may allow the installation of any main or service extensions in said Commons by letter or formal agreement to the utility company, or may allow installation of service lines from main to dwelling or outlets by oral approval. Any such installations made will be considered approved if the Association has not ordered such installation halted prior to completion thereof.

Commons may be of several categories:

- (a) Dedicated commons are those commons owned or to be owned by the Association through dedication upon the plat or by separate dedication by other recorded instrument of conveyance.
- (b) Easements as commons for community use by the property owners are those commons dedicated upon and across various lots, tracts and parcels of land, shown as easements and/or commons on the plats thereof and/or as cited in separate instruments of record or to be placed of record.
- (c) Leasehold commons are those commons not provided as easements or dedicated as fee commons, but are shown as leasehold. Leasehold commons are provided for the use of property owners under the terms and conditions as set forth in the lease agreements.

- (d) Temporary Commons are those commons designated on a plat as such or upon the ground as such and may be commons utilizing land being held for future development, or as timberland forest by developer. Temporary Commons may be moved or eliminated.

Section 4. Effective Date of Assessments. Any and all levies for any and all purposes as herein set forth may be made and begun at an appropriate time as will be determined by the Association. Said action may be made to affect, at different times, any sections or tracts and levies for maintenance of various areas may be made or begun at different dates, and are not required to be made simultaneously. When such determination is made by the Association, notice will be given to the Owners of such properties as affected and all said Owners will then be required to pay said assessments to the Association.

Section 5. Handling of Assessed Funds. All funds collected by the Association for maintenance and services of commons will be kept in a special bank account or savings account to be used only for the purposes as herein stated, and an itemized account of all receipts and disbursements will be mailed annually to all property owners on said project.

If at any time the Owners of fifty-one percent (51%) of more of the acres affected by an assessment desire that the fund so established and the books and records pertaining thereto be audited, then said Owners may, by affixing their signatures to a petition, cause such audit to be made. Such petition shall stipulate the name of a Certified Public Accountant who shall make such audit and the date that such records shall be made available to said Accountant. The Association will then be compelled to make such records available to the named Certified Public Accountant in the offices of the Association or other place at the discretion of Association. The Association shall not be responsible or liable for the fees of such Accountant unless material discrepancies are found.

Section 6. Establishment of Amount of Assessment. The Association in initially setting the monthly levy or assessment for any purpose stated herein, will do so on an estimated basis determined by an in-depth study of the requirement of said purposes. Said amount so levied may be changed from time to time as necessary, to pay the allowed expenses as herein set forth or should said assessment prove to be more than needed for such purposes, then, the Association may reduce said levy accordingly, or carry forward such excess to be used to decrease the amount of future assessments.

Section 7. Special Assessments. The Association will have the right, privilege and powers to levy special assessments as may become necessary for purposes as required and authorized herein. Such special assessments would be made upon the same pro-rata basis as hereinabove set forth and paid to Association as prescribed by said Association. Upon the approval of the Owners of fifty-one percent (51%) of the acreage, subject to any special assessment, such special assessments could be made for the purpose of the construction or reconstruction of improvements in the common areas for the use and benefit of such Owners.

Section 8. Collection of Assessments. The Association will have the sole responsibility and authority to collect all assessments. Such assessments will be levied on a monthly basis and Association will have the power to allow certain reasonable discounts to Owners paying said

assessments semi-annually or annually in advance. Association will have the power to add to such assessments appropriate and reasonable penalties against said Owners for delinquency in payment of assessments as well as the other remedies set forth herein.

Section 9. Delinquent Assessments. Any Owner being thirty (30) days delinquent on the payment of any assessment will have filed against his property a lien for such assessment, plus any penalties and costs. Such lien shall remain in effect until all past due assessments, penalties and costs have been paid or satisfied as otherwise set forth herein.

Section 10. Enforcement of Liens. Each lien established by the Association pursuant to the provisions of this instrument, may be enforced by recording with the County Clerk of this County a notice of delinquency and lien upon said property and may be foreclosed, as and in the same manner as is provided for the non-judicial foreclosure of a mortgage upon real property under the laws of the State of Texas, the same as if said Association had retained a vendor's lien and possessed a Deed of Trust and note against said property. In any action to foreclose any such lien, the Association shall be entitled to costs, including reasonable attorney's fees, and other allowed costs and penalties. The Association may employ any other process available under the law for collection.

Section 11. Reservation of Liens. The Association does hereby reserve unto itself, establish and impose, a lien, thereby securing each assessment imposed or to be imposed, or in any way provided herein, together with any costs, interest, or penalties against all of the property covered in this instrument subject only to any limitations and/or provisions in this instrument.

Section 12. Subordination to Mortgage. Each and every assessment and lien, together with any cost, penalty or interest, established, reserved or imposed under this instrument and authority shall be subordinate to any prior valid bona fide mortgage or trust deed (and the lien and/or title thereof) which has been given in good faith and for value of any interest covered by this instrument and authority. Any subsequent Owner of any property so covered, purchased at foreclosure or otherwise, shall be bound by restrictions, conditions, covenants, reservations, assessments and liens set out in this instrument, excluding any assessment or lien arising prior to a foreclosure sale brought about by a lender under any valid, bona fide mortgage or trust deed. A valid, bona fide mortgage or trust deed for purposes of this document is one given for funds applied to the purchaser of, or improvements of, the property upon which the lien is created. This lien for assessments is also subordinate to future liens as set forth in Section 13 following.

Section 13. Exclusion of Developer. The Developer of this project, its successors and assigns, hereinafter called Developer, will sell to purchasers properties within said project. It is specifically stated and agreed that if one or more tracts or parcels of land are sold to any purchaser by Developer, by contract for deed, or deed with lien and note or other instrument, and purchaser defaults in payments of said lien in any manner, such as failure to pay principal, interest, taxes, insurance or assessments set forth hereunder and said property be repossessed, or such contract canceled by Developer, or any assignee of Developer's right, title and interest in any such lien or contract, then Developer or said assignee, will not be required to pay to the Association any delinquent or past due assessments or penalties and any liens for non-payment of same filed by said Association will be released as regards such property. Evidence of such cancellation, repossession or foreclosure will, in itself be sufficient with no further release or action required by the Association

for this purpose; however, this stipulation does not, by any means, relieve the purchaser in default who failed to pay such assessments levied and/or penalties and cost, and from whom said property was repossessed, of his personal liability to pay such delinquent funds, though such delinquency will not be attached to such property as a lien in this instance. This provision does not affect the rights of the Association, as creditor, to pursue other remedies and liens.

Section 14. Rules and Regulations Governing Use of Commons and Facilities Therein. Rules and regulations governing the use of all commons and facilities will be made and enforced by the Association, to insure the best and mutual enjoyment thereof of all the qualified property owners and their guests. Any Owner who fails to pay assessments levied or fails to comply with any requirements or rules and regulations governing the use of said commons and facilities, will be denied the use thereof. Such rules and regulations to be made and enforced by the Association will include, but not be limited to, rules concerning guest privileges to commons, recreation facilities, if any, speed limits on streets, type of vehicles on streets and other commons, control of noise, use of irrigation water, channels or canals, use of any lakes, ponds or streams within the commons.

Section 15. Delegation of Use of Facilities. Any Owner may delegate his right of enjoyment to the common areas and facilities to the members of his immediate family, his tenants, or contract purchasers who reside on the property.

Section 16. Maintenance of Tracts. The Owner of a tract or tracts in the project will be required to keep the grass and weeds cut and will be required to keep said property free of any unsightly or offensive accumulation of trash, garbage, or unsightly deposits of any nature or kind from the date of purchase of said tract. This requirement is effective on occupied and unoccupied tracts. Ten days after notice to Owner of such situations existing, the Association and/or its employees shall have the right and authority to enter upon said premises and correct the existing violation of the requirement so stated. Such Association will charge said Owner a reasonable fee for such work accomplished and bill said Owner for said fee plus a reasonable service charge per month, for each instance, until Owner pays said Association in full as billed. All monies so owed the Association will become special assessment against the property Owner.

Section 17. Exterior Maintenance of Buildings. In the event the Owner of any building in the project should allow such building to fall into disrepair and become in need of paint, repair, restoration of any nature or other corrective measures and become unattractive and not in keeping with the neighborhood, the Association as herein established will give such Owner written notice of such conditions. Fifteen (15) days after notice of such condition to owner, and failure of Owner to begin and continue at a reasonable rate of progress to correct such condition, the Association may enter upon said premises to do or cause to be done any work necessary to correct said situation. The Owner thereof shall be billed for cost plus ten percent (10%). All monies so owed the Association will become a special assessment against the Owner of the property.

Section 18. Assessment for Street Lighting. The Association herein created is empowered to contract with a utility company for the Owner of each tract or dwelling in this project to pay the amount of \$2.00 (Two Dollars) to be paid in cash or added to such owner's electric bill each month, as a contribution toward payment for the operation, and maintenance of street lighting in this project.

This fee may be adjusted up or down within reason in accord with the rates of the utility company. Association may include funds for street lights in the general assessment.

Section 19. Notice. In all instances herein where notice is required, notice will have been given upon placing in the United States mail, said notice to the last known address of such person or party to whom notice is to be given.