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**DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS FOR
COMPASS ROSE COMMUNITY ASSOCIATION, INC.**

THE STATE OF TEXAS §

COUNTY OF GALVESTON §

THIS DECLARATION, is made on the date hereinafter set forth by SOUTH SHORE HARBOUR DEVELOPMENT, LIMITED, a Texas Limited Partnership, whose General Partner is ANREM Corporation, a Texas corporation.

W I T N E S S E T H:

WHEREAS, "Declarant" as herein defined is the owner of certain property situated in Galveston County, Texas, which is more particularly described on Exhibit "A" attached hereto and made a part hereof.

NOW, THEREFORE, Declarant hereby declares that all of the properties described above, and such property as may be annexed into the Association (collectively, the "Properties") shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the herein described Properties, and be binding on all parties having any right, title or interest in the described Properties or any part thereof, and their heirs, successors and assigns, and shall inure to the benefit of each owner thereof, and the Compass Rose Community Association, Inc. and each Member of Compass Rose Community Association, Inc.

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ARTICLE I

DEFINITIONS

Section 1.1 "Association" shall mean and refer to Compass Rose Community Association, Inc., a Texas non-profit corporation, its successors and assigns.

Section 1.2 "Common Area" shall mean all real property and improvements thereon owned by the Association for the common use and enjoyment of the Owners, or in which the Association has an interest, or in which the Owners have any right or privilege for use and enjoyment, either alone or together with other persons or entities.

Section 1.3 "Common Household Group" shall mean one or more natural Persons, each related to the other by blood, marriage or legal adoption, or a group of no more than four (4) such persons not all so related, together with his or their domestic servants, all of whom maintain a common household in a Dwelling Unit on a Lot within the Properties.

Section 1.4 "Declarant" shall mean and refer to South Shore Harbour Development, Limited, a Texas Limited Partnership, whose General Partner is ANREM Corporation, a Texas corporation, and its successors and assigns.

Section 1.5 "Dwelling Unit" shall mean a residential building designed for, and limited and restricted to occupancy by a Common Household Group on a Lot, not including an accessory building or garage.

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Section 1.6 "Lot" shall mean and refer to any lot or plot of land shown in any recorded subdivision map or plat of any portion of the Properties with the exception of the Common Area and Reserves.

Section 1.7 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any "Lot" or parcel which is part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 1.8 "Plat" or "Plats" shall mean and refer to all plats filed for record in the Office of the County Clerk of Galveston County, Texas with respect to any property annexed into the Association, and that plat recorded in Volume 18, Page 209-210 and under Clerk's File No. 8928562 in the Office of the County Clerk of Galveston County, Texas, and all amendments thereto ("Initial Plat").

Section 1.9 "Properties" shall mean and refer to that certain real property hereinabove described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 1.10 "Related User" shall mean and refer to any member of the Common Household Group of an Owner who resides with such Owner, guests and invitees of any Owner; employees of any Owner; and occupants, tenants and contract purchasers residing in a Dwelling Unit of an Owner who claim by, through or under an Owner.

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Section 1.11 "Reserves" shall mean and refer to any parcel or segment of land designated as a "reserve" on the Initial Plat or on any plat of any property annexed into the Association. Such land, shall be a "Reserve" for purposes of this Declaration only to the extent same is actually annexed into the Association, and shall then be used exclusively for any use set forth in the applicable plat or annexation agreement.

Section 1.12 "Rules and Regulations" shall mean and refer to such rules and regulations concerning the Common Areas, the general welfare of the Association, the Properties and/or the Members, or any other matter deemed appropriate by the Board, as may be promulgated from time to time by the Board and notice of same provided to the Members then existing.

ARTICLE II

PROPERTY RIGHTS

Section 2.1 Owner's Easements of Enjoyment: Every Owner shall have a non-exclusive right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to Section 2.3 below and to the following provisions and rights which are hereby granted:

a) the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area except as otherwise provided in Section 2.3;

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b) reasonable rules and regulations promulgated by the Board of Directors of the Association regarding the use of the Common Areas;

c) the right of the Association to suspend the voting rights and right to use of the recreational facilities by an Owner: (i) for any period during which any assessment against his Lot remains unpaid; and (ii) for such period as determined by the Board for any infraction of its Rules and Regulations;

d) the right of the Association to dedicate or transfer all or any part of the Common Area owned by the Association to any public agency, authority or utility for such purposes and subject to such conditions as may be deemed to be reasonable and appropriate by the Board;

e) the right of the Association to limit the number of guests of Owners;

f) the right of the Association, in accordance with its Articles of Incorporation or By-Laws, to borrow money for the purpose of adding to or improving the Common Area and in aid thereof to mortgage the Common Area owned by the Association. The rights of any such mortgagee in said properties shall be superior as to the rights of the Owners hereunder at the mortgagee's election; provided however, that the rights of any such mortgagee shall be subject to the restrictions on the Common Area pledged as contained in this Declaration or any amendment hereof, or the Rules and Regulations.

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g) the right of the Association to enter into agreements for joint use of common areas by owners and related users in other residential property owner's association.

Section 2.2 Delegation of Use: Any Owner may delegate, in accordance with the Association's By-Laws and Rules and Regulations, his right of enjoyment of the Common Area to the members of his family, his tenants or contract purchasers who reside on his Lot.

Section 2.3 Reservation of Use Easement: With respect to the Reserves shown on the Initial Plat as "Restricted Landscape Reserves A and B", there is hereby reserved to Declarant a non-exclusive easement for the reasonable use and enjoyment of such Reserve by Declarant and all others permitted by or through Declarant to participate in such use and enjoyment. Declarant further hereby reserves the right to make such reservations of easement as aforesaid as to any and/or all Reserves and/or Common Area which may at any time be annexed into the Properties, in any annexation agreements respecting such additional Reserves and/or Common Area.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 3.1 Every Owner of a Lot which is subject to assessment shall be a member of the Association ("Member"). Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

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Section 3.2 The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners with the exception of the Declarant (except as provided below), and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B members shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. 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 Class A membership equals the total vote outstanding in Class B membership including duly annexed areas, or
- b) on January 1, 2010.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENT

Section 4.1 Creation of the Lien and Personal Obligation of Assessments: The Declarant, for each Lot within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such

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deed, is deemed to covenant and agree, to pay to the Association, and hereby does, or by acceptance of a deed for any Lot, is deemed to grant a lien on such Lot in favor of the Association for: a) annual assessments or charges which shall be payable as hereinafter set forth; b) special assessments as declared by the Board from time to time as provided herein; and c) reimbursement assessments as declared by the Board from time to time as provided herein. All such assessments shall be established and collected as hereinafter provided. The annual, special and reimbursement assessments (sometimes collectively herein referred to as "assessments"), together with interest as provided for herein and all costs and reasonable attorney fees incurred in the collection of any of such assessments, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest as herein provided for, and all costs and reasonable attorney fees incurred in the collection of the assessment, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment accrued. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 4.2 Purpose of Annual Assessments: The annual assessments levied by the Association shall be used to promote the recreation, health, safety and welfare of the Owners and the residents of the Properties, including, but not limited to,

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improvement and maintenance of the Common Area, lighting, improving and maintaining the streets and roads, collecting and disposing of garbage and refuse, employing security patrols or guards, policemen and/or watchmen, caring for vacant Lots, esplanades, entrance ways and similar facilities serving the Properties, and doing any other things necessary or desirable which the Board of Directors of the Association may deem to be in the best interests of the Members, the Association, or the Properties.

Section 4.3 Maximum Annual Assessment: Until January 1 of the year immediately following the conveyance of the first lot to an Owner, the maximum annual assessment shall be ONE HUNDRED EIGHTY-FOUR AND 80/100 DOLLARS (\$184.80) per Lot. From and after the day of January of the year immediately following the date of commencement of the first annual assessment, the maximum annual assessment may be increased by the Board of Directors of the Association without a vote of the Members of the Association, effective the first day of January of each year, by an amount not in excess of Twenty percent (20%) of the maximum annual assessment for the immediately preceding year's annual assessment, which amount shall be determined by the Board from time to time and notice of same provided to the Members of the Association at the time of the increase. After consideration of current maintenance costs and future needs of the Association, the Board of Directors may fix the annual assessment at any amount not in excess of the maximum amounts permitted as provided above. The maximum annual

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assessment may be increased above the above-mentioned percentage only by approval of two-thirds (2/3rds) of each class of Members in the Association entitled to vote present in person or by proxy and voting at a meeting duly called for this purpose. This increase shall become effective on the date specified in the resolution adopted at such meeting.

Section 4.4 Special Assessments: In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any capital improvement upon the Common Area, including fixtures and personal property related thereto, or for any other purpose benefiting the Association or the Properties but not of a nature requiring a continuing input of funds outside what has been budgeted for within the annual assessment. Any such assessment shall have the vote or written assent of two-thirds (2/3rds) of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 4.5 Notice and Quorum for any Action Authorized Under Section 4.3 and 4.4: Written notice of any meeting called for the purpose of taking any action authorized under Section 4.3 or Section 4.4 shall be sent to all members not less than ten (10) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of the Members, either in person or by proxies entitled to cast thirty-three percent

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(33%) of all of the votes of each class of membership of the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 4.6 Rate and Initial Commencement of Assessment:

Lots shall be divided into two classes; Class A Lots and Class B Lots. Class A Lots shall be those Lots on which a permanent home has been constructed and title to such Lot has been conveyed to the resident purchaser thereof. Annual assessments thereon, at the rate provided in Section 4.3 hereof, shall commence and be payable on the date of such conveyance, in an amount proportionate to the months remaining in the calendar year of such conveyance. Class B Lots shall be all other lots which are owned by Declarant, a builder, or building company and shall be assessed at the rate of one-half (1/2) of the annual assessment charged to Class A Lots as provided above. The annual assessment on Class B Lots shall begin to accrue on the date that the first permanent home is conveyed to a resident Owner.

Section 4.7 Date of Commencement of Subsequent Annual

Assessments: The annual assessment charge on Class A and Class B Lots for all years after the initial commencement described in Section 4.6 above shall accrue and become due and payable in

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advance on the first day of January of each such succeeding year. The Board of Directors shall fix the amount of the annual assessment against each Class A Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto not less than thirty (30) days prior to the first day of the next succeeding annual assessment period. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

Section 4.8 Reimbursement Assessments: The Board of Directors may levy an Assessment against any Member if the failure of the Member or any Related User of such Member to comply with this Declaration, the Articles of Incorporation, the Bylaws, or the Rules and Regulations shall have resulted in the expenditure of the funds, or in the determination that funds will be expended, by the Association, to cause such compliance or to correct the effects of any such non-compliance. Such Assessment shall be known as a "Reimbursement Assessment" and shall be levied only after notice and hearing as provided in the Bylaws. The amount of the Reimbursement Assessment shall be due and payable to the Association thirty (30) days after notice to the Member of the decision of the Board of Directors that the Reimbursement Assessment is owing.

Section 4.9 Effect on Non-payment of Assessments - Remedies of the Association: Any assessment not paid within thirty (30)

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days after the due date shall bear interest from the due date at the rate of ten percent (10%) per annum, and the Owner obligated to pay such assessment shall pay all costs of collection of same. The Association may bring an action at law against the Owner personally obligated to pay the same, and/or foreclose the lien granted hereby against the Lot. Each such Owner, by his acceptance of a deed to a Lot, hereby expressly appoints any officer of the Association designated by the Board for such purpose to be trustee for purposes of enforcement for the benefit of the Association of the lien and power of sale hereby granted, and further hereby expressly vests in the Association, or its agents, the right and power to bring all actions against such Owner personally for the collection of such charges, and all costs of such collection, as a debt. No Owner may waive or otherwise escape liability for the assessments provided for herein or costs of collection of same by non-use of the Common Area or abandonment of his Lot.

Section 4.10 Subordination of the Lien to Mortgages: The lien for the assessments provided for herein shall be subordinate to the lien of any first mortgage on any Lot. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from

