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DECLARATION OF ANNEXATION
AND
SUPPLEMENTAL DECLARATION NO. 3-B
(HERRON'S NEST AT HARBOR LAKES)

THIS DECLARATION OF ANNEXATION AND SUPPLEMENTAL DECLARATION NO. 3-B (Supplemental Declaration No. 3-B") is made effective as of the 1st day of September, 2006, by FORESTAR (USA) REAL ESTATE GROUP INC., a Delaware corporation, formerly known as Lumbermen's Investment Corporation, a Delaware corporation, by change of name only (hereinafter referred to as the "Declarant").

WITNESSETH:

WHEREAS, Declarant executed a Declaration of Covenants, Conditions and Restrictions for Harbor Lakes (the "Original Declaration"), dated effective as of the 27th day of December, 2000, applicable to certain real property (the "Original Property") described in Exhibit "A" attached thereto, which Original Declaration was filed for record on December 28, 2000 in Volume 1726, Page 0001 of the Real Property Records of Hood County, Texas;

WHEREAS, Declarant, with the joinder of T.D. Murphy Construction Company, Inc. and Homes By Dunn, Inc., as Current Owners, amended the Original Declaration pursuant to that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions for Harbor Lakes (with Joinder of Current Owners) dated as of June 15, 2001, recorded in Volume 1755, Page 0738 of the Real Property Records of Hood County, Texas (the "Amended Declaration.") The Original Declaration, as amended, modified or supplemented by the Amended Declaration and all other supplemental and/or amended and restated declarations of annexation is hereinafter referred to as the "Declaration";

WHEREAS, Declarant has the absolute and unrestricted right to file this Supplemental Declaration No. 3-B pursuant to the terms and provisions of the Declaration;

WHEREAS, Article IX, Section 1 of the Declaration permits the addition of additional property to the scheme thereof by the filing of record by a Declaration of Annexation in the Real Property Records of Hood County, Texas; and

WHEREAS, the Declarant desires to add additional property more particularly described in SUPPLEMENTAL EXHIBIT "NO. 3-B" attached hereto and fully incorporated herein by reference for all purposes (the "Additional Lots"), to the scheme of the Declaration and to provide that all of the applicable terms, provisions, requirements and obligations of the Declaration now apply to Additional Lot No. 3-B (as hereinafter defined), except as modified hereby.

NOW, THEREFORE, the Declarant hereby declares as follows:

1. Additional Lot No. 3-B. Additional Lot No. 3-B described in SUPPLEMENTAL EXHIBIT "NO. 3-B", attached hereto and fully incorporated herein by references for all purposes is and shall be subject to the scheme of the Declaration, and is and shall be held, transferred, sold, conveyed, used and occupied subject to the covenants, restrictions, easements, charges and liens set forth in the Declaration (the Declaration being incorporated herein by reference for all purposes as modified herein), except as modified hereby.

2. Residential Dwelling Units. Each and every residential dwelling unit now or hereinafter constructed on Additional Lot No. 3-B ("Residential Dwelling Unit") shall be subject to the scheme of the Declaration and shall constitute "Residential Dwelling Unit" for all purposes, and shall be held, transferred, sold, conveyed, used and occupied subject to the covenants, restrictions, easements, charges and liens set forth in the Declaration as if each such Residential Dwelling Unit constitutes an Affected Lot, except as otherwise provided herein.

3. Right to Subject Additional Lot No. 3-B to Condominium Declaration. VOL PG. Notwithstanding anything to the contrary contained in the Declaration, Additional Lot No. 3-B may be subjected to a Condominium Declaration (herein so called) in accordance with the Uniform Condominium Act of the State of Texas, Section 82.001 et. Seq. of the Texas Property Code (the "Texas Condominium Act"); provided, however, no more than forty-two (42) Residential Dwelling Units may be constructed on Additional Lot No. 3-B.

4. Voting Rights. The owner(s) of Additional Lot No. 3-B will collectively constitute one (1) Class A Member of the Association, regardless of the number of Residential Dwelling Units located on Additional Lot No. 3-B for purposes of voting as a Member of the Association and/or amending the Declaration, as amended hereby; provided, however, for all other purposes, the owners of each respective Residential Dwelling Unit will be treated as Owners and Class A Members of the Association. Each owner of a Residential Dwelling Unit located on Additional Lot No. 3-B will have a fractional vote of Additional Lot No. 3-B's single vote with the number of Residential Dwelling Units owned by such owner within Additional Lot No. 3-B being the numerator and the total number of Residential Dwelling Units within such Additional Lot No. 3-B being the denominator [e.g if a Residential Dwelling Unit owner owns three (3) Residential Dwelling Units within Additional Lot No. 3-B such Residential Dwelling Unit owner would be entitled the cast 3/42nds of the single vote for Additional Lot No. 3-B if 42 Residential Units are subjected to the Condominium Declaration]. The majority of Residential Dwelling Unit owners in Additional Lot No. 3-B that vote in person or vote by written proxy at a duly called meeting shall control the single Class A Membership vote attributable to Additional Lot No. 3-B. The single vote attributable to Additional Lot No. 3-B to be cast at a meeting of the Association shall not be a fraction and must be cast as a single vote. The majority of the Residential Dwelling Unit owners at a duly called meeting at which a quorum is present will select the owner who will cast the single vote attributable to Additional Lot No. 3-B at a meeting of the Owners of the Association. The owners of Residential Dwelling Units may establish rules for casting their single vote within the By-Laws of their condominium association to be established in connection with the filing of the Condominium Declaration.

5. Notice and Quorum. Written notice of any meeting called for the purpose of taking any action by the owners of Residential Dwelling Units herein shall be sent to all Residential Dwelling Unit owners, or delivered to their residences, not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At any such meeting called, the presence of members or of proxies or voting representatives of Residential Dwelling Unit owners entitled to cast two-thirds (2/3) of all the votes for the Residential Dwelling Units entitled to vote at such meeting shall constitute a quorum. If the required quorum entitled to vote is not present, another meeting may be called subject to the same notice requirement, and the required quorum entitled to vote at such subsequent meeting and shall be two-thirds (2/3) of the quorum requirement for the such prior meeting. The majority of the Residential Dwelling Unit owners who attend the meeting may call as many subsequent meetings as may be required to achieve a quorum (the quorum requirement being reduced for each such meeting in accordance with the terms and provisions of the immediately preceding sentence). No such subsequent meeting shall be held more than ninety (90) days following the immediately preceding meeting.

6. Assessments. Until the completion of one or more Residential Dwelling Unit, Additional Lot No. 3-B and the owner of Additional Lot No. 3-B shall be subjected to the same Annual General Assessment, Special Assessment, Swim Club Assessments, Special Swim Club Assessments, Special Individual Assessments and Individual Fines as all other Owners of the Affected Lots subject to the Declaration commencing one hundred twenty (120) days after the conveyance of Additional Lot No. 3-B to an owner who is not a Class B Member; however, as long as Additional Lot No. 3-B is owned by Declarant or any other Class B Member Additional Lot No. 3-B shall not be subject to such assessments unless and until Declarant or such other Class B Member(s) complete construction of a Residential Dwelling Unit on Additional Lot No. 3-B. Upon the earlier of (i) completion of a Residential Dwelling Unit on Additional Lot No. 3-B, or (ii) nine (9) months from the date of the recording of this Supplemental Declaration No. 3-B in the Real Property Records of Hood County, Texas, each Residential Dwelling Unit planned by owner of Additional Lot No. 3-B, regardless of whether or not it is completed, and the owner of such each such planned or completed Residential Dwelling Unit will be subject to the same Annual General Assessment, Special Assessment, Swim Club Assessments, Special Swim Club Assessment, Individual Assessments and Individual Fines in the same manner as any Affected Lot and any other Owner of an Affected Lot.

7. Non-Payment of Assessments; Remedy of Association. Prior to completion of a Residential Dwelling Unit, Additional Lot No. 3-B and the Owner of Additional Lot No. 3-B shall be subject to the same terms and provisions of Sections 4 and 5 of Article II and Section 1 of Article X of the Declaration. Upon the earlier of (i) completion of one or more Residential Dwelling Units within Additional Lot No. 3-B or (ii) nine (9) months from the date of the recording of this Supplemental Declaration No. 3-B in the Real Property Records of Hood County, Texas, each Residential Dwelling Unit and the owners of each such Residential Dwelling Unit will be subject to the same terms and provisions of Sections 4 and 5 of Article II and Section 1 of Article X of the Declaration as if each such Residential Dwelling Unit constituted an Affected Lot; however, upon the completion of the first Residential Dwelling Unit on Additional Lot No. 3-B, the Association will not have the rights and remedies set forth in Section 4 and 5 of Article II and Section 1 of Article X of Declaration against the Additional Lot No. 3-B and the Association's sole right and remedy will be against each individual Residential Dwelling Unit and the owner of each such completed Residential Dwelling Unit for failure to pay such assessments.

8. Rights of Residential Dwelling Unit Owners. Each owner of a completed Residential Dwelling Unit will have the same property rights as each Owner of an Affected Lots to use the Common Areas and Swim Club Facilities and for the purposes hereof shall be an "Owner" for such purposes except with respect to voting as set forth in Section 4 above.

9. Obligations of Residential Unit Owners. Each owner of a completed Residential Dwelling Unit will have the same obligations, duties and liabilities as an Owner of an Affected Lot and shall comply with all terms and conditions of the Declaration, except as expressly or by implication modified by this Third Supplemental Declaration.

10. Use and Occupancy of Residential Dwelling Unit. Each Residential Dwelling Unit shall be used for single-family residential purposes. Ownership of Additional Lot No. 3-B may be converted to a residential condominium regime in accordance with the Texas Condominium Act.

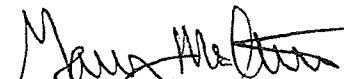
11. Use Restrictions/Minimum Residential Dwelling Unit Sizes. The use restrictions set forth in Article VIII of the Declaration shall be applicable to each Residential Dwelling Unit to be constructed, provided, however the Architectural Standard Committee ("Committee") of the Association shall have the right to grant such variances to the use restrictions as the Committee may, in its sole reasonable discretion, deem necessary to conform or alter the restrictions to reasonably comply and comport with a residential condominium project on each Additional Lot.

12. Reserved Right to Amend. Declarant reserves the express right to amend this Supplemental Declaration No. 3-B for a period of five (5) years for the limited purpose of clarifying the rights and obligations with respect to each Residential Dwelling Unit and each Residential Dwelling Unit owner.

13. Conflict. To the extent there is a conflict between the Declaration and this Supplemental Declaration No. 3-B, the terms of this Supplemental Declaration No. 3-B shall control with respect to Additional Lot No. 3-B, the owner of Additional Lot No. 3-B, the Residential Dwelling Units and the owners of the Residential Dwelling Units located on Additional Lot No. 3-B.

EXECUTED as of September 1, 2006.

FORESTAR (USA) REAL ESTATE GROUP INC.,
a Delaware corporation, (formerly known as Lumbermen's
Investment Corporation, by change of name only)

By: 
Its: GARY MCAFEE VP

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THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared GARY McAlee, _____ of FORESTAR (USA) REAL ESTATE GROUP INC., a Delaware corporation, (formerly known as Lumbermen's Investment Corporation, buy change of name only) known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as a duly authorized officer of such corporation, and as the act and deed of such corporation and limited partnership, for the purposes and consideration therein expressed, and in the respective capacities therein stated.

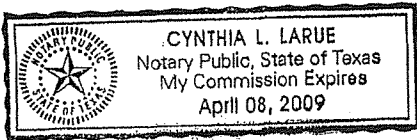
GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 12 day of September, 2006.

Cynthia L Larue
Notary Public, State of Texas

My Commission Expires:

April 8, 2009

Cynthia L Larue
(Typed/Printed Name of Notary)



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SUPPLEMENTAL EXHIBIT NO 3-B
("Additional Lot No. 3-B")

[Insert Legal]

see attached exhibit A-1

EXHIBIT A-1

STATE OF TEXAS
COUNTY OF HOOD

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WHEREAS FORESTAR (USA) REAL ESTATE GROUP, INC. IS THE OWNER OF THE FOLLOWING DESCRIBED PROPERTY TO WIT:

BEING A 2.2178-ACRE TRACT OF LAND SITUATED IN THE MARTIN SETZER SURVEY, ABSTRACT 502, CITY OF GRANBURY, HOOD COUNTY, TEXAS AND BEING A PORTION OF THAT CERTAIN TRACT OF LAND CONVEYED TO LUMBERMEN'S INVESTMENT CORPORATION BY INSTRUMENT RECORDED IN VOLUME 1588, PAGE 4, OF THE DEED RECORDS OF HOOD COUNTY, TEXAS (DRHCT) AND BEING FURTHER DESCRIBED AS FOLLOWS:

BEGINNING AT A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON INC" SET AT THE INTERSECTION OF THE NORTHERLY LINE OF HARBOR LAKES BOULEVARD (A 60-FOOT WIDE RIGHT-OF-WAY) AND THE EASTERLY LINE OF CLUBHOUSE DRIVE (A VARIABLE WIDTH RIGHT-OF-WAY) ACCORDING TO THE PLAT THEREOF RECORDED IN SLIDE B-234 OF THE PLAT RECORDS OF HOOD COUNTY, TEXAS (PRHCT);

THENCE NORTHERLY ALONG SAID EASTERLY LINE OF CLUBHOUSE DRIVE THE FOLLOWING FOUR (4) COURSES:

NORTH 54°52'07" WEST, 28.95 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON INC" SET;

NORTH 09°52'07" WEST, 29.32 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON INC" SET;

NORTH 17°20'45" WEST, 80.68 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON INC" SET AT THE BEGINNING OF A NON-TANGENT CURVE TO THE RIGHT;

NORTHERLY, 211.68 FEET ALONG THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT, HAVING A CENTRAL ANGLE OF 32°46'45", A RADIUS OF 370.00 FEET AND WHOSE LONG CHORD BEARS NORTH 06°21'47" EAST, 208.80 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON INC" SET ON THE SOUTHERLY LINE OF FALCON LANE (A VARIABLE WIDTH RIGHT-OF-WAY);

THENCE SOUTH 63°22'23" EAST ALONG SAID SOUTHERLY LINE OF FALCON DRIVE, 14.07 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON INC" SET AT THE TERMINUS OF SAID FALCON DRIVE;

THENCE NORTH 26°37'37" EAST ALONG SAID TERMINUS, 50.00 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON INC" SET ON THE NORTHERLY LINE OF SAID FALCON DRIVE, BEING ON A SOUTHERLY LINE OF LOT 1, BLOCK 1, HARBOR LAKES CLUBHOUSE, AN ADDITION TO THE CITY OF GRANBURY, HOOD COUNTY, TEXAS ACCORDING TO THE PLAT THEREOF RECORDED IN CABINET , SLIDE , PRHCT AND BEING THE BEGINNING OF A NON-TANGENT CURVE TO THE RIGHT;

THENCE SOUTHEASTERLY, 83.74 FEET ALONG SAID SOUTHERLY LINE AND THE ARC OF SAID CURVE TO THE RIGHT, HAVING A CENTRAL ANGLE OF 21°19'24", A RADIUS OF 225.00 FEET AND WHOSE LONG CHORD BEAR SOUTH 52°42'41" EAST, 83.25 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON INC" FOUND;

THENCE NORTH 90°00'00" EAST CONTINUING ALONG SAID SOUTHERLY LINE, 169.66 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON" SET;

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THENCE SOUTH 00°00'00" WEST, 168.96 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON" SET;

THENCE SOUTH 25°29'20" EAST, 170.34 FEET TO A 5/8-INCH IRON ROD WITH CAP STAMPED "SURVCON" SET ON THE AFORESAID NORTHERLY LINE OF HARBOR LAKES BOULEVARD AND THE BEGINNING OF A NON-TANGENT CURVE TO THE LEFT;

THENCE WESTERLY, 316.53 FEET ALONG SAID NORTHERLY LINE AND THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 21°51'03", A RADIUS OF 830.00 FEET AND WHOSE LONG CHORD BEARS NORTH 89°08'37" WEST 314.62 FEET TO THE POINT OF BEGINNING AND CONTAINING A COMPUTED AREA OF 2.2178 ACRES (96,608 SQUARE FEET) OF LAND.

FILED FOR RECORD
AT 8:40 AM.

SEP 18 2006

Sally Oubre
County Clerk, Hood County, Tx

Any provision herein which restricts the sale, rental, or use of the described real property because of color or race is invalid and unenforceable under Federal Law.
STATE OF TEXAS COUNTY OF HOOD
I hereby certify that this Instrument was filed on the date and at the time stamped hereon by me and was duly RECORDED in the OFFICIAL PUBLIC RECORDS OF HOOD COUNTY TEXAS, in the Volume and Page as shown hereon.



Sally Oubre
SALLY OUBRE, County Clerk
Hood County, Texas

**SECOND AMENDMENT
TO
REAL ESTATE PURCHASE AND SALE AGREEMENT
(2.30 Acre Tract, Harbor Lakes)
- Steve Bumpus Custom Homes, Inc. -**

THIS SECOND AMENDMENT TO REAL ESTATE PURCHASE AND SALE AGREEMENT ("First Amendment") is made by and between **FORESTAR (USA) REAL ESTATE GROUP INC.**, (formerly known as Lumbermen's Investment Corporation, by change of name only), (the "Seller") and **STEVE BUMPUS CUSTOM HOMES, INC.** (the "Purchaser").

WITNESSETH:

WHEREAS, Seller and Purchaser previously entered into that certain Purchase and Sale Agreement (the "Original Contract"), dated effective as of April 12, 2006, involving the purchase and sale of 2.30 acres of land in the subdivision known as Harbor Lakes which is located in Granbury, Hood County, Texas (the "Property") as amended by that certain First Amendment to Real Estate Purchase and Sale Agreement (the "First Amended and with the Original Contract, the Contract"), and

WHEREAS, Seller and Purchaser mutually desire to amend certain of the terms and provisions of the Contract as more particularly set forth herein below.

NOW, THEREFORE, for and in consideration of the foregoing premises, the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged to each in hand paid by the other, Seller and Purchaser hereby mutually agree as follows:

1. Except to the extent otherwise expressly set forth herein, all capitalized terms shall have the identical meanings as those set forth in the Contract.

2. Notwithstanding anything to the contrary, the parties acknowledge and agree that Purchaser will construct not more than twenty (20) condominium units on the Property and the Property will not be subject to the Maintenance Declaration described on Exhibit "E" to the Original Contract; however, Purchaser acknowledges that the Property will be subject to that certain Declaration of Annexation and Supplemental Declaration No. 3 ("Third Supplemental Declaration") which is attached hereto as Exhibit "A". Purchaser by its signature below expressly consents to the recording of the Third Supplemental Declaration of record prior to the conveyance of the Property to Purchaser and said Third Supplemental Declaration shall be deemed a Permitted Exception for all purposes.

3. Purchaser agrees to indemnify and hold Seller and its officers, directors, shareholders, employees, agents and attorneys harmless from all claims and causes of action arising out of the

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PURCHASE AND SALE AGREEMENT - Page 1**

(2.30 Acre Tract, Harbor Lakes)

- Steve Bumpus Custom Homes, Inc. -

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filing of the Third Supplemental Declaration as it relates to the Property. This indemnification shall expressly survive the delivery of the Special Warranty Deed. Purchaser acknowledges that Seller is not making any representations or warranties, written or oral, express or implied, related to the Third Supplemental Declaration.

4. All signatories to this Second Amendment represent and warrant to the other signatories hereof that each is duly authorized and empowered to execute this Second Amendment on behalf of the entity that is a party to this Second Amendment.

5. This Second Amendment may be executed in any number of counterparts, each of which shall constitute one and the same instrument, and either party hereto may execute this Second Amendment by signing any such counterparts. In addition, each and all of the parties hereto agree that facsimile signatures shall be sufficient to validly bind and obligate the parties hereunder.

6. EXCEPT TO THE EXTENT OTHERWISE MODIFIED HEREBY (EITHER EXPRESSLY OR BY NECESSARY IMPLICATION), ALL OF THE TERMS AND PROVISIONS OF THE CONTRACT SHALL BE APPLICABLE TO THE SECOND ADDITIONAL LOTS. THE CONTRACT, AS MODIFIED HEREBY (EITHER EXPRESSLY OR BY NECESSARY IMPLICATION), CONSTITUTES THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED effective as of September 12, 2006.

SELLER:

FORESTAR (USA) REAL ESTATE GROUP
INC. (formerly known as Lumbermen's
Investment Corporation), a Delaware corporation

By: 

Name:

Thomas H. Burleson GARY MEATZEE

Title:

Vice President

FIRST AMENDMENT TO REAL ESTATE
PURCHASE AND SALE AGREEMENT - Page 2


(2.30 Acre Tract, Harbor Lakes)

- Steve Bumpus Custom Homes, Inc. -

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PURCHASER:

STEVE BUMPUS CUSTOM HOMES, INC.

By: 
Name: Steve Bumpus
Title: President