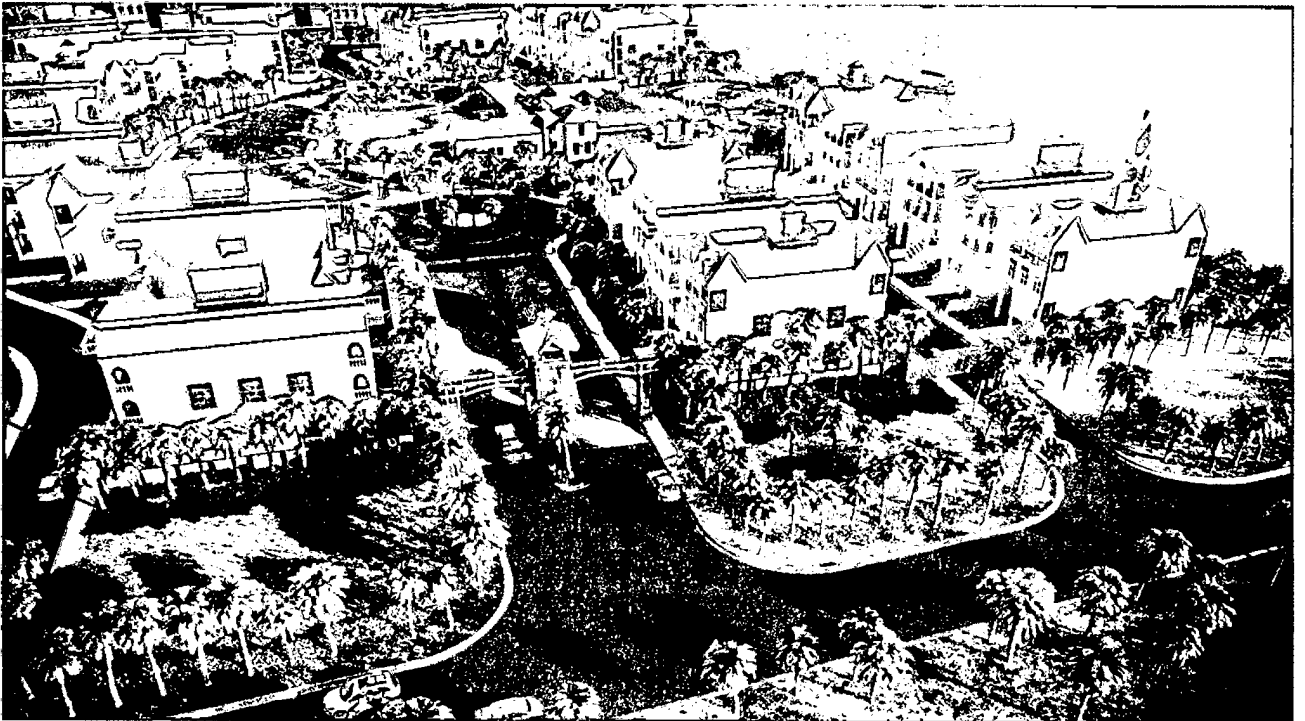


Community Association Documents



Upon recording return to:

Bayside Development, LLC
c/o Bennett G. Fisher
Fisher & Associates
55 Waugh, Suite 603
Houston, Texas 7707

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR



BAYSIDE
AT WATERMAN'S

April 11, 2016

FISHER & ASSOCIATES

55 Waugh, Suite 603

Houston, Texas 77007

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Exhibit

- A Real Property Description of Bayside at Waterman’s
- B Land Subject to Annexation
- C Initial Use Restrictions
- D Assessments
- E Bylaws of Bayside Community Association
- F Terms Specific to Townhomes

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR BAYSIDE AT WATERMAN'S

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 11TH day of April, 2016 by Bayside Development, LLC, a Texas corporation.

PART ONE: INTRODUCTION TO THE COMMUNITY

Bayside Development, LLC has created this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance, and preservation of Bayside at Waterman's ("Bayside") as a planned community.

Article I Creation of the Community

1.1. Purpose and Intent.

Declarant, as the developer of the real property described in Exhibit "A", or if not the owner, with the owner's consent, is Recording this Declaration to establish a general plan of development for Bayside, a planned community. This Declaration provides for the Community's overall development, administration, maintenance, and preservation, and provides a flexible and reasonable procedure for its future expansion. An integral part of the development plan is the creation of the Bayside Community Association, Inc., an association comprised of all Bayside's Lot owners, to own, operate, and/or maintain various common areas and community improvements, and to administer and enforce this Declaration and the other Governing Documents.

1.2. Binding Effect.

This Declaration governs the property described in Exhibit "A" (the "Property") and any other property submitted to this Declaration in the future. This Declaration shall run with the title to such Property and shall bind anyone having any right, title, or interest in any portion of the Property, their heirs, successors, successors-in-title, and assigns.

Declarant, the Association, and their respective legal representatives, heirs, successors, and assigns may enforce this Declaration. This Declaration shall be effective for a minimum of 25 years from the date it is Recorded. After 25 years, this Declaration shall be extended automatically for successive 10 year periods unless at least 67% of the then current Owners sign a document stating that the Declaration is terminated and that document is Recorded within the year before any extension. In such case, this Declaration shall expire on the date specified in the termination document.

The Texas Commission on Environmental Quality shall have the right to enforce, by a proceeding at law or in equity, the provisions contained in this Declaration which relate to the maintenance, operation, and repair of the surface water or stormwater management system.

In any event, if any provision of this Declaration would be invalid under the Texas Uniform Statutory Rule Against Perpetuities, that provision shall expire 90 years after this Declaration is Recorded. This Section does not permit termination of any easement created in this Declaration without the consent of the holder of such easement.

1.3. Governing Documents.

The Governing Documents create a general development plan for Bayside. The following diagram identifies and summarizes the Governing Documents, each as they may be amended:

Declaration (Recorded)	creates obligations which are binding upon the Association and all present and future owners of property in Bayside
Supplemental Declaration (Recorded)	adds property to Bayside; <i>may</i> impose additional obligations or restrictions on such property
Certificate of Formation (filed with the Secretary of State)	establishes the Association as a Texas Non-profit Corporation
Bylaws (Board, as defined below, adopts)	govern the Association's internal affairs, such as voting rights, elections, meetings, officers, etc.
Pattern Book (Declarant adopts)	establish architectural standards and guidelines for improvements and modifications to Lots, including structures, landscaping, and other items on Lots
Use Restriction (initial set attached as Exhibit "C")	govern use of property and activities within Bayside
Board Resolutions and Rules (Board adopts)	establish rules, policies, and procedures for internal governance and Association activities; regulate operation and use of Common Area

Additional restrictions or provisions which are more restrictive than the provisions of this Declaration may be imposed on any portion of Bayside, in which case, the more restrictive provisions will be controlling. However, no Person shall Record any additional covenants, conditions, or restrictions affecting any portion of Bayside without Declarant's written consent, so long as Declarant or any Affiliate of Declarant owns any property described in Exhibit "A" or "B." Thereafter, Neighborhood Representatives representing at least 67% of the Association's total Class "A" votes must consent. Any instrument Recorded without the required consent is void and of no force and effect.

If there are conflicts between Texas Law, the Declaration, the Articles, and the Bylaws, then Texas law, the Declaration, the Articles, and the Bylaws (in that order) shall prevail. If there is a conflict between the Governing Documents and any Neighborhood Association's covenants, restrictions, or policies, the Governing Documents will control.

The Governing Documents apply to all Owners and any occupants of a Lot. They also apply to tenants, guests, visitors, and invitees. All leases must require that tenants and all occupants of the leased Lot are bound by and obligated to comply with the Governing Documents; provided, the Governing Documents shall apply regardless of whether specifically set forth in the lease.

If any court determines that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or other applications of the provision.

Diagrams in the Governing Documents illustrate concepts and assist the reader. The diagrams are for illustrative purposes only. If there is a conflict between any diagram and the text of the Governing Documents, the text shall control.

Article II Definitions

The terms used in the Governing Documents are given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms are defined as follows:

"Affiliate" means any Person which (either directly or indirectly, through one or more intermediaries) controls, is in common control with, or is controlled by, another Person, and any person that is a director, trustee, officer, employee, independent contractor, shareholder, agent, co-venturer, subsidiary, personal representative, or attorney of any of the foregoing. For the purposes of this definition, the term "control" means the direct or indirect power to direct or cause the direction of an entity's management or policies, whether through the ownership of voting securities, by contract, or otherwise.

"Articles" means the Certificate of Formation of Bayside Community Association Inc. filed with Texas's Secretary of State, as they may be amended.

"Association" means Bayside Community Association, Inc., a Texas Non-profit corporation, its successors or assigns.

"Benefitted Assessment" means assessments charged against a particular Lot or particular Lots for Association expenses as described in Section 8.5.

"Board of Directors" or "Board" means the body responsible for the general governance and administration of the Association, selected as provided in the Bylaws.

"Builder" means anyone acquiring Lots for the purpose of constructing homes for later sale to consumers, or who purchases lots within the Community resale in the ordinary course of its business.

"Bylaws" means the Bylaws of Bayside Community Association, Inc., as they may be amended. A copy of the initial Bylaws is attached to this Declaration as Exhibit "E."

"Common Area" means all real and personal property, including the boardwalk and other easements, which the Association owns, leases, or otherwise has a right to possess or use for the common use and enjoyment of the Owners. Common Area includes the Limited Common Area, as defined below.

"Common Expenses" means the actual and estimated expenses the Association incurs, or expects to incur, for the general benefit of all Owners. Common Expenses include any reserves the Board finds necessary or appropriate.

"Common Maintenance Areas" means the Common Area, together with any other area for which the Association has or assumes maintenance or other responsibility.

"Community" or "Bayside" means the real property described in Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article IX.

"Community-Wide Standard" means the standard of conduct, maintenance, or other activity generally prevailing throughout the Community, or the minimum standards established pursuant to the Design Guidelines, Use Restrictions, and Board resolutions, whichever is the highest standard. Declarant initially shall establish such standard. The Community-Wide Standard may contain objective elements, such as specific lawn or house maintenance requirements, and subjective elements, such as matters subject to the Board's or the DRB's discretion. The Community-Wide Standard may or may not be set out in writing. The Community-Wide Standard may evolve as development progresses and as Bayside changes.

"Declarant" means Bayside Development, LLC a Texas limited liability corporation, or any successor or assign as developer of all or any portion of Bayside Development, LLC (Bayside) who is designated as Declarant in a Recorded instrument the immediately preceding Declarant executes. On all matters, Declarant may act through its Affiliates.

"Design Review Board" or "DRB" means the committee established to review plans and specifications for the construction or modification of improvements and to administer and enforce the architectural controls described in Article IV (not to be confused with the Board of Directors).

"Limited Common Area" means a portion of the Common Area primarily benefiting one or more, but less than all, Neighborhoods or Owners, as more particularly described in Article XII.

“Lot”: A portion of the Community, whether improved or unimproved, which may be independently owned and conveyed. The term shall refer to the land, if any, which is part of the Lot as well as any improvements on the Lot. The term shall not apply to the Common Area. The boundaries of each Lot shall be shown, described, or referenced on a Plat, Recorded survey, restrictive covenants, or deed; provided, in the case of a building containing multiple dwellings for independent sale (*e.g.*, townhouse, if any, or airspace units, if any), each dwelling which may be sold independently shall be a separate Lot.

A parcel shall be deemed to be a single Lot until such time as a Plat subdivides all or a portion of the parcel or otherwise creates, designates, or describes Lots within a parcel. After a Plat is Recorded, the parcel shall contain the number of Lots shown, created, designated, or described on the Plat.

A Lot intended for development, use, and occupancy as an attached or detached single family residence is sometimes referred to as a "Residential Lot." A Lot Declarant approves for any non-residential purpose (*e.g.*, a Lot reserved for retail use or which is shown on the Master Plan as being designated for such non-residential purposes, is sometimes referred to as a "Non-Residential Lot").

“Master Plan” means the land use plan for Bayside approved by Galveston County, Texas, as it may be amended, which includes all of the property described in Exhibit "A" and all or a portion of the property described in Exhibit "B." Declarant is not obligated to submit property shown on the Master Plan to this Declaration. In addition, Declarant may submit property to this Declaration which is not shown on the Master Plan. The Master Plan is subject to change, in Declarant’s discretion, without notice or consent except as may be required by law.

“Member” means each Lot Owner, as described in Section 6.2. There are two membership classes, Class “A” and Class “B”.

"Mortgage" means a mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Lot. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

"Neighborhood" means a group of Lots designated as a separate section of home sites and dwellings in a defined area in accordance with Section 6.4(a). Lots within a Neighborhood may share Limited Common Areas and/or receive benefits or services from the Association which are not provided to all Lots. A Neighborhood may include more than one housing or use type and may include parcels which do not border on each other. If the Association provides benefits or services to less than all Lots within a particular Neighborhood, then the Association may levy a Neighborhood Assessment or Benefited Assessments against just those Lots for such benefits or services.

"Neighborhood Assessments" means assessments levied against the Lots in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as described in Section 8.2.

"Neighborhood Expenses" means the actual or estimated expenses which the Association incurs or expects to incur for the benefit of Owners within a particular Neighborhood, including any reserve for capital repairs and replacements and administrative charges authorized by this Declaration.

"Neighborhood Representative" means the individual selected by the Class "A" Members within a Neighborhood to represent the Neighborhood and to cast their votes on Association matters (except where Members are required to cast their own votes).

"Owner" means the title holder to any Lot, but excluding, in all cases, anyone holding an interest merely as security for the performance of an obligation (*e.g.*, a Mortgagee). If a Lot is sold under a Recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

"Pattern Book" means the Community's architectural, design, and construction guidelines and review procedures adopted pursuant to Article IV.

"Person" means an individual, a corporation, a partnership, a trustee, or any other legal entity.

"Plat" means any Recorded land survey plat for all or any portion of Bayside.

"Private Amenities" means real property and facilities, if any, located within, adjacent to, or near the Community, which Persons other than the Association own and operate for recreational, hospitality, or other related purposes.

"Record," "Recording," or "Recorded" means to file, the filing of, or filed of record a legal instrument in the Official Records of Galveston County, Texas, or such other place designated as the official Galveston County location for recording documents affecting title to real estate.

"Regular Assessment" means annual assessments levied to fund Common Expenses for the general benefit of all Lots, as determined in accordance with Section 8.1.

"Special Assessment" means assessments charged against all Owners or all Owners in a Neighborhood in accordance with Section 8.6.

"Surface Water or Stormwater Management System" A system which is designed and constructed or implemented to control discharges which are necessitated by rainfall events, incorporating methods to collect, convey, store, absorb, inhibit, treat, use, or reuse water to prevent or reduce flooding, overdrainage, environmental degradation, and water pollution or otherwise affect the quantity and quality of discharges. The term shall also include any stormwater discharge facility and irrigation system servicing the Community.

"Use Restrictions" The initial use restrictions, rules, and regulations governing the use of and activities on the Lots and the Common Areas set forth in Exhibit "C," as they may be changed in accordance with Article III or otherwise amended.

"Voting Group" One or more Neighborhood Representatives, or a group of Members, who vote on a common slate for electing directors, as described in Section 6.5.

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use and conduct, maintenance, and architecture at Bayside are what give the Community its identity and make it a place that people want to call "home." This Declaration establishes procedures for adopting, modifying, applying, and enforcing such standards while providing the flexibility for certain architectural and design features to evolve as the Community changes and grows.

Article III Use and Conduct

3.1. Restrictions on Use, Occupancy, and Alienation.

The restrictions set forth in this Section may be amended only in accordance with Article XX.

(a) Residential and Related Uses. Residential Lots shall be used primarily for residential and related purposes. No Business (as defined below) shall be conducted in, on, or from any Residential Lot, except that an Owner or another resident of the Lot may conduct business activities on such Lot if the business activity:

- (i) is not apparent or detectable by sight, sound or smell from outside of a permitted structure;
- (ii) complies with applicable zoning requirements;
- (iii) does not involve regular visitation of the Lot by clients, customers, suppliers or other business invitees, nor door-to-door solicitation within the Community; and
- (iv) is consistent with the residential character of the Community and does not constitute a nuisance, or hazardous or offensive use, or threaten the security or safety of others within the Community, as determined in the Board's sole discretion.

"Business" shall have its ordinary, generally accepted meaning and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves providing goods or services to Persons other than the family of the producer and for which the producer receives a fee, compensation, or other form of consideration.

This Section shall not apply to restrict Declarant's activities, nor shall it restrict the activities of Persons that Declarant approves with respect to the development and sale of property in the Community. This Section also shall not apply to Non-Residential Lots or to Association activities related to the provision of services or to operating and maintaining the Community, including the Community's recreational and other amenities.

Leasing a residence is not a Business within the meaning of this subsection.

(b) Leasing. For purposes of this Declaration, "Leasing" is the exclusive occupancy of a dwelling by any Person other than the Owner, for which the Owner receives any consideration or benefit, including a fee, service, or gratuity. The principal dwelling on the Residential Lot may be leased only in its entirety (e.g., separate rooms within the same dwelling may not be separately leased); provided, a detached "in-law suite" or "guest house" may be independently leased.

All leases shall be in writing except: (i) with the Board's prior written consent, or (ii) as Declarant authorizes for Lots located within certain Neighborhoods. In accordance with the procedures set out in Section 3.4, the Board may impose minimum lease terms of up to 12 months. Minimum lease terms may vary according to property use (e.g., multi-family or Non-Residential Lots may be permitted to be leased under shorter minimum lease terms than detached single family homes). Restrictions on lease terms shall not apply to Lots Declarant or its Affiliates own.

Within ten days of a lease being signed, an Owner shall notify the Board or the Association's managing agent of the lease and provide any additional information the Board may reasonably require. The Owner must give the tenant copies of the Governing Documents. In addition to this sub-section (b), the Board may adopt reasonable Use Restrictions and rules regulating leasing and subleasing.

(c) Maximum Occupancy. No more than two and one-half Persons per bedroom may occupy the same dwelling on or in a Residential Lot on a regular and consistent basis (as the Board determines).

(d) Occupants Bound. Every Owner shall cause anyone occupying or visiting his or her Lot to comply with the Governing Documents and shall be responsible for all violations and losses they cause to the Common Maintenance Areas, notwithstanding the fact that such Persons also are responsible for complying and may be sanctioned for any violation.

(e) Subdivision of a Lot and Time-Sharing. Lots may not be subdivided or their boundary lines changed except with the Board's prior written approval; provided, Declarant may subdivide, change the boundary line of, and replat any Lot it owns. In addition, for so long as Declarant owns any portion of the Community, it may convert Lots into Common Area. During the time that Declarant or any Declarant Affiliate owns property within Bayside, the use of any Lot for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Lot rotates among participants in the program on a fixed or floating time schedule over a period of years is prohibited, except that Declarant, its Affiliates, and assigns may operate such a program if, in Declarant's sole discretion, Declarant determines that the development may receive a benefit. Thereafter, programs previously permitted by Declarant may continue to operate on the designated Lots and the operation of such programs on any other Lot shall require the Board's prior approval.

3.2. Framework for Regulation. As part of the general plan of development, the Governing Documents establish a framework of covenants, easements, and restrictions which govern the Community. This includes the initial Use Restrictions set forth in Exhibit "C." Within that framework, the Board and the Members must be able to respond to unforeseen problems and changes affecting the Community. This Section 3 establishes procedures for modifying and expanding the Use Restrictions to respond to such changes.

The procedures described in this Section 3 are not intended to apply to reasonable rules and regulations relating to use and operation of the Common Area, which the Board may adopt by resolution, or other administrative rules, unless the Board chooses, in its discretion, to submit to such procedures. In addition, the Board shall have discretion, without the necessity of complying with the procedures set forth in this Section 3, to enact such rules and regulations as are necessary or appropriate to comply with any governmental or quasi-governmental order, permit, or approval applicable to the Community.

3.3. Owners' Acknowledgment and Notice to Purchasers.

Each Owner, by accepting a deed, acknowledges and agrees that the use, enjoyment, and marketability of his or her Lot is limited and affected by the Use Restrictions and Board rules, which may change from time to time. All Lot purchasers are on notice that the Association may have adopted changes to the Use Restrictions and that such changes may not be set forth in a Recorded document. Copies of the current Use Restrictions and Board rules may be obtained from the Association.

3.4 Rule Making Authority.

(a) Subject to the terms of this Section and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and the Members, the Board may change (*i.e.*, modify, cancel, limit, create exceptions to, or add to) the Use Restrictions. The Board shall send the Neighborhood Representatives notice of any proposed change and of the Board meeting regarding same at least ten business days before the Board meeting duly called to consider the change. The Neighborhood Representatives shall have a reasonable opportunity to be heard at such Board meeting.

Notwithstanding the foregoing, the proposed change shall be approved without a meeting unless a petition of disapproval is delivered at least two days before the Board meeting by Neighborhood Representatives representing a majority of the Association's Class "A" votes, or by the Class "B" Member, if any. The petition must meet the Bylaw's requirements for special meetings.

(b) Alternatively, the Neighborhood Representatives, representing 67% of the Class "A" votes in the Association, at an Association meeting duly called for such purpose, may vote to change the Use Restrictions then in effect. Any such change shall require approval of the Class "B" Member, if any.

(c) Before any Use Restriction change becomes effective, the Board shall send a copy of the new or changed Use Restriction to each Owner. The change does not become effective until 30 days following distribution to the Owners. The Association shall provide to any requesting Member or Mortgagee, without cost, a copy of the Use Restrictions then in effect.

(d) At least once every three years after the Class "B" Control Period ends, the Board shall present the then current Use Restrictions to the Neighborhood Representatives for review and advice as to continued viability or necessity within the Community.

(e) No action taken under this Section shall have the effect of modifying, repealing, or expanding the Pattern Book or any provision of this Declaration other than the initial Use Restrictions. In the event of a conflict between the Pattern Book and the Use Restrictions, the Pattern Book shall control. In the event of a conflict between the Use Restrictions and any provision within this Declaration (exclusive of the Use Restrictions), the Declaration provision shall control.

3.5 Protection of Owners and Others.

Except as may be set forth in this Declaration (either initially or by amendment) or in the initial Use Restrictions set forth in Exhibit "C," the Association's actions with respect to Use Restrictions and rules must comply with all of the provisions of this Section 3.5:

(a) Similar Treatment. Similarly situated Owners must be treated in a similar manner; however, the Use Restrictions and rules may vary by Neighborhood.

(b) Displays. Owners' rights to display religious and holiday signs, symbols, and decorations on their Lots of the kinds normally displayed in single-family residential neighborhoods shall not be enjoined, except that the Association may adopt time, place, and manner restrictions with respect to such displays.

The Association shall not regulate the content of political signs; however, it may regulate the time, place, and manner of posting such signs (including design criteria).

(c) Household Composition. The Association shall not interfere with any Owner's freedom to determine the composition of his/her household, except that it may enforce the occupancy limits set out in Section 3.1(c).

(d) Activities within Lots. The Association shall not interfere with activities within a dwelling, except it may prohibit activities within Lots not normally associated with residential property, and it may restrict or prohibit activities within any Lot that create monetary costs for the Association or other Owners, that create a danger to anyone's health or safety, that generate excessive noise or traffic, that create unsightly conditions visible outside the Lot, or that are an unreasonable source of annoyance.

(e) Alienation. The Association shall not prohibit the lease or transfer of any Lot, or require the Association's or the Board's consent prior to leasing or transferring a Lot. The Association may require that Owners use Association approved lease forms (or include specific lease terms) and may impose a reasonable review or administrative fee on the lease or transfer of any Lot. In addition, pursuant to Section 3.1(b), the Board may impose minimum lease terms.

(f) Abridging Existing Rights. The Association may not require an Owner to dispose of personal property that was in or on a Lot in compliance with previous rules. This exemption shall apply only during the period of such Owner's ownership of the Lot and shall not apply to subsequent Owners

who take title to the Lot after adoption of the rule.

(g) Reasonable Rights to Develop. The Association may not impede Declarant's right to develop Bayside.

(h) Interference with Private Amenities. The Association may not interfere with the use, ownership, appearance, or operation of any Private Amenity, except as may be specifically set forth in an agreement between the Association and the Private Amenity or in covenants Recorded against the Private Amenity property.

(i) Interference with Permitted Non-Residential Operations. The Association may not reasonably interfere with the permitted use or operation of any Non-Residential Lot.

(j) Compliance with Governmental Rules. The Association may not enact any rule or take any action, including, without limitation, amending the Use Restrictions, which is in violation of, or which prevents actions required to comply with governmental rules, regulations or orders relating to the Community.

The limitations in subsections (a) through (f) of this Section shall not apply to amendments to this Declaration adopted in accordance with Article XX.

Article IV Architecture and Landscaping

4.1. General

Except for work done by or on behalf of Declarant or any Declarant Affiliate, no structure or tangible personal property shall be placed, erected, or installed upon any Lot, and no improvements or other work (including staking, clearing, excavation, grading and other site work, exterior alterations, or planting or removal of landscaping) shall take place within Bayside, except in compliance with this Section and the Pattern Book.

Any Owner may remodel, paint, or redecorate the interior of any structure on his or her Lot without approval. However, modifications to the interior of screened porches, patios, and any other portions of a Lot visible from outside a structure are subject shall be approved by the DRB prior to the initiation of the modification.

Each dwelling shall be designed by and built in accordance with the plans and specifications of a licensed architect acceptable to Declarant, unless Declarant, in its sole discretion, or its designee, otherwise approves (such plans and specifications) according to Prevailing Community Standards. The landscaping for each Lot shall be designed, installed and maintained in accordance with the plans and specifications of a licensed landscape architect acceptable to Declarant, unless Declarant, in its sole discretion, or its designee, otherwise approves. Dwellings shall be constructed by licensed or certified Builders acceptable to Declarant, unless Declarant, in its sole discretion, or its designee otherwise approves.

"Prevailing Community Standards" means those standards of aesthetics, environment, appearance,

architectural design and style, maintenance, conduct and usage generally prevailing in the Neighborhood as reasonably determined by the Board or DRB at any given pertinent time and from time to time, including as to each particular modification and each other matter or circumstance considered as of the date of the evaluation (i) prevailing standards as to harmony and compatibility with surrounding aesthetics, appearance and patterns of maintenance and use, harmony and compatibility with surrounding buildings, structures and other improvements, and harmony and compatibility with surrounding grades, topography, finished ground elevations, locations, colors, finishes, styles, workmanship, type and quality of materials and designs, and (ii) compliance with this Declaration and other applicable Governing Documents, and with applicable governmental laws, ordinances and regulations.

Approval under this Section and the Pattern Book is not a substitute for any approvals or reviews required by Galveston County, or any other municipality or governmental agency or entity having jurisdiction over architectural or construction matters.

4.2 Garages and Garage Doors.

(a) **General.** All single family residences must have an attached, enclosed non-breakaway walled garage for parking of not less than of three hundred (300) square feet of interior floor space. The garage must be architecturally similar and compatible to the appurtenant dwelling and designed and built according to the City of Galveston and FEMA requirements. Carports are prohibited. All garages must have single door of at least the width of standard type overhead doors as described in the Pattern Book for each Neighborhood. Garage doors must be maintained in good working order at all times. ANY REPLACEMENT GARAGE DOOR MUST BE OF EQUAL OR BETTER QUALITY AND SUBSTANTIALLY THE SAME DESIGN AS THE ORIGINAL GARAGE DOOR AND MUST BE PAINTED TO MATCH THE COLOR SCHEME OF THE RESIDENCE AS ORIGINALLY CONSTRUCTED OR A SUBSEQUENT COLOR SCHEME WHICH HAS BEEN APPROVED IN WRITING BY THE DRB. Except for interior modifications of a garage wholly consistent with its use as a garage and which do not alter the use or exterior appearance of the garage as originally constructed, no modification of the interior or exterior of any garage as originally constructed is permitted without prior written approval of the DRB. GARAGE DOORS MUST BE KEPT CLOSED AT ALL TIMES EXCEPT FOR ENTRY AND EXIT OF VEHICLES OR DURING BRIEF PERIODS WHEN THE GARAGE IS BEING ACTIVELY USED FOR NORMAL AND CUSTOMARY PURPOSES. IN THE EVENT OF A CONFLICT BETWEEN THE PATTERN BOOK AND THIS COMMUNITY ASSOCIATION AGREEMENT, THE LANGUAGE CONTAINED IN THE PATTERN BOOK SHALL CONTROL.

(b) **NOTICE OF SIZE LIMITATION; NO LIABILITY.** GARAGES MAY NOT BE OF SUFFICIENT SIZE TO PERMIT PARKING THEREIN OF THE SAME NUMBER OF LARGE VEHICLES AS THE CUSTOMARY DESCRIPTION OF THE GARAGE. FOR EXAMPLE, A "TWO-CAR GARAGE" MIGHT NOT BE LARGE ENOUGH TO PERMIT PARKING THEREIN OF TWO (2) LARGE SEDANS, TWO (2) SUV'S OR TWO (2) OTHER LARGE VEHICLES. THIS SIZE LIMITATION IS NOT A BASIS FOR NON-COMPLIANCE WITH APPLICABLE PROVISIONS OF THIS DECLARATION OR OTHER GOVERNING DOCUMENTS (INCLUDING APPLICABLE RULES AND REGULATIONS), AND SHALL NOT BE A BASIS FOR ANY CLAIM WHATSOEVER AGAINST DECLARANT OR THE ASSOCIATION, OR THEIR RELATED PARTIES.

(c) Vehicles visible to the public may not be on lifts, jacks or any other type of elevation

device, must have current registration and inspection, may not be parked on the Lot in any non-driveway area and may not be covered with tarps or other similar covering. Additionally, vehicles may not be parked on roadways or easements for longer than 24 hours.

4.3 New Construction and Continued Maintenance Required. All residences, buildings and structures must be of new construction, and no residence, building or structure may be moved from another location to any Lot without prior written approval of the DRB. All residences, buildings and structures must be kept in good repair, must be painted (as applicable) when necessary to preserve their attractiveness and must otherwise be maintained in such matter as to obtain and maintain Prevailing Community Standards.

4.4 Tents, Mobile Homes and Temporary Structures Prohibited. No tent, shack, mobile home, or other structure of a temporary nature shall be placed upon any Lot or elsewhere in Bayside. The foregoing prohibition does not apply to restrict the construction or installation of a single utility or similar outbuilding to be permanently located on a Lot, provided it receives the prior approval of the DRB. In addition, party tents may be erected in the backyard area of a Lot for a limited period of time for special events without the prior written approval of the DRB.

4.5 Maximum Period for Completion of Construction. Construction must begin within twenty-four (24) months from the date of Lot purchase. If construction does not begin by such time, the Owner shall be fined the amount of \$1,000 per month to be paid to the Association. Upon commencement of construction of a single family residence, the work thereon must be prosecuted diligently to the end that the same will not remain in a partly finished condition any longer than reasonably necessary for completion thereof. In any event construction must be substantially completed within twelve (12) months after the construction permits are issued for a single family residence. The foregoing periods will be extended by six (6) months in the event of and only for the duration of delays due to strikes, war, acts of God or other good causes beyond the reasonable control of the Builder or Owner.

4.6 New Construction Materials Required. Only new construction materials (except for used brick if approved by the DRB) may be used.

4.7 Storage of Materials; Clean-Up. No building materials of any kind or character shall be placed or stored upon any Lot more than thirty (30) days before construction is commenced. Except as otherwise permitted by the DRB, all materials permitted to be placed on a Lot shall be placed within the boundaries of the Lot. Upon completion of construction, any unused materials shall be promptly removed from the Lot and the Subdivision and in any event not later than thirty (30) days after construction is completed.

4.8 Landscaping. All initial landscaping installed on any Lot must be in accordance with plans and specifications approved by the DRB.

(a) Tree Removal. No living tree with a trunk diameter of six (6) inches or greater shall be cut down or removed from any Lot without the prior written approval of the DRB. Dead or damaged trees which may create a hazard to property or persons within Bayside must be promptly removed or repaired at the Owner's expense.

4.9 Roof Materials. Roofs of all residences must be constructed so that the exposed material is composition type shingles, or such other material which is compatible in quality and appearance to the foregoing, as may be approved by the DRB. All garage roofs, and roofs of any gazebo or outbuildings as may be approved by the DRB, must be only standing seam metal galvaloom roofs as described in the Pattern Book.

4.10 Swimming Pools. All swimming pools must be in ground, not above ground, and must be made of gunite or other materials as approved by the DRB.

4.11 Pre-Fabricated Homes Prohibited. No mobile homes, modular homes, manufactured home or similar pre-fabricated residential structures of any kind is permitted upon any Lot.

4.12 Mailboxes. To the extent mail service is provided in mailbox banks, Owners must exclusively use their assigned mailbox therein and shall strictly comply with all applicable rules and regulations of the United States Postal Service and the Association.

4.13 Compliance With Laws. All construction of any single family residence must be in compliance with applicable governmental laws, ordinances and regulations, including applicable building codes or permit or licensing requirements.

4.14 Lot Re-subdivision or Combination. No Lot as originally conveyed by Declarant to any other Person, including any builder, may be thereafter subdivided or the boundaries thereof otherwise changed.

4.15 Lot Fences, Walls and Hedges, Perimeter Fencing.

(a) Definitions. As used in this Section: (i) "Lot Fencing" means any and all fences and freestanding fence type walls, gateposts, hedges and planters, whenever and wherever located on any Lot as described in the Pattern Book for each Neighborhood, excluding, however, any perimeter fencing which is included in the Subdivision Facilities, and (ii) "hedge" means a row of bushes, shrubs and similar plants which, at natural maturity, will not exceed three feet (3') in height and have sufficiently dense foliage as to present a visual and physical barrier substantially similar to a fence.

(b) DRB Approval Required. No Lot Fencing may be constructed, placed or maintained on any Lot without prior written approval of the DRB.

(c) General Requirements. Unless otherwise approved in writing by the DRB, all Lot Fencing must comply with the following:

(i) No Lot Fencing may be more than 36 inches in height.

(ii) All Lot Fencing (other than hedges) must be coastal pickets, constructed of wood vertical pickets with treated pine (or equivalent) post and supports, all of which shall be painted white per the Pattern Book.

(iii) NO CHAIN LINK TYPE FENCING OF ANY TYPE IS PERMITTED ON ANY LOT.

(iv) LOT FENCING SHALL BE ERECTED AND MAINTAINED PURSUANT TO THE PATTERN BOOK.

(d) Ownership and Maintenance. Ownership of all Lot Fencing passes with title to the Lot. All Lot Fencing must be continuously maintained in a structurally sound condition, in a neat and attractive condition, in good repair and appearance, and otherwise as required to obtain and maintain Prevailing Community Standards. The foregoing shall include, without limitation, such maintenance, repair or replacement as is required to prevent listing or leaning, repair of all damaged or broken pickets and other members, and all holes and cracks, and repair or replacement as required to prevent rot or decay, and any other visible signs of dilapidation or deterioration. Fencing which has been defaced with graffiti or other markings shall be restored to its prior condition within 5 days of such defacement or markings. All maintenance, repair or replacement of Lot Line Fencing which separates adjoining Lots, or which is otherwise shared in common by two or more adjoining Lots, is the joint responsibility of, and the costs thereof shall be shared equally by the adjoining Owners. Otherwise, all such maintenance, repair or replacement shall be the responsibility of, and at the sole cost of, the Owner upon whose Lot the Lot Fencing is located. ONCE INSTALLED, THE LOCATION, STYLE, FINISH, APPEARANCE AND ALL OTHER FEATURES OF LOT FENCING MAY NOT BE MODIFIED OR CHANGED WITHOUT PRIOR WRITTEN APPROVAL OF THE DRB.

(e) Perimeter Fencing. “Perimeter Fencing” means all fences and freestanding fence type walls designated as Perimeter Fencing by Declarant during the Class “B” Control Period or the Board thereafter, and all Bayside’s main entry fences, walls, and/or entry and other identification monuments. Pool Fencing shall be maintained by the Association and shall meet the height standards of the City of Galveston. All Perimeter Fencing is a part of the Bayside’s Facilities and shall be maintained as such by the Association. No Owner or their Related Parties, and no other Person may modify, alter or in any manner change, or attach anything to, any Perimeter Fencing without the prior written consent of the DRB.

4.16 Satellite Dishes and Antennas. Except as otherwise expressly approved by the DRB in writing, or as otherwise expressly permitted by applicable architectural guidelines or by law, no antenna system of any kind is permitted upon any Lot, or the residence or other improvement thereon, except one satellite dish antenna measuring one (1) meter or less in diameter. The dish antenna must be installed as discreetly as possible. Initial satellite dish system guidelines may be adopted by the Board of Directors as desired.

4.17 Window and Door Glass Covers. Glass in windows, doors and other similar openings must be maintained as installed during original construction except as otherwise permitted in writing by the DRB. Glass film and similar tinting, and aluminum foil and similar reflective materials, are in all events prohibited for use as a cover for any window or door; provided, factory tinted glass may be approved by the DRB. Only blinds, curtains or drapes which are white or off-white are permitted unless prior written approval of the DRB is obtained. No other window treatment color may be visible from the exterior of any residence or other improvement. Temporary or disposable coverings, including sheets, newspapers, shower curtains, fabric not sewn into finished curtains or draperies, other paper, plastic, cardboard, or

other materials not expressly made or commonly used by the general public for permanent window coverings, are expressly prohibited.

4.18 Signs.

(a) General. “Sign” means and includes any billboards, posters, banners, pennants, displays, symbols, advertising devices of any kind, and any other type of sign of any kind, including without limitation business, professional, promotional or institutional signs. No sign of any kind is permitted on any Lot, or upon any residence, or within any residence if visible from the exterior of the residence, or within the Subdivision except as may be approved in writing by the DRB and except as otherwise expressly permitted in this Section 4.18 and Section 3.4(b). The provisions of this Section 4.18 do not apply to any sign placed within the Subdivision by Declarant or an Authorized Builder.

(b) Prohibited Signs. No sign is permitted which contains language, graphics or any display that is vulgar, obscene or otherwise offensive to the ordinary person. Permitted signs must be professionally printed and prepared, and must be properly installed and maintained, to avoid unsightly appearance. The good faith determination of the Board or DRB as to any of the foregoing is final. No sign is permitted to be larger than four square feet. No sign may be illuminated. No sign may be placed on any Lot closer than ten feet (10') from any street or any side or back Lot line, or within any traffic sight line area as defined in Section 4.18. No Owner, Owner’s tenant or their Related Parties, is permitted to place any sign on another Owner’s Lot or upon any other Bayside property. Foreclosures, bankruptcy and other distressed sale references are specifically prohibited. Signs disparaging, defaming or demeaning any Person, including Declarant, the Association, the DRB or their Related Parties, or any Authorized Builder on account of race, creed, gender, religion or national origin, regarding any Development Activities, or for any other reason, are specifically prohibited.

(c) Permitted Signs. No sign, except “political signs” or signs referenced in Section 3.4(b) as hereafter provided, is permitted upon any Lot or at any other place within the Subdivision, or within or on any residence or other improvement if the sign is visible from outside of the residence or other improvement, unless the sign is first approved in writing by the DRB. No sign will be approved other than (i) one (1) “For Sale” or one (1) “For Lease” sign not to exceed six square feet (which may be displayed only during such period of time that the Lot is in fact for sale or lease), and (ii) security service signs, not to exceed two (2) in number per Lot. Security service signs must also be located near the front and/or rear entrances of the residence unless otherwise approved in writing by the DRB, may not exceed eighteen (18) inches by twelve (12) inches in size, and must be professionally printed, prepared and provided by a professional security service company. All approved signs must also comply with Section 4.18(c), and any applicable Rules and Regulations.

(d) Political Signs. Notwithstanding any other provisions hereof, political signs advertising a political candidate or ballot item for an election (a “Political Sign”) are permitted, subject to the following:

(e) No Political Sign is permitted earlier than the 90th day before the date of the election to which the sign relates, and each Political Sign must be removed in its entirety by the 10th day after the election date.

(f) No more than one Political Sign for each candidate or ballot item may be displayed per Lot.

(g) Each Political Sign must be ground-mounted.

(h) No Political Sign may (i) contain roofing material, siding, paving materials, flora, one or more balloons or lights, or any other similar building, landscaping, or nonstandard decorative component; (ii) be attached in any way to plant material, a traffic control device, a light, a trailer, a vehicle, or any other existing structure or object; (iii) include the painting of architectural surfaces; (iv) threaten the public health or safety; (v) be larger than four feet by six feet (4' & 6'); (vi) violate a law; (vii) contain language, graphics, or any display that would be offensive to the ordinary person; or (viii) be accompanied by music or other sounds or by streamers or be otherwise distracting to motorists.

(i) The DRB is specifically authorized to amend this Section to the extent permitted or required to conform this Section to the provisions of Section 202.009 of the Texas Property Code, as amended and/or as subsequently construed or applied by a court of competent jurisdiction any such amendment to be effective from and after the date of filing of same in the Official Public Records of Real Property of Galveston County, Texas.

(j) Default. Any sign of any kind placed within Bayside in violation of this Section 4.18, including any Political Sign, may be removed at any time by or at the direction of Declarant or the DRB and discarded as trash without liability for trespass, conversion or damages of any kind. In addition, the DRB may, after notice and opportunity to be heard, assess as a specific assessment a fine for each day any sign is placed within the Subdivision in violation of this Section 4.18 not to exceed seventy-five dollars (\$75.00) per day per sign, or as otherwise provided by applicable Rules and Regulations.

4.19 Traffic Sight Line Areas. No fence, wall, hedge; tree, shrub planting or any other thing or device which obstructs sight lines at elevations between two and eight feet (2' & 8') above a street shall be permitted (i) on any corner Lot within the triangular area formed by the two (2) boundary lines thereof abutting the street and a line connecting them at points twenty-five feet (25') from their intersection, or (ii) on any Lot within the triangular area formed by the boundary line abutting a street, the edge line of any driveway pavement and a line connecting them at points ten feet (10') from their intersection. The foregoing shall not be construed to prohibit construction of any residence or garage at any location permitted by this Declaration or a Plat even if the residence or garage encroaches upon either of the aforesaid sight line areas.

This Section does not apply to Declarant's activities, or to the Association's activities during the Class "B" Control Period.

4.20 Architectural Review.

(a) By Declarant. Declarant shall have exclusive authority to administer and enforce architectural controls and to review and act upon all applications for architectural and other improvements within the Community. Declarant's rights under this Section IV shall continue for as long as Declarant or any Declarant Affiliate owns any portion of the Community or has a unilateral right to annex property, unless Declarant earlier terminates its rights in a Recorded instrument. Declarant may designate one or

more Persons to act on its behalf in reviewing any application. In reviewing and acting upon any request for approval, Declarant or its designee acts solely in Declarant's interest and owes no duty to any other Person.

Declarant may from time to time delegate or assign all or any portion of its rights under this Section to any other Person or committee, including the Design Review Board. Any such delegation shall be in writing, shall specify the delegated responsibilities, and shall be subject to Declarant's right to revoke such delegation at any time and reassume its prior jurisdiction, and Declarant's right to veto any decision which it determines, in its discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Section, the jurisdiction of other entities shall be limited to such matters as Declarant specifically delegates.

(b) Design Review Board. Upon Declarant's delegation or upon expiration or termination of Declarant's rights under this Section, the Association, acting through the DRB, shall assume jurisdiction over architectural matters. When appointed, the DRB shall consist of at least three, but not more than seven, persons. Members of the DRB need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers, or similar professionals. Members of the DRB shall not be compensated for work related to the DRB. The DRB members shall be designated, shall serve, and may be removed and replaced in the Board's discretion.

The Board may create and appoint subcommittees of the DRB. Subcommittees may be established to preside over particular areas of review (e.g., landscape plans) and shall be governed by procedures the Board or the DRB may establish. Any subcommittee's actions are subject to review and approval by Declarant, for as long as Declarant may review the DRB's decisions, and the DRB. Notwithstanding the above, neither the DRB nor Declarant shall be obligated to review all actions of any subcommittee, and the failure to take action in any instance shall not be a waiver of the right to act in the future.

Unless and until such time as Declarant delegates any of its reserved rights to the DRB or Declarant's rights under this Section terminate, the Association shall have no jurisdiction over architectural matters.

Declarant and the Association may employ architects, engineers, or other Persons to perform the review required under this Section. In addition, a horticulturalist may be engaged by the entity performing the review under this Section to provide professional assistance in the review of landscape plans for individual Lots. In the event that an Owner who is an architect, engineer, horticulturist or other Person who is a professional performs the review, such Owner's shall not be compensated.

(c) Reviewer. The entity having jurisdiction in a particular case, whether Declarant or its designee or the DRB, shall be referred to as the "Reviewer."

(d) Fees; Assistance. The Reviewer (so long as the Reviewer is not an Owner) may establish and charge reasonable fees for its review of applications and may require that such fees be paid in advance. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals who are not Members of the DRB. The Board may include the compensation of such Persons in the Association's annual operating budget.

4.21 Guidelines and Procedures.

(a) Pattern Book. Declarant shall prepare Pattern Book for the Community, which may contain general provisions applicable to all of Bayside as well as specific provisions which vary from Neighborhood to Neighborhood and according to property use or product type. Among other things, the Pattern Book shall restrict the use of specified plant species and require the review and approval of all plant species. The Pattern Book shall also state that other than one single family residence not to exceed four (4) stories which is to be occupied as a residence by one single family, an appurtenant garage and such outbuildings if and as may be approved in writing by the DRB may be constructed, placed or permitted to remain on each Lot.

(b) The Pattern Book is intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer. The Pattern Book is not the exclusive basis for the Reviewer's decisions, and compliance with the Pattern Book does not guarantee an application's approval.

Declarant shall have sole and full authority to amend the Pattern Book as long as it or any Declarant Affiliate owns any portion of the Community or has a unilateral right to annex property. Declarant's right to amend shall continue even if its reviewing authority is delegated to the DRB, unless Declarant also delegates the power to amend to the DRB. Upon termination or delegation of Declarant's right to amend, the Board may amend the Pattern Book in accordance with the same procedures for changing Use Restrictions.

Amendments to the Pattern Book shall be prospective only. They shall not require modifications to or removal of structures previously approved once the approved construction or modification has begun. However, any new work on such structures must comply with the Pattern Book as amended. Subject to the Community-Wide Standard, there is no limit to the scope of amendments to the Pattern Book, and such amendments may remove requirements previously imposed or otherwise make the Pattern Book less restrictive.

The Reviewer shall make the Pattern Book available to Owners and Builders who seek to engage in development or construction within Bayside. In Declarant's discretion, the Pattern Book may be Recorded, in which event the Recorded version, as it may be amended from time to time, shall control in the event of any dispute as to which version of the Pattern Book was in effect at any particular time.

(a) Procedures. Unless the Pattern Book provide otherwise, no Owner construction activities or other activities described in Section 4.1 may begin until a request is submitted to and approved by the Reviewer. The request must be in writing and be accompanied by plans and specifications and other information the Reviewer or the Pattern Book requires. Plans and specifications shall show, as applicable, site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of the proposed exterior design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that aesthetic determinations are purely subjective and that opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations are not subject to review so long as they are made in good faith and in accordance with the required procedures.

The Reviewer shall make a determination on each application within 45 days after receipt of a completed application and other information it requires. The Reviewer may permit or require that an application be submitted or considered in stages, in which case, a final decision shall not be required until after the final, required submission stage. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the (entire) application.

As long as Declarant or any Declarant Affiliate owns any portion of the Community or has the unilateral right to annex property, the DRB shall notify Declarant in writing within three business days of any action (*i.e.*, approval, partial approval, or disapproval) it intends to take under this Section. A copy of the application and any additional information that Declarant may require shall accompany the notice. During such time, Declarant shall have the right, in its sole and absolute discretion, to veto any DRB action; provided, Declarant's right to veto must be exercised within 10 business days after it receives notice of the DRB's action. The party submitting the plans for approval shall not be notified of the DRB's action until after Declarant's right to veto has been exercised or has expired.

The Reviewer shall notify the applicant of its final determination on any application within five days after such determination is made or, with respect to any DRB determination subject to Declarant's veto right, within five days after the earlier of: (i) receipt of notice of Declarant's veto or waiver thereof; or (ii) expiration of the 10-day period for exercise of Declarant's veto. In the case of disapproval, the Reviewer may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

If the Reviewer fails to respond in a timely manner, denial shall be deemed.

No approval, whether expressly granted or deemed granted, shall be inconsistent with the Pattern Book unless a written variance has been granted.

Notice shall be deemed given at the time the envelope containing the response is deposited in U.S. mail. Personal or electronic delivery of such written notice also shall be sufficient and shall be deemed given at the time of confirmed delivery to the applicant.

As part of any approval, the Reviewer may require that construction in accordance with approved plans commence within a specified time period. If construction does not commence within the required

period, the approval shall expire and the Owner must reapply for approval before commencing any construction activities. Once commenced, construction must be diligently pursued to completion. All construction work shall be completed within one year of commencement unless otherwise specified in the notice of approval or the Pattern Book, or unless the Reviewer, in its discretion, grants an extension in writing. If approved work is not completed within the required time, it shall be in violation of this Section and shall be subject to enforcement action by the Association or Declarant.

Declarant or the Board, with Declarant's consent, by resolution, may exempt certain activities from the application and approval requirements of this Section, provided such activities are undertaken in strict compliance with the requirements of such resolution. For example, Builders may be permitted to submit and receive pre-approval of landscaping or other plans for general application. Such pre-approved plans shall not require resubmission prior to use on a (particular) Lot.

4.22 No Waiver of Future Approvals.

Each Owner acknowledges that the people reviewing applications under this Section will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Pattern Book, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, at which time, it may or may not be unreasonable to require that such objectionable features be changed. However, the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans shall not constitute a waiver of the right to withhold approval of similar applications, plans, or other matters subsequently or additionally submitted for approval.

4.23 Variances.

The Reviewer may authorize variances from compliance with the Pattern Book and any procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) prevent the Reviewer from denying a variance in other circumstances. A variance requires Declarant's written consent for so long as Declarant or any Declarant Affiliate owns any portion of the Community or has the unilateral right to annex property, and, thereafter, requires the Board's written consent.

4.24 Limitation of Liability.

This Section establishes standards and procedures as a mechanism for maintaining and enhancing the overall aesthetics of Bayside. The standards and procedures do not create any duty to any Person. Review and approval of any application pursuant to this Section may be based on purely aesthetic considerations. The Reviewer is not responsible for the structural integrity or soundness of approved construction or modifications, for compliance with building codes and other governmental requirements, or for ensuring that every dwelling is of comparable quality, value, or size, of similar design, or aesthetically pleasing or otherwise acceptable to other Owners.

Declarant, Declarant's Affiliates, the Association, its officers, the Board, the DRB, the Association's management agent, any committee, or any member of any of the foregoing shall not

be held liable for: the approval of, disapproval of, or failure to approve or disapprove any plans; the soil conditions, drainage, or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not Declarant has approved or featured such contractor as a Builder in the Community; any injury, damage, or loss arising out of the manner or quality or other circumstances of approved construction on, or modifications to, any Lot. In all matters, the Association shall defend and indemnify the Board, the DRB, the members of each, and the Association officers.

4.25 Certificate of Compliance. Any Owner may request in writing that the Reviewer issue a certificate of architectural compliance certifying that there are no known violations of this Section or the Pattern Book. The Association shall either grant or deny such written request within 30 days after receipt and may charge a reasonable administrative fee. The issuance of a certificate of architectural compliance shall prevent the Association from taking enforcement action against an Owner for any condition known to the Association on the date of the certificate.

4.26 Enforcement: Any construction, alteration, or other work done in violation of this Section or the Pattern Book is subject to enforcement action. Upon written request from the Association or Declarant, an Owner shall, at his/her own cost and expense, and within a reasonable time frame identified in the request, cure the violation or restore the Lot to substantially the same condition as existed before the violation occurred. Should an Owner fail to cure the problem or otherwise restore the property as required, the Association, Declarant, or their designees shall have the right to enter the property, remove the violation, and restore the property. All costs, together with interest at the rate the Board establishes (not to exceed the maximum rate then allowed by law), may be assessed against the benefited Lot and collected as a Benefited Assessment.

Any approvals granted under this Section are conditioned upon completion of all elements of the approved work, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work by the deadline imposed, Declarant or the Association may, after notifying the Owner and allowing an opportunity to be heard in accordance with the Bylaws, enter upon the Lot and remove or complete any incomplete work and assess all costs incurred against the Lot and its Owner as a Benefited Assessment.

Any act of any contractor, subcontractor, agent, employee, or invitee of an Owner shall be deemed as an act done by or on behalf of such Owner. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Section and the Pattern Book may be excluded from the Community, subject to the notice and hearing procedures contained in the Bylaws. Declarant, Declarant Affiliates, the Association, and their respective officers and directors, shall not be held liable to any Person for exercising the rights granted by this paragraph.

The Association shall be primarily responsible for enforcing this Section. If, however, in Declarant's discretion, the Association fails to take appropriate enforcement action within a reasonable time period, Declarant, for so long as it or any Declarant Affiliate owns any portion of the Community or has the unilateral right to annex property, may, but shall not be obligated to, exercise the enforcement rights set forth above. In such event, Declarant may assess and collect Benefited Assessments against the violating Owner and assert the Association's lien rights pursuant to Article VIII. The Association

hereby assigns to Declarant such rights and authority, including the right to all funds collected, and no further assignments shall be required.

In addition to the foregoing, the Association and Declarant shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Section and the Reviewer's decisions. If the Association or Declarant prevail, they shall be entitled to recover all costs including, without limitation, attorneys' fees and court costs, reasonably incurred in such action. The alternative dispute resolution provisions set out in Article XIV shall not apply to actions by Declarant or the Association to enforce the provisions of this Section or the Reviewer's decisions.

Disclaimer Regarding Condominium.

It is not intended that any Townhome Neighborhood constitute condominiums within the meaning of the Texas Condominium Act, Texas Statute Section 718.101, *et seq.* (the "Condominium Act"), or a cooperative within the meaning of the Texas Cooperative Act, Texas Statutes 719.100, *et seq.* The Association shall own Common Areas, including all Limited Common Areas, within a Townhome Neighborhood. Owner shall have no ownership interest of any kind in the Common Areas.

The Units within each Townhome Neighborhood are Residential or Non-Residential Units located in one of several multi-family buildings in the Bayside community. A Townhome Neighborhood Unit is not a condominium and it is not a cooperative. Each Owner receives a deed to the airspace comprising the Unit. There is no separate owners association for all or any portion of the Townhome Neighborhoods and no Owner will own any portion of the Common Area. Rather, the Bayside Community Association, Inc., the overall property owners association for all of the Bayside community, will own and maintain the surrounding parking lots, as well as elevators, sidewalks, building walls, roofs, boardwalks, hallways, and other structural components of the Townhome Neighborhoods' buildings as Common Areas.

4.27 Townhouses may share a common pool and/or dock area hereafter referred to as "Townhouse Community Properties" or "Waterman Estates". Access to the common pool shall be limited to residents of the Townhouse Community respectively and other residents of Bayside. Townhouses may also include the entry way/private roads designated by Declarant as Townhouse Community Properties or Waterman Estates and any other areas or facilities constructed solely for use by townhouse owners or designated by Declarant as Townhouse Community Properties or Waterman Estates. Additional terms specific to townhouses are contained in Exhibit "F", which is incorporated fully herein.

4.28 Party Walls. Each wall which is built as a part of the original construction and is placed on the dividing line between the Lots shall constitute a party wall and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(a) The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in equal proportions.

(b) If a party wall is destroyed or damaged by fire or other casualty, then, to the extent that such damage is not covered by insurance and repaired out of the proceeds of same, any Owner who has used the wall may restore it, and if other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in equal portions without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts of omissions.

(c) Notwithstanding any other provision of this Section, to the extent that such damage is not covered and paid by the insurance provided for herein, an Owner who by his/her negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(d) The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors in title.

Article V Maintenance and Repair

5.1. Maintenance of Lots.

(a) Each Owner must maintain his or her Lot, including all structures, landscaping, and other improvements comprising the Lot, in a manner consistent with the Governing Documents, the Community-Wide Standard, and any other applicable covenants, unless such maintenance responsibility is otherwise assumed by the Association or a Neighborhood or assigned to the Association or a Neighborhood under additional covenants applicable to such Lot.

(b) The Association will mow, trim, edge and otherwise generally maintain all lawn and landscape areas upon each Lot which is located outside the footprint of the residence thereon, which abuts any street, and which is not located in an area which has been enclosed by fencing or otherwise. Such maintenance shall not include any exotic landscaping installed by any Owner (whether or not approved), or any flower beds or similarly landscaped areas or any trees or shrubbery, all of which must be maintained by the Owner of each Lot, or any other maintenance substantially greater than as generally provided throughout the Subdivision. The Association may also replace any lawn or landscape area which is located upon a Lot and which is maintained by the Association, but all costs thereof shall be specifically assessed to the applicable Owner. The Association may also maintain and/or replace such other lawn and landscape areas in such manner and to the extent as from time to time approved by the Board. Without limitation of any other provisions hereof, no landscaping shall be added to, and nothing else shall be done within, any area maintained by the Association which may or does increase the Association's cost of maintenance without the prior written approval of the Board. Whether or not approved, the Board may specifically assess any such added cost of maintenance to the responsible Owner(s).

(c) THE BOARD HAS FULL AUTHORITY WITHOUT JOINDER OR CONSENT OF ANY OWNER OR ANY OTHER PERSON TO, OR THE MEMBERS MAY BY TWO-THIRDS (2/3) VOTE AT ANY SPECIAL MEETING CALLED FOR SUCH PURPOSE AGREE TO (AND THE BOARD SHALL THEREBY BE BOUND BY ANY SUCH AGREEMENT TO), EXPAND, MODIFY, REPLACE, REMOVE OR IN ANY OTHER MANNER CHANGE ANY AND ALL LANDSCAPING MAINTAINED BY THE ASSOCIATION, AND/OR LANDSCAPING MAINTENANCE AND/OR

SERVICES PROVIDED BY THE ASSOCIATION, INCLUDING AS TO ANY SUCH LANDSCAPING LOCATED UPON ANY LOT. IT IS EXPRESSLY STIPULATED AND AGREED THAT THE ASSOCIATION DOES NOT REPRESENT, GUARANTEE OR WARRANT THE VIABILITY, TYPE, QUALITY, QUANTITY OR CONTINUED EXISTENCE OF ANY LANDSCAPING WITHIN OR IN THE VICINITY OF THE SUBDIVISION, INCLUDING ANY LANDSCAPING LOCATED UPON ANY LOT, AND NO OWNER OR OTHER PERSON SHALL EVER HAVE ANY CLAIM WHATSOEVER AGAINST THE ASSOCIATION OR ANY OF ITS RELATED PARTIES REGARDING, DIRECTLY OR INDIRECTLY, ANY LANDSCAPING.

5.2. Maintenance of Common Area Within or Adjacent to a Neighborhood.

Owners within a Neighborhood shall be solely responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining, and insuring certain portions of the Common Maintenance Areas within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining buildings and other improvements, landscaping, signage, entry features, right-of-way and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and lakes or ponds within the Neighborhood, regardless of ownership and regardless of the fact that the Association may perform such maintenance. The Board also may, by resolution, assign such costs to the Owners within a Neighborhood; provided, all Neighborhoods which are similarly situated shall be treated the same.

If a Neighborhood Association is created, it shall maintain its common property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants.

5.3. Responsibility for Repair and Replacement.

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance includes responsibility for repair and replacement as necessary to maintain the property to a level consistent with the Community-Wide Standard.

Required Coverage. At a minimum, the Owner of each Lot must obtain property insurance to insure the residential dwelling thereon, and all fixtures, equipment and other improvements pertaining thereto. Said dwelling coverage must be on a current replacement cost basis in an amount of not less than ninety percent (90%) of the insurable value against risks of loss or damage by fire and other hazards as are covered by standard extended all-risk coverage, with demolition endorsement (or equivalent), and must include coverage against (i) fire and lightning, (ii) smoke, (iii) windstorm, hurricane and hail, (iv) explosion, (v) aircraft and vehicles, (vi) vandalism, malicious mischief and theft, (vii) riot and civil commotion, (viii) collapse of building in whole or in part, (ix) accidental discharge, leakage or overflow of water or steam from within a plumbing, heating or air conditioning system or household appliance, (x) falling objects, (xi) freezing and (xii) flood insurance, if applicable.

Within three months of any damage to or destruction of a structure on a Lot, the Owner shall repair or reconstruct the structure in a manner consistent with the original construction or other plans and specifications approved in accordance with Article IV; provided, under special circumstances, the Board,

in its discretion, may extend such time period. Alternatively, the Owner shall clear the Lot and maintain it in a neat and attractive condition consistent with the Community-Wide Standard. The Owner shall pay any costs insurance proceeds do not cover. Additional Recorded covenants applicable to any Neighborhood may establish additional insurance requirements and more stringent standards for rebuilding or reconstructing structures on the Lots within the Neighborhood and for clearing and maintaining the Lots in the event the structures are not rebuilt or reconstructed.

This Section applies to a Neighborhood Association with respect to common property within the Neighborhood in the same manner as if the Neighborhood Association was an Owner and the common property was a Lot.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

This Declaration establishes the Association as a way for each Owner to participate in the governance and administration of Bayside. While the Board of Directors has responsibility for the Association's day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's membership -- the Lot Owners.

Article VI The Association and its Members

6.1. Function of Association.

The Association is the entity responsible for management, maintenance, operation, and control of the Common Maintenance Areas, including the Stormwater Management System. The Association also has primary responsibility for administering and enforcing the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and Texas law. The Board shall be responsible for management for the Association and, as the Governing Documents permit, may contract with a property manager for such purposes. The Board is appointed or elected as provided in the Bylaws.

6.2. Membership.

Every Owner is a Member of the Association; provided, there is only one membership per Lot. If a Lot is owned by more than one Person, each Co-Owner shares the privileges of the membership, subject to reasonable Board regulation and the voting restrictions described in Section 6.3(c) and in the Bylaws. Co-Owners are jointly and severally obligated to perform the responsibilities of an Owner. The membership rights of an Owner which is not an individual (*e.g.*, a corporation) may be exercised by any officer, director, partner, member, manager or trustee, or by an individual the Owner designates from time to time in a written instrument provided to the Association's Secretary.

6.3. Voting.

The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members are all Owners except the Class "B" Member and, during the period of Class "B" membership, any Declarant Affiliate. Class "A" Members have one equal vote for each Lot they own, except that there is only one vote per Lot. No vote shall be exercised for any property

which is exempt from assessment under Section 8.10.

(b) Class "B". The sole Class "B" Member shall be Declarant. The Class "B" Member shall not vote, but may appoint a majority of the Board members during the Class "B" Control Period, as specified in the Bylaws, and may exercise the additional rights specified throughout the Governing Documents.

Upon termination of the Class "B" membership, which shall occur upon ownership of all Lots by individual Owners (not builders), Declarant and Declarant Affiliates shall be Class "A" Members entitled to one Class "A" vote for each Lot they own.

(c) Exercise of Voting Rights. Except as otherwise specified in this Declaration or the Bylaws, Neighborhood Representatives shall exercise the vote for each Lot a Class "A" Member owns. On all matters for which a vote is held, a Neighborhood Representative may cast the number of votes corresponding to the number of eligible Class "A" votes within his or her Neighborhood.

Prior to any scheduled vote, a Neighborhood Representative shall poll the Owners within the Neighborhood and allow a reasonable time for response. Polling may be done through posting notice of the vote in a conspicuous, prominent place in the Community, by publication in a newsletter circulated to eligible voters, via the Community's intranet site, or such other method as the Neighborhood Representative deems, in its discretion, reasonably calculated to provide notice to such Owners. Any notice shall provide specific instructions on how voting directions may be conveyed to the Neighborhood Representative. For each Lot for which specific voting direction is given, the Neighborhood Representative shall vote as directed. For each Lot from which no direction or conflicting direction is given, the Neighborhood Representative may cast the vote for such Lot as he or she, in his or her discretion, deems appropriate.

In any situation where a Member is entitled personally to exercise the vote for his or her Lot, and there is more than one Owner of such Lot, the vote for such Lot shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Lot's vote shall be suspended if more than one Person seeks to exercise it.

6.4. Neighborhoods and Neighborhood Representatives.

(a) Neighborhoods. Every Lot shall be located within a Neighborhood. Lots within a particular Neighborhood may be subject to covenants in addition to those contained in this Declaration; and, if required by law, or if Declarant otherwise approves, the Owners within the Neighborhood may be members of a Neighborhood Association in addition to the Association.

Exhibit "A" to this Declaration assigns property to a specific new or existing Neighborhood (by name or other identifying designation). So long as it has the right to subject additional property to this Declaration pursuant to Section 9.1, Declarant may create Neighborhoods or re-designate Neighborhood boundaries. Thereafter, the Board may re-designate Neighborhood boundaries. However, in any event, two or more existing Neighborhoods may not be combined without the consent of Owners of a majority of the Lots in each of the affected Neighborhoods.

(b) Neighborhood Representatives. Each Neighborhood shall elect a Neighborhood Representative to represent the Neighborhood and to cast the Class "A" Member votes within the Neighborhood. Neighborhood Representatives shall be Owners in good standing of a Lot in the Neighborhood they represent. Each Neighborhood Representative shall serve a two-year term. Neighborhood Representatives may serve any number of consecutive terms.

Declarant shall appoint an initial Neighborhood Representative from each Neighborhood no later than at such time as 25% of the Lots anticipated for Bayside under the Master Plan have been conveyed to Class "A" Members other than Builders. Thereafter, the Board shall call for an election of a Neighborhood Representative from each Neighborhood every two years to succeed the Neighborhood Representative whose term is expiring.

For any Neighborhood Representative election, the candidate who receives the greatest number of votes shall be elected. The candidate receiving the next greatest number of votes shall be elected as the alternate Neighborhood Representative and shall act in the Neighborhood Representative's absence.

Votes for Neighborhood Representatives may be cast by written ballots through e-mail or the Neighborhood intranet system, or at a meeting of the Class "A" Members within the Neighborhood, as the Board determines. If the Class "A" Members holding at least 10% of the votes attributable to Lots within any Neighborhood sign a written petition and present it to the Board, the Neighborhood Representative election shall be held at a meeting. Candidates for election as Neighborhood Representatives may be nominated by the Board, a nominating committee the Board appoints, and from the floor during an election meeting.

The presence, in person, or the filing of ballots by Class "A" Members representing at least 25% of the total Class "A" votes attributable to Lots in the Neighborhood shall constitute a quorum at any Neighborhood meeting or election. In the event of a failure to obtain a quorum or if there is a vacancy in such positions for any Neighborhood, the Board may appoint a Neighborhood Representative or alternate Neighborhood Representative to represent the Neighborhood until a successor is elected.

Any Neighborhood Representative (other than Declarant's designee) may be removed, with or without cause, upon the vote or written petition of Owners of a majority of the Lots owned by Class "A" Members in the Neighborhood which the Neighborhood Representative represents.

6.5. Voting Groups.

Before the Class "B" Control Period expires, Declarant, in its sole discretion, may combine different Neighborhoods into Voting Groups for the purpose of electing directors to the Board. The purpose of Voting Groups is to provide for representation on the Board by groups with dissimilar interests and to avoid particular groups dominating the Board due to the number of votes held by such groups. Declarant shall establish Voting Groups by identifying the Voting Group in any manner by which the Lots within the Voting Group can clearly be determined. Declarant may amend such designations, in its sole discretion, at any time during the Class "B" Control Period. In any event, each Voting Group shall elect an equal number of directors to the Board.

After Declarant's right to appoint Voting Groups expires, the Board, with the approval of Neighborhood Representatives representing a majority of the Neighborhoods and a majority of the total

Class "A" votes in the Association, may create one or more Voting Groups, or change existing Voting Groups in a manner which it believes reasonable.

Neither creating nor changing Voting Groups shall be an amendment to this Declaration, and no consent or approval of any Person shall be required except as stated in this Section. Until Voting Groups are established, the Community shall be a single Voting Group. After Voting Groups are established, all portions of the Community not assigned to a specific Voting Group shall together constitute a single Voting Group.

6.6. At-Large Representatives.

"At-Large Representatives" shall be designated or elected to serve as directors on the Board. At-Large Representatives shall be residents of the Community and, except for Declarant's designee, elected by votes cast by the Class "A" Members within the Community. For each At-Large Representative election, the candidate who receives the greatest number of votes shall be elected as the At-Large Representative. Except as provided below with respect to initial terms, each At-Large Representative shall serve a two-year term.

Declarant shall appoint the initial At-Large Representative, along with the initial Neighborhood Representatives, no later than at such time as 25% of the Lots anticipated for Bayside under the Master Plan have been conveyed to Class "A" Members other than Builders. Within 30 days after Class "A" Members other than Builders own 50% of the Lots anticipated for the Community under the Master Plan, or whenever the Class "B" Member earlier determines, the Board shall call for an election by the Class "A" Members of an additional At-Large Representative who shall serve until the mid-point of the other At-Large Representative's term (provided, if the mid-point first occurs within one year of being elected, the additional At-Large Representative shall serve until the mid-point of the other At-Large Representative's next two-year term). Thereafter, a new At-Large Representative shall be elected annually, and at all times, the Community shall have two At-Large Representatives with the two-year term of each being staggered.

When taking place in the same year, elections for At-Large Representatives shall take place at the same time as elections for Neighborhood Representatives. Elections shall be by written ballot without the necessity of a meeting. The person receiving the greatest number of votes shall be elected. A quorum shall not be required to elect an At-Large Representative.

Any At-Large Representative (other than Declarant's designee) may be removed, with or without cause, upon the vote or written petition of Owners of a majority of the Lots owned by Class "A" Members. The removal of the At-Large Representative also shall be a removal of such person from the Board.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

- (a) The Association may acquire, hold, mortgage or otherwise encumber, lease (as landlord

or tenant), operate, and dispose of tangible and intangible personal property and real property. The Association may enter into leases, licenses, or operating agreements, for payment or no payment, as the Board deems appropriate, permitting use of portions of the Common Area by others.

(b) Declarant or its designees may transfer to the Association, and the Association shall accept, personal property and/or fee title or other property interests in any improved or unimproved real property included within the property described in Exhibit "A" or "B." Upon Declarant's written request, the Association shall transfer back to Declarant any unimproved real property originally conveyed to the Association for no payment, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

(c) The Association is responsible for management, operation, and control of the Common Area, subject to any covenants, easements, or restrictions set forth in the deed or other instrument transferring the property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate, including the requirement of keycards (or similar technology) to enter certain Neighborhoods. The Association may enter into a property management agreement with any Person, including Declarant or any Declarant Affiliate.

7.2. Maintenance of Common Maintenance Areas.

The Association shall maintain the Common Maintenance Areas in accordance with the Community-Wide Standard. The Common Maintenance Areas shall include, but are not limited to:

(a) the Common Area, including landscaping, structures, and other improvements;

(b) landscaping within public rights-of-way within or abutting Bayside;

(c) such portions of any additional property as may be dictated by Declarant, this Declaration, any Supplemental Declaration, any Plat, or any contract, covenant, or agreement for maintenance entered into by, or for the benefit of, the Association; and

(d) the Stormwater Management System, all ponds, streams, and/or wetlands located within Bayside which serve as part of the Community's stormwater drainage system, including associated improvements and equipment, but not including any such areas maintained by a community development district. Maintenance of the Stormwater Management System shall mean the exercise of practices which allow the systems to provide drainage, water storage, conveyance, or other surface water or stormwater management capabilities as permitted by the Texas Department of Environmental Protection. Any repair or reconstruction of the surface water or stormwater management system shall be as permitted or, if modified, as approved by the Texas Department of Environmental Protection.

Without limiting the generality of the foregoing, the Association shall assume all of Declarant's (and Declarant's Affiliates') responsibilities to Galveston County and its governmental or quasi-governmental subdivisions, any state and federal agencies, and similar entities of any kind with respect to the Common Area and the Stormwater Management System, and shall indemnify

and hold Declarant and its Affiliates harmless with respect to such assumed responsibilities.

The Association may maintain other property which it does not own, including property dedicated to the public, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard and the property owner consents.

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

The Association shall maintain the facilities and equipment within the Common Maintenance Areas in continuous operation, except for any periods necessary, as determined by the Board, to perform required maintenance or repairs, unless Neighborhood Representatives representing 67% of the Class "A" votes in the Association agree in writing to discontinue such operation; provided, if the property is Limited Common Area, at least 67% of the Owners to which such Limited Common Area is assigned (or such higher percentage as may be set out in a Supplemental Declaration) also must agree in writing. Notwithstanding the above, the Common Maintenance Areas may not be reduced, nor shall operation of its facilities and equipment be discontinued, without Declarant's prior written approval as long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B" to this Declaration.

The costs associated with maintenance, repair, and replacement of the Common Maintenance Areas shall be a Common Expense. However, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Common Maintenance Areas pursuant to this Declaration or other Recorded covenants or agreements. The maintenance, repair, and replacement of Limited Common Areas shall be a Neighborhood Expense assessed against the Lots (either all or just those benefited) within the benefited Neighborhood(s).

Unless Declarant expressly agrees in writing with the Association to pay the costs of maintaining any portion of the Common Maintenance Areas, Declarant shall have no such obligation, regardless of any inferences which may be drawn from promotional or other materials.

7.3. Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and within other portions of the Common Maintenance Areas to the extent that the Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All Association property insurance policies shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(ii) Commercial general liability insurance on the Common Maintenance Areas, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least \$2,000,000.00 per occurrence and in the aggregate with respect to bodily injury, personal injury, and property damage;

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

(iv) Directors and officers liability coverage; and

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment, but not less than an amount equal to one-quarter of the annual Regular Assessments on all Lots plus reserves on hand. Insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation.

In the exercise of its business judgment, the Board may obtain additional insurance coverage and higher limits.

Premiums for Common Maintenance Area insurance shall be a Common Expense, except that (i) premiums for property insurance on Lots within a Neighborhood shall be a Neighborhood Expense; and (ii) premiums for insurance on Limited Common Areas within a Neighborhood may be a Neighborhood Expense unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Galveston County area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible which shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.3(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or tenants, then the Board may assess the full amount of such deductible against such Owner(s) and their Lots as a Benefited Assessment.

To the extent available upon reasonable cost and terms, all insurance coverage obtained by the Board shall:

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

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members. Policies secured on behalf of a Neighborhood shall be for the benefit of the Owners within the Neighborhood and their Mortgagees, as their interests may appear;

(iii) not be brought into contribution with insurance purchased by individual Owners, their Mortgagees, or any occupants of a Lot;

(iv) contain an inflation guard endorsement;

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

(vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area as a Member in the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a Member);

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

(viii) include an endorsement precluding cancellation, invalidation, or condition to recovery under the policy on account of any act or omission of any one or more individual Owners, unless such Owner is acting within the scope of its authority on behalf of the Association.

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

(i) a waiver of subrogation as to any claims against Declarant, Declarant's Affiliates, the Association, or their respective directors, officers, employees, and agents, or the Owners and their tenants, servants, agents, and guests;

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

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

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

(v) a cross liability provision; and

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

(c) Restoring Damaged Improvements. In the event of damage to or destruction of Common Area or other property which the Association is obligated to maintain and/or insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Damaged improvements on the Common Area shall be repaired or reconstructed unless the Neighborhood Representatives representing at least 67% of the total Class "A" votes in the Association and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct.

If the damage is to Limited Common Area, repairs shall be made unless at least 67% of the Owners to which such Limited Common Area is assigned (or such higher percentage as may be set forth in a Supplemental Declaration) vote not to repair or reconstruct and the Class "B" Member, if any, consents. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period may be extended until such funds or information are available. No Mortgagees shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive condition consistent with the Community-Wide Standard.

The Association shall retain in a reserve fund for capital items any insurance proceeds remaining after paying the costs of repair or reconstruction, or after an agreed-upon settlement, for the benefit of the Members or the Owners of Lots within the insured Neighborhood, as appropriate. This is a covenant for the benefit of Lot Owners and may be enforced by the Owner of any affected Lot.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the applicable insurance coverage premiums.

7.4. Compliance and Enforcement.

(a) The Board may impose sanctions for Governing Document violations, which sanctions include those listed below and any others described elsewhere in the Governing Documents. The Board may establish a range of penalties for different violations, with violations of the Declaration, unsafe conduct, and harassment or intentionally malicious conduct treated more severely than other violations. The following sanctions require prior notice and an opportunity for a hearing in accordance with the Bylaws:

(i) imposing reasonable monetary fines, not to exceed the limit established for individual violations under Texas law (or per day limitations in the case of a continuing violation), which shall constitute a lien upon the violator's Lot (fines may be imposed within a graduated range). There is no limit on the aggregate amount of any fine for a continuing violation;

(ii) suspending an Owner's right to vote (except that no notice or hearing is required if the Owner is more than 60 days delinquent in paying any Regular Assessment);

(iii) suspending any Person's right to use Common Area amenities (except that no notice or hearing is required if the Owner is more than 30 days delinquent in paying any assessment or other charge owed the Association); provided, nothing shall authorize the Board to impair an Owner or occupant's access to his or her Lot;

(iv) suspending any services the Association provides (except that no notice or hearing is required if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association);

(v) exercising self-help or taking action to abate any violation of the Governing Documents occurring on a Lot in a non-emergency situation (including removing personal property that violates the Governing Documents); and

(vi) levying Benefited Assessments to cover costs the Association incurs to bring a Lot into compliance with the Governing Documents.

In addition, the Board may take the following enforcement actions to ensure compliance with the Governing Documents without the necessity of complying with the procedures set forth in the Bylaws:

(vii) exercising self-help or taking action to abate a violation on a Lot in an emergency situation (including, without limitation, towing vehicles that are in violation of parking rules and regulations);

(viii) exercising self-help or taking action to abate a violation on the Common Area under any circumstances (including, without limitation, issuing citations for traffic violations); or

(ix) bringing suit at law for monetary damages or in equity to stop or prevent any violation, or both.

In addition to any other enforcement rights, if an Owner fails to properly perform his or her maintenance responsibility, the Association may Record a notice of violation or may perform the required maintenance and assess its costs against the Lot and the Owner as a Benefited Assessment. If a Neighborhood Association fails to perform its maintenance responsibilities, the Association may perform the maintenance and assess the costs as a Benefited Assessment against all Lots within the Neighborhood. Except in an emergency situation, the Association shall provide the Owner or Neighborhood Association reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

The above sanctions shall not apply to Declarant or any Declarant Affiliate or to any Lot owned by Declarant or any of its Affiliates. All sanctions and remedies set forth in the Governing Documents are in addition to any remedies available at law or in equity. In any action to enforce the Governing Documents, the prevailing party may recover all of its costs incurred in the action, including, without limitation, court costs and reasonable attorneys' fees.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

- (i) the Association's position is not strong enough to justify taking any or further action;
- (ii) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;
- (iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or
- (iv) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

A decision not to enforce a particular provision shall not prevent the Association from enforcing the same provision at a later time or prevent the enforcement of any other covenant, restriction, or rule.

By contract or other agreement, the Association may enforce applicable city and county ordinances. In addition, Galveston County and the City of Galveston, if applicable, may enforce their ordinances within Bayside.

7.5. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly or by reasonable implication by the Governing Documents, and may take action reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents or by law, the Board may exercise all of the Association's rights and powers without a vote of the membership.

The Board may institute, defend, settle, or intervene on the Association's behalf in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Common Maintenance Areas, enforcement of the Governing Documents, or any other civil claim or action. However, the Board has no legal duty to institute litigation on behalf of or in the name of

the Association or the Members.

In exercising the Association's rights and powers, making decisions on the Association's behalf, including, without limitation, deciding whether to file a lawsuit under any circumstances, and conducting the Association's affairs, Board members and the Association's officers are subject to, and their actions shall be judged in accordance with, the standards set forth in the Bylaws.

7.6. Indemnification of Officers, Directors, and Others.

The officers, directors, and committee members, acting in such capacity, 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 for any contract or other commitment made or action taken in good faith on the Association's behalf.

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

This right to indemnification shall not be exclusive of any other rights which any present or former officer, director, or committee member may have. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

7.7. Powers of the Association Relating to Neighborhoods.

Any Neighborhood Committee (as described in the Bylaws) is an Association committee. The Board shall have all of the same power and control over Neighborhood Committees that it has over other Association committees.

The Association may require that a Neighborhood Association, if any, take specific action in connection with its obligations and responsibilities, such as requiring that specific maintenance or repairs or aesthetic changes be made and requiring that a proposed budget include certain items. A Neighborhood Association shall take such action within the reasonable time frame the Association sets. If the Neighborhood Association fails to comply, the Association may act on behalf of the Neighborhood Association and levy Neighborhood or Benefited Assessments to cover the costs, as well as an administrative charge and sanctions.

7.8. Provision of Services, Activities, and Programs.

The Association may provide, or provide for, services, activities and programs (collectively, Services") for all or any of the Members and their Lots, and may enter into contracts or agreements

with other entities, including Declarant or its Affiliates, to provide such Services. The Board may charge use or service fees for any such Services, or may include the costs, including the cost of personnel employed to facilitate or administer such Services, in the Association's budget as a Common Expense and assess it as part of the Regular Assessment, if provided to all Lots. If provided to less than all Lots, the Association may assess such costs as a Neighborhood or Benefited Assessment, as applicable.

By way of example, such Services might include, without limitation, landscape maintenance; pest control service; cable television service; telephone; internet access; security monitoring; caretaker; transportation; fire protection; utilities; trash collection and recycling; recreational and social activities or programs; educational programs; cultural, artistic, and environmental programs; charter clubs; and other similar services, activities, or programs designed to further a sense of community among Owners, residents, and occupants within Bayside.

Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, subject to the contract terms, the Board may modify or cancel existing contracts for services, activities, or programs in its discretion, unless the services are otherwise required by the Governing Documents. Non-use of Services provided to all Owners or Lots as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such Services.

7.9. Relationships with Other Properties.

The Association may enter into contractual agreements or covenants to share costs with neighboring properties or Private Amenities to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Area maintenance.

7.10. Facilities and Services Open to the Public.

Certain of the Common Maintenance Areas, including facilities, may be open for public use and enjoyment. Such facilities and areas may include, for example: greenbelts, bay areas, bike and pedestrian trails and paths, parks, areas conducive to gathering and interaction, roads, sidewalks, boardwalks and medians. During Class "B" Control Period, Declarant may designate such facilities and areas as open to the public. Thereafter, except for Limited Common Areas, the Board, with the consent of Neighborhood Representatives representing a majority of the Association's Class "A" votes, may designate facilities and areas as open for public use. In addition, certain areas within the Community are required to be open for public use.

7.11. Relationship with Governmental and Tax-Exempt Organizations.

The Association may enter into agreements or contracts with, or grant exclusive and/or non-exclusive easements over the Common Area to state or local governments, public utility providers, and non-profit, tax-exempt organizations for the benefit of the Community, the Association, and the Members. The Association may contribute money, real property (including Common Area), personal property, or services to any such entity. Any such contribution shall be a Common Expense and included

as a line item in the Association's annual budget.

For the purposes of this Section, a "tax-exempt organization" shall mean an entity which is exempt from federal income taxes under the Internal Revenue Code ("Code"), such as, but not limited to, entities which are exempt from federal income taxes under Sections 501(c)(3) or 501(c)(4), as the Code may be amended from time to time.

7.12. Right To Designate Sites for Governmental and Public Interests.

For so long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B," Declarant may, but is not obligated to, designate sites within the Community for government, education, or religious activities and interests, including without limitation, fire, police, and utility facilities, schools and educational facilities, houses of worship, parks, and other public facilities. The sites may include Common Area, in which case the Association shall take whatever action is required to permit such use, including dedication or conveyance of the site, if so directed by Declarant.

7.13. Use of Technology.

In recognition of the opportunities offered through computers and continuing advancements in the high technology fields, the Association may, as a Common Expense, provide for or offer services, which make use of computers and other technological opportunities. For example, to the extent Texas law permits, and unless otherwise specifically prohibited in the Governing Documents, the Association may send required notices by electronic means; hold Board or Association meetings and permit attendance and voting by electronic means; send and collect assessment and other invoices over the computer; sponsor a community cable television channel; create and maintain a community intranet or Internet home page offering interactive participation opportunities for users; maintain an "online" newsletter or bulletin board; and provide funding for any of the above purposes.

7.14. Preservation of Common Open Space and Natural Areas.

The Declarant and the Association have various responsibilities concerning preservation, management, and maintenance of the Community's common open space and natural areas and the protection of the Community's existing environment and various indigenous plant and animal species. The Association shall be authorized to perform such responsibilities, whether directly assigned by the Declarant or delegated to the Association by Declarant, in the manner deemed appropriate in the Board's discretion. The costs incurred by the Association in carrying out its responsibilities described herein shall be assessed against all Owners as a Common Expense in accordance with Article VIII. Among other things, the Association shall be authorized or required to do the following:

(a) Management of common "open space" areas and other natural areas within the Community. The on-site naturalist shall be a degreed professional with expertise in biology, ecology, forestry, environmental sciences, physical geography, geology, or related natural sciences. The on-site naturalist shall prepare annually a report to the Association which describes the conditions of the Community's common open space and natural areas (particularly the natural areas around the lake known as "Lake Como") and recommend or otherwise identify steps required to properly maintain such areas;

(b) engage a qualified, domestic, non-profit corporation or association to provide a written

report to the Association setting forth an annual independent assessment of the Community's common open space and natural areas. Such entity shall work and cooperate with the on-site naturalist in providing reports, evaluations, and recommendations to the Association relating to the long-term protection of the Community's common open space and natural areas;

(c) maintain the Surface Water Management System, subject to the Texas Department of Environmental Protection's regulatory requirements. The Association's obligation in this regard shall include maintaining the Community's irrigation system and keeping current all necessary and required permits;

(d) establish and provide for the implementation of a hurricane public information and evacuation plan, and provide Owners and occupants with such services, education, and facilities as may be necessary or appropriate for the implementation of such plan;

(e) conduct annual water quality sampling in and around the Bayside's docks areas with samples furnished to the on-site naturalist and the qualified organization described in sub-Section (b) above; and

(f) manage and maintain common open space, natural areas, and wetlands which Declarant conveys to it.

This Section may be amended only as permitted under, and in accordance with, Galveston County's approval.

Article VIII Association Finances

8.1. Budgeting and Allocating Common Expenses.

The Association is authorized to levy Regular Assessments against all Lots subject to assessment under Section 8.6 to fund the Common Expenses. The Regular Assessment allocated to each Lot shall be determined in accordance with the allocation formula set out in Exhibit "D" to this Declaration.

Before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 8.3. The budget shall separately reflect all fees for recreational amenities and shall reflect the sources and estimated amounts of funds to cover such expenses, including any prior year's surplus or deficit, any non-assessment income, and anticipated assessment income.

The Common Expenses shall include, without limitation, costs associated with the maintenance and repair of the Stormwater Management System, as required under this Declaration.

In determining the Regular Assessment, the Board may consider any assessment income expected to be generated from any property reasonably anticipated to become subject to assessment during the fiscal year.

The Board shall send a copy of the final budget and notice of the amount of the Regular Assessment to each Owner at least 30 days before the fiscal year begins. The budget shall not be subject to Owner approval and there shall be no obligation to call an Owners' meeting to consider the budget.

Declarant may, but shall not be obligated to, reduce the Regular Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 8.7) which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. The payment of such subsidy in any year shall not obligate Declarant to continue paying a subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

If any proposed budget is disapproved under Section 8.9, or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Regular Assessment from time to time during the year, subject to Section 8.9 and the notice requirements set forth above and in Texas law.

8.2. Budgeting and Allocating Neighborhood Expenses.

The Association is authorized to levy Neighborhood Assessments against all Lots subject to assessment in a Neighborhood to fund Neighborhood Expenses in accordance with the allocation schedule set forth on Exhibit "D"; provided, if a majority of the Owners within the Neighborhood request in writing, any portion of the assessment intended for the exterior or structural maintenance of structures, insurance on structures, or replacement reserves pertaining to particular structures may be levied equally on just the benefited Lots or in proportion to the benefit received, as determined in the Board's discretion.

Before the beginning of each fiscal year, the Board shall prepare separate Neighborhood budgets covering the estimated Neighborhood Expenses, if any, for each Neighborhood during the coming year. Each such budget shall include any costs for additional services or a higher level of services approved pursuant to Section 6.4 and any contribution to be made to a reserve fund pursuant to Section 8.3. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, including any prior year's surplus or deficit, any anticipated non-assessment income, and assessment income anticipated from the Lots in the Neighborhood.

The Board shall send a copy of the Neighborhood budget and notice of the amount of the Neighborhood Assessment for the coming year to each Owner in the Neighborhood at least 30 days before the fiscal year begins. The budget shall not be subject to Owner approval and there shall be no obligation to call an Owner's meeting to consider the budget.

If the proposed budget for any Neighborhood is disapproved under Section 8.9, or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the year before shall continue for the current year.

The Board may revise the budget for any Neighborhood and the amount of any Neighborhood Assessment from time to time during the year, subject to the notice requirements above and pursuant

to Texas law and the right of the Owners of Lots in the affected Neighborhood to disapprove the revised budget as set forth above.

All amounts the Association collects as Neighborhood, Assessments shall be held and expended solely for the benefit of the Neighborhood for which they were collected. Such amounts shall be accounted for separately from the Association's general funds.

8.3. Budgeting for Reserves.

The Board may include in the Common Expense budget or the Neighborhood Expense budgets, as appropriate, a capital contribution to fund reserves in an amount sufficient to meet the projected need with respect both to amount and timing by annual contributions over the budget period. Reserve budgets shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. So long as the Board exercises business judgment in determining the amount or necessity of the reserve fund, the amount shall be considered adequate.

The Board may adopt resolutions regarding the expenditure of any reserve funds, including policies designating the nature of assets for which reserve funds may be expended. These policies may differ for general Association purposes and for each Neighborhood. So long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B," neither the Association nor the Board shall adopt, modify, limit, or expand such policies without Declarant's prior written consent.

The Board may enter into agreements with Declarant, on negotiated terms, under which Declarant may obligate itself to provide or contribute to reserve funds as needed on a "cash basis" in lieu of funding reserves on an accrual basis. The Board has no duty to fund reserves during any period that Declarant is funding Association budget deficits.

8.4. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Special Assessments may be levied against the entire membership in accordance with the allocation schedule set out in Exhibit "D," if the Special Assessment is for Common Expenses, or against the Lots within any Neighborhood, if the Special Assessment is for Neighborhood Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Neighborhood Representatives (if a Common Expense) or Members (if a Neighborhood Expense) representing at least a majority of the total votes allocated to Lots which will be subject to the Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if any. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.5. Benefited Assessments.

The Association may levy Benefited Assessments against one or more particular Lots as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services which an Owner requests pursuant to any menu of special services which the Association may offer (which might include the items identified in Section 7.8) or which the Association otherwise provides in the Board's discretion. Benefited Assessments for special services may be levied in advance of the provision of the requested service; and

(b) to cover costs incurred in bringing a Lot into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Lot, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Lot Owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying any Benefited Assessment under this subsection.

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

Lots which Declarant or any Declarant Affiliate owns are exempt from Benefited Assessments.

8.6. Commencement of Assessment Obligation; Time of Payment.

The obligation to pay assessments commences as to each Lot on the first day of the month following: (a) the month in which the Lot is made subject to this Declaration; or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Section, whichever is later. The first annual Regular Assessment and Neighborhood Assessment, if any, levied on each Lot shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Lot.

Owners shall pay assessments in the manner and on the dates the Board establishes. The Board may require advance payment of assessments at closing of the transfer of title to a Lot and may impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in quarterly or monthly installments. Unless the Board otherwise provides, the Regular Assessment and any Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Lot, the Board may require that the outstanding balance on all assessments be paid in full immediately.

8.7. Obligation for Assessments.

(a) Personal Obligation. Each Owner, by accepting a deed or entering into a Recorded contract of sale for any Lot, covenants and agrees to pay all assessments authorized in the Governing Documents for each Lot owned. All assessments, together with interest (computed from the assessment's due date at a rate of at least 12% per annum or such higher rate as the Board may establish, subject to Texas law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of each Owner and a lien upon each Lot until paid in full. Upon a transfer of title to a Lot, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

The Board's failure to fix assessment amounts or rates or to deliver each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Regular Assessments and Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner is exempt from liability for assessments by non-use of Common Area, abandonment of his or her Lot, or any other means. The obligation to pay assessments is a separate and independent covenant by each Owner. No reduction or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some required function, or for inconvenience or discomfort arising from making repairs or improvements, or for any other reason.

Upon written request, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(b) Declarant's Option to Fund Budget Deficits. During the Class "B" Control Period, Declarant may satisfy the obligation for assessments on Lots which it or any Declarant Affiliate owns either by paying assessments in the same manner as any other Owner or by funding the budget deficit. The budget deficit is the difference between the amount of assessments levied on Class "A" Member-owned Lots, plus any other income received during the fiscal year, and the amount of the Association's actual expenditures during the fiscal year, but excluding expenses exclusively for capital improvement costs and reserves. Unless Declarant otherwise notifies the Board in writing at least 30 days before the beginning of the fiscal year, Declarant shall continue paying on the same basis as during the previous fiscal year.

Regardless of Declarant's election, Declarant's assessment obligations may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" Control Period, except with respect to Benefited Assessments, Declarant shall pay assessments on Lots which it or its Affiliates own in the same manner as any other Owner.

8.8. Lien for Assessments.

The Association shall have a lien against each Lot, excluding Declarant's Lots, to secure payment of delinquent assessments, as well as interest, late charges (subject to Texas law), and costs of collection (including attorneys' fees). Such lien shall touch, concern and run with the Lot and be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any Recorded first Mortgage (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value. The Association's lien may be enforced by suit, judgment, and judicial or non-judicial foreclosure.

Notwithstanding the above, and subject to Texas law, any lien for Association assessments or charges levied solely for the purpose of acquisition, development, or construction of infrastructure or capital improvements serving the Community (or to pay the cost to underwrite, service, and repay any debt incurred to finance any such acquisition, development, or construction) may be designated by the Board as a "Capital Improvement Assessment" which shall be superior to (a) the Association's lien for other Common Expenses, and (b) all other liens except those deemed superior under Texas law and which may not be made subordinate by this provision.

At a foreclosure sale, the Association may bid for the Lot and acquire, hold, lease, mortgage, and convey the Lot. The Association may sue for unpaid assessments and other charges without foreclosing or waiving its assessment lien. Sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments.

Notwithstanding the above, while the Association owns a Lot: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association.

8.9. Limitation on Assessment Increases.

Notwithstanding any provision to the contrary, and except for assessment increases necessary for emergency situations, after termination of the Class "B" Control Period, any Regular Assessment that is more than 10% greater than such assessments for the immediately preceding fiscal year is subject to disapproval at a meeting by Neighborhood Representatives representing 67% of the Class "A" Members subject to such assessment. Except for increases necessary for emergency situations, after termination of the Class "B" Control Period, any Neighborhood Assessment that is more than 10% greater than such assessment for the immediately preceding fiscal year is subject to disapproval at a meeting by Members representing a majority of the Class "A" votes within the Neighborhood subject to such assessment. There shall be no obligation to call a meeting for the purpose of considering the disapproval of any budget except on petition of the members subject to assessment under the budget, as provided for special meetings in the Bylaws. Any such petition must be presented to the Board within 10 days after delivery of the budget and notice of any assessment.

An emergency situation is any one of the following:

- (a) an extraordinary expense required by an order of a court;
- (b) an extraordinary expense necessary to repair or maintain any portion of the Community for which the Association is responsible where a threat to personal safety is discovered;
- (c) an extraordinary expense necessary to repair or maintain any portion of the Community for which the Association is responsible and which could not reasonably have been foreseen by the Board in preparing and distributing the pro forma budget pursuant to Section 8.1. However, prior to the imposition or collection of such an assessment, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. Notice of the Board meeting at which such resolution is to be considered, explaining the nature of the assessment proposed, shall be provided to the Members along with the notice of such assessment; or
- (d) to defend the Board, or its members, officers or directors in litigation, arbitration, or other legal or administrative actions brought against it.

8.10. Exempt Property.

The following property shall be exempt from payment of Regular Assessments, Neighborhood Assessments, and Special Assessments:

- (a) All Common Area and other portions of the Community which are not Lots;
- (b) Any property dedicated to and accepted by any governmental authority or public utility;
and
- (c) Property a Neighborhood Association owns for the common use and enjoyment of its members, or owned by Neighborhood Association members as tenants-in-common.

In addition, both Declarant and the Association shall have the right, but not the obligation, to grant exemptions to schools, houses of worship, hospitals, or Lots owned by and used by Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code. Exemptions granted by Declarant shall be binding on the Association.

8.11. Use and Consumption Fees: Licenses and Royalties.

The Board may charge use and consumption fees to any Person using Association services or facilities and may determine the amount and method of determining such fees. Different fees may be charged to different classes of users (*e.g.*, Owners and non-Owners).

As set forth in Section 10.7, the Association may enter into license agreements with Declarant or other parties which permit the Association's use of trade names or service marks (e.g., use of the name Bayside). To the extent permitted by such license agreements, the Board may enter into sub-license agreements, under negotiated terms, which permit others within the Community to use such trade names and/or service marks. The Association may charge fees and collect royalties in connection with such sub-license agreements; provided, Declarant and any Declarant Affiliate shall be exempt from payment of such license fees.

8.12. Transfer Fee.

Upon each initial transfer of title to a Lot by Declarant or a Declarant Affiliate to a Class "A" Member, Declarant shall be obligated to pay to the Association a transfer fee in the amount of \$500. Upon each subsequent transfer of title to a Lot in Bayside, the purchaser shall be obligated to pay to the Association a transfer fee in the amount of \$500. Such transfer fee shall be due and payable at the closing of each transfer of title to a Lot.

Notwithstanding the above, the Association, in its discretion, may exempt certain transfers from the payment of the transfer fee. For example, without limitation, a transfer made solely for legitimate estate planning purposes, but which does not change the beneficial ownership of the Lot, may be deemed exempt. The classification of any transfer as exempt shall not be deemed a waiver of the Association's right to collect the transfer fee on future title transfers under similar circumstances.

The obligation to pay such transfer fees shall be the personal obligation of the obligor. The Association shall have a lien against each Lot to secure payment of such transfer fee, as well as interest (in the amount of 12% per annum) and any costs of collection (including attorneys' fees).

PART FOUR: COMMUNITY DEVELOPMENT

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

Article IX Expansion of the Community

9.1. Annexation by Declarant.

Declarant may, from time to time, subject to this Declaration, annex all or any portion of the property described in Exhibit "B" at will. Declarant's annexation shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to annex property pursuant to this Section expires when the Class "B" Control Period ends. Until then, Declarant may transfer or assign this right to any Person who is a developer of at least a portion of the real property described in Exhibit "A" or "B." Any such transfer shall be memorialized in a Recorded instrument executed by Declarant.

Nothing in this Declaration shall require Declarant or any successor to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

9.2. Annexation by the Association.

After the Class "B" Control Period ends, the Association also may annex property to the provisions of this Declaration by Recording a Supplemental Declaration describing the additional property. Annexation by the Association shall require the affirmative vote or written consent of Neighborhood Representatives representing more than 67% of the Class "A" votes and the consent of the property owner. In addition, so long as Declarant or any Declarant Affiliate owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's consent is required. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the property, and by Declarant, if Declarant's consent is required.

9.3. Additional Covenants and Easements.

By Supplemental Declaration, Declarant may impose additional covenants and easements on portions of the Community, including covenants obligating the Association to maintain and insure specific property and authorizing the Association to recover its costs through Neighborhood Assessments. If someone other than Declarant owns the property, then such owner's consent and execution of the Supplemental Declaration is required. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

9.4. Effect of Filing Supplemental Declaration.

During the Class B Control Period, there will be no Supplemental Declarations, unless Declarant believes that a Supplemental Declaration is necessary. During the Class A Control period, unless otherwise specified, a Supplemental Declaration shall be effective upon the earlier of (a) notice to the Persons who are affected by such Supplemental Declaration; or (b) Recording. The Lots subjected to this Declaration by Supplemental Declaration shall have equal voting rights in the Association and equal pro rata liability for Regular Assessments with all other Lots.

Article X Additional Rights Reserved to Declarant

10.1. Withdrawal of Property.

Declarant reserves the right to amend this Declaration, so long as it has a right to annex property pursuant to Section 9.1, to remove any unimproved portion of Bayside from the coverage of this Declaration. "Unimproved" means that no structure has yet been built on the property. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Declarant. Except as provided in Section 7.1(b), if the property is Common Area, the Association's consent is required for such withdrawal.

In addition, until termination of the Class "B" Control Period, Declarant reserves the right to amend the Declaration and remove any Neighborhood, regardless of whether Declarant owns all or any of the property within the Neighborhood, from the coverage of this Declaration. Such amendment shall not require the consent of any Person other than Declarant. In addition, in such event, the Association shall reconvey to Declarant, or its designee, any of the property being withdrawn which it owns.

10.2. Marketing and Sales Activities.

Notwithstanding anything in the Governing Documents to the contrary, Declarant and its Affiliates, and their designees or assigns, may construct, use, and maintain upon portions of the Common Area and other property they own, such facilities, activities, and things as, in Declarant's opinion, may reasonably be required, convenient, or incidental to the construction or sale of Lots. Such permitted facilities, activities, and things shall include business offices, signs, flags (whether hung from flag poles or attached to a structure), model homes, sales offices, on-site cottage rental agencies, holding or sponsoring special events, and exterior lighting features or displays. In addition, if reasonably required, convenient, or incidental to construction or sales activities, Declarant and Declarant's Affiliates, and their employees, agents, and designees, may park vehicles in areas other than garages or driveways, including on streets. The rights of any Declarant designee or assign under this Section are subject to Declarant's approval.

10.3. Right to Develop.

Declarant and its Affiliates, and their respective employees, agents, and designees, shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area, and to the Exhibit "B" property, as it deems appropriate in its sole discretion.

10.4. Right to Approve Changes in Bayside's Standards.

No amendment to or modification of any Use Restrictions, rules, or the Pattern Book shall be effective without prior notice to and the written approval of Declarant so long as Declarant or any Declarant Affiliate owns any portion of the Community or has a unilateral right to annex property in accordance with Section 9.1.

10.5. Right to Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the Bylaws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the Bylaws. No such transfer or assignment shall be effective unless it is in a Recorded instrument signed by Declarant. Declarant may allow other Persons to exercise, on a one-time or limited basis, any Declarant right without transferring the entire right. In such case, a Recorded instrument is not required.

10.6. Central Telecommunication, Receiving, and Distribution System.

Declarant reserves for itself, its Affiliates, successors, and assignees, the exclusive and perpetual right and easement to operate within Bayside, and to service the buildings and the structures within any Lot, a central telecommunication (including cable television and security monitoring) receiving and distribution system, including conduits, wires, amplifiers, towers, antennae, and other related apparatus and equipment (the "Community Systems") as Declarant, in its discretion, deems appropriate. Such exclusive and perpetual rights shall include, without limitation, Declarant's right to select and contract with companies licensed to provide telecommunications and cable television service in the Bayside area, and to charge individual users a reasonable fee not to exceed the maximum allowable charge for such service, as from time to time is defined by the laws, rules, and regulations of the relevant government authority, if applicable.

Declarant may require that the Board enter into a bulk rate service agreement for the provision of Community Systems to all Lots as a Common Expense. If particular services or benefits are provided to particular Owners or Lots at their request, the benefited Owner(s) shall pay the service provider directly for such services, or the Association may assess the costs as a Neighborhood Assessment or Benefited Assessment, as appropriate.

10.7. Rights To Use Names; License Agreements.

The names "Bayside at Waterman's" and "Bayside," and all similar or derivative names, along with all associated logos, are the proprietary trade names and service marks of Bayside Development, LLC or its Affiliates. No Person shall use such trade names or servicemarks for advertising or any other purpose in any promotional material, whether printed, audio, video, or otherwise, in any signage, or in any logo or depiction without the prior written consent of the Person who owns such mark. In addition, due to the integrated nature of Bayside as a planned community, and the public identification of the Lots with Bayside, any name or "logo" to be used in connection with or displayed on any Lot, and any sales or other materials or documentation related to the use of the Lot, shall be subject to Declarant's prior written consent. Such approval may be given or withheld in Declarant's discretion and may be subject to such terms and conditions as Declarant deems appropriate.

Notwithstanding the above, Owners may use the name "Bayside" where such term is used solely to specify that particular property is located within "the Bayside Community" (subject, however, to such terms and conditions as Declarant may impose in order to protect its trade names and service marks) and the Association may use the word "Bayside" in its name. Other use by the Association or any Owner is subject to the restrictions set out in this Section.

10.8. Right To Use Common Area for Special Events.

As long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B," Declarant may use the Common Area to sponsor special events for charitable, philanthropic, political, or marketing purposes, subject to the following conditions:

- (a) the availability of the facilities at the time requested;
- (b) Declarant shall pay all costs and expenses incurred and shall indemnify the Association against any loss or damage resulting from the special event; and
- (c) Declarant shall return the facilities and personal property used in conjunction with the special event to the Association in the same condition as existed prior to the special events.

Declarant shall have the right to assign its rights to charitable organizations or foundations selected by Declarant. Declarant's right to use the Common Area for special events shall be enforceable by injunction, by any other remedy in law or equity, and by the terms of this Declaration.

10.9. Easement to Inspect and Right to Correct.

Declarant reserves for itself and others it may designate the right to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of Bayside, including Lots, and a nonexclusive easement of access throughout the Community to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Lot shall be only after reasonable notice to the Owner and no entry into a dwelling or other structure on a Lot shall be permitted without the Owner's consent, which consent shall not unreasonably be withheld, conditioned, or delayed. The failure or refusal to permit reasonable access to the Lot for the purposes contemplated under this paragraph shall excuse Declarant or its designee from responsibility for repairs or damages relating to defective workmanship or materials. The Person exercising this easement shall promptly repair, and pay for, any resulting damage.

10.10. Right to Notice of Design or Construction Claims.

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within Bayside in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless Declarant and any Builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the property Owner and conduct an inspection.

10.11. Termination of Rights.

Rights granted under this Section shall terminate upon the earlier of (a) the period specified in the particular Section; (b) 40 years from the date this Declaration is Recorded; or (c) Declarant's Recording of a statement that all sales activity has ceased. Thereafter, Declarant may continue to use the Common Areas for the purposes stated in this Section only pursuant to a rental or lease agreement between Declarant and the Association which provides for rental payments based on the fair market rental value of any such portion of the Common Areas. Notwithstanding the above, Declarant reserves for itself and its Affiliates a perpetual, non-exclusive easement of access to and use of the Common Areas in connection with the marketing and sale of other properties in order to show the Community as an example of Declarant's projects. This Section shall not be amended without Declarant's written consent.

10.12. Exclusion of Declarant's Other Properties.

By accepting a deed to a Lot, each Owner specifically acknowledges that nothing contained in this Declaration shall in any way, either expressly or by implication, restrict, limit, or otherwise affect the use or disposition by Declarant or any Declarant Affiliate of any property either of them owns, whether contained within or contiguous to Bayside. Declarant and its Affiliates shall have full, free, and unrestricted use of its other lands, notwithstanding any incompatibility of such use with restrictions this Declaration imposes upon the Lots. By accepting a deed to a Lot, each Owner specifically and expressly disclaims any reciprocal negative easement in any property Declarant or any Declarant Affiliate owns.

10.13 Lease of Common Area by Declarant to Third Parties.

During the Class "B" Control Period, Declarant may engage in third party leases on any portion of the Property indicated in Exhibit A, with service providers which, in Declarant's sole judgment, will increase the use, convenience and aesthetics of Bayside. The terms of such leases shall be negotiated and agreed to be based on, and in, Declarant's sole judgment.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community, with its wide array of properties and development types and its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others within or adjacent to the Community.

Article XI Easements

11.1. Easements in Common Area.

Declarant grants to each Owner a right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) The Governing Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying the property to the Association;
- (c) The Board's right to:
 - (i) adopt rules regulating Common Area use, including rules limiting the number of guests who may use the Common Area, and charge use fees for such use;
 - (ii) suspend the right of an Owner to use any Common Area amenity (A) for any period during which any assessment or other charge against the Owner's Lot remains delinquent, and (B) for a period not to exceed 30 days for a single violation, or for a longer period in the case of any continuing

violation, of the Governing Documents;

(iii) dedicate or transfer all or any part of the Common Area, subject to any approval requirements set forth in this Declaration;

(iv) rent any portion of any clubhouse or other Common Area recreational facilities on an exclusive or non-exclusive short-term basis to any Person;

(v) permit use by the general public, which use may be subject to admission charges, membership fees, or other user fees established in the Board's discretion; and

(vi) mortgage, pledge, or hypothecate any or all of the Common Area as security for money borrowed or debts incurred; and

(d) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in Article XII.

Any Owner may extend his or her right to use the Common Area to the members of his or her family, tenants, and social invitees, as applicable, subject to reasonable Board regulation. An Owner who leases his or her Lot shall be deemed to have assigned all such rights to the tenants of such Lot for the lease term.

Any Person's use and enjoyment of the Common Area is subject to the Board's authority to promulgate and enforce Use Restrictions and reasonable rules and regulations governing such use and to charge use, consumption, or membership fees as provided for in this Declaration. The rules and regulations and fees may be different for different classifications of users, including, but not limited to, Owners of Residential Lots, Owners and guests or permitted users of Non-Residential Lots, guests or social invitees unaccompanied by Owners, or otherwise. The posting of rules and regulations and fees in a conspicuous manner and location within Bayside or the publication in a community newsletter of general circulation within Bayside shall be deemed sufficient notice to all permitted users; provided, the Board, in its discretion, may provide notice of rules, regulations, and fees by other means or methods.

The Declarant may elect to install gates which permit only Owners and guests or permitted users in a designated Neighborhood to access roads in that designated Neighborhood.

11.2. Easements of Encroachment.

Declarant grants easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots. A permitted encroachment is a structure or fixture which extends unintentionally from one person's property on to another's a distance of less than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. An encroachment easement shall not exist if the encroachment results from willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, so long as Declarant or any Declarant Affiliate owns any property described in Exhibit "A" or "B," and grants to the Association and utility providers, perpetual, non-exclusive easements throughout Bayside (but not through a structure) to the extent reasonably necessary to:

(i) install utilities and infrastructure to serve Bayside, cable and other systems for sending and receiving data and/or other electronic signals, drainage systems, and security and similar systems;

(ii) install walkways, pathways and trails, street lights, and signage on property which Declarant or the Association owns or within public rights-of-way or easements reserved for such purpose on a Plat;

(iii) inspect, maintain, repair, and replace the utilities, infrastructure, and other improvements described above; and

(iv) access and read utility meters.

Notwithstanding the above, Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in Declarant's sole discretion, to develop the property described in Exhibits "A" and "B." The Lot Owner shall be provided reasonable notice of such easement by Declarant.

(c) Minimal Interference. The Association will use reasonable commercial efforts to ensure that all work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to the condition existing prior to the work. The exercise of these easements shall not extend to permitting entry into structures on a Lot, nor shall it unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

11.4. Easements to Serve Additional Property.

Declarant reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities.

If the above easement grants permanent access to any property which is not submitted to this Declaration, Declarant, or its successors or assigns, shall enter into a reasonable agreement with the Association to share the cost of maintenance that the Association provides for the benefit of the easement holder. The shared maintenance costs may include maintenance to or along any roadway providing access to the benefited property.

11.5. Easements for Maintenance, Emergency, and Enforcement.

Declarant grants to the Association easements over Bayside as necessary for the Association to fulfill its maintenance responsibilities under Section 7.2. The Association shall also have the right, but not the obligation, to enter upon any Lot for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforcing the Governing Documents. Any member of the Board, and its duly authorized agents and assignees, including committee members, and all emergency personnel in the performance of their duties may exercise such right. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

Declarant grants to the Association, subject to any required notice, an easement and right to enter a Lot to abate a Governing Document violation and/or to remove any structure, thing, or condition which violates the Governing Documents. Any costs incurred, including reasonable attorneys' fees, shall be assessed against the Lot Owner as a Benefited Assessment.

11.6 Easements for Cross-Drainage.

All portions of the Community will be burdened with easements for natural drainage of stormwater runoff from other portions of the Community; provided, no Person shall alter the natural drainage on any Lot to increase materially the drainage of stormwater onto adjacent portions of the Neighborhood without the consent of the Owner(s) of the affected property, the Board, and Declarant as long as it or any Declarant Affiliate owns any property described in Exhibit "A" or "B" to the Declaration.

11.7. Rights to Stormwater Runoff, Effluent, and Water Reclamation.

Declarant reserves for itself and its designees all rights to ground water, surface water, stormwater runoff, and effluent located or produced within the Community, and each Owner agrees, by acceptance of a deed to a Lot, that Declarant shall retain all such rights. Such rights shall include the reservation of an easement over the Community for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff, and effluent. This Section may not be amended without Declarant's consent, and the rights created in this Section shall survive termination of this Declaration.

Article XII Limited Common Areas

12.1. Purpose.

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and occupants within a particular Neighborhood or Neighborhoods. For example, Limited Common Areas may include portions of a building, the waterpark, entry features, recreational facilities, portions of the boardwalk, landscaped medians and cul-de-sacs, lakes, and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of a Limited Common Area shall be a Neighborhood Expense allocated among the Owners in the Neighborhood(s) to which the Limited Common Areas are assigned.

12.2. Designation.

Initially, any Limited Common Area shall be designated as such by the Declarant in a deed conveying such area to the Association, or on a Plat; provided, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Lots and/or Neighborhoods, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1.

In addition, the Board may assign or reassign Limited Common Area upon the vote of Neighborhood Representatives representing a majority of the total Class "A" votes in the Association, and of Members representing a majority of the Class "A" votes within the Neighborhood(s) affected by the proposed assignment or reassignment. As long as Declarant or any Declarant Affiliate owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's written consent also is required.

12.3. Use by Others.

If a majority of Owners of Lots to which any Limited Common Area is assigned approve, the Association may permit Owners of other Lots or others to use all or a portion of such Limited Common Area and may require payment of reasonable user fees for such use. Any such fees shall be used to offset the expenses attributable to such Limited Common Area.

Article XIII Party Walls and Other Shared Structures

13.1. General Rules of Law to Apply.

Each wall, fence, driveway, or similar structure built as a part of the original construction on the Lots which serves and/or separates any two adjoining Lots shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to party structures. Any dispute arising concerning a party structure shall be handled in accordance with the provisions of Article XIV.

13.2. Maintenance; Damage and Destruction.

Unless otherwise specifically provided in additional covenants relating to such Lots, the Owners sharing the party structure shall share the cost of necessary or appropriate party structure repairs and maintenance equally.

If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner sharing the structure may restore it and be entitled to contribution for the restoration cost in equal proportions from other Owners who share the structure. However, such contribution will not prejudice the right to call for a larger contribution from the other Lot Owners under any rule of law regarding liability for negligent or willful acts or omissions.

The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The growth and success of Bayside as a community in which people enjoy living, working, and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors, and protection of the rights of others who have an interest in the community.

Article XIV Dispute Resolution

14.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Section (collectively, "Bound Parties"), agree to attempt to resolve disputes relating to Bayside without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to, directly or indirectly, file a law suit for a Claim described in subsection (b), without first submitting the Claim to the alternative dispute resolution procedures described in Section 14.2.

(b) As used in this Section, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to:

- (i) the interpretation, application, or enforcement of the Governing Documents;
- (ii) the rights, obligations, and duties of any Bound Party under the Governing Documents;
- (iii) the design or construction of improvements within the Community, other than matters of aesthetic judgment under Article IV, which shall not be subject to review; or

(iv) trespass, nuisance, property damage, enforcement of laws, codes, or ordinances within Bayside.

Notwithstanding the above, the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 14.2:

(v) any Association action to collect assessments or other amounts due from any Owner;

(vi) any Association action to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards);

(vii) any suit in which any indispensable party is not a Bound Party; and

(viii) any suit as to which the applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.2(a), unless the party or parties against whom the Claim is made agree to toll, or extend, the Claim's statute of limitations to comply with this Section.

14.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice ("Notice") by mail or personal delivery to each Respondent, and to the Board, stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and Respondent's role in the Claim;
- (ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);
- (iii) Claimant's proposed resolution or remedy; and
- (iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the Bound Parties have not resolved the Claim through negotiation within 30 days of the date of the Notice (or within such other agreed upon period), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the

Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Galveston County area. Each Bound Party shall present the mediator with a written summary of the Claim.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for and participate in good faith in the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Bound Parties do not settle the Claim within 30 days after submitting the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the Parties are at an impasse and the date that mediation was terminated. Except as provided in Section 14.2(e), the Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Bound Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the Claimant and Respondent. If any Bound Party thereafter fails to abide by the terms of such agreement, then any other Bound Party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the Bound Party taking action to enforce the agreement shall, upon prevailing, be entitled to recover from the non-complying Bound Party (or each one in equal proportions) all costs incurred in enforcing such agreement, including, without limitation, attorneys' fees and court costs.

DISPUTE RESOLUTION TIMELINE

Claim Between Bound Parties

Day 1	Days 2-30	Days 31-60	Days 61-90+
Written Notice of Claim	Negotiations	Request Mediation	Mediation
<ul style="list-style-type: none"> • Factual Basis • Legal Basis • Propose a resolution • Propose a Meeting • Send copy to Board 	<ul style="list-style-type: none"> • Good faith effort • Parties meet in person • May request Board assistance 	<ul style="list-style-type: none"> • Claimant must submit claim to Association • Mediator assigned by Association or independent agency • If Claim is not submitted, it (the claim) is waived 	<ul style="list-style-type: none"> • Agency supplies rules • Fee split between parties • Written summary from each side • Supervised negotiations • Contractual settlement Or • Termination of mediation

14.3. Initiation of Litigation by Association. After the Class “B” Control Period, the Association shall not initiate any judicial or administrative proceeding, including arbitration, which is reasonably expected to cost at least \$100,000.00 in legal fees to prosecute to completion without Board approval upon the specific recommendation of the Dispute Resolution Committee (which shall be created as provided in

the Bylaws). The Dispute Resolution Committee's recommendation must be in writing and must be accompanied by a feasibility analysis including an explanation of the issues, a budget for legal and related expenses, the amount in controversy, the expectation of success, and a copy of bids from a minimum of three qualified firms.

Article XV Private Amenities

15.1. Right to Use the Private Amenities. Neither membership in the Association nor ownership or occupancy of a Lot shall automatically confer any right to use any Private Amenity. Rights to use any Private Amenity, and the terms and conditions of use, are determined only by the Private Amenity owner. Any Private Amenity owner shall have the right, from time to time in its sole and absolute discretion and without notice, to cease operations or to amend or waive the terms and conditions relating use of the Private Amenity, including, without limitation, eligibility for and duration of use rights, categories of use, extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the terms of any written membership agreements or documents. Use rights in or membership in any Private Amenity may be available to the general public, as determined in the Private Amenity owner's sole and absolute discretion.

15.2. Operations; Conveyance of Private Amenities.

All Persons, including all Owners, are advised that no representations or warranties have been or are authorized by Declarant, any Declarant Affiliate, the Association, any Builder, or by any Person acting on behalf of any of the foregoing, with regard to the continuing ownership, operation, use, management, or membership structure of any Private Amenity. No purported representation or warranty in such regard, either written or oral, shall be effective unless specifically set forth in a written instrument executed by the Record owner of any Private Amenity.

The ownership, operation, use, or management of any Private Amenity (or any portion of a Private Amenity) may change at any time by virtue of, without limitation, (a) the sale to or assumption of operations or management by an independent Person; (b) establishment of, or conversion of the membership structure to, an "equity" club or similar arrangement whereby the Private Amenity members or an entity owned or controlled by its members become the Private Amenity owner(s) and/or operator(s); (c) the conveyance of the Private Amenity to one or more of Declarant's Affiliates, shareholders, employees, or independent contractors; or (d) the operation of the Private Amenity as a commercial enterprise open to the public. Consent of the Association or any Owner shall not be required to effectuate any change in ownership or operation of any Private Amenity, for or without consideration and subject to or free of any mortgage, covenant, lien, or other encumbrance.

15.3. Rights of Access and Parking.

There is established for the benefit of any Private Amenity and its members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees, a right and non-exclusive easement of access and use over all roadways within the Community reasonably necessary to travel between an entrance to the Community and the Private Amenity and over those portions of the Community (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Private Amenity. Without limiting the generality of the foregoing, Private Amenity members, guests, and invitees shall have the right to park their vehicles on

roads located within the Community at reasonable times before, during, and after member or public functions held by or at the Private Amenity to the extent that the Private Amenity has insufficient parking to accommodate such vehicles.

15.4. Limitations on Amendments.

In recognition of the fact that the provisions of this Section are for the benefit of the Private Amenities, no amendment to this Section, and no amendment in derogation of any other provisions of this Declaration benefiting any Private Amenity, may be made without the affected Private Amenity owner's written approval. The foregoing shall not apply, however, to amendments made by Declarant.

15.5. Jurisdiction and Cooperation.

Declarant intends that the Association and the Private Amenities shall cooperate to the maximum extent possible in the operation of the Community and the Private Amenities. Each shall reasonably assist the other in upholding the Community-Wide Standard as it pertains to maintenance and the Pattern Book. The Association shall have no power to promulgate Use Restrictions affecting activities on or use of any Private Amenity without the affected Private Amenity owner's prior written consent.

Article XVI Mortgage Provisions

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Lots. The provisions of this Section apply to both this Declaration and to the By- Laws, notwithstanding any other provisions contained therein.

16.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot to which its Mortgage relates) (an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Community or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Lot or the Owner or occupant which is not cured within 60 days;

(c) Any lapse, cancellation, or material modification of any Association insurance policy;

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders; or

(e) If the U.S. Department of Housing and Urban Development is insuring or the U.S. Department of Veterans Affairs is guaranteeing the Mortgage on any Lot, material amendment to the Governing Documents or extraordinary action of the Association, as defined under VA Pamphlet 26-7.

16.2. No Priority.

No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

16.3. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering the Owner's Lot.

16.4. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

Article XVII Disclosures and Waivers.

17.1 Changes in Master Plan.

Each Owner acknowledges that Bayside is a master planned community, the development of which is likely to extend over many years, and agrees and consents to all changes in (a) uses or density of Lots or dwellings within Bayside, or (b) changes in the Master Plan.

Each Owner further acknowledges and agrees that the Master Plan and the present plans and themes for Bayside's development may change in Declarant's discretion and that no notice or consent is required for such changes except as may be required by law. No representations, warranties, or assurances are made by any Person, and none shall be relied upon by any Owner (a) that any Lots, or other property or facilities will be added, modified, or eliminated within Bayside; or (b) as to the financial or other impact of such action on any Owner. Each Owner acknowledges and agrees that he or she is not entitled to rely upon and has not received or relied upon any representations, warranties, or guarantees whatsoever as to: (a) the design, construction, completion, development, use, benefits, or value of Bayside; or (b) the number, types, sizes, prices, or designs of any residential or non-residential structures or improvements built or to be built in any part of Bayside.

17.2. No Liability For Third Party Acts.

Owners and occupants of Lots, and their respective guests and invitees, are responsible for their own personal safety and for their property in Bayside. The Association may, but is not

obligated to, maintain or support certain activities within the Community which promote or enhance safety or security within the Community. However, the Association, and Declarant shall not in any way be considered insurers or guarantors of safety or security within the Community, nor shall they be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including fire protection, burglar alarm, or other security monitoring systems, or any mechanism or system for limiting access to the Community, cannot be compromised or circumvented, nor that any such systems or measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Lot that the Association, the Board and Association committees, and Declarant are not insurers or guarantors of security or safety and that each Person within Bayside assumes all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties.

17.3. View Impairment.

Neither Declarant nor the Association guarantee or represent that any view over and across the Lots, any open space within the Community, the beach, the Gulf of Mexico, Lake Como or any other body of water, or any Private Amenity will be preserved without impairment. Neither Declarant nor the Association nor any Private Amenity owner shall be obligated to relocate, prune, or thin trees or other landscaping except to maintain the Community-Wide Standard or as otherwise required under a separate covenant or agreement. The Association (with respect to the Common Area) and Private Amenity owners (with respect to Private Amenity property) have the right to add trees and other landscaping from time to time subject to applicable law. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

17.4. Notices and Disclaimers as to Community Systems.

In recognition of the fact that interruptions in cable television and other Community Systems services (as defined in Section 10.6) will occur from time to time, neither Declarant nor any of Declarant's successors or assigns shall in any manner be liable for, and no Community System user shall be entitled to refund, rebate, discount, or offset in applicable fees, for any interruption in Community Systems services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

17.5. Construction and Other Activities.

All Owners, occupants, and users of Lots are hereby placed on notice that Declarant, Declarant's Affiliates, and/or their agents, contractors, subcontractors, licensees, and other designees, successors, or assigns, may, from time to time, conduct excavation, construction, and other activities within Bayside. By the acceptance of a deed or, other conveyance or mortgage, leasehold, license, or other interest, and by using any portion of a Lot or Bayside generally, the Owners and all occupants and users of Lots acknowledge, stipulate, and agree (a) that such activities

shall not be deemed nuisances, or noxious or offensive activities, under any applicable covenants or at law generally; (b) not to enter upon, or allow their children or other Persons under their control or direction to enter upon (regardless of whether such entry is a trespass or otherwise) any property within or in proximity to the Lot where such activities are being conducted (even if not being actively conducted at the time of entry, such as at night or otherwise during non-working hours); (c) that Declarant, any Declarant Affiliate, and all of their agents, contractors, subcontractors, licensees, and other designees, successors, and assigns, shall not be liable but, rather, shall be held harmless for any and all losses, damages (actual compensatory, consequential, punitive, or otherwise), injuries, or deaths arising from or relating to the aforesaid activities; (d) that any purchase or use of any portion of a Lot has been and will be made with full knowledge of the foregoing; and (e) that this acknowledgment and agreement is a material inducement to Declarant or its Affiliates to sell, convey, lease, and/or allow the use of Lots within Bayside.

17.6. Water Management.

Each Owner acknowledges that Declarant and its Affiliates are not related to the local permitting authority for surface water permits. Each Owner further acknowledges and agrees that any lakes or wetlands (“Bodies of Water”) within Bayside are designed as water management areas and are not designed as aesthetic features. Due to fluctuations in ground water elevations within the immediate area, the water level of Bodies of Water will rise and fall and Declarant has no control over such elevations. Therefore, each Owner agrees to release and discharge Declarant and its Affiliates from and against any and all losses, claims, demands, damages, costs, and expenses of whatever nature or kind, including reasonable attorneys' fees and costs at all tribunal levels, related to or arising out of any claims relating to such fluctuations in the water elevations (including the absence of water). Owners shall not alter, modify, expand, or fill any Bodies of Water located within or in the vicinity of Bayside without the prior written approval of the local permitting authority, Declarant, the U.S. Army Corps of Engineers, and such other local, state, and federal authorities as may have relevant jurisdiction over such matters.

17.7. Liability for Association Operations.

The Association shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless Declarant (including its successors and assigns) from and against any and all losses, claims, demands, damages, costs, and expenses of whatever kind or nature (including, without limitation, reasonable attorneys' fees and costs at all tribunal levels and whether or not suit is instituted, including those incurred in establishing the right to be indemnified, defended, and held harmless pursuant hereto) which relate to or arise out of Association management and operations, including, without limitation, improvement, maintenance, and operation of amenities and other portions of the Common Maintenance Areas and the collection of assessments.

17.8. Assumption of Risk and Indemnification.

By purchasing a Lot in the vicinity of any Private Amenity or other property reserved for commercial or non-residential use and open to the general public, each Owner expressly assumes the risk of noise, personal injury, death, or property damage caused by maintenance and operation of such property, including, without limitation: (a) noise from the permitted operations of such use;

(b) noise caused by the permitted users of such property; and (c) reduction in privacy caused by traffic (including non-residents of Bayside) to or from such property.

Each Owner agrees that Declarant, the Association, any Private Amenity owner(s), and any of Declarant's Affiliates or agents shall not be liable to any Owner or any other Person claiming any loss or damage, including, without limitation, indirect, special, or consequential loss or damage arising from personal injury, death, destruction of property, trespass, loss of enjoyment, or any other alleged wrong or entitlement to remedy based upon, due to, arising from, or otherwise related to the proximity of Owner's Lot to the Private Amenity or non-residential property, including, without limitation, any claim arising in whole or in part from the negligence of Declarant, any of Declarant's Affiliates or agents, or the Association. The Owner agrees to indemnify and hold harmless Declarant, Declarant's Affiliates and agents, and the Association against any and all such claims by Owner's visitors, tenants, and others upon such Owner's Lot.

PART SEVEN: CHANGES IN THE COMMUNITY

Communities such as Bayside are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change, as the resident's age and change over time, and as the surrounding community changes. Bayside and its Governing Documents must be able to adapt to these changes while protecting the things that make Bayside unique.

Article XVIII Changes in Ownership of Lots

Any Owner, other than Declarant or any Declarant Affiliate, desiring to sell or otherwise transfer title to his or her Lot shall give the Board at least 14 days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Lot Owner, including assessment obligations, until the date upon which the Board, notwithstanding the transfer of title, receives such notice.

Article XIX Changes in Common Area

19.1. Condemnation.

Whenever any part of the Common Area is taken or conveyed under threat of condemnation by any authority having the power of eminent domain, the Board shall determine, in the exercise of its business judgment, whether each Owner is entitled to notice. The Board has the exclusive right to act on behalf of the Association with respect to the negotiation and litigation of the taking or condemnation issues affecting such Common Areas.

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 Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent practicable, unless, within 60 days after such taking, Declarant, so long

as Declarant owns any property described in Exhibit "A" or "B" of this Declaration, and Neighborhood Representatives representing at least 67% of the total Class "A" votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans the Board approves. The provisions of Section 7.3 regarding funds for the repair of damage or destruction shall apply.

If the taking does not involve any Common Area improvements, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

19.2. Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

19.3. Transfer or Dedication of Common Area.

The Association may convey, dedicate, or otherwise transfer portions of the Common Area to Galveston County, or to any other local, state, or federal governmental or quasi-governmental entity.

Article XX Amendment of Declaration

20.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, during the Class "B" Control Period, Declarant may unilaterally amend this Declaration for any purpose.

Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, HUD, or VA, to make, purchase, insure, or guarantee mortgage loans on the Lots; or (iv) to satisfy the requirements of any local, state, or federal governmental agency. However, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent in writing.

20.2. By the Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Neighborhood Representatives representing at least 67% of the Association's total Class "A" votes. In addition, so long as Declarant or any Declarant Affiliate owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's written consent

is required for any amendment.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

20.3. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege). No amendment may specifically remove, revoke, or materially adversely affect the right of a Non-Residential Lot Owner to continue operating a permitted business within a Non-Residential Lot or, by design, materially adversely impact a Non-Residential Lot Owner's permitted operations, without the consent of such Non-Residential Lot Owner.

Any amendment to this Declaration which alters any provision relating the Stormwater Management System, beyond maintenance in its original condition, including the water management portions of the Common Area, must have the prior approval of the Texas Department of Environmental Protection or such other governmental authorities having such approval rights.

If an Owner consents to any amendment to this Declaration or the Bylaws, it will be conclusively presumed that the Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon the earliest of (a) actual notice; (b) Recording; or (c) later effective date specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

20.4. Exhibits.

Exhibits "A," "B," "D," "E," and "F" attached to this Declaration are incorporated by this reference and this Section shall govern amendment of such exhibits. Exhibit "C" is incorporated by reference and may be amended as provided in Article III or pursuant to Sections 20.1 and 20.2. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

21. Disclaimer Regarding Condominium.

It is not intended that any Townhome Neighborhood constitute condominiums within the meaning of the Texas Condominium Act, Texas Statute Section 718.101, *et seq.* (the "Condominium Act"), or a cooperative within the meaning of the Texas Cooperative Act, Texas Statutes 719.100, *et seq.* The Association shall own Common Areas, including all Limited Common Areas, within a Townhome Neighborhood. Owner shall have no ownership interest of any kind in the Common Areas.

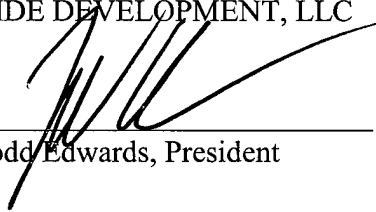
The Units within each Townhome Neighborhood are Residential or Non-Residential Units located in one of several multi-family buildings in the Bayside community. A Townhome Neighborhood Unit is

not a condominium and it is not a cooperative. Each Owner receives a deed to the airspace comprising the Unit. There is no separate owners association for all or any portion of the Townhome Neighborhoods and no Owner will own any portion of the Common Area. Rather, the Bayside Community Association, Inc., the overall property owners association for all of the Bayside community, will own and maintain the surrounding parking lots, as well as elevators, sidewalks, building walls, roofs, boardwalks, hallways, and other structural components of the Townhome Neighborhoods' buildings as Common Areas.

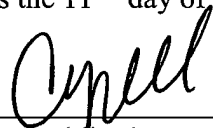
[Signatures set forth on the following page]

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

BAYSIDE DEVELOPMENT, LLC

By: 
Todd Edwards, President

SUBSCRIBED AND SWORN to before me by Todd Edwards, as President of Bayside Development, LLC, a person known to me, on this the 11TH day of April, 2016.



Notary Public, State of Texas

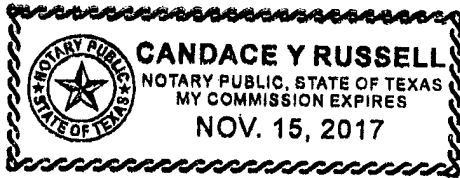


EXHIBIT "A"

Bayside at Waterman's
20.46 Acres

T.J. Chambers Surveys
Abstract No. 289
Abstract No. 294
Abstract No. 295
Abstract No. 296

STATE OF TEXAS §

COUNTY OF GALVESTON §

A METES AND BOUNDS description of a certain 20.46 acre tract of land, out of the T.J. Chambers Surveys, Abstracts No. 289, No. 294, No. 295 & No. 296, Galveston County, Texas, being all of called 5.7164 acre tract of land conveyed to Lafitte's Harbor Development II, LP, described in a Deed recorded in Clerk's File No. 2010042591 of the Official Public Records of Galveston County (OPRGC), and all of called 9.585 acre tract of land (Tract 1) and a portion of the 16.03 acre tract of land conveyed to Lafitte's Harbor Development, II, LP described in a Deed recorded in Clerk's File No. 2008023806 (Tract 2), of the OPRGC, and being more particularly described as follows with all bearings being based on the Texas Coordinate System, South Central Zone (NAD 83);

BEGINNING at a found 1-inch iron pipe found at the east corner of the said 9.595 acre tract, being in the occupied northwest right-of-way of Stewart Road (Right-of-Way varies);

THENCE, South 59°31'17" West along the northwest right-of-way of Stewart Road, being common with the southeast line of said 9.585 acre tract, 310.70 feet to a found brass disc, from which a found pink granite monument (engraved with "Stewart Road") bears North 74°41'33" East, 57.75 feet;

THENCE, South 59°10'09" West, continuing along the northwest right-of-way of Stewart Road, and the southeast line of said 9.585 acre tract, 148.37 feet to a found 5/8-inch iron rod marking the south corner of said 9.585 acre tract, being the east corner of the aforementioned 5.7164 acre tract;

THENCE, South 55°21'54" West, continuing along the northwest right-of-way of Stewart Road, and the southeast line of said 5.7164 acre tract, 349.00 feet, to a found 60D nail at the south corner of said 5.7164 acre tract and the east corner of the aforementioned 16.03 acre tract;

THENCE, South 56°16'39" West, continuing along the southeast line of said 16.03 acre tract, 266.17 feet to a found aluminum disk monument (engraved with "USGS");

THENCE, South 02°20'32" East, 36.75 feet to a set 5/8-inch iron rod; (with cap stamped "Jones & Carter Inc") in the east line of a land swap, as described in Exchange Contract between Laffite's Harbor Development II, LP, and Texas Park and Wildlife Department, executed on July 28, 2010;

THENCE, along the east line of said land swap, North 27°07'28" West, 878.20 feet, to a set 5/8-inch iron rod (with cap stamped "Jones & Carter Inc") marking the west corner of the said 5.7164 acre tract;

THENCE, North 51°45'39" East, along the northwest line of said 5.7164 acre tract and a southeast line of a Texas Parks and Wildlife tract recorded in Volume 2119 Page 392 of the OPRGC, 250.00 feet to a set 5/8-inch iron rod (with cap stamped "Jones & Carter Inc");

THENCE, North 41°20'08" East, along the northwest line of said 5.7164 acre tract and a southeast line of said Texas Parks and Wildlife tract, 218.44 feet to a found 5/8-inch iron rod at the north corner of said 5.7164 acre tract and the west corner of said 9.585 acre tract;

THENCE, North 57°38'49" East, along the northwest line of the 9.585 acre tract and a southeast line of Texas Parks and Wildlife tract, 482.43 feet to a found 5/8-inch iron rod at the north corner of the said 9.585 acre tract;

THENCE, South 32°26'53" East, along the northeast line of the 9.585 acre tract, 150.00 feet to a point for corner in Lake Como;

THENCE, South 57°33'07" West, 5.34 to a point for corner on the mean higher-high tide line of Lake Como;

THENCE, along the east line of aforementioned 9.595 acre tract, being the called meanders of said mean tide line, the following sixteen (16) courses and distances:

- 1) Along the arc of a non-tangent curve to the left, having a total arc length of 102.07 feet, a radius of 785.19 feet, a central angle of 7°26'54", and a long chord bearing of North 42°57'27" West, 102.00 feet, to a point for corner;
- 2) Along the arc of a non-tangent curve to the left, having a total arc length of 36.98 feet, a radius of 20.76 feet, a central angle of 102°03'24", and a long chord bearing of North 83°22'43" West, 32.28 feet, to a point for corner;
- 3) South 52°39'22" West, 126.99 feet, to a point for corner;
- 4) Along the arc of a non-tangent curve to the left, having a total arc length of 20.12 feet, a radius of 10.37 feet, a central angle of 111°10'20", and a long chord bearing of South 09°47'02" West, 17.11 feet, to a point for corner;
- 5) South 48°09'19" East, 53.22 feet, to a point for corner;
- 6) Along the arc of a non-tangent curve to the left, having a total arc length of 12.63 feet, a radius of 10.53 feet, a central angle of 68°44'45" and a long chord bearing of South 88°04'33" East, 11.89 feet, to a point for corner;
- 7) Along the arc of a non-tangent curve to the left, having a total arc length of 40.13 feet, a radius of 255.63 feet, a central angle of 8°59'41" and a long chord bearing of North 52°14'37" East, 40.09 feet, to a point for corner;

- 8) Along the arc of a non-tangent curve to the right, having a total arc length of 39.85 feet, a radius of 50.02 feet, a central angle of 45°38'27" and a long chord bearing of North 80°26'20" East, 38.80 feet, to a point for corner;
- 9) Along the arc of a non-tangent curve to the left, having a total arc length of 65.01 feet, a radius of 87.39 feet, a central angle of 42°37'18" and a long chord bearing of North 83°25'46" East, 63.52 feet, to a point for corner;
- 10) Along the arc of a non-tangent curve to the right, having a total arc length of 56.24 feet, a radius of 41.89 feet, a central angle of 76°55'22" and a long chord bearing of South 78°03'03" East, 52.11 feet, to a point for corner;
- 11) South 44°40'40" East, 79.66 feet, to a point for corner;
- 12) South 38°55'34" East, 172.90 feet, to a point for corner;
- 13) South 40°34'02" East, 68.94 feet, to a point for corner;
- 14) South 33°55'48" East, 108.49 feet, to a point for corner;
- 15) South 29°11'24" East, 105.56 feet, to a point for corner;
- 16) South 37°53'18" East, 206.48 feet, to the **POINT OF BEGINNING, CONTAINING**, 20.46 acres of land in Galveston County, as shown on Drawing No. 1135 filed in the offices of Jones & Carter Inc. in Bryan, Texas.

AND

Bayside at Waterman's
An additional 1.1428 acres

Abstract No. 121

Being a 1.1428 acre tract or parcel of land out of Lots 96, 97, 100 and 101 together with that intervening 50 roadway in Section 3 of the Trimble and Lindsey Survey of Galveston Island, Galveston County, Texas, and being all of Lot 2R-1 and Lots 3R-1 thru 3R-10 Bayside at Waterman's Subdivision as per the map or plat thereof recorded in Galveston County Clerk's File No. 2014071924, said tract being more particularly described as follows:

COMMENCING at an "X" found for the Southwest corner of Lake Como Townhouses, at Pirates Beach, as recorded in Vol. 17, Pg. 111 of the Galveston County Map Records;

THENCE North 24°57'55" West, along the West line of said Lake Como Townhouses at Pirates Beach a distance of 11.45 feet to a point on the North line of Stewart Road, a variable width right-of-way;

THENCE South 65°00'00" West, along the North line of said Stewart Road, a distance of 140.37 feet to the PLACE OF BEGINNING;

THENCE South 65°00'00" West, along the North line of said Stewart Road, a distance of 22.30 feet to a point for corner;

THENCE South 25°00'00" East, continuing along the North line of said Stewart Road, a distance of 15.42 feet;

THENCE South 65°47'00" West, continuing along the North line of said Stewart Road, a distance of 115.77 feet to an angle point;

THENCE South 60°17'47" West, continuing along the North line of said Stewart Road, a distance of 340.98 feet to a 1/2 inch iron rod set on the called Mean High Water line of Lake Como (mean high water line called in said 0.683 acre tract recorded under Film Code No. 014-37-2173 GCDR);

THENCE along the called Mean High Water line of Lake Como the following 7 courses and distances;

North 03°36'01" West, a distance of 15.48 feet;

North 17°30'17" West, a distance of 24.95 feet;

North 01°58'43" East, a distance of 18.83 feet;

North 67°07'53" East, a distance of 53.88 feet;

North 42°26'41" East, a distance of 22.09 feet;

North 02°58'00" West, a distance of 46.20 feet;

North 43°53'00" West, a distance of 20.66 feet to a point for corner on the west face of a concrete bulkhead;

THENCE North 25°47'26" West, along the west face of said concrete bulkhead a distance of 13.33 feet to the corner of said bulkhead;

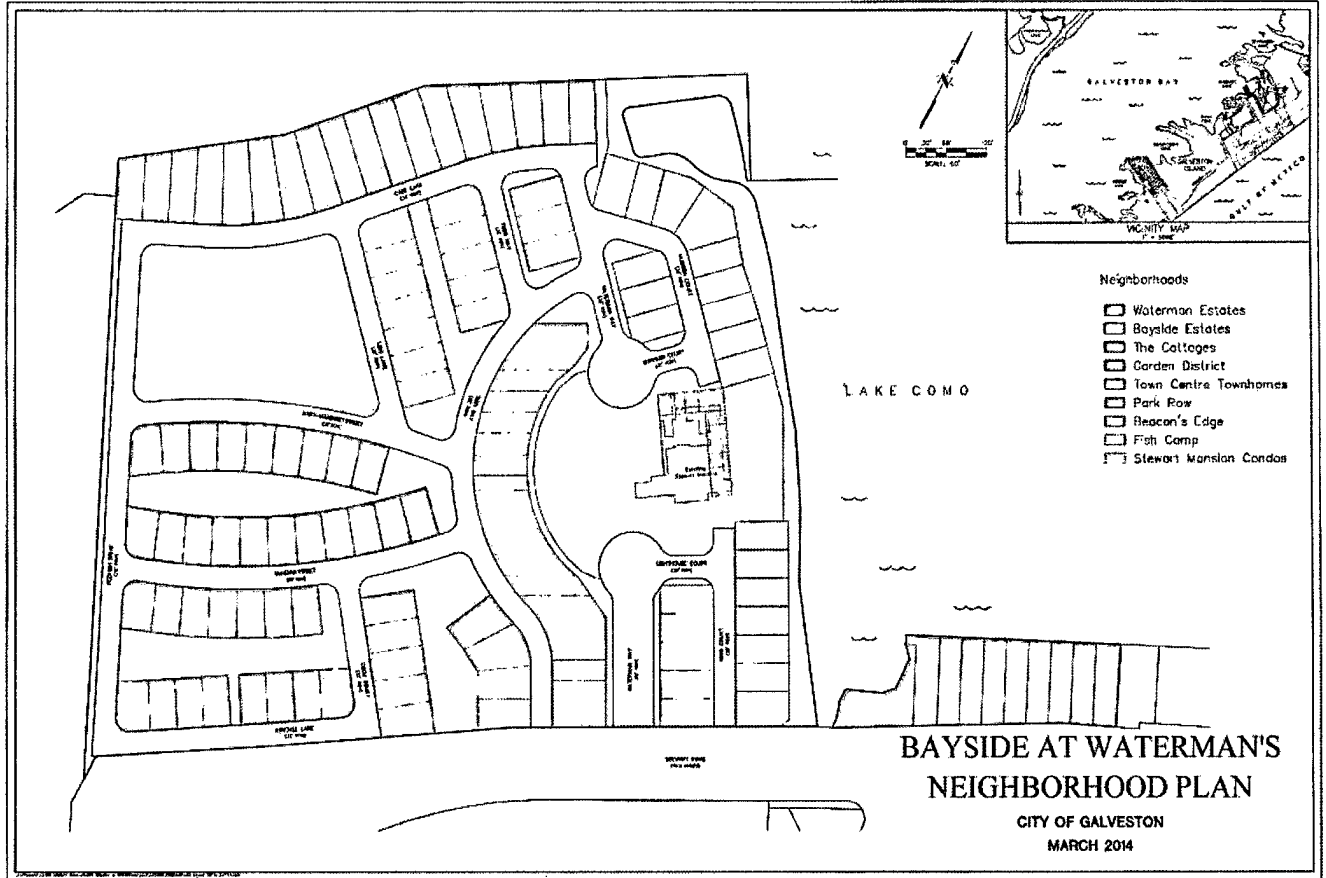
THENCE North 63°52'34" East, along the North face of said concrete bulkhead a distance of 318.48 feet to a point for corner;

THENCE North 64°02'58" East, along the North face of said concrete bulkhead a distance of 57.26 feet to a point for corner;

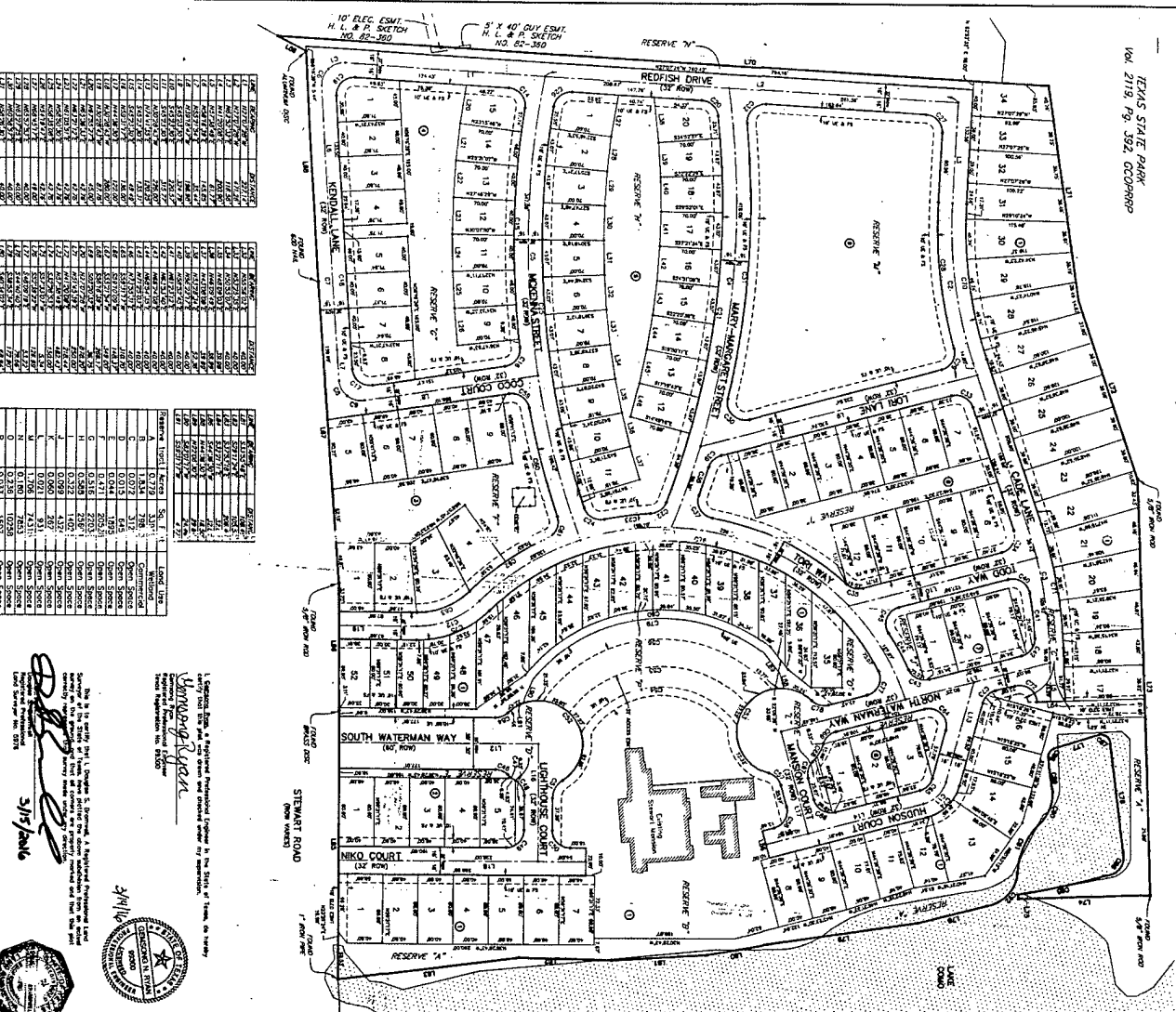
THENCE South 25°00'00" East a distance of 103.50 feet to the PLACE OF BEGINNING.

EXHIBIT "A-1"

NEIGHBORHOOD PLAN



LEVI'S STATE PARK
 104, 2119, 79, 382, CCO-9800



LOT	AREA (S.F.)	AREA (A.C.)	USE
1	1,150	0.026	RES
2	1,150	0.026	RES
3	1,150	0.026	RES
4	1,150	0.026	RES
5	1,150	0.026	RES
6	1,150	0.026	RES
7	1,150	0.026	RES
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STATE OF TEXAS
 COUNTY OF DALLAS
 LEVI'S STATE PARK
 104, 2119, 79, 382, CCO-9800

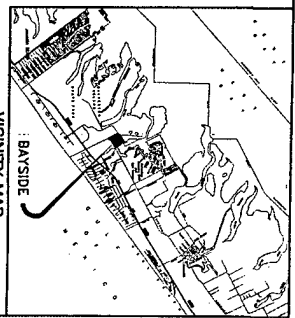
W. J. Carter
 Surveyor

APPROVED BY THE CITY OF DALLAS
 COMMUNITY DEVELOPMENT DEPARTMENT
 3/15/06

2016016209

APPROVED BY THE CITY OF DALLAS
 COMMUNITY DEVELOPMENT DEPARTMENT
 3/15/06

LOT	AREA (S.F.)	AREA (A.C.)	USE
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FINAL PLAT
BAYSIDE AT WATERMAN'S
 BEING 20469 ACRES

CITY OF DALLAS
 COMMUNITY DEVELOPMENT DEPARTMENT
 119 LOTS 16 RESERVES 9 BLOCKS
 MARCH 2006

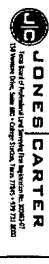


EXHIBIT "B"

Land Subject to Annexation

“Any real property adjacent to or near the property described in Exhibit A”.

EXHIBIT "C"

Initial Use Restrictions

The purpose of Pattern Book and Use Restrictions is not to anticipate all acceptable or unacceptable behavior in advance and eliminate all improvements or activities which fall outside of "the norm." In fact, it is expressly intended that the Reviewer under Article IV, and the Board, as appropriate, have discretion to approve or disapprove items, or to enforce or not enforce technical violations of the Governing Documents, based upon aesthetic or other considerations consistent with the established guidelines. As such, while something may be approved or permitted for one Lot under one set of circumstances, the same thing may be disapproved for another Lot under a different set of circumstances. The exercise of discretion in approving or enforcement shall not be construed as a waiver of approval or enforcement rights, nor shall it estop the Board from taking enforcement action in any appropriate circumstances.

Subject to the above, the following restrictions shall apply to all of Bayside until such time as they are amended, modified, repealed, or limited pursuant to the Declaration.

(a) Animals and Pets. No animals of any kind, including livestock and poultry, shall be raised, bred, or kept on any portion of the Community, except that a reasonable number of usual and common household pets, as determined in the Board's discretion, may be kept on a Lot.

Dogs and cats shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside a structure. Under no circumstances shall cats be permitted on dunes or other beach areas. Upon the Board's request, an Owner, at his or her expense, shall remove any pet which is permitted to roam free, or, in the Board's sole discretion, endangers health, makes objectionable noise, or constitutes a nuisance or inconvenience to other Owners or residents of any portion of the Community. If the Owner fails to honor such request, the Board may cause the pet to be removed at the Owner's expense. The Association, without prior notice, may remove any pet from the dunes or other beach areas. No pets shall be kept, bred, or maintained for any commercial purpose.

(b) Wildlife. Capturing, killing, or trapping wildlife is prohibited within the Community, except in circumstances imposing an imminent threat to the safety of Persons or pets, or as permitted under section (a) of this Exhibit "C."

(c) Firearms; Fireworks. The use and discharge of firearms within the Community is prohibited. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size. The use and discharge of fireworks is prohibited except by license granted by the Association.

(d) Nuisances. No Owner shall engage in any activity which constitutes a nuisance (meaning offensive or detrimental activity, as determined by the Board), or which materially disturbs or destroys the vegetation, wildlife, or air quality within the Community, or which results in unreasonable levels of sound or light pollution.

(e) Garages. Garage doors shall remain closed at all times except when entering, exiting, or otherwise actively using the garage. A garage or carport may not be converted to finished space for use as an apartment, an integral part of the Lot's living area, or for purposes other than parking vehicles and ancillary storage, without prior approval pursuant to Article IV.

(f) Exterior Lighting. Excessive exterior lighting on any Lot is prohibited. The Board in its sole discretion shall determine whether any exterior lighting is excessive. Lighting requirements may differ between Residential and Non-Residential Lots or between Lots in different locations.

(g) Storage of Goods. Storage (except in approved structures or containers) of furniture, fixtures, appliances, machinery, equipment, or other goods and chattels on the Common Area (except by the Association), or, if not in active use, any portion of a Lot which is visible from outside the Lot is prohibited.

(h) Prohibited Conditions. The following conditions, structures, or activities are prohibited on any Lot;

(i) Dog runs and animal pens of any kind, unless properly screened and approved in advance in accordance with Article IV;

(ii) Shacks or other structures of a temporary nature on any Lot except as may be authorized by Declarant during the initial construction of improvements within the Community. Temporary structures used during the construction or repair of a dwelling or other improvements shall be removed immediately after the completion of construction or repair;

(iii) Permanent basketball goals, basketball standards, or backboards which are or would be visible from any street or Common Area; provided, portable basketball goals may be used on a Lot without prior approval, but must be stored so as not to be visible from any street or Common Area overnight or otherwise when not in use;

(iv) Freestanding flagpoles; provided, flags may be displayed using a bracket or other approved device mounted to a dwelling or other primary structure on a Lot so long as the size of the flag displayed does not exceed a standard size (as set forth in the Pattern Book or determined in the Board's discretion and set forth in a Board rule);

(v) Outdoor athletic and recreational facilities such as playscapes, swing sets, and sport courts unless properly screened and approved in advance in accordance with Article

(vi) Outside clotheslines or other outside facilities for drying or airing clothes unless properly screened and approved in advance in accordance with Article IV;

(vii) Individual septic systems serving any Lot; and Private wells, except as the Reviewer may permit for irrigation purposes only.

In any event, and notwithstanding the above list of prohibited conditions, any structure,

improvement, or thing proposed for construction, erection, installation, or placement on a Lot requires prior Reviewer approval in accordance with Article IV, unless specifically made exempt under the Pattern Book.

(i) Quiet Enjoyment. Nothing shall be done or maintained on any part of a Lot which, in the Board's reasonable discretion, emits foul or obnoxious odors outside the Lot or creates noise or other conditions which tend to disturb the peace, quiet, safety, comfort, or serenity of the occupants and invitees of other Lots. Such restriction shall not be applied to prohibit an otherwise permitted use of a Non-Residential Lot.

No noxious, illegal, or offensive activity shall be carried on upon any portion of the Community which, in the Board's reasonable determination, tends to cause embarrassment, discomfort, annoyance, or nuisance to others.

(j) Signs. No sign shall be erected within the Community, except those required by law, including posters, circulars, and billboards; provided, the following types of signs may be erected on a Lot without the Board's written consent: (i) residential or non-residential identification signs for identification of the occupant and its address, in a style designated by the Pattern Book or approved by the Reviewer; and (ii) security signs in a style and location designated by the Pattern Book or approved by the Reviewer. This restriction shall not apply to entry, directional, and marketing signs installed by Declarant or any Declarant Affiliate, or a Builder, acting with Declarant's specific consent. The Association, with the Board's approval, shall have the right to erect signs on the Common Area. Signs advertising or identifying a Lot as being for sale or rent are prohibited.

(k) Holiday Decorations. Owners may display holiday decorations on their Lots if the decorations are of the kinds normally displayed in similar neighborhoods, are of reasonable size and scope, and do not disturb other Owners and residents by excessive light or sound emission or by causing an unreasonable amount of spectator traffic. Permitted decorations may be displayed for such periods as are normal and customary for comparable residential communities, as determined in the Board's discretion.

(l) Antennas and Satellite Dishes. No antenna or other device (except satellite dishes) for the transmission or reception of television or radio (including amateur or ham radios) signals is permitted outside the dwelling on a Lot, except those devices whose installation and use is protected under federal law or regulations (generally, certain antennae under one meter in diameter). Satellite dishes should be installed outside of the dwelling as discreetly as possible. Notwithstanding such protection, an application for such an antenna or other device must be submitted to the Reviewer for approval and approval will be granted only if:

(i) First, the antenna or other device is designed for minimal visual intrusion (*i.e.*, is located in a manner that minimizes visibility from the street or an adjacent Lot and is consistent with the Community-Wide Standard); and

(ii) Second, the antenna or other device complies to the maximum extent

feasible with the Pattern Book within the confines of applicable federal regulations (*i.e.*, without precluding reception of a quality signal or unreasonably increasing the cost of the antenna or device).

The Reviewer shall consider any such application on an expedited basis.

Notwithstanding the above, Declarant and/or the Association may erect an antenna, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of Bayside, should any master system or systems be used by the Association and require such exterior apparatus.

(m) Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in securely covered, scavenger-proof containers, of a type, size and style which are pre-approved by the Reviewer or specifically permitted under the Pattern Book, or as required by the applicable governing jurisdiction. Such containers shall be screened from view outside of the Lot except when they are being made available for collection and then only for the shortest time reasonably necessary to effect such collection. Rubbish, trash, and garbage must be removed from the Lots and may not accumulate on any Lot. Outdoor incinerators may not be kept or maintained on any Lot. The Board may enact such other rules and regulations concerning litter and trash control as may be necessary or appropriate.

(n) Pool Equipment. All pool equipment stored on any Lot shall be screened from view from outside the Lot.

(o) Unsightly or Unkempt Conditions. All portions of a Lot outside enclosed structures shall be kept in a clean and tidy condition at all times. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot in a manner which is unsanitary, unsightly, offensive or detrimental to any other portion of the Community, as the Board may determine.

Woodpiles or other material shall be properly screened and stored in such a manner so as not to attract rodents, snakes, and other animals and or create a fire hazard, as the Board determines. No activities shall be conducted upon or adjacent to any Lot or within any structure on a Lot which are or might be unsafe or hazardous to any Person or property. Open fires are prohibited within the Community, except in a contained outdoor fireplace or barbecue unit while attended and in use for cooking purposes.

(p) Vehicles and Parking. As used in this Section, the term "Vehicles" includes, without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, watercraft and recreational vehicles.

No vehicle may be left upon any portion of the Community except in a garage, driveway, boat slip or other area the Board designates. No person shall park any pick-up truck with a camper top or other raised enclosure or commercial lettering or logos, or any recreational vehicle, mobile home, trailer, camper, stored vehicle, commercial vehicle (including all vehicles with commercial lettering or logos), or any unlicensed or inoperable vehicle within the Community other than in

an enclosed garage. "Sports utility vehicles" and "mini-vans" (as such vehicles are commonly referred to, as determined in the Board's discretion) and pick-up trucks without raised enclosures or commercial writing or logos shall be treated as automobiles and may be parked in driveways outside of enclosed garages. This Section shall not apply to emergency vehicle repairs or to construction, service, and delivery vehicles for periods necessary to perform the services or make a delivery.

Notwithstanding the above, for purposes of cleaning, loading, unloading and short term parking, recreational vehicles may be parked outside of an enclosed garage for up to twenty-four (24) hours within each calendar month.

(q) Use of Water Bodies. Wetlands, inland waterways, channels, canals, lakes, ponds, streams, and other bodies of water within the Community are part of the Community's water management system, and the use of watercraft on any body of water within the Community, including, without limitation, the size and type(s) of watercraft which may be used, is subject to Board regulation. No Person shall be permitted to live or reside on any boat or other watercraft docked, moored, or otherwise located on any body of water within or adjacent to the Community. In addition, no sewage effluent, treated or otherwise, may be discharged from any yacht, boat, other watercraft, or docking facility into any boat dockage facility or any other body of water within the Community. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of inland waterways, channels, canals, lakes, ponds, streams, or other bodies of water within or adjacent to the Community.

(r) Solar Equipment. No solar heating equipment or device is permitted outside the dwelling or other structures on the Lot except such devices whose installation and use is protected by federal or Texas law. Notwithstanding such protection, an application for such equipment or device must be submitted for approval prior to installation and approval will be granted only if:

(i) First, such equipment or device is designed for minimal visual intrusion when installed (*i.e.*, is located in a manner which minimizes visibility from the street or an adjacent Lot and is consistent with the Community-Wide Standard); and

(j) Second, the equipment or device complies, to the maximum extent feasible, with the Pattern Book within the confines of the applicable governmental regulations.

(s) Shorelines. No Owner, by virtue of ownership of property adjacent to an inland waterway, channel, canal, or other shoreline, shall have any right superior to that of other Owners (or the general public, to the extent that the public has a right of access) to use or control the use of any inland waterways, channels, canals, or other shorelines within or adjacent to the Community. All such areas shall be subject to the Association's control.

(t) Use of Pesticides and Herbicides. The use of pesticides and herbicides must meet federal and Texas regulations.

(u) Invasive or Exotic Species. The use of such invasive or exotic species is prohibited unless the U.S. Fish and Wildlife Service issues a specific variance or exception. Notwithstanding such prohibitions, the Pattern Book may set forth additional prohibitions on the use of plant species. The use in landscaping of any plant species shall be subject to approval in accordance with Article IV and the Pattern Book. In addition, the import into Bayside of any plant species used in landscaping, other than those transplanted from within the Community, shall be subject to approval in accordance with Article IV and the Pattern Book.

(v) Use of Golf Carts. Users of golf carts must comply with Texas and Galveston laws.

(w) Use of Motorcycles, Motor Scooters, and Other Similar Vehicles. The use or operation of motorcycles, motor scooters, or motorized bicycles which cause noise nuisance, or other similar vehicles (as the Board may specifically identify, in its discretion) is prohibited within Bayside.

EXHIBIT "D"

Formula for Allocating Assessments

Determination of Equivalent Units: The allocation of assessments under the Declaration shall be based upon "Equivalent Units." Each Lot shall be assigned Equivalent Units based upon the Lot's classification. In the event that the classification for a particular Lot is not apparent, the determination of Declarant shall be controlling. The total number of Equivalent Units assigned to a Lot shall be determined as follows:

<u>Lot Classification</u>	<u>Equivalent Units</u>
Residential Lots (per Lot)	1.00
Non-Residential Lots (per Lot) (for each 1,000 square feet of Gross Floor Area (rounded up to the nearest 1,000 square feet))	1.00
Exempt Property	

"Gross floor area" shall be the area within an enclosed structure intended for occupancy or other use and for which an initial certificate of occupancy has been issued or which is substantially complete, as determined by a licensed engineer or architect, but shall not include parking lots or parking garages.

Declarant shall initially determine a Lot's Classification at the time of conveyance or commencement of assessments based on the intended use of the Lot in accordance with the Master Plan. Declarant shall provide the Association notice of each Lot's Classification upon its annexation to the Declaration. For so long as Declarant or any Declarant Affiliate owns property described on Exhibit "A" or "B" to the Declaration, Declarant unilaterally may change a Lot's Classification or amend this Exhibit "D" to create additional Lot Classifications or to change the Equivalent Units assigned to any particular classification; provided, no such amendment may materially adversely affect any Lot without the written consent of the Owner of such Lot.

Allocation of Assessments. The allocation of assessments shall be computed by multiplying the total amount to be assessed by a fraction, the numerator of which is the number of Equivalent Units assigned to a Lot, and the denominator of which is the total Equivalent Units assigned to all Lots subject to assessment. The formula is illustrated as follows (The result, "A," being the assessment to be assigned, in dollars, to the particular Lot.):

$$\text{EU's Assigned to a Particular Lot} \div \text{Total EU's Assigned to All Lots} \times \text{Budget (in dollars)} = \text{A}$$

The Board shall compute the Equivalent Units annually, and notice of the allocation of Equivalent Units (including a summary of the computations) shall be sent to each Owner with its notice of assessment. Upon annexation of additional property into the jurisdiction of the Association, the Board shall re-compute the assessment allocations and send a notice of recomputed percentages to each Owner; however, no adjustments of assessments previously levied or refunds of assessments paid shall be made within the fiscal year to reflect the re-computation.

EXHIBIT "E"

Bylaws of Bayside Community Association, Inc.

Article I: Name, Principal Office, and Definitions

1.1 Name.

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

1.2 Principal Office.

The Association's principal office shall be located in Galveston County, Texas. The Association may have other offices, either within or outside Texas, as the Board of Directors determines or as the Association's affairs require.

1.3 Definitions.

The words used in these Bylaws shall have their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions, and Restrictions for Bayside, as it may be amended ("Declaration"), unless the context indicates otherwise.

Article II: Membership: Meetings, Quorum, Voting, Proxies

2.1 Membership.

The Association shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Declaration. Provisions of the Declaration pertaining to membership are incorporated by this reference. Any reference in these Bylaws to "Neighborhood Representatives" shall be deemed to refer to the Members if the matter in question requires the vote or presence of the Members personally.

2.2 Place of Meetings.

The Association shall hold meetings at Waterman's Restaurant or the Stewart Mansion or other such place designated by the Board.

2.3 Annual Meetings.

The Association shall hold its first meeting, whether a regular or special meeting, within one year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings. Annual meetings may be conducted electronically (*i.e.*, via the Internet, intranet, or teleconference) if, and to the extent, permitted by law.

2.4 Special Meetings.

The President may call a special meeting of the Association. It also shall be the President's duty to call a special meeting if so directed by Board resolution or upon petition of Neighborhood Representatives representing at least 10% of the Association's total Class "A" votes; provided, the Neighborhood Representatives must deliver to the Association's Secretary at least one written demand for the meeting, describing the meeting's purpose.

If the President does not send notice of a special meeting pursuant to Section 2.5 within 30 days after the date written demand is delivered to the Association's Secretary, any Neighborhood Representative signing the demand may set the time and place of the special meeting and give the Association notice pursuant to Section 2.5.

2.5 Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by Texas law. If permitted, notice may be posted in a conspicuous, prominent place within the Community, delivered by hand delivery, or sent by facsimile, electronic mail, or other electronic communication device, or such other manner which is reasonably calculated, as determined in the Board's discretion, to provide reasonable notice to the Neighborhood Representatives and/or Members entitled to notice. Notice shall be given at least 10 but less than 50 days before the date of the meeting, by or at the direction of the President, the Secretary, or the officers or Persons calling the meeting.

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

If posted, notice shall be deemed delivered when posted. If mailed, the notice of a meeting shall be deemed delivered when deposited in the United States mail addressed to the Neighborhood Representative or Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, electronic mail, or such other electronic communication device, notice shall be deemed delivered when transmitted to the Neighborhood Representative or Member at his or her address or number as it appears on the Association's records. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.6 Waiver of Notice.

Waiver of notice of an Association meeting shall be the equivalent of proper notice. Any Neighborhood Representative may waive, in writing, notice of any Association meeting, either before or after such meeting. A Neighborhood Representative's attendance at a meeting shall be deemed a waiver by such Neighborhood Representative of notice of the meeting unless the Neighborhood Representative specifically objects to lack of proper notice at the time the meeting is called to order.

Attendance at a special meeting also shall be deemed a waiver of notice of all business transacted at the meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

Neighborhood Representatives present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Neighborhood Representatives to leave less than a quorum, provided that at least a majority of the votes required to constitute a quorum approve any action taken.

2.8 Voting.

(a) During the Development Period. DURING THE DEVELOPMENT PERIOD, CLASS A MEMBERS SHALL HAVE NO VOTING RIGHTS. DECLARANT SHALL HAVE ONE (1) VOTE FOR EACH LOT OWNED AND SHALL ADDITIONALLY HAVE ONE (1) "AT LARGE" VOTE.

(b) After the Development Period. Upon termination of the Development Period, Declarant's one (1) "at large" vote will automatically terminate and any remaining Class B membership will automatically convert to Class A membership. Thereafter there will be only one (1) class of voting membership, and the Owner of each Lot, whether one or more, will be entitled to one (1) vote on each matter coming before the membership. If more than one Person holds an ownership interest in a Lot, all such Persons are Members, but in no event will they be entitled to more than one (1) vote with respect to each particular Lot owned. The single vote, approval, or consent of such joint Owners must be cast or given in accordance with the decision of a majority, or if such joint Owners cannot reach a majority decision, then none of the joint Owners will be permitted to vote, approve, or consent as to any such matter upon which a majority decision cannot be reached. The vote, approval or consent of any single Owner from among such joint Owners is conclusively presumed to be cast or given in accordance with the decision of the majority of the joint Owners and with their full authority.

(c) Cumulative Voting Prohibited. Cumulative voting is prohibited as to any matter placed before the membership for a vote, including election of Directors.

2.9 No Proxies.

Neighborhood Representatives may not vote by proxy but only in Person, electronic means or through a Person's designated alternates. On any matter as to which a Member is entitled personally to cast the vote for his Lot, such vote may be cast only in Person, subject to Texas law.

2.10 Majority. As used in these Bylaws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate totaling more than 67% of the total eligible number.

2.11 Quorum. Except as these Bylaws or the Declaration otherwise provide, the presence of Members personally or through Neighborhood Representatives, representing 25% of the total Class "A" votes in the Association shall constitute a quorum at all Association meetings.

2.12 Conduct of Meetings.

The President or other Board designee shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are recorded in the Association's minute book. Owners may tape record or videotape Association meetings subject to reasonable rules the Board imposes.

2.13 Action Without a Meeting.

Without holding a meeting pursuant to Sections 2.3 or 2.4, Neighborhood Representatives may take any action that Texas law requires or permits the Members to take at a meeting (subject to any limitations imposed under the Declaration), if Neighborhood Representatives representing at least 80% of the Association's Class "A" votes sign a written consent specifically authorizing the proposed action. The Association need not give prior notice before soliciting such consent; provided, the Association must send written consent forms to all Neighborhood Representatives. Neighborhood Representatives shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary shall file such consents with the Association's minutes and the consents shall have the same force and effect as a vote of the Neighborhood Representatives at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Neighborhood Representatives entitled to vote who did not give their written consent, fairly summarizing the material features of the authorized action.

Article III: Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1 Governing Body; Composition. The Board of Directors shall govern the Association's affairs. Each director shall have one vote. Except for "At-Large Representatives" elected by the Class "A" Members, directors need not be Members or residents of the Community. A director must be at least 18 years old. In the case of a Member who is not an individual, any officer, director, partner, or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member; provided, no more than one such representative of any Member, nor more than one occupant of a particular Lot, may serve on the Board at any one time, except in the case of directors the Class "B" Member appoints.

3.2 Number of Directors.

The Board shall consist of the number of directors provided for in Section 3.5. The initial Board shall consist of the three directors identified by the Declarant.

3.3 Directors During Class "B" Control Period.

The Class "B" Member shall have complete discretion in appointing its directors under Section 3.5. Class "B" Member-appointed directors shall serve at the pleasure of the Class "B" Member.

3.4 Nomination and Election Procedures.

(a) Nominations and Declarations of Candidacy. Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled by Class "A" votes. Except with respect to directors the Class "B" Member appoints, nominations for election to the Board shall be made in accordance with policies and procedures the Board establishes. Such policies and procedures may include, but are not limited to, permitting or requiring that nominations be made through a nominating committee. The Board also shall permit nominations from the floor at any election meeting.

The Board shall give each candidate a reasonable, equal opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) Election Procedures. A Neighborhood Representative may cast the votes assigned to the Lots which it represents ("Voting Group") for each position to be filled from the slate of candidates on which he or she is entitled to vote. Cumulative voting is not allowed. That number of candidates which equals the number of positions to be filled and receiving the greatest number of votes shall be elected.

3.5 Election and Term of Office.

Except as these Bylaws or the Declaration may otherwise specifically provide, election of directors shall take place at the Association's annual meeting. Notwithstanding any other provision of these Bylaws:

(a) As provided in Article VI of the Declaration, Declarant shall appoint an At-Large Representative no later than at such time as Class "A" Members other than Builders own 25% of the Lots anticipated for Bayside under the Master Plan, or whenever the Class "B" Member earlier determines. At such time, one of the Class "B" Member-appointed directors shall resign, and the At-Large Representative shall serve as a director. The remaining two directors shall be Class "B" Member appointees. Until the happening of the event described below in subsection (b), At-Large Representatives shall serve one-year terms on the Board and shall be succeeded by the most recently elected At-Large Representative.

(b) Within 30 days after Class "A" Members other than Builders own 50% of the Lots anticipated for Bayside under the Master Plan; or whenever the Class "B" Member earlier determines, the Board shall be increased to five directors. At such time, both At-Large Representatives shall serve as directors, and, notwithstanding the above, their terms on the Board shall coincide with their terms as At-Large Representatives. Upon expiration of their respective

terms, their successors as At-Large Representatives shall serve as directors for like terms. The remaining three directors shall be Class "B" Member appointees.

(c) Not later than the first annual meeting after the termination of the Class "B" Control Period, the Board shall hold an election at which the Neighborhood Representatives from each Voting Group shall elect a director. In order to establish staggered terms for such directors, at least one-half of the initial directors elected from the Voting Groups shall serve two-year terms and the remainder shall serve one-year terms, as such directors determine among themselves. In addition, the At-Large Representatives shall continue to serve as directors.

In the event the above results in an even number of directors, the Board members, by majority vote, shall elect one additional director. In the event of a tie in such voting, the Board President shall appoint the remaining director from among the candidates under consideration.

For so long as Declarant and its Affiliates (individually or collectively) owns at least five percent of the Lots permitted under the Master Plan for all phases of the development of the Community, the Class "B" Member may appoint one director. Thereafter, the director elected by the Class "B" Member shall resign.

Upon expiration of the initial terms of each director elected from within a Voting Group, the Neighborhood Representatives entitled to elect such directors shall elect successors to serve two-year terms. Notwithstanding the stated length of any term, directors shall hold office until their respective successors have been elected.

Notwithstanding the above, the Board, as deemed necessary or convenient in the exercise of its reasonable discretion, may adjust the commencement of director terms (as staggered) to begin at the same time each year.

The directors which are not appointed by the Class "B" Member are referred to collectively as "Class 'A' Directors."

3.6 Removal of Directors and Vacancies.

Any Class "A" Director may be removed, with or without cause, by the vote of Class "A" Members or Neighborhood Representatives, as applicable, holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Class "A" Members or Neighborhood Representatives entitled to elect the director so removed to fill the vacancy for the remainder of such director's term. Class "A" Directors may not be removed by the Class "B" Member.

Any Class "A" Director who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or occupies a Unit for which assessments are so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority vote of the Board, excluding the director at issue. If the director is removed, the Board may appoint a successor to fill the vacancy for the remainder of the term.

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

Any Board-appointed director shall be selected from within the Voting Group represented by the director who vacated the position, if applicable.

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

B. Meetings.

3.7 Organizational Meetings.

The Board shall hold its first meeting following each annual membership meeting within 10 days thereafter at such time and place as the Board shall fix.

3.8 Regular Meetings.

The Board may hold regular meetings at such time and place as the Board shall determine, but the Board shall hold at least four such meetings during each fiscal year with at least one per quarter.

3.9 Special Meetings.

The Board shall hold special meetings when called by written notice signed by the President, Vice President, or any two directors.

3.10 Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The Board shall give notice to each director by: (i) personal delivery; (ii) telephone (either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director); or (iii) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the director's telephone number, fax number, or electronic mail address. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Except for emergency meetings, notice of a Board meeting shall be electronically delivered at least 48 hours in advance of the meeting or provided in any other manner reasonably

anticipated to provide notice to all Members, including publication in an Association newsletter with community-wide circulation, posting on a Community cable television channel, or posting on a Community Internet or intranet page. In lieu of notice of each regular Board meeting, the Board may post or publish a schedule of upcoming Board meetings.

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

(d) Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment.

3.11 Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a Board or committee meeting by means of telephone or other electronic means, through which all persons participating in the meeting can hear each other. Participation in this manner shall constitute presence at the meeting for all purposes.

3.12 Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision, unless these Bylaws or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue, notwithstanding the withdrawal of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.13 Conduct of Meetings.

The President shall preside over all Board meetings, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings. Owners may tape record or videotape Board meetings subject to reasonable rules the Board imposes.

3.14 Open Meetings: Executive Session.

Subject to the provisions of Section 3.15, all Board meetings shall be open to all Neighborhood Representatives and all Owners. However, attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak, and the Board concurs. In such case, the President may limit the time any such individual may speak.

Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss with the Association's attorney matters relating to pending or threatened litigation which are protected by the attorney-client privileges, or to discuss among the Board any other matter of a sensitive nature, if Texas law permits.

3.15 Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all directors sign a consent in writing, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.16 Powers.

The Board shall have all of the powers and duties necessary for administering the Association's affairs and for performing all of the Association's responsibilities and exercising all of the Association's rights as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or Texas law require to be done and exercised exclusively by the Neighborhood Representatives or the membership generally.

3.17 Duties.

The Board's duties shall include, without limitation:

(a) adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Neighborhood Expenses;

(b) providing for the operation, care, upkeep, and maintenance of the Common Maintenance Area consistent with the Community-Wide Standard;

(c) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of necessary equipment, supplies, and materials;

(d) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's business judgment, in depositories other than banks;

(e) opening bank accounts on the Association's behalf and designating the signatories required;

(f) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these Bylaws;

(g) after termination of the Class "B" Control Period, submitting for bid any planned Association expenditure (whether for capital items, services, maintenance, or otherwise) anticipated to exceed \$10,000.00 in any one fiscal year; provided, the Board is not obligated to contract with or otherwise retain the services of the lowest bidder;

(h) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;

(i) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, appropriate;

(j) paying the cost of all services rendered to the Association;

(k) keeping books with detailed accounts of the Association's receipts; and

(l) making available to any Owner, the holders, insurers, and guarantors of any Mortgage on any Lot, and any prospective purchaser of a Lot, current copies of the Governing Documents and all other Association books, records, and financial statements as provided in Section 6.4;

(m) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of Bayside;

(n) indemnifying an Association director, officer, or committee member, or former Association director, officer, or committee member to the extent such indemnity is required by Texas law, the Articles of Incorporation, or the Declaration; and

(o) maintaining, and retaining for the time periods required, the "official records" of the Association, as provided in §617.303(4) of the Texas Homeowners Association Act.

3.18 Compensation.

The Association shall not compensate a Neighborhood Representative, Board Member or director for acting as such, unless a majority of the directors otherwise approves. The Association

may reimburse any director for expenses incurred on the Association's behalf if approved by a majority of the other directors. In addition, subject to Section 3.27, nothing herein shall prohibit the Association from compensating a director for services or supplies he or she furnishes to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association. The foregoing also applies to any entity with which a director is affiliated.

So long as required by the Texas Business Organizations Code, any indemnification of or advance of expenses to a Neighborhood Representative, Board Member or director must be reported in writing to all Owners upon the earlier to occur of: (i) with or before the notice or waiver of notice of the next meeting of Members; or (ii) with or before the next submission to Members of a consent to action without a meeting; or (iii) within twelve (12) months after the date of the indemnification or advance.

3.19 Right of Class "B" Member to Disapprove Actions.

During the period of Class "B" membership, the Class "B" Member shall have a right to disapprove any action, policy, or program of the Association, the Board, and any committee which, in the Class "B" Member's sole and absolute judgment, would tend to impair rights or interests of Declarant, any Declarant Affiliate, or Builders, interfere with development or construction of any portion of the Community, or diminish the level of services the Association provides.

(a) Notice. The Association, the Board, and each committee shall give the Class "B" Member written notice of their meetings and proposed actions to be approved at their meetings (or by written consent in lieu of a meeting). The notice shall comply with Section 3.10 and shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) Opportunity to be Heard. The Association, the Board, and each committee shall give the Class "B" Member the opportunity at any meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval described in this Section.

(c) Exercise of Rights. The Class "B" Member, its representatives or agents, shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, if the action is approved without a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction by the Association, the Board, or any committee. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

(d) Condition of Implementation. No action, policy, or program subject to the Class "B" Member's right of disapproval shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

3.20 Management.

The Board may employ a professional management agent or agents, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize and are otherwise within the scope of the Board's authority. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making authority or those duties set forth in Section 3.17(a) (with respect to adoption of the budget). The Board may contract with or employ Declarant or any Declarant Affiliate as managing agent or manager.

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

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination which the Association may exercise with or without cause and without penalty at any time after termination of the Class "B" Control Period upon not more than 90 days written notice. After the Class "B" Control Period terminates, the Association may not terminate any management contract, or retain a new managing agent, without the approval of Neighborhood Representatives representing a majority of the Association's total Class "A" votes, and Declarant, for so long as Declarant or any Declarant Affiliate owns any property described on Exhibits "A" or "B" to the Declaration.

The Class "A" Members shall have no right to terminate a management contract during the Class "B" Control Period. Unless the Board otherwise grants such right, or unless the management contract otherwise provides, the Board may act in its discretion with respect to executing and terminating management contracts during the Class "B" Control Period. Any management contract may, among other things, authorize the managing agent to act as the Association's agent with respect to the expenditure of Association funds within the scope of the approved Association budget; provided, the managing agent shall not be permitted to spend money in excess of the budget or reallocate greater than 10% of any budget line item without the Board's prior approval.

3.21 Accounts and Reports.

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

- (a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) the Association's cash accounts shall not be commingled with any other accounts;

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

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

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

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

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

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

(iv) a balance sheet as of the last day of the preceding period; and a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and an annual report consisting of at least the following shall be prepared within 60 days after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant. During the Class "B" Control Period, the annual report shall include certified financial statements.

(v) The Association shall provide each Owner or its authorized agent a copy of the annual financial report within 10 business days following receipt of a written request for access. In addition, if Texas law requires, the Association shall send a copy of the annual report to each Member by mail or personal delivery within 90 days following the close of the fiscal year.

3.22 Borrowing.

The Association may borrow money for any legal purpose; provided, the approval of Neighborhood Representatives representing a majority of the Class "A" votes in the Association is required if the proposed borrowing is (a) for the purpose of making discretionary capital improvements; and (b) the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 15% of the Association's budgeted gross expenses for that fiscal year.

During the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Neighborhood Representatives representing at least 67% of the total Class "A" votes. After the Class "B" Control Period terminates, no Mortgage lien may be placed on the Common Area, nor may assessments be pledged as security for any loan, without the approval of Neighborhood Representatives representing at least a majority of the total Class "A" votes in the Association and such other approval as the Declaration may require.

3.23 Right To Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Neighborhood and other Owners or residents associations, within and outside of the Community.

3.24 Enforcement.

The Association may impose sanctions for any violation of the Governing Documents. To the extent the Declaration specifically requires, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing: (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than 15 days within which the alleged violator may present a written request for a hearing to the Board; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the alleged violator challenges the violation within 15 days of the notice. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided, the Board or Covenants Committee may suspend any proposed sanction if the violation is cured, or if a diligent effort is made to cure, within the 15-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If the alleged violator requests a hearing within the allotted 15-day period, the hearing shall be held before the Covenants Committee. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Appeal. Following a hearing before the Covenants Committee, the alleged violator shall have the right to appeal the decision to the Board. To exercise this right, the alleged violator

must submit a written notice of appeal to the Association's manager, President, or Secretary within 10 days after being informed of the results of the hearing by the Association's manager or another Board officer or representative.

(d) **Additional Enforcement Rights.** Notwithstanding anything to the contrary in this Section, if permitted under the Declaration, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the Declaration's dispute resolution procedures, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorneys' fees actually incurred.

3.25 Board Training Seminar.

The Board may provide or provide for seminars and continuing educational opportunities designed to educate and inform directors of their responsibilities as directors. Such programs may include instruction on applicable Texas corporate and fiduciary law principles, other issues relating to administering the Community's affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. The Board may require that each newly elected, and each re-elected director complete a training seminar within the first six months of assuming the director position.

3.26 **Board Standards.** In performing their duties, directors and officers shall act as fiduciaries and are subject to insulation from liability as provided for directors of corporations by Texas law and as otherwise provided by the Governing Documents. Directors shall exercise the ordinary and reasonable care of directors of a corporation, subject to the business judgment rule.

A director shall act in accordance with the business judgment rule so long as the director:

(a) acts within the expressed or implied scope of the Governing Documents and his or her actions are not ultra vires;

(b) affirmatively undertakes to make decisions which are necessary for the Association's continued and successful operation and, when decisions are made, they are made on an informed basis;

(c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other), and avoids participation in such decisions and actions; and

(d) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

A director acting in accordance with the business judgment rule shall be protected from

personal liability. Unless the Governing Documents require that specific action be taken, the failure to take such specific action shall not, without further showing that the Board acted in violation of the business judgment rule, be deemed a violation of a Board duty.

Board determinations of the meaning, scope, and application of Governing Document provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair, nondiscriminatory manner and shall adhere to the procedure established in the Governing Documents.

3.27 Conflicts of Interest; Code of Ethics.

Unless otherwise approved by a majority of the other directors, no Class "A" Director may transact business with the Association or an Association contractor during his or her term as director or within two years after the term expires. A director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the directors relative to his or her performance as a director. A director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members. The Board may void any contract which creates a prohibited conflict of interest.

Notwithstanding the above, the directors appointed by the Class "B" Member may be employed by or otherwise transact business with Declarant or any Declarant Affiliate, and Declarant and its Affiliates may transact business with the Association and its contractors.

The initial Board shall create and adopt a written "Code of Ethics" applicable to all directors and officers. The Code of Ethics shall incorporate the above standards and other conduct rules it deems appropriate. At a minimum, the Code of Ethics shall require each officer and director to conduct himself or herself in manner consistent with the Board Standards described in Section 3.26. Each officer and director, as a pre-condition to service, shall acknowledge and agree, in writing, to abide by the Code of Ethics. The Code of Ethics may not be amended without the approval of Neighborhood Representatives representing at least a majority of the total Class "A" votes in the Association.

Article IV: Officers

4.1 Officers.

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

4.2 Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each Association annual meeting. Officers shall serve until their successors are elected. Officers may not hold the same office for more than two consecutive terms.

4.3 Removal and Vacancies.

Any officer may be removed by a vote of at least 2/3 of the directors. The Board shall appoint a replacement to fill any vacancy in any office for the unexpired portion of the term.

4.4 Powers and Duties.

The Association's officers each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall supervise the preparation of the Association's budget, but shall delegate all or part of the preparation and notification duties to a finance committee, management agent, or both. The Secretary shall prepare or supervise the preparation of meeting minutes as required by Texas law.

4.5 Resignation.

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

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

All agreements, contracts, deeds, leases, checks and other Association instruments shall be executed by an officer, unless the Board provides otherwise, or by such other Person or Persons as the Board may designate by resolution.

4.7 Compensation.

Officers shall not receive compensation.

Article V: Committees

5.1 General.

The Board may create such committees as it deems appropriate to perform such task and to serve for such periods as the Board may designate by resolution. In an effort to encourage and incorporate a broad base of Owner and resident participation in community governance, it shall be the Association's policy that the Board create and delegate its responsibilities to committees as

reasonably appropriate.

Committees shall exercise only such authority as granted by Board resolution, provided the Board may, in the exercise of its reasonable discretion, elect not to follow a committee's advice on any matter. Committees may not act without specific Board authority and may not bind the Association contractually or financially. Committee members may serve no more than two consecutive two-year terms on the same committee.

5.2 Covenants Committee.

The Board shall appoint a Covenants Committee consisting of at least three members. The Covenants Committee members shall be Members of the Association who are not directors, officers, or employees of the Association or the spouse, parent, child, brother or sister of a director, officer, or employee. Acting in accordance with the provisions of the Declaration, these Bylaws, and any Board resolutions, the Covenants Committee shall be the Association's hearing tribunal and shall conduct all hearings held pursuant to Section 3.24. The Board may not impose a fine without a majority vote of the Covenants Committee.

5.3 Neighborhood Committees.

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

Any director elected to the Board from a Neighborhood shall be an ex officio member of the Neighborhood Committee. The Neighborhood Representative responsible for casting Member votes under the Declaration shall be the chairperson of the Neighborhood Committee, shall preside at its meetings, and shall be responsible for transmitting any and all communications to the Board. In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the notice and quorum requirements applicable to the Board under these Bylaws. Meetings of a Neighborhood Committee shall be open to all Owners of Lots in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

5.4 Other Committees.

In addition to the above, at such time as Class "A" Members other than Builders own 50% of the Lots anticipated for the Community under the Master Plan, or whenever the Class "B" Member earlier determines, the Board shall create the following committees, each of which shall have at least three members:

- (a) Finance Committee. The Finance Committee shall actively assist the Board, the

Treasurer, and the Association's managing agent, if any, in preparing the Association's budget. After termination of the Class "B" Control Period, Board approval of the Association's budget shall be subject to the Finance Committee's review and comment, which shall be advisory only and shall not bind the Board.

(b) Physical Maintenance Committee. After termination of the Class "B" Control Period, the Physical Maintenance Committee shall preside over maintenance of the Common Maintenance Areas.

(c) Dispute Resolution Committee. The Dispute Resolution Committee shall be established to mediate disputes concerning the interpretation of Use Restrictions, rules, and other Governing Document provisions and to advise the Board on initiating litigation involving the Association (as provided in the Declaration); provided, the Dispute Resolution Committee shall not preside over matters relating to the collection of assessments or other fees and charges. Each member of the Dispute Resolution Committee shall attend a Board-approved course on dispute resolution.

The Board shall establish by resolution the specific scope and limitations on the authority of the above committees.

Article VI: Miscellaneous

6.1 Fiscal Year.

The Association's fiscal year shall be the calendar year unless otherwise established by Board resolution.

6.2 Books and Records.

(a) Inspection by Members and Mortgagees. Subject to the protection of privileged and confidential information, the Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Lot, any Member or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Community as the Board shall designate.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to: (i) notice to be given to the custodian of the records; (ii) hours and days of the week when such an inspection may be made; and (iii) payment of the cost of reproducing documents requested. Records shall be made available within 10 business days of the receipt of a written request by an Owner or his or her authorized agent.

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

6.4 Notices.

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

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

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

(c) if to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.5 Amendment.

(a) By Class "B" Member. During the Class "B" Control Period, the Class "B" Member unilaterally may amend these Bylaws. Thereafter, the Class "B" Member unilaterally may amend these Bylaws at any time and from time to time if such amendment is necessary: (i) to bring any provision into compliance with any applicable governmental statute, rule, or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Lots; or (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Lots. No amendment may adversely affect the title to any Lot unless the Owner shall consent thereto in writing.

(b) By the Board. Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent of Neighborhood Representatives representing at least 67% of the Association's total Class "A" votes, and the consent of the Class "B" Member, if such exists.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative, votes required for action to be taken

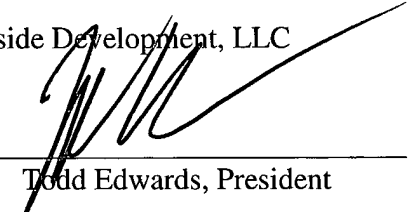
under that clause. The approval requirements set forth in Article XVI of the Declaration also shall be met, if applicable.

(c) Validity and Effective Date of Amendments. Amendments to these Bylaws shall become effective upon Recordation unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its Recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these Bylaws.

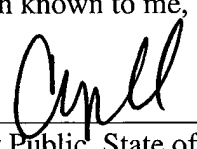
No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege. No amendment may remove, revoke, or modify any right or privilege assigned specifically to the Owners of Non-Residential Lots without such Owners' written consent.

DECLARANT:

Bayside Development, LLC

By: 
Todd Edwards, President

SUBSCRIBED AND SWORN to before me by Todd Edwards, as President of Bayside Development, LLC and on behalf of said company, a person known to me, on this the 11TH day of April, 2016.


Notary Public, State of Texas

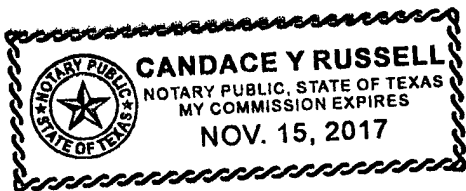


EXHIBIT F

TOWNHOME NEIGHBORHOODS – ADDITIONAL TERMS

1. Definitions

The following definitions are in addition to those set out in Article I of the Declaration:

"Plat": Any Recorded survey depicting a Unit within the Townhome Neighborhood. In the event the Townhome Neighborhood is expanded, additional Plats will be Recorded. The Plats may be amended in accordance with local and state laws.

"Unit": A "Unit" shall consist solely of airspace within the Townhome Neighborhood lying and being above the surface of the ground which may be independently owned and conveyed, and all improvements within such airspace. The boundaries of a Unit are more particularly shown and described in a Plat showing the Unit. Each Unit shall be a single "Lot".

2. Neighborhood Designation

Pursuant to the Declaration, the property described in Exhibit "A-1" as Town Centre Townhomes is hereby assigned to, and designated as a "Townhome Neighborhood." The Townhome Neighborhood may be a mixed-use neighborhood and shall contain Units reserved for residential use ("Residential Units") and for non-residential use ("Non-Residential Units").

3. Description of Units

Each Unit within the Townhome Neighborhood shall be formed by and include the airspace and improvements lying within the following boundaries:

(a) **Vertical (Perimeter) Boundaries.** The vertical or perimeter boundaries of each Unit are the vertical planes projecting directly upward from the boundaries legally described on a Plat, which vertical planes shall be formed by the interior unfinished surface of the wallboard or other material comprising the interior surface of the perimeter walls bounding the Unit. The vertical boundaries of the Unit shall extend to their planar intersections with each other and with the upper and lower boundaries described below.

(b) **Upper and Lower Boundaries.** The upper and lower boundaries shall be the following boundaries extended to their planar intersections with the vertical Unit boundaries:

(i) The upper boundaries of each Unit are the various planes formed by the unfinished lower surfaces of the permanent ceiling in the uppermost story of the Unit. In this context, the "permanent ceiling" shall refer to the plane formed by the lowermost unfinished surface of the firewall providing a barrier between Units or, in the case of the uppermost Unit within a building, between a Unit and the bottom portion of the building's roof framing system. A "permanent ceiling" shall not include any "drop," decorative, or "false" ceiling constructed below the firewall. Upper boundaries may vary in height and angle within a Unit such that no single

horizontal plane constitutes the upper boundary of the Unit.

(ii) The lower boundary of each Unit is the plane formed by the uppermost unfinished surface of the floor of the lowermost story of the Unit.

4. Items Included Within Unit Boundaries.

The Unit shall include the airspace within the above boundaries, all interior partitions, and all paneling, molding, wallpaper, paint, tile, carpeting, linoleum, and any other materials constituting any part of the interior finished surfaces of the Unit's walls, ceilings, or floors, as well as all cabinets, fixtures, and other installations (original or otherwise).

The Unit also shall include all portions of the plumbing, heating, electrical, communications (including, without limitation, cable television service, telephone, and intranet or Internet access), and air conditioning systems (including furnaces, compressors, components, pipes, wires, conduits, ducts, and the like) serving only that Unit, even if located partially outside the boundaries of the Unit. All portions of the plumbing, heating, electrical, communications (including, without limitation, cable television service, telephone, and intranet or Internet access), and air conditioning systems (including furnaces, compressors, components, pipes, wires, conduits, ducts, and the like) serving more than one Unit, even if located partially within the boundaries of the Unit, shall be Limited Common Area of the Units served by such systems.

5. Interpreting Plats; Encroachments; Identifying Number.

In interpreting Plats, plans, and deeds, the existing physical boundaries (as described above) of a Unit as originally constructed or of a Unit reconstructed in substantial accordance with the original Plat and plans shall be conclusively presumed to be its boundaries, regardless of any minor variance between the boundaries shown on architectural or engineering plans, on the Plat, or in a deed, and those formed by the completed construction of the Unit.

Each Unit shall be conveyed as a separately designated and legally described fee simple estate. The identifying number or symbol as shown on the Plat may legally describe each Unit for conveyance or other purposes.

6. Building Elevations.

Plans depicting the elevations for each building within the Townhome Neighborhood shall be Recorded in the Real Estate Records of Galveston County, Texas. In the event the Townhome Neighborhood is expanded, additional plans showing building elevations will be Recorded. The plans showing building elevations may be amended in accordance with local and state laws.

7. Limited Common Area

Any portion of the Townhome Neighborhood not contained within a Unit's boundaries shall be conveyed to the Association as Common Area, and may be further designated as Limited Common Area. The Association shall own the Common Areas, including the Limited Common Areas. Owners shall have no ownership interest of any kind in the Common Areas.

The ground beneath a building and each portion of a building within the Townhome Neighborhood which is not contained within the boundaries of a Unit shall be reserved, and is hereby designated, as Limited Common Area for the primary use and benefit of the Owners and occupants of Units within such building. As such, the Limited Common Area assigned to the Units within each building in the Townhome Neighborhood shall include, without limitation, elevators and elevator shafts, common stairways, common hallways, common entryways, roofs and all roof components, the building foundation, the wall studs and other materials making up the exterior walls of the buildings, and all exterior sheathing, brick, or other exterior finished surfaces of the building. With respect to common walls between Units, the structural components of the walls shall be the Limited Common Area of the Owners and occupants of the Units within the building in which the shared wall lies.

In addition, and notwithstanding the above, the following shall be Limited Common Areas designated for the exclusive benefit of particular Units within the Townhome Neighborhood:

(a) The surface area of any balcony serving a particular Unit shall be the Limited Common Area of the Unit so served.

(b) The material forming the interior unfinished surface of the perimeter walls and sub-flooring bounding the Unit shall be the Limited Common Area of the Unit so served.

(c) All windows, glass surfaces, and doors (including window frames and door frames) contained in the perimeter walls bounding the Unit shall be Limited Common Area of the Unit so served.

Additional Limited Common Areas, including sidewalks, landscaping, and parking areas, may be designated on a Plat.

8. Additional Covenants and Restrictions

Maintenance by Owners. Each Owner shall be responsible for maintenance, repair, and replacement of all portions of his or her Unit. Such maintenance responsibility shall include, but shall not be limited to, maintaining, repairing, and replacing, as necessary, portions of the plumbing, heating, electrical, and air conditioning systems which serve only the Unit, regardless of whether such system lies within the Unit boundaries. In addition, each Owner also shall be responsible for: cleaning, sweeping, and other routine daily maintenance of the balcony and boardwalk area, if any, assigned to his or her Unit as Limited common Area; maintaining, repairing, and replacing furniture, ceiling fans, light bulbs, and fixtures contained within any balcony assigned to his or her Unit as Limited Common Area; maintaining, repairing, and

replacing the wallboard, plaster, or other material forming the interior unfinished surface of the perimeter walls bounding his or her Unit, except for repairs or replacements necessitated by the Association's actions or its failure to take action when otherwise required; and cleaning the interior glass surfaces of all windows; maintaining, repairing, and replacing interior window trim and window frames; and maintaining, cleaning, repairing, and replacing all exterior doors (including doors providing balcony access from the Unit) assigned to his or her Unit as Limited Common Area; provided, the Association shall be responsible for cleaning, repairing, and replacing the exterior portions of windows as provided below.

Each Owner shall perform the above maintenance at his or her own expense and in a manner consistent with the Community-Wide Standard. In addition to any other enforcement rights or sanctions available under the Declaration or by law, if an Owner fails properly to perform his or her maintenance responsibility, the Association may Record a notice of violation or perform the required maintenance and assess its costs against the Unit and the Owner as a Benefited Assessment.

9. Maintenance by the Association.

Except as specifically provided above, the Association shall be responsible for maintaining, insuring, repairing, and replacing all Common Area, including the Limited Common Areas, within the Townhome Neighborhood, including, without limitation, the exterior surfaces and exterior structural components of all buildings and structures. The Association's responsibility also shall include cleaning the exterior surfaces of, and replacing, as necessary, all exterior windows.

10. Insurance.

(a) Association Responsibility. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for the full insurable replacement cost under current building ordinances and codes of all buildings and other improvements in the Townhome Neighborhood, regardless of ownership, less a reasonable deductible and less any betterments and improvements installed and/or required to be maintained by a Unit Owner. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All Association property insurance policies shall comply with the guidelines and requirements set forth in Section 7.3 of the Declaration extent applicable. In addition to that insurance which the Association obtains and maintains for all of Bayside in compliance with Section 7.3 of the Declaration, the Board, in the exercise its business judgment, may obtain other insurance coverage for the Townhome Neighborhood.

(b) Owner Responsibility. Every Owner shall be responsible for obtaining maintaining at all times insurance covering those portions of his or her Unit, including contents not insured by policies maintained by the Association. In addition, to the extent not insured policies the Association maintains or to the extent insurable losses result in the payment deductibles under the Association's policies, every Owner shall obtain and maintain at all times insurance covering consequential damages to any other Unit or the Common Area due to occurrences originating within the Owner's Unit and caused by the Owner's negligence, the Owner's failure to maintain the

Unit, or any other casualty within the Unit which causes damage to the Units or the Common Area. At the Board's request, Owners shall file a copy of each individual policy or policies covering his or her Unit and personal property with the Board within 10 days after receiving such request. Such Owner shall promptly notify, in writing, the Board in the event such policy is canceled.

11. Board Authority - Insurance Coverage.

(a) **The Board of Directors, upon resolution, shall have the authority to require all or any Owner(s) to do any act or perform any work involving portions of the Townhome Neighborhood which are such Owner(s)' maintenance responsibility, which will, in the Board's sole discretion, decrease the possibility of fire or other damage in the Townhome Neighborhood, reduce the insurance premium paid by the Association for any insurance coverage, or otherwise assist the Board in procuring or maintaining such insurance coverage; provided, if the cost of providing such required work would exceed Three Hundred Dollars (\$300.00) per Unit in any fiscal year, then the required work shall be approved by the affirmative vote of or written consent of Members representing a majority of the Class "A" votes within the Townhome Neighborhood. This authority shall include, but not be limited to, requiring Owners to install smoke detectors and such other measures as the Board may reasonably require.**

(b) In addition to and not in limitation of, any other rights the Association may have, if any Owner does not comply with any reasonable Board requirement above, the Association, upon 15 days written notice (during which period the Owner may perform the required act or work without further liability), may perform such required act or work at the Owner's sole cost and expense. Said cost shall be assessed against the Owner as a Benefited Assessment in accordance with Section 8.5 of the Declaration. The Association shall have all rights necessary to implement requirements the Board mandates, including, but not limited to, a right of entry during reasonable hours and after reasonable notice to the Owner or occupant of the Unit, except that access may be had at any time without notice in an emergency situation.

12. **Disclaimer of Liability. Declarant, Declarant's Affiliates, the Association, its officers, the Board, the Association's management agent, any committee, or any member of any of the foregoing shall not be held liable for any injury, damages, or loss arising out of any Owner's failure or refusal to comply with the requirements contained herein. In addition, and notwithstanding the Association's authority to require that work be performed within a Unit, as set forth in Section 17.2 of the Declaration, each Owner and occupant of a Unit, and their respective guests and invitees, are responsible for their own personal safety and for their property in Bayside. Neither the Association nor Declarant or any Declarant Affiliate shall in any way be considered insurers or guarantors of safety or security within a Townhome Neighborhood, nor shall they be held liable for any loss or damage by reason of failure to provide or require safety measures or the ineffectiveness of any safety measures undertaken.**

13. **No representation or warranty is made that any systems or measures, including fire protection, burglar alarm, access control, or other security monitoring systems or procedures, cannot be compromised or circumvented, nor that any such systems or procedures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Unit that the Association, the Board, Association committees, Declarant, and Declarant Affiliates are not insurers or guarantors of security or safety and that each Person within the Townhome Neighborhood assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.**

14. Payment of Insurance Deductibles. In the event of an insured loss, any required deductible shall be considered a maintenance expense to be paid by the Person or Persons who would be responsible for such loss in the absence of insurance. If the loss affects more than one Unit, or a Unit and the Common Area, the cost of the deductible may be apportioned equitably by the Board among the parties suffering loss in proportion to each affected Owner's portion of the total cost of repair. Notwithstanding this, if the insurance policy provides that the deductible will apply to each Unit separately or to each occurrence, each Owner shall be responsible for paying the deductible pertaining to his or her Unit, if any. If any Owner fails to pay the deductible when required under this paragraph, then the Association may pay the deductible and assess the cost to the Owner as a Benefited Assessment under Section 8.5 of the Declaration.

15. Restoring Damaged Improvements. In the event of damage to or destruction of any building, Common Area, or other property within the Townhome Neighborhood which the Association is obligated to maintain and/or insure the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage allowing for changes or improvements necessitated by changes in applicable building codes.

16. Damaged or destroyed improvements which are Limited Common Area of Owners of Units within the Townhome Neighborhood shall be repaired or reconstructed, as applicable, substantially in accordance with the plans and specifications pertaining to the improvement prior to its being damaged or destroyed, unless the Owners of 100% of the Units within the Townhome Neighborhood vote not to repair or reconstruct. Such vote shall be held within 60 days following the loss; provide either the insurance proceeds or estimates of the loss, or both, are not available to Association within such 60-day period, then the period may be extended until such information are available. In addition, the Class "B" Member, if any, must consent to decision not to repair or reconstruct.

17. The Association shall retain in a reserve fund for capital items any insurance proceeds remaining after paying the costs of repair or reconstruction, or after an agreed-upon settlement for the benefit of the Owners of Units within the Townhome Neighborhood. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

18. If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for, and allocated in the same manner as, the applicable insurance coverage premiums.

19. If a decision is made not to restore destroyed Limited Common Area improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association as general Common Area in a neat and attractive condition consistent with the Community-Wide Standard. Apply insurance proceeds received as compensation shall be distributed to the Owners of Units to which the Limited Common Area was assigned on a pro rata basis in accordance with the Neighborhood Assessment allocation formula.

20. Provision of Services.

As set forth in Section 7.8 of the Declaration, the Association may, in its discretion or at the request of a Unit Owner, provide, or provide for, and require, services for all or any of the Units within the Townhome Neighborhood and their Owners and occupants. The Board may levy Benefited Assessments against particular Units for such services, it may charge use or service fees for any such services, or it may include the costs in the Townhome Neighborhood's budget as a Neighborhood Expense and--assess it as part of the Neighborhood Assessment, if provided to all Units within the Townhome Neighborhood. As an example of such services, the Association may require specified Units to receive more frequent trash pick-up based upon use of the Unit and generation of trash.

21. Neighborhood Finances.

(a) Neighborhood Budget. As provided in Section 8.2 of the Declaration, before the beginning of each fiscal year, the Board shall prepare a separate budget for the Townhome Neighborhood covering the estimated Neighborhood Expenses for the Townhome Neighborhood during the coming year. The Board may include in the Townhome Neighborhood's Neighborhood budget a capital contribution to fund reserves in an amount sufficient to meet the projected needs for future repair and replacement of capital improvements within the Townhome Neighborhood.

(b) Allocation of Neighborhood Assessments. Each Unit within a Townhome Neighborhood shall be subject to, and the Owner thereof shall be obligated to pay, Neighborhood Assessments, to cover the costs and expenses, including administrative expenses and reserves, of maintaining operating, insuring, repairing, and replacing Limited Common Areas within the Townhome Neighborhood. In addition, as provided above, the Board may levy Neighborhood Assessments to cover the cost and expenses of providing services to all Units within the Townhome Neighborhood. The Association shall levy Neighborhood Assessments against all Units within the Townhome Neighborhood in accordance with the allocation formula set forth in Exhibit "D" of the Declaration; however, if the Association provides services to less than all Units within the Neighborhood, or if, in the Board's reasonable discretion, services significantly disproportionately benefit less than all Units within the Neighborhood, then the Association may levy a Neighborhood Assessment or Benefited Assessments against just such benefited Units for

such services. In addition, as provided in Section 8.11 of the Declaration, the Association may charge use or consumption fees to any Person using Association services or facilities.

Notwithstanding the above, any costs and expenses the Association incurs as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests may be assessed as a Benefited Assessment against the Unit and the Owner in accordance with Section 8.5 of the Declaration.

Premiums for property insurance the Association maintains for the Neighborhood, as described above, and for any additional insurance procured for the primary benefit of the Townhome Neighborhood Units, shall be a Neighborhood Expense unless the Board reasonably determines that other treatment of the premiums is more appropriate. For example, the Board may allocate premiums based upon use of the Unit, size, or other relevant factors. The Association may, in its discretion, assess its costs as a Benefited Assessment against each benefited Unit and its Owner in accordance with Section 8.5 of the Declaration.

22. Declarant's Subsidy Option. Declarant may, but shall not be obligated to, reduce the Neighborhood Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant as set forth below), which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. The payment of such subsidy in any year shall not obligate Declarant to continue paying a subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

23. Declarant's Option to Fund Neighborhood Budget Deficits. During the Class "B" Control Period, Declarant may satisfy the obligation for assessments on Townhome Units which it or any Declarant Affiliate owns either by paying assessments in the same manner as any other Owner or by funding the Neighborhood budget deficit. The Neighborhood budget deficit is the difference between the amount of Neighborhood Assessments levied on Class "A" Member-owned Units within a Townhome Neighborhood, plus any other income received during the fiscal year, and the amount of the Association's actual expenditures during the fiscal year, but excluding expenses exclusively for capital improvement costs and reserves. Unless Declarant otherwise notifies the Board in writing at least 30 days before the beginning of the fiscal year, Declarant shall continue paying on the same basis as during the previous fiscal year.

24. Regardless of Declarant's election, Declarant's assessment obligations may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" Control Period, Declarant shall pay Neighborhood Assessments on Townhome Neighborhood Units which it or its Affiliates own in the same manner as any other Owner.

25. Townhome Neighborhood Use Restrictions.

The Use Restrictions set forth in Exhibit "C" to the Declaration, as may be amended as provided in the Declaration, shall apply to the Townhome Neighborhood. In addition, the Townhome Neighborhood may be made subject to additional "Townhome Neighborhood Use

Restrictions” and the Board may enact rules pertaining specifically to the use of the Common Areas (including the Limited Common Areas) within the Townhome Neighborhood.

26. The Board and the Owners of Units within the Townhome Neighborhood may change (*i.e.*, modify, cancel, limit, create exceptions to, or add to) the Townhome Neighborhood Use Restrictions in the same manner, and subject to the same limitations, as provided in Article III of the Declaration for changes to the Use Restrictions attached as Exhibit “C” to the Declaration; provided, unless the Board, in its discretion, otherwise requires consideration by all Class “A” Members, to the extent that the Declaration requires approval or disapproval of a specified percentage of Class “A” Members (voting through the Neighborhood Representatives) within Bayside to amend the Use Restrictions, such provision shall be read to require only the approval of the specified percentage of Owners of Units within the Townhome Neighborhood to amend the Townhome Neighborhood Use Restrictions. In addition, so long as Declarant or any Declarant Affiliate owns any property subject to the Declaration or which may become subject to the Declaration in accordance with Section 9.1 of the Declaration, Declarant's written consent is required for any amendment to the Townhome Neighborhood Use Restrictions.

The type of use of any Non-Residential Unit (*i.e.*, the particular business to be operated) is subject to the Board's prior written consent. In addition, so long as Declarant or any Declarant Affiliate owns any property subject to the Declaration or which may become subject to the Declaration in accordance with Section 9.1 of the Declaration, Declarant's prior consent shall be required. So long as the proposed use complies with applicable zoning requirements and is consistent with Bayside's character and scheme of development, such consent shall not unreasonably be withheld.

Without limiting the generality of the approval requirements set forth below and in the Declaration and Pattern Book, no hard-surfaced floor coverings shall be installed in any Unit lying directly above any other Unit unless such floor covering is installed with sound absorbing backing which the DRB approves in accordance with Article IV of the Declaration.

The Board may enact reasonable rules governing the use, enjoyment, and operation of the Units and the Common Areas within the Townhome Neighborhood, including rules concerning lighting, noise, and hours of non-residential operations; provided, no rule shall unreasonably interfere with the permitted use or operation of any Non-Residential Unit. Board rules may be different relating to the use and enjoyment of Non-Residential Units and Residential Units provided a reasonable basis exists for such different treatment.

27. Architectural Review.

The procedures and approval requirements contained in Article IV of the Declaration, other Declaration provisions, and the Pattern Book shall apply to the construction and alteration of all improvements within the Townhome Neighborhood. Any work performed on the inside of a Unit which impacts structurally the building containing the Unit, or any adjoining Units, shall require prior written consent in accordance with Article IV of the Declaration. In addition, nothing shall be placed, stored, or kept on any balcony or other open area or any portion of a structure within the Townhome Neighborhood which is visible from outside of the structure, except as the Board

may expressly permit. The Board may, in its discretion, publish written guidelines or standards identifying acceptable or unacceptable uses of such areas.

In an effort to minimize disturbance to other Units, the Board may enact reasonable rules, or the Pattern Book may set forth rules, governing construction work, moving, and other activities performed within a Unit, including, without limitation, noise limitations, limitations on the hours within which work or moving activities may be performed, and hours during which elevators may be used for loading and unloading.

28. Easements of Ingress and Egress.

Each Owner shall have an easement of ingress and egress over the Common Area, including platted streets within Bayside, as necessary to access his or her Unit from a public road or street. An Owner may extend his or her ingress and egress easement rights to the members of his or her family, tenants, and invitees, as applicable, subject to reasonable Board regulation. As set forth in the Declaration, each Owner's easement of use, access, and enjoyment in and to the Common Area is subject to the rights of certain Owners to the exclusive use of designated Limited Common Area. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the tenants of such Unit for the lease term.

29. Easements of Encroachment.

Declarant grants easements of encroachment, and for maintenance and use of any permitted encroachment, between adjacent Units and between each Unit and any adjacent Common Area. A permitted encroachment is a structure or fixture which extends unintentionally from one Person's property on to another's, whether such encroachments arise due to variations between the Plat and the actual construction of the Unit or the natural settling of the building containing the Unit.

30. Easements of Support.

Every portion of a Unit contributing to the support of other Units or any other portion of a building shall be burdened with an easement of support and necessity for the benefit of multiple Units and/or the Common Area.

31. Easements for Maintenance of Adjoining Units.

There shall be and is hereby imposed on each Unit an easement for reasonable ingress and egress by or on behalf of the Owner of any adjoining Unit for the purpose of repair maintenance, or replacement of improvements on, to, or in connection with such adjoining Owner's Unit.

32. Easements for Maintenance and Repair of Common Area Systems.

Declarant reserves for itself so long as Declarant or any Declarant Affiliate owns any property within the Townhome Neighborhood, and grants to the Association and utility providers, perpetual, non-exclusive easements over each Townhome Neighborhood Unit as necessary for the placement, installation, operation, maintenance, repair, and replacement of any portions of the

plumbing, heating, electrical, communications (including, without limitation, cable television service, telephone, and Intranet or internet access), and air conditioning systems (including furnaces, compressors, components, pipes, wires, conduits, ducts, and the like) which lie within the boundaries of the Unit but which serve more than one Unit. No structure, enclosure, or other thing shall be placed or constructed within the Unit in a manner which unreasonably restricts or otherwise prevents access to those portions of the Common Area systems lying within the boundaries of a Unit. Notwithstanding anything to the contrary, the Association may remove anything so constructed in violation of this restriction without liability to the Unit Owner and any costs incurred shall be assessed against the Unit Owner as a Benefited Assessment.

33. Easements for Maintenance, Emergency and Enforcement.

Declarant grants to the Association, for itself and its duly authorized agents, assigns, employees, and contractors, easements over the Townhome Neighborhood Units as necessary for the Association to fulfill its maintenance responsibilities. The Association shall also have the right, but not the obligation, to enter upon any Unit to perform maintenance and to inspect for the purpose of ensuring compliance with and enforcing the Governing Documents. Any member of the Board, and its duly authorized agents and assignees, including committee members, and all emergency personnel in the performance of their duties may exercise such right. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

Subject to any required notice, Declarant grants to the Association an easement and right to enter a Unit to abate a Governing Document violation and/or to remove any structure, thing, or condition which violates the Governing Documents. Any costs incurred, including reason attorneys' fees, shall be assessed against the Unit Owner as a Benefited Assessment.

In addition, Declarant grants to each Owner of a Unit for which a portion of the Limit Common Area is specifically assigned such easement rights as are necessary for the exclusive use and, as applicable, the maintenance, repair, and replacement of such areas.

34. Other Easements.

Easement rights provided herein, shall not limit the easement rights otherwise reserved to Declarant or granted to any other Person under the Declaration.

35. Minimal Interference.

All work associated with the exercise of the easements described in this Section, to the extent practicable, shall be performed only during reasonable hours, after reasonable notice to the Owner or occupants of the Unit upon which entry is to be made, and in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to the condition existing prior to the work. Except in an emergency, the exercise of any easement right shall not extend to permitting entry into Unit without prior approval of the Owner or occupant of the Unit, which approval shall not unreasonably be withheld, nor shall it unreasonably interfere with the use of any Unit.

36. Assumption of Risk and Indemnification.

By purchasing a Unit within the Townhome Neighborhood which is over, or in the vicinity of, property reserved for commercial or non-residential use, each Owner expressly assumes the risk of noise, personal injury, death, or property damage caused by maintenance and operation of such property, including, without limitation: (a) noise from the permitted operations of such use; (b) noise caused by the permitted users of such property; and (c) reduction of privacy caused by traffic (including non-residents of Bayside) to or from such property.

Each Owner agrees that Declarant, the Association, and any of Declarant's Affiliates or agents shall not be liable to any Owner or any other Person claiming any loss or damage, including, without limitation, indirect, special, or consequential loss or damage arising from personal injury, death, destruction of property, trespass, loss of enjoyment, or any other alleged wrong or entitlement to remedy based upon, due to, arising from, or otherwise related to the proximity of Owner's Unit to non-residential property, including, without limitation, any claim arising in whole or in part from the negligence of Declarant, any of Declarant's Affiliates or agents, or the Association. The Owner agrees to indemnify and hold harmless Declarant, Declarant's Affiliates and agents, and the Association of any and all such claims by Owner's visitors, tenants, and others upon such Owner's Unit.

37. Disclaimer Regarding Condominium.

It is not intended that any Townhome Neighborhood constitute condominiums within the meaning of the Texas Condominium Act, Texas Statute Section 718.101, *et seq.* (the "Condominium Act"), or a cooperative within the meaning of the Texas Cooperative Act, Texas Statutes 719.100, *et seq.* The Association shall own Common Areas, including all Limited Common Areas, within a Townhome Neighborhood. Owner shall have no ownership interest of any kind in the Common Areas.

The Units within each Townhome Neighborhood are Residential or Non-Residential Units located in one of several multi-family buildings in the Bayside community. A Townhome Neighborhood Unit is not a condominium and it is not a cooperative. Each Owner receives a deed to the airspace comprising the Unit. There is no separate owners association for all or any portion of the Townhome Neighborhoods and no Owner will own any portion of the Common Area. Rather, the Bayside Community Association, Inc., the overall property owners association for all of the Bayside community, will own and maintain the surrounding parking lots, as well as elevators, sidewalks, building walls, roofs, boardwalks, hallways, and other structural components of the Townhome Neighborhoods' buildings as Common Areas.

FILED AND RECORDED

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I hereby certify that this instrument was FILED on the date and time stamped hereon and RECORDED in the OFFICIAL PUBLIC RECORDS of Galveston County, Texas.



Dwight D. Sullivan

Dwight D. Sullivan, County Clerk
Galveston County, Texas

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