

EXHIBIT B

COVENANTS & CONDITIONS

Seller, as a condition of sale, creates the following covenants and conditions affecting the Property described in the attached deed which shall run with the land in perpetuity.

- 1) Single Family Residential, Agricultural or Recreational Use Permitted. The Property may only be used for single family residential, agricultural, or recreational purposes as limited herein.
- 2) Dwellings and other Structures Allowed. No building shall be erected, altered, placed or permitted to remain on the Property other than a dwelling unit or units to be used for single family residential purposes. Detached garages, workshops, and barns (collectively referred to as "Other Buildings") may be constructed on the property either prior to or after the main dwelling is built, so long as they are of good construction, kept in good repair, and are not used for residential purposes. The term "dwelling" does include manufactured homes, barndominiums, and modular homes. Buildings or structures of any type built off-site and more than twelve (12) months old may not be placed upon the Property. As used herein, the term "residential purposes" shall be construed to prohibit the use of the Property for duplex houses, condominiums, apartment buildings and other multi-family type structures; and the Property shall not be used for business, educational, religious or professional purposes of any kind whatsoever, nor for any commercial or manufacturing purposes, except as provided herein. Any construction project commenced shall be completed as to exterior finish and appearance within twelve (12) months from construction commencement date. A maximum of one (1) dwelling unit per seven (7) acres is allowed. A maximum of one (1) Other Building per six (6) acres is allowed.
- 3) Location of Structures and Improvements. No building or structure, temporary or permanent, of any kind, including deer stands, shall be located on the Property nearer than one hundred fifty (150') feet to any side or rear property line, or nearer than one hundred fifty (150') feet to any boundary line that is located on the side closest to or abutting a public right of way. For any property abutting Waterwood Parkway right-of-way, the setback shall be calculated from the Waterwood Parkway right-of-way line. In measuring for the required setback line location from the property line that abuts a public right of way, any strip of property protruding from the primary tract (such as a "flag" for access) and less than one-hundred (100') feet in width shall not be used as a beginning point. Setback will be calculated beginning from the primary boundary line without regard to the protruding access "flag."
- 4) Special Provision Affecting All Property that Abuts Waterwood Parkway. No timber clearing shall take place within the portion of the Property subject to the Waterwood Parkway right-of-way or within 100 feet of the of the Waterwood Parkway right-of-way boundary line. The term "timber clearing" shall be construed to cover any type of cutting or removal of trees or vegetation. The purpose of this restriction is to maintain a natural buffer along the Waterwood Parkway right-of-way and any activity that will intentionally remove trees or other vegetation shall not be allowed. Notwithstanding this prohibition of timber clearing, the owner shall have the right to 1) clear one path with a maximum width of 50 feet for the purpose of ingress and egress and the installation of utilities and 2) clear within the 20-foot-wide utility easement created by seller along and adjacent to the Waterwood Parkway right-of-way for the purpose of installation of utilities.
- 5) Temporary Housing. The owner may use a tent, camper, RV or travel trailer for temporary residential purposes as long as the tent, camper, RV or travel trailer is not within public view.
- 6) Prohibition of Offensive Activities. Without expanding the permitted use of the Property, no activity, whether for profit or not, shall be conducted on the Property which is not related to single family residential, agricultural or recreational purposes. No noxious or offensive activity of any sort shall be permitted nor shall anything be done to the Property which may become a nuisance.
- 7) Specific Prohibited Activities and Uses. The following uses are not permitted: 1) any use that is unlawful; 2) any use that is reasonably offensive because of odor, gas, fumes, dust, smoke, noise, pollution or vibration or that otherwise constitutes

EXHIBIT B

a nuisance or is hazardous by reason of excessive danger of fire or explosion; 3) dumping, disposal, incineration, or reduction of garbage, sewage, dead animals, or refuse; 4) Smelting of iron, tin, zinc or other ores refining of petroleum or its products;

5) storage in bulk of used materials, a junkyard, a scrap metal yard, or auto salvage yard; 6) industrial use, including, without limitation, heavy manufacturing, fabrication facilities and testing facilities; 7) resale or pawn shops, flea markets, or bankruptcy, fire sale or auction business; 8) a tavern, bar, nightclub, or any other establishment selling alcoholic beverages for on premises consumption; 9) an adult bookstore or other establishment selling, renting or exhibiting pornographic materials or any sexually oriented business; 10) any sexually oriented business, as the term is generally construed; 11) parking and/or storage of large vehicles, such as tractor/trailers and 18- wheelers, or 12) commercial skeet, trap, pistol or rifle range. The lack of inclusion of any specific prohibited use does not imply that a use is allowed if prohibited by another section herein.

- 8) Sewage Disposal. All dwellings placed on the Property must be equipped with septic tank or other sewage disposal system meeting all applicable laws, rules, standards and specifications, and all such dwellings must be served with water and electricity (Generator power is acceptable). The system must be maintained at all times so as to not cause an environmental hazard or smell. No outside, open or pit type toilets will be permitted on the Property. All dwellings constructed on this Property, prior to occupancy, must have a sewage disposal system installed. No outside toilets, such as a "port-a-can" shall be allowed except during ongoing construction, and even when permitted, the outside toilet shall not be in public view.
- 9) Creation of Utility Easements. Seller reserves and dedicates a utility easement ten (10') feet in width inside and adjacent to the Property boundary line and along the entire perimeter of the Property. For any property abutting Waterwood Parkway right-of-way, the easement shall be twenty (20') feet in width along the full boundary line in common with the Waterwood Parkway right-of-way.
- 10) Easements. Any utility easement that may be reserved in the deed to which these restrictions are attached and the easement created herein shall be for public use for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, telegraph and telephone line or lines, gas lines, sewers, water lines, storm drainage (surface or underground), cable television, or any other utility across and/or under the Property. Any utility company, including but not limited to Sam Houston Electric Coop and Dodge Oakhurst Water, serving the Property and/or any Utility District serving the Property shall have the right to enter upon any utility easement for the purpose of installation, repair and maintenance of their respective facilities. No utility company, water district, political Subdivision or other authorized entity using the easements herein referred to shall be liable for any damages done by them or their assigns, agents, employees, or servants, to fences, shrubbery, trees and lawns or any other property of the Owner on the property covered by said easements.
- 11) Garbage and Trash Disposal. Garbage and trash or other refuse accumulated on the Property shall not be permitted to be dumped at any place upon the Property or adjoining land where a nuisance to any residence in this area is or may be created. The Property shall not be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be allowed to accumulate, shall be kept in sanitary containers and shall be disposed of regularly. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition and not within public view.
- 12) Junked Motor Vehicles Prohibited. The Property shall not be used as a depository for abandoned or junked motor vehicles. An abandoned or junked motor vehicle is one without a current, valid state vehicle inspection sticker and license plate. Junk of any kind or character, or dilapidated structure or building of any kind or character, shall not be kept on the Property. This shall not be construed to mean that personal campers, boats, tractors, farm or recreational vehicles in good and usable condition may not be kept on the Property, provided that such items are parked in a garage or barn or otherwise hidden from public view.

EXHIBIT B

- 13) Permitted Agriculture Uses. The Property may be used, in addition to other permitted uses, for the purpose of producing from such Property agricultural products such as vegetables, grains, hay, fruits, fibers, wood, trees, plants, shrubs, flowers and seeds in accordance with generally accepted agricultural practices, provided that such agricultural uses and activities do not constitute a nuisance. The harvesting of any crop or agricultural product shall not be a nuisance.
- 14) Permitted Livestock and Animals. Animals, livestock, swine, emu, ostrich, poultry and fowl may be kept, bred, and maintained on subject property under the following conditions:
- i) Livestock or domestic animals of any type shall not be allowed to run loose except properly contained upon one's own Property;
 - ii) Dogs, cats and other domestic animals may be kept, provided they are not kept or bred in commercial quantities and below any other maximum numbers provided for herein;
 - iii) All livestock and domestic animals shall be kept quiet, or if not possible, permanently removed from the Property – consistent or regular barking of a dog that may be heard outside of the Property boundary is a de facto nuisance;
 - iv) All horses, cattle, emus, ostriches, goats, dogs or other livestock and domestic animals shall be kept enclosed by suitable fencing;
 - v) No swine may be bred, kept or maintained on the Property, with the exception of swine used for a 4-H or FFA school-sponsored program and with a maximum of twelve (12) swine total allowed upon the Property at one time. No swine may be housed or kept within one hundred (100') feet of the Property boundary line.
 - vi) Chickens, turkeys, ducks, geese, or other poultry and fowl may be kept or raised on the Property, but shall be limited to one hundred (100) in the aggregate at any one time. All poultry and fowl shall be contained upon the Property. No poultry or fowl may be housed or kept within one hundred (100') feet of the Property boundary line.
 - vii) No more than one (1) large livestock or animal per each one and one half (1.5) acres shall be permitted upon the Property, unless specifically allowed by another section herein. "Large livestock or animal" shall include, but not be limited to cows, sheep, goats, llamas, emus, ostriches, donkeys, horses, or any livestock or animal with an average weight of eighty-five (85) pounds or greater at maturity.
 - viii) Any livestock or animals not included in the definition of "large livestock or animal" above or specifically addressed otherwise, shall be limited to a maximum of thirty (30) in the aggregate.
 - ix) Inherently dangerous animals, such as lions, cougars, tigers, wolves or bears, shall not be housed upon the Property.
 - x) Though horses are permitted, public stables or boarding of horses are not permitted;
 - xi) Though cattle are permitted, feed lots are not permitted;
 - xii) In all cases, the premises shall be maintained in such a manner as to prevent health hazards and shall not be reasonably offensive to the neighboring landowners.
- 15) Mining Operations Prohibited. Commercial quarrying or mining of clay, sand, gravel, iron ore or similar materials

EXHIBIT B

shall not be permitted upon the Property.

- 16) Offsite Use of Water Prohibited. Water shall not be produced from the Property and transported or used in any way off of the Property. This prohibition includes water rights associated with the Property even when produced from neighboring or other properties. Use of water upon the Property associated with any single family residential, agricultural or recreational permitted is allowable as long as said use is not clearly wasteful according to commonly accepted standards.
- 17) Limited Subdividing Allowed. The Property shall not be subdivided into a tract smaller than twenty (20) acres.
- 18) Drainage. No interference with the established drainage pattern over, on and through the Property is allowed if it will negatively affect the adjoining property by causing flooding or generally not allowing water to drain properly.
- 19) Walls and Fences. Fencing is allowed along the property line, but subject to potential damage or removal related to use of the easements along the perimeter. No chain link shall be permitted within 200 feet of a public road. Electric fences may be used as interior fences only. Temporary fences shall be permitted during construction of improvements. All fencing shall be constructed in a neat and orderly fashion.
- 20) Antennas and Satellite Dishes. No electronic antenna or device for receiving or transmitting any signal shall be erected, constructed or placed upon the Property that exceeds twenty-five (25') feet.
- 21) Discharge of Firearms. Firearms shall not be discharged within one-hundred (100') feet of the Property perimeter boundary line.

GENERAL PROVISIONS

- 22) Term. The provisions hereof shall run with the Property in perpetuity.
- 23) Annexation of Additional Property. Seller shall have the right, but not the obligation, to annex additional property by reference to be included within these Restrictions. Any Owner of the original property or of the additional property later annexed, shall have the right to enforce the restrictions as to any other Property included.
- 24) Enforcement of Restrictions. If any person or entity, whether or not lawfully in possession of any portion of the Property, shall either (i) violate or attempt to violate any restriction or provision herein or (ii) suffer to be violated (with respect to the real property in which such person or entity has rights other than the rights granted by this sentence) any restriction or provision herein, it shall be lawful for any person or entity, as defined hereinafter, possessing rights with respect to any portion of the Property or a portion of any other property later annexed to these Restrictions or the Seller or Seller's successors or assigns, to prosecute any proceedings at law or in equity against any such person or entity violating, attempting to violate and/or suffering to be violated any restriction or provision herein to (i) prevent such violation, (ii) recover damages or other dues for such violation, and (iii) recover court costs and reasonable attorney's fees incurred in such proceedings. "Person or entity", as used in the preceding sentence hereof, shall include, but shall not be limited to, all owners and purchasers of any portion of the Property, as well as heirs, devisees, assignees, legal representative and other persons or entities who acquire any of the rights (with respect to the real property hereunder) of the owner or purchaser of any portion of the property. NEITHER THE SELLER NOR ANY SUBSEQUENT PURCHASER OR OWNER OF A PORTION OF THE PROPERTY OR PROPERTY ANNEXED SHALL HAVE ANY LIABILITY OF RESPONSIBILITY AT LAW OR IN EQUITY ON ACCOUNT OF THE ENFORCEMENT OF, OR ON ACCOUNT OF THE FAILURE TO ENFORCE, THE RESTRICTIONS. Enforcement is a right but not an obligation.
- 25) Severability. Each of the provisions of the Restrictions shall be deemed independent and severable and the invalidity or unenforceability or partial invalidity or partial unenforceability of any provision or portion hereof shall not affect

EXHIBIT B

the validity or enforceability of any other provision.

- 26) Liberal Interpretation. The provisions of the Restrictions shall be liberally construed as a whole to effectuate the purpose of the Restrictions.
- 27) Successors and Assigns. The provisions hereof shall be binding upon and inure to the benefit of the owners, and their respective heirs, legal representatives, executors, administrators, successors and assigns.
- 28) Effect of Violations on Mortgages. No violation of the provisions herein contained, or any portion thereof, shall affect the lien of any mortgage or deed of trust presently or hereafter placed of record or otherwise affect the rights of the mortgagee under any such mortgage, the holder of any such lien or beneficiary of any such deed of trust; and any such mortgage, lien, or deed of trust may, nevertheless, be enforced in accordance with its terms, subject, nevertheless, to the provisions herein contained.
- 29) Terminology. All personal pronouns used in these Restrictions and all exhibits attached hereto, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Title Sections are for convenience only and neither limit nor amplify the provisions of the Restrictions itself. The terms "herein," "hereof" and similar terms, as used in this instrument, refer to the entire agreement and are not limited to referring only to the specific paragraph, section in which such terms appear.