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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
CLAYTON SECTIONS ONE AND TWO

CLAYTON DEVELOPMENT COMPANY, the owner of the following described real property in Harris County, Texas:

Lots 1 through 7, both inclusive, in Block 1;
 Lots 28 through 44, both inclusive, in Block 2;
 Lots 1 through 36, both inclusive, in Block 4;
 Lots 1 through 38, both inclusive, in Block 5;
 Lots 1, 52, 31 & 30 in Block 6;
 Lots 1 through 36, both inclusive, in Block 7;
 Lots 1 through 28, both inclusive, in Block 8;
 Lots 1 through 40, both inclusive, in Block 9;
 Lots 1 through 32, both inclusive, in Block 10;
 Lots 1 through 17, both inclusive, and lots 56 & 57 in Block 11; and
 Reserves "A," "B," and "C";

All in CLAYTON SECTION ONE, a subdivision in Harris County, Texas, according to the plat thereof recorded in Volume 238, Page 33 of the Map Records of Harris County, Texas;

Lots 8 through 57, both inclusive, in Block 1;
 Lots 1 through 27, both inclusive, and Lots 45 through 79, both inclusive, in Block 2;
 Lots 1 through 26, both inclusive, in Block 3;
 Lots 2 through 29, both inclusive, and Lots 32 through 51, both inclusive, in Block 6;
 Lots 18 through 55, both inclusive, and Lots 58 through 68, both inclusive, in Block 11; and
 Reserves "D" and "E";

All in CLAYTON SECTION TWO, a subdivision in Harris County, Texas according to the plat thereof recorded in Volume 147, Page 70 of the Map Records of Harris County, Texas;

hereby declares that said real property, to the extent provided herein, shall be held, sold, transferred, and conveyed subject to the reservations, covenants, obligations, assessments, liens, terms, and provisions set forth below, which are for the purpose of protecting the value and desirability of, and which shall run with, said real property.

ARTICLE I.

Definitions

Section 1.01. Definitions. The following words, when used in this Declaration, shall have the following meanings (unless the context clearly indicates otherwise):

(a) "Developer" shall mean and refer to Clayton Development Company the declarant herein, its successors and assigns (i) if such successor or assigns should acquire more than one Lot from Clayton Development Company and (ii) if such successors or assigns are designated in writing by Clayton Development Company as a successor or assign of all or part of the rights of Clayton Development Company set forth in this Declaration.

RETURN TO:

H. A. SWANICKI

2520 WESTWIND DR. SUITE 210

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(b) "FHA" shall mean and refer to the Federal Housing Administration.

(c) "VA" shall mean and refer to the Veterans Administration.

(d) "Subdivision Plats" shall mean and refer to the plat of Clayton Section One Subdivision recorded in Volume 218 at page 13 of the Record of Maps of Harris County, Texas, and to the plat of Clayton Section Two Subdivision recorded in Volume 247, Page 70 of the Map Records of Harris County, Texas.

(e) "Subdivision" shall mean and refer to Clayton Section One Subdivision and Clayton Section Two Subdivision.

(f) "Lot" shall mean and refer initially to any of the 507 Lots shown on the Subdivision Plats, being the Lots described hereinabove in this Declaration. If a subdivision plat is hereafter filed for record by Developer in the Office of the County Clerk of Harris County, Texas, replatting the area within any of the Lots, then, with respect to the replatted area only, the term "Lot" shall thereafter mean and refer to any of the numbered lots shown on such subdivision plat. If building sites are created pursuant to Section 2.05 herein, the term "Lot" shall also thereafter mean and refer to any building site so created.

(g) "Living Unit" shall mean and refer to any improvements on a Lot which are designed and intended for occupancy and use as a residence by one person, by a single family, or by persons maintaining a common household.

(h) "Assessable Tract" shall mean and refer to any Lot to which paved public street access and water and sanitary sewer service have been extended, and which has been rough graded and staked, from and after (i) the date on which a Living Unit on such Lot is first occupied as a residence, or (ii) the date on which the FHA or the VA guarantees a loan on one or more Living Units in the Subdivision, whichever is the earlier date.

(i) "Owner" shall mean and refer to the record owner(s), whether one or more persons or entities, of the fee simple title to any Lot, but shall not mean or refer to any person or entity holding only a lien, easement, mineral interest, or royalty interest burdening the title thereto.

(j) "Association" shall mean and refer to the Clayton Home Owners Association, a Texas non-profit corporation, and to any non-profit corporation which succeeds to all or substantially all of its assets by any merger, consolidation, or conveyance of assets.

(k) "Member" shall mean and refer to a member of the Association during the period of such membership, and shall include the Owner (during the period of his ownership) of each Assessable Tract and Developer until its membership terminates pursuant to Section 3.02 hereof.

(l) "Meeting of Members" shall mean and refer to a meeting of Members duly called in the manner prescribed in the by-laws of the Association, of which notice shall have been sent to all Members at least thirty (30) days in advance of the meeting, stating the purpose(s) of the meeting, and at which a quorum shall be present. At the first Meeting of

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Members called to act on any matter(s) requiring a vote of Members by the provisions of this Declaration, the presence at the meeting in person and/or by proxies of Members entitled to cast sixty percent (60%) of the aggregate of the votes of both Classes of Members shall constitute a quorum. If the required quorum is not present at any meeting called to act on any such matter(s), another meeting may be called to act on the same matter(s), subject to the notice requirement mentioned above, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting, except that such reduction in the quorum requirement shall not be applicable if the subsequent meeting is held more than sixty (60) days following the preceding meeting.

(m) "Reserve A", "B", "C", "D" and "E" shall mean and refer to Reserve "A", "B", "C", "D" and "E" shown on the Subdivision Plats.

(n) "Community Properties" shall mean and refer initially to Reserve "B", and the improvements thereon, save and except utility lines in, on, under or over Reserve "B" and appurtenances thereto. If other properties, real, or personal, are hereafter conveyed to or otherwise acquired by the Association, the term "Community Properties" shall thereafter also cover and include such other properties.

(o) "Architectural Control Committee" shall mean and refer to Harry Reed, J. J. Gallagher, and Robert Brooks, all of Harris County, Texas, and their successors, who shall act as the Architectural Control Committee.

(p) "Penetration" shall mean and refer to a door, window, or other opening in the wall of a building.

ARTICLE II.

Subdivision Plats; Easements; Rights Reserved; Building Sites; Adjacent Property

Section 2.01. Subdivision Plats. All dedications, easements, limitations, restrictions, and reservations shown on the Subdivision Plats are incorporated herein for all purposes, insofar as they relate to the Lots.

Section 2.02. Easements. There is hereby created a blanket easement upon, across, over, through and under all of the Subdivision for ingress and egress for replacing, repairing and maintaining utilities, including, but not limited to, water, sewer, telephone, electricity, gas and cable television. In addition, Developer hereby reserves the right to dedicate, convey or reserve specific easements over, on or under any part of the land in the Subdivision for streets and/or for electric light and power, telephone, natural gas, water, sanitary sewer, storm sewer and other utility lines and facilities, at or prior to the time Developer parts with title thereto.

Section 2.03. Reservations. The title conveyed by Developer to any Lot by contract, deed, or other conveyance shall never be intended, construed, or held to include the title to any of the Community Properties, any of the easements referred to in Section 2.01 or 2.02, or any improvements at any time located over, on, or under the Community Properties

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or any such easement, and title to all of the same shall be considered as excluded from any such conveyance, except to the extent that any of the same are specifically referred to in the instrument of conveyance and are stated therein to be conveyed thereby. Any system of utility lines and facilities constructed by Developer over, on, or under any such easement may be given, sold or leased by Developer to any public authority, utility company, or holder of a public franchise.

Section 2.04. Right to Subdivide or Resubdivide.

Prior to the time Developer parts with title thereto, Developer shall have the right (but shall never be obligated) to subdivide or resubdivide into Lots, by recorded plat or in any other lawful manner, all or any part of the property in the Subdivision, except Reserve B; provided, during any period of time that there is an outstanding loan on a Living Unit in the Subdivision guaranteed by the FHA or the VA, no such action may be taken without the consent of such guarantor(s).

Section 2.05. Building Sites. With the written approval of the Architectural Control Committee, the Owner(s) of a group of Lots, each of which is adjacent to one or more of the other Lots in the group, may designate a part of a Lot, or any combination of Lots or portions of Lots, to be a building site or building sites. The front, rear and side lines of the platted Lots affected by any such action, as such lines are designated on the Subdivision Plat, shall be adjusted to conform to the front, rear and side lines of the new building sites for building and other purposes: Improvements may be constructed on any such building site in accordance with the new front, rear and side lines thereof. Each such building site, upon being designated as such by the Owner(s) thereof with the written approval of the Architectural Control Committee, shall thereafter be a Lot for all purposes of this Declaration, except that all future assessments payable by the Owner of a building site comprised of several Lots combined in accordance with this Section will be based upon one assessment for each of the originally platted Lots so combined.

Section 2.06. No Obligation as to Adjacent Property.

The Subdivision is a part of a larger tract or block of land owned by Developer. While Developer may subdivide other portions of its property, or may subject the same to a declaration such as this Declaration, Developer shall have no obligation to do so, and if Developer elects to do so, any subdivision plat or declaration executed by Developer with respect to any of its other property may be the same as or similar or dissimilar to any subdivision plat covering the Subdivision, or any part thereof, or to this Declaration. Some of the tracts shown as "Acreage" on the Subdivision Plat are a part of the other property of Developer referred to in this Section 2.06.

ARTICLE III.

**Membership and Voting Rights
in the Association**

Section 3.01. Membership. The Owner of each Assessable Tract, during the period of his ownership, shall automatically be a Member, and such membership shall be appurtenant to and may not be separated from ownership of the Assessable Tract. Developer, whether or not it is the Owner of an Assessable

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Tract, shall also be a Member until its membership terminates pursuant to the provisions of Section 3.02 below.

Section 3.02. Voting Rights. The Association shall have the following class or classes of voting membership with the following rights:

CLASS A: The Owners of the Assessable Tracts shall be the Class A Members, and by virtue of such membership, the Owner of each Assessable Tract shall be entitled to one vote in the Association. There shall be no fractional votes. When the Owner of an Assessable Tract consists of more than one person or entity, they shall designate one of their number to cast their one vote with respect to such Assessable Tract.

CLASS B: Developer shall be the sole Class B Member, and by virtue of such membership, shall be entitled to three (3) votes in the Association for each Lot owned by Developer. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or

(b) On December 31, 1980:

ARTICLE IV.

Property Rights in the Community Properties

Section 4.01. Members' Easements of Enjoyment. Subject to the provisions of Section 4.02 every Member shall have a common right and easement of enjoyment in the Community Properties, and such right and easement shall be appurtenant to and shall pass with the title to every Assessable Tract.

Section 4.02. Extent of Members' Easements. The rights and easements of enjoyment created hereby in favor of the Members shall be subject to the rights and easements now existing or hereafter created in favor of Developer or others as referred to or provided for in Article II, and shall also be subject to the following provisions:

(a) The Association shall have the right to borrow money and with the assent of Members entitled to cast not less than two-thirds (2/3) of the aggregate of the votes of both Classes of Members to mortgage the Community Properties.

(b) The Association shall have the right to take such steps as are reasonably necessary to protect the Community Properties against foreclosure of any such mortgage.

(c) The Association shall have the right to suspend the enjoyment rights of any Member for any period during which any assessment or other amount owed by such Member to the Association remains unpaid.

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(d) The Association shall have the right to establish reasonable rules and regulations governing the Members' use and enjoyment of the Community Properties, and to suspend the enjoyment rights of any Member for any period not to exceed sixty (60) days for any infraction of such rules and regulations.

(e) The Association shall have the right to assess and collect the assessments provided for herein and to charge reasonable admission and other fees for the use of any recreational facilities which are a part of the Community Properties.

(f) The right of resident owners or occupants of dwellings within any area owned by Developer as at the date hereof and in the vicinity of the Subdivision, to use the Community Properties, together with all facilities now or hereafter located thereon.

(g) The Association shall have the right to dedicate or convey all or any part of the Community Properties, or interests therein, to any public authority for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or conveyance shall be effective unless an instrument agreeing to such dedication or conveyance signed by Members entitled to cast not less than two-thirds (2/3) of the aggregate of the votes of both Classes of Members has been recorded.

(h) The Association shall have the right to rent or lease any part of the Community Properties for the operation (for profit or otherwise) of any service activity intended to serve a substantial number of residents in the Subdivision, such as, but not limited to, child care nurseries, with the consent of Members entitled to cast not less than two-thirds (2/3) of the aggregate of the votes of both Classes of Members voting in person or by proxy, at a meeting duly called for this purpose.

(i) The Association shall have the right, but not the obligation, to contract on behalf of all Assessable Tracts, for garbage and rubbish pickup, and to charge the Owner of each Assessable Tract for his pro rata share of the cost thereof, such pro rata share to be determined by dividing the number of Assessable Tracts being served into the total cost of providing such garbage and rubbish pickup. If the Association so elects, the charge to each Owner for garbage and rubbish pickup shall be in addition to the assessments described in Article V hereof.

ARTICLE V

Assessments and Lien Therefor; Books

Section 5.01. 'Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot which shall be or become subject to the assessments hereinafter provided for, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association (1) annual assessments, and (2) special assessments for capital improvements, as such assessments may be fixed, established, and collected from time to time as hereinafter provided, together with (3) such interest

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thereon and cost of collection thereof as are hereinafter provided for, all of which shall be a charge on and secured by a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest thereon and cost of collection thereof as are hereinafter provided for, shall also be and remain the personal obligation of the person who is the Owner of such property at the time the assessment becomes due and payable, notwithstanding any subsequent transfer of title to such property. Such personal obligation shall not pass to such Owner's successors in title unless expressly assumed by them, but shall be secured by the continuing lien referred to above.

Section 5.02. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to improve, beautify, maintain, manage and operate the Community Properties, and to pay taxes and insurance premiums thereon, and to promote the recreation, health, safety, convenience, and welfare of the Members, such benefits to include, by way of illustration but not limitation, providing patrol or watchman service, providing and maintaining street lighting, fogging for insect control, providing garbage and rubbish pickup, enforcing the provisions contained in this Declaration, employing at the request of the Architectural Control Committee one or more architects, engineers, attorneys, or other consultants, for the purpose of advising such Committee in carrying out its duties and authority as set forth in the opinion of the Board of Directors of the Association, for the maintenance and/or improvement of the Community Properties or for the benefit of the Members, the foregoing uses and purposes being permissive and not mandatory, and the decisions of the Board of Directors of the Association being final as long as made in good faith and in accordance with the By-laws of the Association and governmental laws, rules and regulations.

Section 5.03. Annual Assessments. The Association, by action of its Board of Directors, shall levy annual assessments against the Assessable Tracts to obtain funds reasonably anticipated to be needed for purposes stated in Section 5.02, including reasonable reserves for contingencies and for capital improvements, replacements, and repairs; provided, the annual assessments shall be levied on a uniform basis as follows:

(a) The amount of the annual assessment for a Lot which has or has had a Living Unit thereon occupied as a residence shall not exceed \$120.00 except that for any calendar year after the calendar year 1977, the Association may increase said maximum amount of the annual assessment for a Lot which has or has had a Living Unit thereon occupied as a residence, but if any such change increases the maximum amount which can be assessed against a Lot which has or has had a Living Unit thereon occupied as a residence to more than \$126.00 per year or more than 110% of the amount assessed in the preceding calendar year, whichever is greater, the change must be approved by Members entitled to cast not less than two-thirds (2/3) of the aggregate of the votes of both Classes of Members. The amount actually assessed against a Lot which has or has had a Living Unit thereon occupied as a residence for any calendar year is referred to in (b) below as the "Base Assessment Sum" for such year.

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(b) The amount assessed each year against a Lot which has never had a Living Unit thereon occupied as a residence, but which is an Assessable Tract because the FHA or the VA has guaranteed a loan on one or more Living Units in the Subdivision, shall be one-half (1/2) of the Base Assessment Sum for such year.

Section 5.04. Special Assessments for Capital Improvements. In addition to the annual assessments authorized by Section 5.03, the Association may levy against the Assessable Tracts in any calendar year a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, purchase, acquisition, repair, or replacement of a capital improvement of the Association, including necessary fixtures and personal property related thereto, but any such assessment must be approved by Members entitled to cast not less than two-thirds (2/3) of the aggregate of the votes cast by both Classes of Members. The special assessment against every other Assessable Tract shall be the same as the special assessment against every other assessable tract.

Section 5.05. Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence on each Assessable Tract on the first day of the calendar month after it becomes an Assessable Tract. The amount of the annual assessment on each such Assessable Tract for the balance remaining in the first year of assessment shall be an amount which bears the same relationship to the annual assessment on such Assessable Tract provided for in Section 5.03 hereof as the remaining number of months in the year bears to twelve, and shall be due and payable on the day such Assessable Tract becomes an Assessable Tract. After the first year, the annual assessment on such Assessable Tract for each calendar year shall be due and payable on the first day of January in said year. The due date of any special assessment under Section 5.04 shall be fixed in the resolution of the Members of the Association authorizing or approving such assessment.

Section 5.06. Duties of the Board of Directors. The Board of Directors of the Association shall determine the amount to be levied as the annual assessment against each Assessable tract for each calendar year, subject to the criteria and limitations set out in Section 5.03. The Board of Directors of the Association shall cause to be prepared a roster of the Assessable Tracts showing the amount of each assessment, which roster shall be kept in the office of the Association and shall be open to inspection by any Owner. The Association shall upon demand at any time furnish to any Owner a certificate in writing signed by an officer of the Association setting forth whether or not there are any unpaid assessments against said Owner's property. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid, as to any third party who in good faith relies thereon to his economic detriment.

Section 5.07. Effect of Non-Payment of Assessment; The Lien; Remedies of Association. If an assessment is not paid on the date it becomes due, such assessment shall thereupon become delinquent and, together with the interest thereon and cost of collection thereof hereinafter provided for, shall thereupon be secured by a continuing lien on the Assessable Tract against which the assessment was levied, including improvements thereon, which shall bind such property

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in the hands of the then Owner thereof, his heirs, devisees, personal representatives, successors and assigns. If the assessment is not paid within thirty (30) days after it becomes due, the assessment shall bear interest from the date it becomes due at the rate of ten per cent (10%) per annum until it is paid, and the Association may bring an action at law against the Owner personally obligated to pay the same and/or an action at law to foreclose the lien securing the Assessment, and there shall be added to the amount of such assessment all reasonable expenses of collection, including the cost of preparing and filing the petition, reasonable attorney's fees and costs of suit.

Section 5.08. Subordination of the Lien to Mortgages.

The lien securing any assessment provided for herein shall be subordinate to the lien of any mortgage(s) now or hereafter placed upon the property subject to the assessment for the purpose of securing indebtedness incurred to purchase or improve such property; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a sale or transfer of such property pursuant to a decree of foreclosure, a foreclosure by trustee's sale under a deed of trust, or a conveyance in lieu of foreclosure. Such sale or transfer shall not relieve such property from liability for any assessment thereafter becoming due, nor from the lien securing any such subsequent assessment. In addition to the automatic subordination provided for above, the Association, in the discretion of its Board of Directors, may subordinate the lien securing any assessment provided for herein to any other mortgage, lien or encumbrance, subject to such limitations, if any, as such Board may determine.

Section 5.09. Exempt Property. The assessments and liens created in this Article V shall apply only to the Assessable Tracts, and the remainder of the property in the Subdivision shall not be subject thereto or entitled to the rights granted to Members in Article IV.

Section 5.10. Books. The Association shall maintain books of account reflecting all of its income and disbursements. Any Member shall have the right to inspect such books at the office of the Association at any reasonable time.

ARTICLE VI

Architectural Control Committee

Section 6.01. Tenure. The persons serving on the Architectural Control Committee, or their successors, shall serve until such time as all Lots subject to the jurisdiction of the Association have Living Units thereon occupied as residences, at which time the Architectural Control Committee shall resign and thereafter its duties shall be fulfilled and its powers exercised by the Board of Directors of the Association. In the event of the death or resignation of any person serving on the Architectural Control Committee, the remaining person(s) serving on the Committee shall designate a successor, or successors, who shall have all of the authority and power of his or their predecessor(s). A majority of the Architectural Control Committee may designate someone serving on the Committee to act for it. No person serving on the Committee shall be entitled to compensation for services performed pursuant to this Article VI. However,

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the Committee may employ one or more architects, engineers, attorneys, or other consultants to assist the Committee in carrying out its duties hereunder; and the Association shall pay such consultants for such services as they render to the Committee.

Section 6.02. Approval of Plans. No buildings or other improvements, including streets, driveways, sidewalks, drainage facilities, landscaping, fences, walks, fountains, statuary, outdoor lighting and signs, shall be commenced, constructed, erected, placed, or maintained in the Subdivision, nor shall any exterior addition to or alteration therein be made, unless and until (i) a preliminary site plan showing all uses and dimensions, the location of buildings, entries, streets, driveways, parking areas, pedestrian ways, and storage areas, and a schematic plan for the landscaping and lighting of the property, have been submitted to and approved in writing by the Architectural Control Committee, and thereafter (ii) the final working plans and specifications for the work shown on the preliminary site plan and Control Committee as to compliance with this Declaration and as to harmony of exgrades, surrounding structures, walks, and topography. The final working plans and specifications shall not be commenced until the preliminary site plan and the schematic plan have been so approved. The final working plans and specifications shall specify, in such form as the Architectural Control Committee may reasonably require, structural, mechanical, electrical, and plumbing details and the nature, kind, shape, height, exterior color scheme, materials, and location of the proposed improvements or alterations thereto. In the event the Architectural Control Committee fails to approve or disapprove the preliminary site plan and schematic plan within ten (10) working days after they have been submitted to it, or thereafter fails to approve or disapprove the final working plans and specifications within ten (10) working days after they have been submitted to it, approval thereof will not be required and the provisions of this Section 6.02 will be deemed to have been fully complied with. Without limitation of the powers herein granted, the Architectural Control Committee shall have the right to specify a limited number of acceptable exterior materials and/or finishes that may be used in the construction, alteration or repair of any improvement.

Where not otherwise specified herein, it also shall have the right to specify requirements for each building site as follows: minimum set-backs; driveway access to adjacent streets; the location, height and extent of fences, walls, or other screening devices; and the orientation of structures with respect to streets, walks, and structures on adjacent property. Unless the Architectural Control Committee agrees otherwise in writing, there shall be no chain link fencing, and no roofing material other than wood shingles, in the Subdivision. The Architectural Control Committee shall have full power and authority to reject any plans and specifications that do not comply with the restrictions herein imposed or meet its minimum construction requirements or architectural design requirements or that might not be compatible, in its judgment, with the overall character and aesthetics of the Subdivision.

Section 6.03. Approved Contractors. No construction of a building, structure, fence, wall, or other improvement shall be commenced in the Subdivision until the contractor to perform such construction shall have been approved in writing by the Architectural Control Committee, which approval shall not be unreasonably withheld. In the event the Committee fails to approve or disapprove a contractor within ten (10) working days after his name is submitted to it,

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approval will not be required, and the provisions of this Section 6.03 will be deemed to have been fully complied with.

ARTICLE VII

Restrictions

Section 7.01. All buildings, structures, and other improvements erected, altered, or placed in the Subdivision shall be of new construction, and no structure of a temporary character, trailer, mobile home, tent, shack, garage, barn, or outbuilding shall be used in the Subdivision at any time as a residence, either temporarily or permanently. Unless the Architectural Control Committee otherwise agrees in writing, the exterior finish or construction of any Living Unit shall be at least fifty-one per cent (51%) brick, stone, or other masonry; in computing such percentage, roof areas shall be excluded, but attached garages, porches, and other structures constituting part of the Living Unit proper shall be included.

Section 7.02. No nuisance shall ever be erected, placed, or suffered to remain upon any property in the Subdivision, and no Owner or resident on any property in the Subdivision shall use the same so as to endanger the health or disturb the reasonable enjoyment of any other Owner or resident. The Association is hereby authorized to determine what constitutes a violation of this restriction.

Section 7.03. No sheep, goats, horses, cattle, swine, poultry, dangerous animals (the determination as to what is a dangerous animal shall be in the sole discretion of the Association), snakes or livestock of any kind shall ever be kept in the Subdivision except that dogs, cats or other common household pets (not to exceed a total of three adult animals) may be kept by the Owner or tenant of any Living Unit, provided they are not kept for any commercial purpose.

Section 7.04. No trash, rubbish, garbage, manure, or debris of any kind shall be kept or allowed to remain on any Lot. The Owner of each Lot shall remove such prohibited matter from his Lot at regular intervals at his expense, and prior to such removal all such prohibited matter shall be placed in sanitary refuse containers with tight fitting lids in an area adequately screened by planting or fencing so as not to be seen from neighboring Lots or Reserve 8. Reasonable amounts of construction materials and equipment may be stored upon a Lot for reasonable periods of time during the construction of improvements thereon.

Section 7.05. No oil or natural gas drilling, oil or natural gas development, or oil refining, quarrying, or mining operations of any kind, no oil, natural gas or water wells, tanks, tunnels, mineral excavations or shafts, and no derricks or other structures for use in boring for oil, natural gas, minerals or water shall be erected, maintained or permitted in the Subdivision.

Section 7.06. No privy, cesspool or septic tank shall be placed or maintained in the Subdivision.

Section 7.07. No boat, trailer, camping unit, bus, truck, or self-propelled or towable equipment or machinery

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of any sort shall be permitted to park on any Lot except in an enclosed structure, or in an area adequately screened by planting or fencing so as not to be seen from other Lots or Reserve B, except that (i) during the construction of improvements on a Lot, necessary construction vehicles may be parked thereon for and during the time of necessity therefor, and (ii) this restriction shall not apply to automobiles and pick-up trucks in good repair and attractive condition.

Section 7.08. No clothing or other materials shall be aired or dried in the Subdivision except in an enclosed structure, or in an area adequately screened by planting or fencing so as not to be seen from other Lots or Reserve B.

Section 7.09. Except in an emergency or when other unusual circumstances exist, as determined by the Board of Directors of the Association, outside construction work or noisy interior construction work shall be permitted only after 6:00 A.M. and before 9:00 P.M.

Section 7.10. Without the prior written authorization of the Architectural Control Committee, no television or radio antenna of any sort shall be placed, allowed, or maintained outside a Living Unit or on the exterior of any building or other improvement located on a Lot.

Section 7.11. All electrical, telephone and other utility lines and facilities which (i) are located on a Lot, (ii) are not within or a part of any building, and (iii) are not owned by a governmental entity, a public utility company, or the Association, shall be installed in underground conduits or other underground facilities. Lighting fixtures may be installed above ground if approved in writing by the Architectural Control Committee.

An underground electric distribution system will be installed in the Subdivision, which underground service area embraces all Lots in the Subdivision. The Owner of each Lot shall, at his own cost, furnish, install, own and maintain (all in accordance with the requirements of local governing authorities and the National Electrical Code) the underground service cable and appurtenances from the point of the electric company's metering on customer's structure to the point of attachment at such company's installed transformers or energized secondary junction boxes, such point of attachment to be made available by the electric company at a point designated by such company at the property line of each Lot. The electric company furnishing service shall make the necessary connections at said point of attachment and at the meter. In addition the Owner of each Lot shall, at his own cost, furnish, install, own and maintain a meter loop (in accordance with the then current standards and specifications of the electric company furnishing service) for the location and installation of the meter of such electric company for the residence constructed on such Owner's Lot. For so long as underground service is maintained in the Subdivision the electric service to each Lot therein shall be underground, uniform in character and exclusively of the type known as single phase, 240/120 volt, three wire, 60 cycle alternating current.

The electric company has agreed to install the underground electric distribution system in the Subdivision at no cost

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to Developer (except for certain conduits, where applicable) upon Developer's representation that the Subdivision is being developed for single family dwellings of the usual and customary type, constructed upon the premises, designed to be permanently located upon the lot where originally constructed and built for sale to bona fide purchasers (such category of dwellings expressly excludes mobile homes). Should the plans of Lot owners in the Subdivision be changed so as to permit the erection therein of any mobile home, the company shall not be obligated to provide electric service to any such mobile home unless (a) Developer has paid to the company an amount representing the excess in cost, for the entire Subdivision, of the underground distribution system over the cost of equivalent overhead facilities to serve the Subdivision, or (b) the Owner of such Lot, or the applicant for service to any mobile home, shall pay to the company the sum of (1) \$1.75 per front lot foot, it having been agreed that such amount reasonably represents the excess in cost of the underground distribution system to serve such Lot over the cost of equivalent overhead facilities to serve such Lot, plus (2) the cost of rearranging and adding any electric facilities serving such Lot, which rearrangement and/or addition is determined by the company to be necessary.

Section 7.12. Mailboxes, house numbers and similar matter used in the Subdivision must be harmonious with the overall character and aesthetics of the community and the decision of the Architectural Control Committee that any such matter is not harmonious shall be final.

Section 7.13. No fence, wall, tree, hedge or planting shall be maintained in the Subdivision in such manner as to obstruct sight lines for vehicular traffic, from the standpoint of safety.

Section 7.14. No billboards or other signs may be erected in the Subdivision without the prior written consent of the Architectural Control Committee. Such Committee shall furnish, upon request, a signage manual setting forth the limitations and guidelines for signs, which shall be reasonable in scope and restriction, and shall grant its written approval of signs which satisfy the requirements of such manual. In no event shall the use of flags or banners be permitted in the promotion or sale of any Living Unit in the Subdivision.

Section 7.15. The Owner of each Lot shall maintain the same, and the improvements, trees, hedges, and plantings thereon, in a neat and attractive condition. The Association shall have the right, after twenty (20) days' notice to the Owner of any Lot, setting forth the action intended to be taken by the Association, provided at the end of such time such action has not already been taken by such Owner, (i) to mow the grass thereon, (ii) to remove any debris therefrom, (iii) to trim or prune any tree, hedge, or planting that, in the opinion of the Association, by reason of its location or height, or the manner in which it has been permitted to grow, is detrimental to the enjoyment of adjoining property or is unattractive in appearance, (iv) to repair or paint any fence thereon that is out of repair or not in harmony with respect to color, with fencing on adjacent property, and (v) to do any and all things necessary or desirable in the opinion of the Association to place such property in a

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neat and attractive condition consistent with the intention of this Declaration. The person who is the Owner of such property at the time such work is performed by the Association shall be personally obligated to reimburse the Association for the cost of such work within ten (10) days after it is performed by the Association, and if such amount is not paid within said period of time, such Owner shall be obligated thereafter to pay interest thereon at the rate of ten per cent (10%) per annum, and to pay any attorneys' fees and court costs incurred by the Association in collecting said obligation, and all of the same shall be secured by a lien on such Owner's property, subject only to liens then existing thereon.

Section 7.16. Except for the easement rights elsewhere recognized in this Declaration, the Lots and Reserve B shall be used for the following purposes only:

(a) Each Lot shall be used only for a Living Unit and a private garage or carport, and no Lot shall be used for business, commercial or professional purposes of any kind. With each Living Unit there shall be an attached or detached enclosed garage unless the Architectural Control Committee agrees in writing to (i) the substitution of a carport for a garage, or (ii) the complete elimination of the garage requirement. Each garage or carport shall be at least twenty-one (21) feet in length, and shall be at least nineteen (19) feet in width if attached to the Living Unit or twenty (20) feet in width if not attached to the Living Unit.

(b) Reserve "B" shall be used only for utility easements, parking, pedestrian ways, recreation facilities, landscaping, and other purposes deemed by the Association to promote the recreation, safety, convenience, and welfare of the Members.

Section 7.17. Without the written consent of the Architectural Control Committee, no Lot which sides on Cedar Garden Drive, Royal Shadows Drive, Grove Gardens Drive, Cedar Ridge Drive, Greencrest Drive or Manordale Drive shall have driveway access to the Drive on which it so sides; they shall have driveway access to the street on which they front. Subject to the foregoing limitations, the Owner of each Lot shall construct and maintain at his expense a driveway from his garage or carport to an abutting street, including the portion in the street easement, and he shall repair at his expense any damage to the street occasioned by connecting his driveway thereto.

Section 7.18. No building or Living Unit in the Sub-division shall exceed in height three (3) stories or thirty-six feet (36'), measured from the finished grade of the building site. No Living Unit of one story shall contain less than 1,400 square feet of living area and no Living Unit of more than one story shall contain less than 1,700 square feet of living area, unless the Architectural Control Committee agrees to the contrary in writing. All computations of living area shall be exclusive of open or screened porches, terraces, patios, driveways, carports and/or garages. Measurements shall be to the face of the outside walls of the living area.

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Section 7.19. As to each Lot in the Subdivision the following building requirements shall apply unless the Architectural Control Committee agrees to the contrary in writing, to-wit:

(a) No building, fence, or other structure (i) shall be placed or built on any Lot nearer to the front lot line or nearer to a side street line than the building lines therefor shown on the Subdivision Plat, or (ii) shall encroach on any easement shown on the Subdivision Plat.

(b) Before the residence constructed on the Lot is completed, the Owner shall construct in the adjacent street right(s)-of-way a concrete sidewalk four feet (4') in width parallel to the street curb and two feet (2') away from the lot line. The sidewalk shall extend along the entire common boundary between the Lot and the adjacent street right(s)-of-way. In the case of a corner lot, the front and side sidewalks shall each extend to the street curb.

Section 7.20. Unless the Architectural Control Committee agrees to the contrary in writing, no building on any Lot in the Subdivision shall be located nearer than five feet (5') to an interior line of the Lot, except that a garage or other permitted building located seventy feet (70') or more from the front line of the Lot may be located as near as three feet (3') to an interior side line of the Lot.

Section 7.21. The Owner of each Lot, as a minimum, shall spot sod or sprig with grass the area between his Living Unit and the curb line(s) of the abutting street(s), and shall plant in the same area at least two trees, each having a minimum diameter of two inches (2") at a height twelve inches (12") above finished grade. The grass and trees shall be of a type and within standards prescribed by the Architectural Control Committee, and such Committee's approval of the proposed locations of the trees shall be obtained before they are planted.

Section 7.22. Notwithstanding the foregoing provisions of this Article VII, Developer and its permittees shall have the exclusive right to erect, place, and maintain on their respective properties in the Subdivision such facilities (including but not limited to, offices, storage areas, model units, and signs) as in Developer's sole discretion may be necessary or convenient to improve and/or sell properties in the Subdivision.

ARTICLE VIII.

Extension of Declaration to Additional Land

Section 8.01. Additions to the Subdivision. Notwithstanding the provisions of Section 9.02, and notwithstanding any other provision of this Declaration to the contrary (except the provisions of Article X), and without the joinder, consent, vote or approval of the persons and parties who are then Members of the Association and/or Owners of Lots under this Declaration, Developer shall have the right and option (but not the obligation or duty), at any time between the date of this Declaration and December 31,

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1977, to file for record in the Office of the County Clerk of Harris County, Texas an Amendment to this Declaration which:

(a) Expands the definition of "subdivision Plat" herein so that it covers and includes not only the plat of Clayton Section One Subdivision recorded in Volume 238 at page 33 of the Map Records of Harris County, Texas, and the plat of Clayton Section Two Subdivision recorded in Volume 247, Page 70 of the Map Records of Harris County, Texas, but also any subsequent section of Clayton Subdivision, expands the definition of Subdivision herein so that it covers and includes, such subsequent sections and expands the definition of "Lot" in the first sentence of Subsection 1.01(f) hereof so that it covers and includes each of the Lots shown on the plat of such subsequent sections;

(b) Makes such additional Lots subject to the reservations, covenants, obligations, assessments, liens, taxes and provisions set forth in this Declaration, except that said Amendment may lower the minimum size requirements for the Living Units on said additional Lots from those specified in Section 7.18 of this Declaration regarding the minimum distance between a building on a Lot and an interior line of such Lots;

(c) Grants to such additional Lots and the Owners thereof the benefits of this Declaration; and

(d) Sets forth any additional restrictions which Developer wishes to impose on said additional Lots.

Such Amendment shall be executed by Developer, and shall be effective as an Amendment to this Declaration from and after the date it is filed for record in the Office of the County Clerk of Harris County, Texas, and all rights and obligations accruing therefrom shall commence and be measured as of and from said filing date.

ARTICLE IX.

General Provisions

Section 9.01. Incorporation. The terms and provisions of this Declaration shall be construed as being adopted in each and every contract, deed, or conveyance hereafter executed by Developer conveying all or any part of the land in the Subdivision, whether or not referred to therein, and all estates conveyed therein and warranties of title contained therein shall be subject to the terms and provisions of this Declaration.

Section 9.02. Amendments. This Declaration may be amended in whole or in part by an instrument executed by the President of the Association when approved by (i) Members entitled to cast not less than ninety percent (90%) of the aggregate of the votes of both Classes of Membership if the amendment occurs within twenty (20) years after the date of this Declaration, or (ii) the Members entitled to cast not less than seventy-five percent (75%) of the aggregate of the votes of both Classes of Membership if the amendment occurs more than twenty (20) years after the date of this Declaration. Following any such amendment, every reference herein to this

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Declaration shall be held and construed to be a reference to this Declaration as so amended.

Section 9.03. Duration. This Declaration shall remain in full force and effect for a term of thirty (30) years from the date this Declaration is recorded in the Office of the County Clerk of Harris County, Texas, after which time this Declaration shall be extended automatically for successive periods of ten (10) years each unless and until an instrument signed by the Members entitled to cast no less than three-fourths (3/4) of the aggregate of the votes of both Classes of Membership has been filed for record in the Office of the County Clerk of Harris County, Texas, agreeing to terminate this Declaration. Such an instrument so filed for record shall become effective on the date stated therein or one (1) year after it is so filed for record, whichever is the later date.

Section 9.04. Enforcement. The terms and provisions of this Declaration shall run with and bind the land in the subdivision, and shall inure to the benefit of and be enforceable by Developer, the Association, or the Owner of any Lot, and by their respective legal representatives, heirs, successors and assigns. This Declaration may be enforced in any proceeding at law or in equity against any person or entity violating or threatening to violate any term or provision hereof, to enjoin or restrain violation or to recover damages, and against the property to enforce any lien created by this Declaration, and failure of Developer, the Association, or any Owner to enforce any term or provision of this Declaration shall never be deemed a waiver of the right to do so thereafter.

Section 9.05. Severability. Invalidation of any term or provision of this Declaration by judgment or otherwise shall not affect any other term or provision of this Declaration, and this Declaration shall remain in full force and effect except as to any terms and provisions which are invalidated.

Section 9.06. Gender and Grammar. The singular wherever used herein shall be construed to mean or include the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations (or other entities) or individuals, male or female, shall in all cases be assumed as though in each case fully expressed.

Section 9.07. Titles. The titles of this Declaration and of Articles and Sections contained herein are for convenience only and shall not be used to construe, interpret, or limit the meaning of any terms or provisions contained in this Declaration.

Section 9.08. Execution by the Association. The Association, by joining in the execution hereof, agrees to be bound by all of the terms and provisions of this Declaration.

Section 9.09. Successors in Title. The terms and provisions of this Declaration shall apply to, be binding upon, and inure to the benefit of Developer and the Association and their respective successors and assigns.

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ARTICLE X.

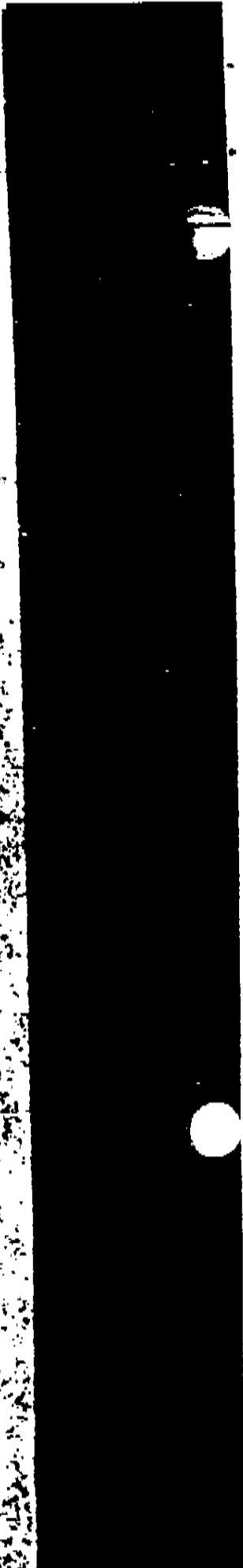
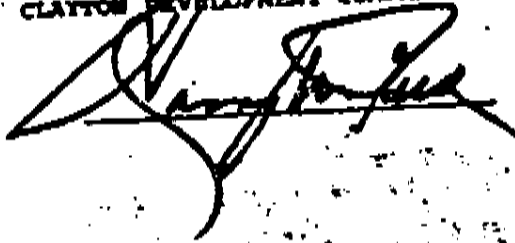
FHA/VA Approval

As long as there is Class B membership in the Association, the following actions will require the prior approval of the FHA or the VA if they have a loan guarantee outstanding on any property in the Subdivision: an addition to the Subdivision; a transfer of the Association's to a successor corporation by merger, consolidation or conveyance of assets; an acquisition by the Association of additional land as a part of its Community Properties; the execution of a mortgage covering all or any part of the Community Properties; the exercise by the Developer of the rights reserved by it in Section 2.04; and/or an amendment to or cancellation of this Declaration. The provisions of this Article X shall terminate and cease to be applicable when the Class B membership in the Association terminates.

IN WITNESS WHEREOF, this Declaration is executed this the 14th day of March, 1977, A.D.

CLAYTON DEVELOPMENT COMPANY
The undersigned is an authorized officer of Clayton Development Company, a corporation organized under the laws of the State of California, and is duly qualified to execute this Declaration on behalf of the Company.

CLAYTON DEVELOPMENT COMPANY *12*



160-15-1543

THE STATE OF TEXAS
COUNTY OF HARRIS

Before me, the undersigned authority, on this day personally
appeared Henry W. Reed known to me to be the person whose
name is subscribed to the foregoing instrument, and acknowledged to
me that he executed the same as free act and deed for the purposes
and consideration therein expressed.

Given under my hand and seal of office this 15th day of
March, 1977.

My Commission Expires
6-1-78

Ann J. Plachinski
Notary Public in and for Harris
County, Texas

FILED
MAR 16 10 45 AM 1977
HARRIS COUNTY, TEXAS

160-19-1544

JOINDER OF MORTGAGEE

The undersigned, Allied Bank of Texas, being the owner and holder of existing mortgage and liens upon and against the real property described in the foregoing Declaration of Covenants, Conditions, and Restrictions Clayton Section One and Two, as such mortgage and lienholder does hereby consent to and join in said Declaration.

This consent and joinder shall not be construed or operate as a release of said mortgage or liens owned and held by the undersigned, or any part thereof, but the undersigned agrees that its said mortgage and liens shall hereafter be upon and against each and all of the lots in Clayton Sections I and II, subject to the foregoing Declaration.

EXECUTED this 4th day of March, 1977, A.D.

Allied Bank of Texas

[Signature]
Vice President

[Signature]
Attorney

THE STATE OF TEXAS
COUNTY OF HARRIS

Before me, the undersigned authority, on this day personally appeared Dwight R. Johnson, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 4th day of March, 1977.

My Commission Expires 12/31/78

[Signature]
Notary Public in and for Harris
County, Texas



NOTARY PUBLIC
HARRIS COUNTY, TEXAS
[Signature]

160-19-1542

160-19-1545

STATE OF TEXAS
COUNTY OF HARRIS
I HEREBY CERTIFY THAT THE FOREGOING WAS FILED BY
THE CLERK OF COURTS OF THE COUNTY OF HARRIS, TEXAS
ON THE 16TH DAY OF MARCH, 1977, IN THE
PUBLIC OFFICE OF SAID COUNTY, TEXAS.

MAR 16 1977



Petermonte
COUNTY CLERK,
HARRIS COUNTY, TEXAS