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Cynthia Mitchell
County Clerk
Denton, TX 76202



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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
THE VILLAGE AT FRISCO LAKES

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-TABLE OF EXHIBITS-

<u>Exhibit</u>	<u>Subject Matter</u>
“A”	Land Initially Submitted
“B”	Land Subject to Annexation
“C”	Initial Use Restrictions and Rules
“D”	Rules of Arbitration
“E”	By-Laws of The Village at Frisco Lakes Community Association, Inc.

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

THE VILLAGE AT FRISCO LAKES

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR THE VILLAGE AT FRISCO LAKES ("Declaration") is made as of this 15th day of March, 2006, by Pulte Homes of Texas, L.P., a Texas limited partnership (herein referred to as the "Declarant").

INTRODUCTION TO THE COMMUNITY

Declarant is the owner of the real property described in Exhibit "A", which is attached hereto and incorporated herein by this reference. This Declaration imposes upon the Properties mutually beneficial restrictions under a general plan of improvement for the benefit of the owners of each portion of the Properties and establishes a flexible and reasonable procedure for the overall development, administration, maintenance and preservation of the Properties. An integral part of the development plan is the creation of an association comprised of all Owners in The Village at Frisco Lakes to own, operate, and maintain common property and community improvements and to administer and enforce the Governing Documents for The Village at Frisco Lakes. The name of the association will be The Village at Frisco Lakes Community Association, Inc.

ARTICLE I

CREATION OF THE COMMUNITY

1.1 Development Intent. Declarant hereby declares that all of the property described in Exhibit "A" and any additional property subjected to this Declaration by Supplemental Declaration shall be held, sold, used, and conveyed subject to the following easements, restrictions, covenants, and conditions, which shall run with title to the land. This Declaration shall be binding on and shall inure to the benefit of all parties having any right, title, or interest in the Properties or any part thereof, their heirs, successors, successors-in-title, and assigns.

1.2 Duration. This Declaration shall be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors, and assigns, for a term of 20 years from the date this Declaration is recorded. After such time, this Declaration shall be automatically extended for successive periods of ten years, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding each extension, agreeing to amend, in whole or in part, or terminate this Declaration, in which case this Declaration shall be amended or terminated as specified therein.

1.3 Governing Documents. This Declaration together with the By-Laws of The Village at Frisco Lakes Community Association, Inc., and the Articles of Incorporation of The Village at Frisco Lakes Community Association, Inc. (collectively, the "Governing Documents") shall contain

the standards for the Properties and the Association. The Governing Documents shall be supplemented by the Design Guidelines, Use Restrictions and Rules, and resolutions of the Board of Directors, as may be promulgated or amended from time to time by the Board of Directors.

(a) Cumulative Effect; Conflict. The covenants, restrictions, and provisions of this Declaration shall be cumulative with those of any Neighborhood, and the Association may, but shall not be required to, enforce such additional covenants and restrictions; provided, however, in the event of conflict between or among such additional covenants and restrictions, and the provisions of any articles of incorporation, by-laws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, those of any Neighborhood shall be subject and subordinate to those of the Association. The foregoing priorities shall apply, but not be limited to, the liens for assessments created in favor of the Association.

(b) Severability. Invalidation of any provision of this Declaration, in whole or in part, or any interpretation of a provision of this Declaration by judgment or court order shall in no way affect other provisions or interpretations.

(c) Exhibits. Exhibits "A", "B", and "D" attached to this Declaration are incorporated by this reference, and amendment of such exhibits shall be governed by the provisions of Article XXI. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

Article II

CONCEPTS AND DEFINITIONS

The terms used in this Declaration shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

2.1 "Age-Qualified Occupant": Any Person (i) 50 years of age or older who owns and occupies a Dwelling Unit and was the original purchaser of the Dwelling Unit from the Declarant; or (ii) 55 years of age or older who occupies a Dwelling Unit. The terms "occupy", "occupies", or "occupancy" or any derivative thereof used throughout this Declaration, shall mean staying overnight in a particular Dwelling Unit for at least 60 days in any 12-month period. An "Occupant" shall be any Person who occupies a Dwelling Unit.

2.2. "Area of Common Responsibility": The Common Area, together with those areas, if any, which the Association does not own but which by the terms of this Declaration, any Supplemental Declaration or other applicable covenants, or by contract become the responsibility of the Association.

2.3. "Architectural Review Committee": The committee which the Declarant or Board, subject to provisions of Article 5.2, may create at such time as it shall determine in its discretion to review new construction and administer and enforce architectural standards.

2.4. “Articles”: The Articles of Incorporation of The Village at Frisco Lakes Community Association, Inc., as filed with the Texas Secretary of State, and amendments thereto filed from time to time with the Texas Secretary of State.

2.5. “Association”: The Village at Frisco Lakes Community Association, Inc., a Texas nonprofit corporation, its successors and assigns.

2.6. “Base Assessment”: Assessments levied on all Lots subject to assessment under Section 9.11 to fund Common Expenses for the general benefit of all Lots, as more particularly described in Article IX.

2.7. “Benefited Assessment”: Assessments levied under Section 9.7.

2.8. “Board of Directors” or “Board”: The body responsible for administration of the Association.

2.9. “Business” and “Trade”: Shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to Persons other than the family of the producer of such goods or services and for which the producer receives a fee, compensation, or other form of consideration, regardless of whether: (a) such activity is engaged in full or part-time, (b) such activity is intended to or does generate a profit, or (c) a license is required.

2.10. “By-Laws”: The By-Laws of The Village at Frisco Lakes Community Association, Inc. attached as Exhibit “E” and incorporated by reference, as they may be amended from time to time.

2.11. “Class “B” Control Period”: The period during which the Class “B” Member is entitled to appoint a majority of the Board members as provided in Section 3.3 of the By-Laws.

2.12. “Common Area”: All real and personal property that the Association now or hereafter owns, leases, or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners. The term shall include the Exclusive Common Area and may include, without limitation, recreational facilities, clubhouse, entry features, hike and bike trails, signage, landscaped medians, lakes, ponds, rivers, streams, water courses, wetlands, and Golf Courses, if any.

2.13. “Common Expenses”: The actual and estimated expenses incurred or anticipated to be incurred by the Association for the general benefit of all Lots, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents.

2.14. “Community-Wide Standard”: The standard of conduct, maintenance, or other activity generally prevailing throughout the Properties as may be described in the Design Guidelines. Such standard may be more specifically determined by the Declarant as long as it owns any portion of the Properties or has the right to annex property pursuant to Section 10.1 and thereafter by the Board and the Modifications Committee (defined below) with the approval of the Board.

2.15. "County Clerk's Office": The Official Records of Denton County, Texas and any other county in which part of the Properties are located.

2.16. "Covenant to Share Costs": Any declaration executed by Declarant and recorded in the County Clerk's Office which creates easements for the benefit of the Association and the present and future owners of the real property subject thereto and which obligates the Association and such owners to share the costs of maintaining certain described property.

2.17. "Declarant": Pulte Homes of Texas, L.P., a Texas limited partnership, or any successor, successor-in-title, or assignee of Pulte Homes of Texas, L.P., who has or takes title to any portion of the property described in Exhibits "A" or "B" for the purpose of development and/or resale in the ordinary course of business and who is designated as the Declarant in an instrument executed by the immediately preceding Declarant and recorded in the County Clerk's Office.

2.18. "Design Guidelines": The architectural, design, development, and other guidelines, standards, controls, and procedures including but not limited to, application and review procedures, adopted pursuant to Article V, as amended from time to time.

2.19. "Dwelling Unit": Any building or structure or portion of any building or structure situated upon a Lot which is intended for use and occupancy as an attached or detached residence for a single family.

2.20. "Exclusive Common Area": A portion of the Common Area intended for the exclusive use or primary benefit of one or more, but less than all, Neighborhoods, as more particularly described in Article XIII.

2.21. "Golf Course": Any parcel of land adjacent to or within the Properties developed by the Declarant or any affiliate or designee of the Declarant (a) which is owned by the Association (as Common Area) or which is a Private Amenity, and (b) which is operated as a golf course, and all related and supporting facilities and improvements operated and/or maintained in connection with or incidental to such golf course.

2.22. "Home Owner": An Owner other than the Declarant.

2.23. "Lot": A portion of the Properties, whether improved or unimproved, other than Common Area, property dedicated to the public, property owned by the City of Frisco and operated for public use (for example fire stations) that may be independently owned and conveyed and which is intended to be developed, used, and occupied as a Dwelling Unit. The term shall refer to the land, if any, which is part of the Lot as well as any improvements, including any Dwelling Unit, thereon. In the case of any structure containing multiple Dwelling Units, each Dwelling Unit shall be deemed to be a separate Lot.

Prior to recordation of a subdivision plat, a parcel of vacant land or land on which improvements are under construction shall be deemed to be a single Lot.

2.24. “Member”: A Person entitled to membership in the Association. Every Owner as defined in Section 2.30 shall be a Member, subject to the limitations on Co-Owners as provided in this Declaration, including Sections 7.2, 7.3 and the By-Laws.

2.25. “Modifications Committee”: The committee established by the Board pursuant to Section 5.2(b) to review applications for modifications to Lots or Dwelling Units.

2.26. “Mortgage”: A mortgage, a deed of trust, a deed to secure debt, or any other form of security deed.

2.27. “Mortgagee”: A beneficiary or holder of a Mortgage.

2.28. “Neighborhood Assessments”: Assessments levied against the Lots in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as described in Sections 9.2 and 9.4.

2.29. “Neighborhood Expenses”: The actual and estimated expenses incurred or anticipated to be incurred by the Association for the benefit of the Owners of Lots within a particular Neighborhood or Neighborhoods, which may include reasonable reserves, as the Board may specifically authorize and as may be authorized in this Declaration or in a Supplemental Declaration applicable to a Neighborhood

2.30. “Owner”: Collectively, one or more Persons who hold the record title to any Lot, except Persons holding an interest merely as security for the performance of an obligation in which case the equitable owner will be considered the Owner.

2.31. “Person”: A natural person, a corporation, a partnership, a trustee, or any other legal entity.

2.32. “Planned Development District”: means the Planned Development District ordinance applicable to The Village at Frisco Lakes adopted by the City of Frisco as Zoning Ordinance No. 05-05-34 on May 3, 2005, as may be amended from time to time.

2.33. “Private Amenities”: Real property and any improvements and facilities located adjacent to, in the vicinity of, or within the Properties, developed by the Declarant or any affiliate or designee of the Declarant, which are privately owned and operated by Persons other than the Association for recreational and related purposes. For example, any Golf Course owned and operated by Persons other than the Association shall be a Private Amenity.

2.34. “Properties”: The real property described in Exhibit “A”, together with such additional property as is annexed to this Declaration.

2.35. “Qualified Occupant”: Any of the following Persons occupying a Dwelling Unit:

- (i) any Age-Qualified Occupant;
- (ii) any Person 19 years of age or older occupying a Dwelling Unit with an Age-Qualified Occupant; and
- (iii) any Person 19 years of age or older who occupied a Dwelling Unit with an Age-Qualified Occupant and who continues, without interruption, to occupy the same Dwelling Unit after termination of the Age-Qualified Occupant's occupancy thereof.

2.36. "Reviewing Body": The body authorized to exercise architectural review pursuant to Section 5.2.

2.37. "Special Assessment": Assessments levied under Section 9.6.

2.38. "Supplemental Declaration": An amendment or supplement to this Declaration filed pursuant to Article X which subjects additional property to this Declaration, identifies any Common Area within the additional property, and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein.

2.39. "Use Restrictions": The rules and use restrictions attached as Exhibit "C" and incorporated by reference, as they may be modified, canceled, limited or expanded under Article IV.

2.40. "The Village at Frisco Lakes": The Properties as described in Section 2.34.

Article III **AGE RESTRICTION**

The Village at Frisco Lakes is intended to provide housing primarily for persons 55 years of age or older, subject to the rights reserved to Declarant in Section 11.11. The Properties shall be operated as an age restricted community in compliance with all applicable state and federal laws. No person under 19 years of age shall stay overnight in any Dwelling Unit for more than 90 days in any 12-month period.

Subject to Section 11.11, each Dwelling Unit, if occupied, shall be occupied by at least one Person 55 years of age or older; provided, however, that once a Dwelling Unit is occupied by an Age-Qualified Occupant, other Qualified Occupants of that Dwelling Unit may continue to occupy the Dwelling Unit, regardless of the termination of the Age-Qualified Occupant's occupancy. Notwithstanding the above, at all times, at least 80% of the occupied Dwelling Units within the Properties (as calculated pursuant to federal or state law and applicable regulations, including 24 Code of Federal Regulations § 100.305, as amended from time to time) shall be occupied by at least one person 55 years of age or older.

The Board shall publish and abide by policies and procedures from time to time as necessary to maintain its status as an age restricted community under state and federal law and demonstrate its intent that The Village at Frisco Lakes be operated as housing for persons 55 years of age or older.

Article IV

USE AND CONDUCT

4.1. Plan of Development; Applicability; Effect. Declarant has established a general plan of development for the Properties under this Declaration that is intended to promote all Owners' collective interests, the aesthetics and environment within the Properties, and the vitality of and sense of community within the Properties, all subject to the Board's and the Members' ability to respond to changes in circumstances, conditions, needs, and desires within the community. This Declaration, including the initial Use Restrictions attached hereto as Exhibit "C", and the rules and resolutions adopted by the Board or the Members establish affirmative and negative covenants, easements, and restrictions on the Properties.

All provisions of this Declaration and any Governing Documents shall apply to all Members, Owners, Occupants, tenants, guests and invitees of any Lot. Any lease on any Lot shall provide that the lessee and all Occupants of the leased Lot shall be bound by the terms of this Declaration, the By-Laws, and the Governing Documents of the Association.

4.2. Rule Making Authority.

(a) Subject to the terms of this Article and in accordance with its duty of care and undivided loyalty to the Association and its Members, the Board may adopt rules which modify, cancel, limit, create exceptions to, or expand the initial Use Restrictions set forth on Exhibit "C". The Board shall either (i) send notice to all Owners concerning any such proposed action at least five business days prior to the Board meeting at which such action is to be considered, which notice shall be sent by first class mail or, for Owners who have provided their email address to the Association for the purpose of receiving notices, by email, or (ii) post in a prominent place in the Common Area and post on the Association's website and/or the Association's newsletter (which may be distributed electronically), if any, notice of such proposed action at least thirty (30) days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

Any such rules shall become effective after compliance with subsection (c) of this Section unless such rules are disapproved at a meeting by at least 67% of the total Class "A" Members and by the Declarant, so long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1. The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon receipt of a petition of the Members as required for special meetings in the By-Laws. If a meeting to consider disapproval of a rule is requested by the Members prior to the effective date of such rule, the rule may not become effective until after such meeting is held.

(b) Alternatively, the Members, at a meeting duly called for such purpose, may adopt rules which modify, cancel, limit, create exceptions to, or expand the Use Restrictions and previously adopted rules by a vote of at least 67% of the total Class "A" Members and the approval of the Declarant, so long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1.

(c) Within 30 (thirty) days after the effective date of any action under subsections (a) or (b) of this Section, the Board shall either (a) send a copy of the rule to each Owner specifying the effective date of such rule, which notice shall be sent by first class mail or, for Owners who have provided their email address to the Association for the purpose of receiving notices, by email, or (ii) post in a prominent place in the Common Area and post on the Association's website and/or the Association's newsletter (which may be distributed electronically), if any, a copy of the rule specifying the effective date of such rule. The Association shall provide, without cost, a copy of the Use Restrictions and rules then in effect to any requesting Member or Mortgagee.

(d) Nothing in this Article shall authorize the Board or the Members to modify, repeal or expand the Declaration (with the exception of Exhibit "C"), the By-Laws, the Articles, or the Design Guidelines. Such documents may be amended as provided therein. In the event of a conflict between the Design Guidelines and the Use Restrictions, the Design Guidelines shall control.

4.3. Owners' Acknowledgment. All Owners are subject to the Use Restrictions and are given notice that: (a) their ability to use their privately owned property is limited thereby, and (b) the Declarant, the Board and/or the Members may add, delete, modify, create exceptions to, or amend the Use Restrictions in accordance with Section 4.2 and Article XXI.

Each Owner by acceptance of a deed acknowledges and agrees that the use and enjoyment and marketability of his or her property can be affected by this provision and that the Use Restrictions and rules may change from time to time.

4.4. Protections of Owners. Except as may be specifically set forth in the initial Use Restrictions, neither the Board nor the Members may adopt any rule in violation of the following provisions:

(a) Equal Treatment. Similarly situated Owners and Occupants shall be treated similarly.

(b) Speech. The rights of Owners and Occupants to display on their Lot political signs and symbols of the kinds normally displayed in or outside of residences located in single-family residential neighborhoods in individually owned property shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions regulating signs and symbols which are visible from outside the Lot. This Declaration and any Rules adopted by the Board shall not be construed to supersede or limit City ordinances regulating signs or symbols on Lots.

(c) Religious and Holiday Displays. The rights of Owners and Occupants to display religious and holiday signs, symbols, and decorations on their Lots of the kinds customarily displayed in residences located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions regulating displays which are visible from outside the Lot.

(d) Assembly. The rights of Owners and Occupants to assemble on such portions of the Common Area as are designated by the Board from time to time shall not be eliminated; provided,

however, the Board may adopt reasonable time, place, and manner restrictions on assembly. At no time shall Common Area be construed as a place of public assembly.

(e) Household Composition. No rule shall interfere with the freedom of Occupants of Dwelling Units to determine the composition of their households, within the limitations imposed by Article III, except that the Association shall have the power to require that all Occupants be members of a single housekeeping unit and to limit the total number of Occupants permitted in each Dwelling Unit on the basis of the size and facilities of the Dwelling Unit and its fair share use of the Common Area, provided that such limits shall not be less restrictive than applicable city codes in establishing the total number of Occupants.

(f) Activities Within Dwelling Units. No rule shall interfere with the activities carried on within the confines of Dwelling Units, except that the Association may prohibit (i) the conducting of Businesses or Trades within a Dwelling Unit in violation of the Use Restrictions, (ii) activities not normally associated with property zoned for single-family residential use or not permitted in that location under the Planned Development District or any other applicable zoning district, and (iii) any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of Occupants of other Dwelling Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the Dwelling Unit, or that create an unreasonable source of annoyance.

(g) Pets. The Association may adopt reasonable rules designed to minimize damage and disturbance to other Owners and Occupants, including rules requiring damage deposits, waste removal, leash controls, noise controls, and pet occupancy limits based on size and facilities of the Lot and fair share use of the Common Area; provided, however, any rule prohibiting the keeping of ordinary household pets shall apply prospectively only and shall not require the removal of any pet which was being kept on the Properties in compliance with the rules in effect prior to the adoption of such rule. Nothing in this provision shall prevent the Association from requiring removal of any animal that presents an actual threat to the health or safety of residents or from requiring abatement of any nuisance or unreasonable source of annoyance as determined by the Board or its designee. Owners shall be permitted to have up to three pets. However, monkeys, ferrets, pigs and snakes are prohibited and no Owner shall be permitted to raise, breed or keep animals of any kind, including livestock or poultry, for commercial or Business purposes. All Owners shall comply with applicable City ordinances regarding pets.

(h) Alienation. No rule shall prohibit the leasing or transferring of any Lot, or require consent of the Association or Board for leasing or transferring of any Lot; provided, the Association or the Board may require a minimum lease term of up to 12 months. The Association may require that Owners use lease forms approved by the Association, but shall not impose any fee on the lease or transfer of any Lot, other than those described in Articles IX or XIX, greater than an amount reasonably based on the costs to the Association of its costs to administer that lease or transfer.

(i) Reasonable Rights to Develop. No rule or action by the Association or Board shall unreasonably impede Declarant's right to develop in accordance with the Planned Development

District, as it may be amended from time to time, including, but not limited to, the rights of the Declarant as set forth in Article XI.

(j) Abridging Existing Rights. Any rule which would require Owners to dispose of personal property being kept on the Properties shall apply prospectively only and shall not require the removal of any property which was being kept on the Properties prior to the adoption of such rule and which was in compliance with all rules in force at such time unless otherwise required to be removed by law.

(k) Application of Rules. No rule shall be applied retroactively except as otherwise required by law.

The limitations in this Section 4.4 shall apply to rules only; they shall not apply to amendments to this Declaration adopted in accordance with Article XXI.

4.5. Interference with Private Amenities. No rule or action by the Association shall interfere with the use or operation of any Private Amenity.

4.6. Drilling. Following the date of recording of this Declaration, no Owner, other than the Declarant, shall enter into any lease or other agreement permitting drilling for minerals, oil, natural gas, water, or other substances on or under his or her Lot.

Article V

ARCHITECTURE AND LANDSCAPING

5.1. General. No improvements, alterations, placement or posting of any object on the exterior of any Lot, or the Common Area (e.g., fences, signs, statues, antennae and satellite dishes, clotheslines, playground equipment, pools, propane and other fuel tanks (other than portable gas grills), lighting, temporary structures, solar devices, and artificial vegetation, or planting or removing of landscaping) shall take place within the Properties except in compliance with this Declaration, and the Design Guidelines and with the approval of the appropriate Reviewing Body under Section 5.2.

Any Owner may remodel, paint or redecorate the interior of structures, including the Dwelling Unit, on his or her Lot without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Lot visible from outside the structures on the Lot shall be subject to this Article.

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications.

This Article shall not apply to the activities of the Declarant nor to improvements to the Common Area by or on behalf of the Association. This Article shall not apply to the activities of

the City performed on property owned by the City and used for public purposes so long as the City complies with the separate deed restrictions applicable to such property if any.

This Article may not be amended without the Declarant's written consent so long as the Declarant owns any Private Amenity or any land subject to this Declaration or subject to annexation to this Declaration.

5.2. Architectural Review.

(a) New Construction. The Declarant shall not be required to obtain any Association approval for its new home construction within the Properties. Until 100% of the Properties have been developed and conveyed to Home Owners, the Declarant shall have exclusive authority to administer and enforce architectural controls under this Article and to review and act upon all applications for original construction within the Properties. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration or surrender of such right, the Board may, at its option, either create, appoint, and assign such duties to an Architectural Review Committee ("ARC") or, assign such duties to the MC (as defined below). The ARC, if established, shall consist of at least three, but not more than five, persons who shall serve and may be removed in the Board's discretion. The ARC shall have no rights or authority until the Declarant's authority under this Article expires or is surrendered.

(b) Modifications. At such time as the Declarant and the Board determine appropriate, the Board shall establish a Modifications Committee ("MC") which shall consist of at least three, but not more than seven, persons. Members of the MC shall be appointed and shall serve at the discretion of the Board; provided, however, as long as the Declarant owns any portion of the Properties, any Private Amenity, or has the right to annex property pursuant to Section 10.1, it shall be entitled, in its discretion, to appoint one member of the MC. The MC shall have exclusive jurisdiction over modifications, additions, or alterations made on or to existing structures or to Lots containing Dwelling Units, the adjacent open space, and the Common Area; provided, however, any change to the Common Area shall require the advance approval of the Declarant as long as it owns any portion of the Properties, any Private Amenity, or has the right to annex property pursuant to Section 10.1. At any time during the review process, the Declarant shall have the right to veto any action taken by the MC which the Declarant determines, in its sole discretion, to be inconsistent with the Design Guidelines.

For purposes of this Article, "Reviewing Body" shall refer to either the Declarant, the MC, or the ARC, as appropriate under the circumstances. The Reviewing Body may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, landscape architects, engineers, or other professionals. The Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget as a Common Expense.

5.3. Guidelines and Procedures. The Declarant shall prepare Design Guidelines which shall apply to all construction activities within the Properties, except as provided in Section 5.1. The Declarant shall have sole and full authority to amend the Design Guidelines as long as it owns any portion of the Properties, any Private Amenity, or has a right to annex any property pursuant to Section 10.1. Thereafter, the ARC, or if the ARC is not established, the MC, shall have the authority to amend the Design Guidelines with the consent of the Board.

The Design Guidelines may contain general provisions applicable to all of the Properties, as well as specific provisions which vary from one portion of the Properties to another depending upon the location, unique characteristics, intended use, the Planned Development District, and any other applicable zoning ordinances. The Design Guidelines are intended to provide guidance to Owners regarding matters of particular concern in considering applications hereunder. The Design Guidelines are not the exclusive basis for decisions of the Reviewing Body and compliance with the Design Guidelines does not guarantee approval of any application.

Any amendments to the Design Guidelines shall apply to construction and modifications commenced after the date of such amendment only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines; the Design Guidelines may be amended to remove requirements previously imposed or otherwise to make the Design Guidelines less restrictive.

The Association shall make the Design Guidelines available to Owners and builders who seek to engage in development or construction within the Properties and all such Persons shall conduct their activities in accordance with such Design Guidelines.

All structures and improvements constructed upon a Lot shall be constructed in strict compliance with the Design Guidelines in effect at the time the complete plans for such improvements are submitted to the Reviewing Body with any applicable fees, unless the Reviewing Body has granted a variance in writing pursuant to Section 5.6. So long as the Reviewing Body has acted in good faith, its findings and conclusions with respect to appropriateness of, applicability of, or compliance with the Design Guidelines and this Declaration shall be final.

5.4. Submission of Plans and Specifications.

(a) Prior to commencing any activity within the scope of Section 5.1, an Owner shall submit an application for approval of the proposed work to the appropriate Reviewing Body with a copy to the Declarant if the Declarant is not the Reviewing Body. Such application shall be in the form required by the Reviewing Body and shall include plans and specifications ("Plans") showing site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout and screening therefor and other features of proposed construction, as applicable. The Design Guidelines shall set forth the procedure and any additional information for submission of the Plans. Before the Owner may begin the proposed activity, the application must be approved by the Reviewing Body in accordance with the procedures

described below. In addition, the Declarant may disapprove any application submitted to the Modifications Committee within 30 days of its receipt.

(b) In reviewing each submission, the Reviewing Body may consider whatever reasonable factors it deems relevant. The Reviewing Body may require relocation of existing plants within the construction site, if feasible, the installation of an irrigation system for the landscaping, or the inclusion of natural plant life on the Lot as a condition of approval of any submission. The Reviewing Body shall not require permits or other approvals by local government entities other than those issued by such entities in the usual course of business.

The Reviewing Body shall, within the period specified in the Design Guidelines, advise the party submitting the same, in writing, at an address specified by such party at the time of submission, of (i) the approval of Plans, or (ii) the segments or features of the Plans which are deemed by such committee to be inconsistent or not in conformity with this Declaration and/or the Design Guidelines, the reasons for such finding, and suggestions for the curing of such objections. In the event the Reviewing Body fails to advise the submitting party by written notice within the period specified in the Design Guidelines of either the approval or disapproval and suggestions for curing objections, approval shall be deemed to have been given. Notice shall be deemed to have been given at the time the envelope containing such notice, properly addressed, and postage prepaid, is deposited with the U.S. Postal Service, registered or certified mail, return receipt requested. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the submitting party.

(c) If construction does not commence on a project for which Plans have been approved within 120 days of such approval, such approval shall be deemed withdrawn, and it shall be necessary for the Owner to resubmit the Plans to the Reviewing Body for reconsideration. If construction is not completed on a project for which Plans have been approved within the period set forth in the Design Guidelines or in the approval, such approval shall be deemed withdrawn, and such incomplete construction shall be deemed to be in violation of this Article.

5.5. No Waiver of Future Approvals. Each Owner acknowledges that the members of the Reviewing Body will change from time to time and that interpretation, application and enforcement of the Design Guidelines may vary accordingly. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval. Should the Reviewing Body permit nonconforming improvements through hardship or error, it shall not be construed as a waiver of future enforcement rights or permission for future noncompliance.

5.6. Variance. The Reviewing Body may authorize variances in writing from its guidelines and procedures but only: (a) in accordance with duly adopted rules and regulations, (b) when unique circumstances dictate, such as unusual topography, natural obstructions, hardship or aesthetic or environmental considerations, and (c) when construction in accordance with the variance would be consistent with the purposes of the Declaration and compatible with existing and anticipated uses

of adjoining properties. Inability to obtain or the terms of any governmental approval or the terms of any financing shall not be considered a hardship warranting a variance. Notwithstanding the above, the MC and ARC may not authorize variances without the written consent of the Declarant, as long as it owns any portion of the Properties, any Private Amenity, or has a right to annex any property pursuant to Section 10.1. After such time, the MC may grant variances only with the consent of the ARC.

5.7. Limitation of Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and neither the Declarant, the Association, the Board, the ARC or the MC, nor any member of the foregoing, shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. **The Homeowner shall be responsible for complying with all local codes and ordinances and obtaining necessary permits and approvals to conduct work, separate and apart from any approvals obtained from the Association's Reviewing Body. The Homeowner assumes all risk in connection with any construction or modifications on his or her Lot.** Neither the Declarant, the Association, the Board, the ARC or the MC, nor any member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot. In all matters, the ARC and the MC and their members shall be defended and indemnified by the Association as provided in the By-Laws.

5.8. Compliance. Any construction, alteration or other work done in violation of this Article or the Design Guidelines shall be deemed to be nonconforming. Upon written request from the Declarant, the ARC, the MC, or the Board, Owners shall, at their own cost and expense and within such reasonable time frame as set forth in such written notice, cure such nonconformance to the satisfaction of the requester or restore the property, Lot and/or Dwelling Unit to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, the Declarant, the Association or its designees shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the rate established by the Board (not to exceed the maximum rate then allowed by law), may be assessed against the benefited Lot and collected as a Benefited Assessment unless otherwise prohibited in this Declaration.

All approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work by the deadline set forth in the approval, the Declarant or the Association shall be authorized, after notice to the Owner of the Lot and an opportunity to be heard in accordance with the By-Laws, to enter upon the Lot and remove or complete any incomplete or unapproved work and to assess all costs incurred against the Lot and the Owner thereof as a Benefited Assessment unless otherwise prohibited in this Declaration. Failure to enforce compliance with this Article shall not be a waiver of the right to enforce this Article at a later time or in other situations or circumstances.

All acts by any contractor, subcontractor, agent, employee, or invitee of an Owner shall be deemed as an act done by or on behalf of such Owner. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Design Guidelines may be excluded from the Properties, subject to the notice and hearing procedures contained in the By-Laws. In such event, neither the Declarant, the Association, its officers, or directors shall be held liable to any Person for exercising the rights granted by this paragraph.

In addition to the foregoing, the Association and the Declarant shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the Reviewing Body.

Article VI

MAINTENANCE AND REPAIR

6.1. Level of Maintenance Required. The Village at Frisco Lakes shall be maintained consistent with the Community-Wide Standard, the Design Guidelines, the restrictions on use and conduct, and the restrictions on architecture and landscaping. Each Person responsible for maintenance of any portion of the Properties shall maintain or provide for such maintenance in accordance with the above standards. These above standards may include special requirements or exemptions for property owned by the Declarant, the Association, or any Private Amenity and for the Area of Common Responsibility.

Maintenance, as used in this Article, shall include, without limitation, repair and replacement as needed, as well as such other duties, including irrigation, as the Board may determine necessary or appropriate to satisfy the Community-Wide Standard. As long as it owns any property described on Exhibits "A" or "B" or until it earlier determines, the Declarant and thereafter the Board may establish a higher Community-Wide Standard for portions of the Properties that are environmentally sensitive or that provide a greater than usual aesthetic value and may require additional maintenance for such areas to reflect the nature of such property; provided, however, the Board may not require such areas to be maintained so that they appear manicured or in such a way that is inconsistent with the natural appearance of the property.

Notwithstanding anything to the contrary contained herein, neither the Association, nor any Owner, nor any other entity responsible for the maintenance of a portion of the Properties shall be liable for property damage or personal injury occurring on, or arising out of the condition of, property which it does not own unless and only to the extent that it has been negligent in the performance of its maintenance responsibilities.

6.2. Owner's Responsibility. Each Home Owner shall maintain his or her Lot in a manner consistent with the Community-Wide Standard and all applicable covenants and Use Restrictions, unless such maintenance responsibility is otherwise assumed by or assigned to the Association or a Neighborhood pursuant to this Declaration, any Supplemental Declaration, or any other declaration of covenants applicable to such Lot. Each Home Owner shall take reasonable preventative measures against diseases or insects that may endanger trees or vegetation and shall provide for the treatment

of such conditions immediately upon discovery. Home Owners shall follow any standards or procedures regarding such diseases or insects as may be adopted by the Board.

In addition to any other enforcement rights, if a Home Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred in accordance with Section 9.7. The Association shall afford the Home Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

6.3. Responsibility for Repair and Replacement. By virtue of taking title to a Lot, each Home Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Lot, less a reasonable deductible, unless the Association carries such insurance (which they may, but are not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of any Owners, the premiums for such insurance shall be levied as a Benefited Assessment against the benefited Lots and the Owners.

Each Home Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Lot, the Home Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article V. Alternatively, the Home Owner shall clear the Lot of building debris and maintain it in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Home Owner shall pay any costs that are not covered by insurance proceeds.

COMMUNITY GOVERNANCE AND ADMINISTRATION

Article VII

THE ASSOCIATION AND ITS MEMBERS

7.1. Function of Association. The Association shall be: (i) the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility; (ii) the primary entity responsible for compliance with and enforcement of this Declaration and such reasonable rules regulating use of the Properties as the Board may adopt; and (iii) responsible for administering, monitoring compliance with, and enforcing the Design Guidelines after such time as the Declarant transfers such authority to the Association. The Association may delegate such responsibilities to committees or engage outside Persons to monitor and enforce the Design Guidelines under the supervision of the Board. The Association shall perform its functions in accordance with the Governing Documents and Texas law.

7.2. Membership. There shall be only one membership per Lot; provided, however, if a Lot is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to (i) reasonable Board regulation, (ii) reasonable restrictions, limitations or fees as may be established under this Declaration, including Section 12.1, and (iii) the restrictions on voting set forth in Section 7.3 and in the By-Laws. All such co-Owners shall be jointly and severally obligated

to perform the responsibilities of Owners. The membership rights of an Owner that is a corporation, partnership or other legal entity may be exercised by any officer, director, partner, or trustee, or by any other individual having apparent authority or designated from time to time by the Owner in a written instrument provided to the Secretary of the Association, subject to (i) reasonable Board regulation, and (ii) reasonable restriction, limitations or fees as may be established under this Declaration, including Section 12.1.

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

(a) Class "A" Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Lot in which they hold the interest required for membership under Section 7.2; there shall be only one Class "A" vote per Lot.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to disapprove actions of the Board and committees, are specified in the relevant sections of the Governing Documents. The Class "B" membership shall cease and be converted to Class "A" membership upon the earlier of the following:

- (i) two years after the expiration of the Class "B" Control Period; or
- (ii) when, in its discretion, the Declarant so determines.

From and after the happening of these events, whichever occurs first, the Class "B" Member shall be deemed to be a Class "A" Member entitled to one vote for each Lot it owns. The Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in Section 3.19 of the By-Laws.

(c) Exercise of Voting Rights. Members may vote directly or by proxy as provided in the By-Laws. The Board shall determine whether votes shall be cast in person or by mail (which may include email, provided that the right to vote in person shall not be denied to Owners who do not have access to email) from time to time. If there is more than one Owner of a particular Lot, the vote for such Lot shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such notice to the Association, the Lot's vote shall be suspended if more than one Person seeks to exercise it.

7.4. Neighborhoods.

(a) Neighborhoods. The Board may, but shall not be required to, designate residential areas within the Properties as separate Neighborhoods for the purpose of assessing Neighborhood Assessments. The Lots within a particular Neighborhood may be subject to additional covenants or assessments.

Any Neighborhood may, upon the written consent or written petition or a combination thereof, of Owners of a majority of Lots within the Neighborhood, request that the Association provide an

increased level of service or special services for the benefit of Lots in such Neighborhood, the costs of which shall be assessed against the Lots within such Neighborhood as a Neighborhood Assessment pursuant to Article IX. The Board shall consider such request unless a prior request by the Neighborhood for the same or similar services has been denied in the prior twelve (12) months.

The decision of whether or not to provide such increased level of service or special services shall be at the sole and absolute discretion of the Board, and if such increased or special services are ever provided, the Board retains the authority to cease providing the increased or special services at any time, in its sole and absolute discretion.

(b) Neighborhood Boundaries. Exhibit "A" to this Declaration, and each Supplemental Declaration filed to subject additional property to this Declaration, may assign the property described therein to an existing or newly created Neighborhood by name or number, if the Board so elects. Subject to any applicable law, the Declarant, as long as it owns any property on Exhibits "A" or "B", may unilaterally amend this Declaration or any Supplemental Declaration to re-designate Neighborhood boundaries, including dividing or combining existing Neighborhoods, or eliminating Neighborhoods, unless required by law. After such time, the Association may re-designate Neighborhood boundaries upon the written consent of a majority of Owners in each affected Neighborhood.

Article VIII

ASSOCIATION POWERS AND RESPONSIBILITIES

8.1. Acceptance and Control of Association Property. The Association may acquire, hold, and dispose of tangible and intangible personal property and real property. Declarant may convey to the Association improved or unimproved real estate located within the Properties, personal property and leasehold and other property interests, including easements for trails. Such property shall be accepted by the Association and thereafter shall be maintained as Area of Common Responsibility by the Association at its expense for the benefit of its Members, subject to the provisions of this Declaration, including Section 12.1, and any restrictions set forth in the deed from Declarant to the Association, including but not limited to restrictions governing the use of such property.

8.2. Management Certificate. The Association shall record in each County in which any portion of the Properties are located a management certificate, signed and acknowledged by an officer or the managing agent of the Association, fully complying with all of the requirements listed in TEX. PROP. CODE ANN. § 209.004 (Vernon 2003) as amended. The management certificate may be amended unilaterally from time to time by the Association in accordance with law.

8.3. Maintenance. As further provided in Sections 8.5 and 8.6, the Association shall maintain and keep in good repair the Area of Common Responsibility, which shall include, but need not be limited to:

- (a) all Common Area;

(b) all walls and fences constructed by Declarant on any Lots which serve as perimeter walls for the Properties, or which separate any Lot from Common Area or any Golf Course, or which are exposed to streets classified as "arterials" or "Neighborhood Collectors" under the Planned Development District, except that the allocation of responsibility for the maintenance and repair of party walls and party fences is set forth in Section 13.5;

(c) landscaping, sidewalks, street lights, irrigation systems, trails and signage, including flashing warning lights, within public rights-of-way or golf cart crossings within or abutting the Properties;

(d) landscaping and other flora within any public utility easements and scenic easements within the Common Area (subject to the terms of any easement agreement relating thereto);

(e) stormwater drainage facilities within the Common Area until accepted by the City of Frisco, but excluding drainage swales between sidewalks and Lots which shall be maintained by Owners of adjacent Lots as provided in a Supplemental Declaration;

(f) any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, any Covenant to Share Costs, any plat of any portion of the Properties, or any contract or agreement for maintenance thereof entered into by the Association;

(g) any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members and identified by written notice from the Declarant to the Association until Declarant revokes such privilege by written notice to the Association; and

(h) all Golf Courses owned by the Association, including the obligation to maintain the Golf Courses (and all Golf Course ponds and drainage facilities receiving run-off from the Golf Course) in accordance with all requirements of the Texas Commission on Environmental Quality and any permit or other regulatory requirements relating to the application of effluent irrigation on the Golf Course.

The Association may also maintain and improve other property which it does not own, including, without limitation, property dedicated to public use, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard and if otherwise permitted by applicable law.

Except as otherwise specifically provided herein, all costs for maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense allocated among all Lots as part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from the Persons responsible for such work pursuant to this Declaration, applicable law, other recorded covenants, or agreements with such Persons. All costs associated with maintenance, repair and replacement of Exclusive Common Area shall be a Neighborhood Expense

assessed as a Neighborhood Assessment against the Lots within the Neighborhood(s) to which the Exclusive Common Area is assigned.

8.4. Wildlife Management. The Association shall have the right and power, but not the obligation, to take any actions in accordance with appropriate law and adopt any rules as may be necessary for the control, relocation, management, and/or extermination of wildlife, including but not limited to deer, skunks, opossums, snakes, reptiles, rodents, fire ants, bees and pests within the Area of Common Responsibility. Owners shall not feed wildlife in the Properties except in accordance with Board regulation.

8.5. Tree Maintenance. The Association shall have the right, but not the obligation, to remove dead or diseased trees from the Area of Common Responsibility. The Association also may, but shall not be obligated to, remove any dead or diseased tree from any Lot, after giving notice to the Owner of such Lot, and charge the costs of such removal to the Owner as a Benefited Assessment. Under no circumstances shall the Association be required to remove dead trees or diseased trees from property it does not own.

The Board may establish standards or procedures for the prevention and control or extermination of diseases or insects affecting trees, vegetation or wildlife in the Properties from time to time. The Association shall have the right to sponsor educational programs regarding such matters and to take any steps necessary to manage, prevent or exterminate diseases or insects affecting trees, vegetation or wildlife in the Properties. The Association, at its option, shall have access to all Lots for the purpose of treating, exterminating or preventing against such diseases or insects, subject to the provisions contained in Section 6.2. The Association may make any reasonable expenditures it deems necessary for the prevention and control or extermination of such diseases and insects and may include any such expenditures in the Association budget as a Common Expense.

8.6. Trail Maintenance. The Association shall be obligated to maintain a system of trails throughout the Properties and directional and interpretative signage placed along the trails for the benefit of the Members. Members shall comply with all rules regarding Trails imposed by the Board from time to time.

8.7. Maintenance in Public Rights-of-Way. The Association shall locate and maintain all improvements described in Sections 8.3(c) and 8.3(d) that are located within or on public easements or public rights-of-way in accordance with applicable ordinances of the City and the terms of any easements or licenses entered into between the City and the Declarant or Association.

8.8. Insurance.

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

(i) Blanket property insurance covering “risks of direct physical loss” on a “special form” basis (or comparable coverage by whatever name denominated) for all insurable

improvements on the Common Area, if any, and on other portions of the Area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. The Association shall have the authority and interest to insure any property for which it has maintenance or repair responsibility, regardless of ownership. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverage or limits;

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

(iv) Directors and officers liability coverage;

(v) Fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's best business judgment but not less than an amount equal to one-sixth of the annual Base Assessments on all Lots plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board, in its best business judgment, determines advisable, which may include, without limitation, flood insurance, boiler and machinery insurance, and building ordinance coverage.

In addition, the Association may obtain and maintain property insurance on the insurable improvements within any Neighborhood in such amounts and with such coverage as the Board may approve following a request by the majority of Owners in such Neighborhood pursuant to Section 7.4(a), the cost of which shall be assessed against the Lots in the Neighborhood. Any such policies shall provide for a certificate of insurance to be furnished to the Association and to the Owner of each Lot insured.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the Base Assessment, except that (i) premiums for property insurance obtained on behalf of a Neighborhood shall be charged to the Owners of Lots within the benefited Neighborhood as a Neighborhood Assessment; and (ii) premiums for insurance on Exclusive Common Areas may be included in the Neighborhood Assessment of the Neighborhood(s) benefited unless the Board of Directors reasonably determines that other treatment of the premiums is more

appropriate. The Association shall have no insurance responsibility for any portion of the Private Amenities.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Frisco, Texas area.

All Association policies shall provide for a certificate of insurance to be furnished to each Member insured and to the Association.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 8.8. In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with Section 3.24 of the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Lots as a Benefited Assessment.

All insurance coverage obtained by the Board shall:

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

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

(iii) not be brought into contribution with insurance purchased by Owners, Occupants, or their Mortgagees individually;

(iv) contain an inflation guard endorsement; and

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

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

(i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

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

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

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

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

(vi) a cross liability provision; and

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

(c) Damage and Destruction. Immediately after damage or destruction to all or any part of the Properties covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Any damage to or destruction of the Common Area shall be repaired or reconstructed unless at least 75% of the total Class "A" votes and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct.

If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive landscaped condition consistent with the Community-Wide Standard.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the

Association and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Lot.

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

8.9. Compliance and Enforcement. Every Owner and Occupant of a Lot shall comply with the Governing Documents and the rules of the Association. The Board, or the Covenants Committee if established, may impose sanctions for violation of the Governing Documents or any rule or regulation, after notice and a hearing in accordance with the procedures set forth in Section 3.24 of the By-Laws. Such sanctions may include, without limitation some or all of the following, in the discretion of the Board:

(a) imposing reasonable monetary fines which shall constitute a lien upon the violator's Lot. (In the event that any Occupant, guest or invitee of a Lot violates the Declaration, the By-Laws or any rule or regulation and a fine is imposed, the fine shall first be assessed against the Occupant; provided, however, if the fine is not paid by the Occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);

(b) suspending an Owner's right to vote;

(c) suspending any Person's right to use any recreational facilities within the Common Area; provided, however, nothing herein shall authorize the Board to limit ingress or egress to or from a Lot;

(d) suspending any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association; and

(e) levying Benefited Assessments to cover costs incurred in bringing a Lot into compliance in accordance with Section 9.7(b).

In addition, the Board, or the covenants committee if established, may elect to enforce any provision of this Declaration, the By-Laws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations in accordance with any applicable ordinance(s) of any city or county or statutes of the State of Texas) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedures set forth in Article XIV or in Section 3.24 of the By-Laws.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity.

The Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board reasonably determines is, or is likely to be construed as, inconsistent with the applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough or funds are not available to justify taking enforcement action. Any such determination shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or stop the Association from enforcing any other covenant, restriction or rule.

8.10. Attorney's Fees. The Association may seek and collect reimbursement of reasonable attorney's fees and other reasonable costs incurred by the Association in the enforcement of this Declaration, the Governing Documents, any Supplemental Declaration or any rules promulgated by the Board or the exercise of any remedies available to the Association under this Declaration, the Governing Documents, any Supplemental Declaration or any rules promulgated by the Board to the maximum extent permitted by law.

(a) The Association may seek and collect reimbursement of reasonable attorney's fees and other reasonable costs relating to collecting amounts, including damages, due the Association for enforcing restrictions or the bylaws or the rules of the Association only if the Owner is provided written notice that attorney's fees and costs will be charged to the owner if the delinquency or violation continues after a certain date. This sub-paragraph is intended to implement TEX. PROP. CODE ANN. § 209.008(a) (Vernon 2003) as amended and shall be construed co-extensive with such statute, as amended from time to time. If such statute is later repealed or modified, this sub-paragraph shall be deemed automatically repealed or modified in the same manner. This sub-paragraph shall always be construed to permit the Association to collect attorneys fees and costs to the maximum extent permitted by such statute, as amended from time to time, or any other law. The notice provisions of this sub-paragraph do not apply to a counterclaim of the Association in a lawsuit brought against the Association by an Owner.

(b) An Owner shall not be liable for attorney's fees incurred by the Association relating to a matter described by the notice under Section 8.11 if the attorney's fees are incurred before the conclusion of the hearing under Section 8.12 or, if the Owner does not request a hearing under Section 8.12, before the date by which the Owner must request a hearing. This sub-paragraph is intended to implement TEX. PROP. CODE ANN. § 209.008(b) (Vernon 2003) as amended and shall be construed co-extensive with such statute, as amended from time to time. If such statute is later repealed or modified, this sub-paragraph shall be deemed automatically repealed or modified in the same manner. This sub-paragraph shall always be construed to permit the Association to collect attorneys fees and costs to the maximum extent permitted by such statute, as amended from time to time, or any other law.

(c) On written request from the Owner from whom the Association seeks attorneys fees or costs, the Association shall provide copies of invoices for attorney's fees and other costs the Association seeks to collect, but only to the extent relating to the matter for which the Association seeks reimbursement of fees and costs.

(d) Should the Association enforce a lien using nonjudicial foreclosure under Section 9.9, the Association may include in a nonjudicial foreclosure sale for an indebtedness covered by the Association's assessment lien an amount of attorney's fees not to exceed:

(1) one-third (1/3) of the amount of all actual costs and assessments, excluding attorneys' fees, plus interest and court costs; or

(2) \$2,500.00.

This sub-paragraph is intended to implement TEX. PROP. CODE ANN. § 209.008(f) (Vernon 2003) as amended and shall be construed co-extensive with such statute, as amended from time to time.

If such statute is later repealed or modified, this sub-paragraph shall be deemed automatically repealed or modified in the same manner. This sub-paragraph shall be construed to permit the Association to collect attorneys fees to the maximum extent permitted by such statute and TEX. PROP. CODE ANN. § 209.008(g) (Vernon 2003), both as amended from time to time, or any other law. If TEX. PROP. CODE ANN. § 209.008(f) (Vernon 2003) is amended to permit a higher or lower amount of attorneys fees, then this sub-paragraph shall be deemed automatically amended to permit such higher or lower amount. If TEX. PROP. CODE ANN. § 209.008(f) (Vernon 2003) is repealed, then the limitations set forth above in this sub-paragraph shall be deemed automatically deleted and the Association may include in a nonjudicial foreclosure sale for an indebtedness covered by the Association's assessment lien an amount of attorney's fees equal to the Association's reasonable actual attorneys fees to the extent permitted by law.

8.11. Notice Required Before Certain Enforcement Actions. Before the Association may suspend an Owner's right to use a Common Area, file suit against an Owner (other than a suit to collect a Base Assessment, a Special Assessment, a Neighborhood Assessment, a Benefited Assessment or a New Member Fee Assessment described in Article IX, or to foreclose under the Association's lien or to seek a temporary restraining order or injunctive relief), charge an Owner for property damage, or levy a fine for a violation of this Declaration, the Governing Documents, any Supplemental Declaration or rules of the Association, the Association or its agent must deliver written notice to the Owner by certified mail, return receipt requested. The notice must:

(a) describe the violation or property damage that is the basis for the suspension action, suit, charge, or fine and state any amount due the Association from the Owner; and

(b) inform the Owner that the Owner:

(1) is entitled to a reasonable period to cure the violation and avoid the fine or suspension unless the Owner was given notice and a reasonable opportunity to cure a similar violation within the preceding six (6) months; and

(2) may request a hearing pursuant to Section 8.12 on or before the thirtieth (30th) day after the date the Owner receives the notice.

8.12. Hearing Before Board. If an Owner is entitled to an opportunity to cure a violation prior to enforcement action being taken by the Association, the Owner has the right to submit a written request for a hearing to discuss and verify facts and resolve the matter in issue before a committee appointed by the Board of the Association or before the Board if the Board does not appoint a committee.

If a hearing is to be held before a committee, the notice prescribed by Section 8.11 must state that the Owner has the right to appeal the committee's decision to the Board by written notice to the Board.

The Association shall hold a hearing under this section not later than the thirtieth (30th) day after the date the Board receives the Owner's request for a hearing and shall notify the Owner of the date, time, and place of the hearing not later than the tenth (10th) day before the date of the hearing. The Board or the Owner may request a postponement, and, if requested, a postponement shall be granted for a period of not more than ten (10) days. Additional postponements may be granted by agreement between the Board and the Owner. The Owner or the Association may make an audio recording of the meeting. The Owner's presence is not required to hold a hearing so long as notice thereof was timely delivered to the Owner. The Association may promulgate reasonable rules and procedures governing the hearing and its participants, subject to applicable law. The Board may prohibit the participation of attorneys in the hearing so long as the rule is uniformly applied to both the Association and the Owner.

The notice and hearing requirements of Section 8.11 and this Section, and any corresponding notice provisions in the Bylaws, do not apply if the Association files a suit seeking a temporary restraining order or temporary injunctive relief, or the Association files a suit that includes foreclosure as a cause of action, or if no notice and hearing is required under TEX. PROP. CODE ANN. § 209, as amended from time to time. The notice and hearing requirements of Sections 8.11 and 8.12 are intended to implement the notice and hearing requirements of TEX. PROP. CODE ANN. § 209.006 and § 209.007, and shall be interpreted to be co-extensive with such statutes. If TEX. PROP. CODE ANN. § 209.006 or § 209.007 is amended after the recording of this Declaration, then Sections 8.11 and 8.12 of this Declaration shall be automatically amended to be consistent with such amended statutes. If a suit is filed relating to a matter which Sections 8.11 and 8.12 apply, a party to the suit may file a motion to compel mediation. The notice and hearing provisions of Sections 8.11 and 8.12 do not apply to a suspension of a person's right to use a Common Area if the temporary suspension is a result of a violation that occurred in a Common Area and involved a significant and immediate risk of harm to others. The temporary suspension is effective until the Board makes a final determination on the suspension action after following the procedures prescribed by this Section.

8.13. Notice Required After Foreclosure Sale. Should the Association conduct a foreclosure sale of an Owner's property, the Association shall send the Owner, not later than the thirtieth (30th) day after the date of the foreclosure sale, a written notice stating the date and time the sale occurred and informing the Owner of the Owner's right to redeem the property under TEX. PROP. CODE ANN. § 209.011 (Vernon 2003) as amended.

The notice shall be sent by certified mail, return receipt requested, to the Owner's last known mailing address, as reflected in the records of the Association.

Not later than the thirtieth (30th) day after the date the Association sends the notice required by this Section, the Association shall record an affidavit in the real property records of the county in which the property is located, stating the date on which the notice was sent and containing a legal description of the lot.

The requirements of this section also apply to the sale of an Owner's property by a sheriff or constable conducted as provided by a judgment obtained by the Association.

The failure of the Association to deliver such notice or record an affidavit shall not abridge or modify the foreclosure sale or establish liability for the Association, except as expressly required by applicable law.

8.14. Implied Rights; Board Authority. The Association may exercise any right or privilege given to it expressly by this Declaration or the By-Laws or which may be reasonably implied from, or reasonably necessary to effectuate, any such right or privilege. Except as otherwise specifically provided in the Governing Documents, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

8.15. Disclaimer of Liability. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to promote the health, safety and welfare of Owners and Occupants of any Lot. Notwithstanding anything contained in the Governing Documents or any other document governing or binding the Association, neither the Association, the Board, the management company of the Association, the Declarant nor any successor Declarant shall be liable or responsible for, or in any manner a guarantor or insurer of, the health, safety or welfare of any Owner or Occupant of any Lot or any tenant, guest or invitee of any Owner or Occupant or for any property of any such Persons. Each Owner and Occupant of a Lot and each tenant, guest and invitee of any Owner or Occupant shall assume all risks associated with the use and enjoyment of the Properties, including all recreational facilities, if any, and may be required to execute specific liability waivers from time to time as a condition of such use.

Neither the Association, the Board, the Association's management company, the Declarant, nor any successor Declarant shall be liable or responsible for any personal injury, illness or any other loss or damage caused by the presence or malfunction of utility lines, or utility sub-stations adjacent to, near, over, under or on the Properties. Each Owner and Occupant of a Lot and each tenant, guest, and invitee of any Owner, Declarant, or Occupant shall assume all risk of personal injury, illness, or other loss or damage arising from the presence or malfunction of utility lines, utility sub-stations, and electromagnetic fields and further acknowledges that the Association, the Board, the management company of the Association, the Declarant or any successor Declarant have made no representations or warranties, nor has any Owner or Occupant, or any tenant, guest, or invitee of any Owner, Declarant, or Occupant relied upon any representations or warranties, expressed or implied,

relative to the condition or impact of utility lines or utility sub-stations, or electromagnetic fields.

Neither the Association, the Board, the Association's management company, the Declarant, nor any successor Declarant shall be liable or responsible for any personal injury, illness or any other loss or damage caused by the presence or malfunction of sewer lines, or sewer lift stations adjacent to, near, in, under or on the Properties. Each Owner and Occupant of a Lot and each tenant, guest, and invitee of any Owner, Declarant, or Occupant shall assume all risk of personal injury, illness, or other loss or damage arising from the presence or malfunction of sewer lines, sewer lift stations, and associated odors and further acknowledges that the Association, the Board, the management company of the Association, the Declarant or any successor Declarant have made no representations or warranties, nor has any Owner or Occupant, or any tenant, guest, or invitee of any Owner, Declarant, or Occupant relied upon any representations or warranties, expressed or implied, relative to the condition or impact of sewer lines or sewer lift stations.

No provision of the Governing Documents shall be interpreted as creating a duty of the Association, the Board, the management company of the Association, the Declarant nor any successor Declarant to protect or further the health, safety or welfare of any Person(s), even if the funds of the Association are used for any such purpose.

Each Owner (by virtue of his or her acceptance of title to his or her Lot) and each other Person having an interest in or lien upon, or making any use of, any portion of the Properties (by virtue of accepting such interest or lien or making such use) shall be bound by this Section and shall be deemed to have waived any and all rights, claims, demands and causes of action against the Association, the Board, the Association's management company, the Declarant and any successor Declarant, their directors, officers, committee and board members, employees, agents, contractors, subcontractors, successors and assigns arising from or connected with any matter for which the liability has been disclaimed.

8.16. Security. It is the goal of all Owners, including Declarant, to have a safe and healthy environment. However, no written or oral representations regarding the safe and secure nature of the community shall be construed in whole or in part as guarantees thereof, it being recognized that circumstances that are beyond the control of the Declarant or the Association may arise. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. Neither the Association, its Board of Directors, the Association's management company, nor the Declarant, shall in any way be considered insurers or guarantors of security within the Properties. Neither the Association, its Board of Directors, the Association's management company, nor the Declarant shall be held liable for any loss or damage for failure to provide adequate security or ineffectiveness of security measures undertaken.

All Owners and Occupants of any Lot, and all tenants, guests, and invitees of any Owner or the Declarant, acknowledge that the Association, its Board of Directors, the Association's

management company, the Declarant, any successor Declarant, and the Architectural Review Committee and the Modifications Committee do not represent or warrant that any entrance, patrolling of the Properties, fences, neighborhood watch group, volunteer security patrol, or any security system designated by or installed according to guidelines established by the Declarant or the Architectural Review Committee or the Modifications Committee may not be compromised or circumvented; nor that any entrance, patrolling of the Properties, neighborhood watch group, volunteer security patrol, or any security systems will prevent loss by burglary, theft, hold-up, or otherwise; nor that any entrance, patrolling of the Properties, neighborhood watch group, volunteer security patrol, any fire protection system, burglar alarm system, or other security systems will in all cases provide the detection or protection for which the system is designed or intended.

All Owners and Occupants of any Lot and all tenants, guests, and invitees of any Owner or the Declarant assume all risks for loss or damage to Persons, to Lots, and to the contents of Lots and no Owner, Occupant, or any tenant, guest, or invitee of any Owner or the Declarant relied upon any representations or warranties, expressed or implied, relative to any entrance, patrolling of the Properties, neighborhood watch group, volunteer security patrol, or any security systems recommended or installed or any security measures undertaken within the Properties.

8.17. Provision of Services. The Association may provide services and facilities for the Members of the Association and their guests, lessees and invitees. The Association may enter into contracts or other similar agreements with other entities, including Declarant, to provide such services and facilities. In addition to the Assessments and other fees or charges enumerated in this Declaration, the Board shall be authorized to charge additional fees, including use and consumption fees, for such services and facilities. By way of example only, some services and facilities which may be provided include pest control service, cable television service, security, caretaker, fire protection, landscaping, home repairs, utilities, and similar services and facilities. The Board, shall be permitted to modify or cancel existing services or facilities provided, if any, or to provide additional services and facilities. Nothing contained herein is a representation as to what services and facilities will or will not be provided or what level of services will or will not be provided. The cost of implementing, providing, managing and maintaining such services and facilities, together with any reasonable reserves or associated overhead as reasonably determined by the Board, may be assessed against the benefited Lot and collected as a Benefited Assessment or, if applicable, as a Neighborhood Assessment, in accordance with Article IX. The Board may adopt rules, resolutions or Supplemental Declarations applicable to Lots and their Owners who receive such services or receive benefits from such facilities, including the establishment of fees and assessments related to the Services, procedures for delivery and timing of such services, the procedures for amending fees and assessments, and penalties for non-compliance with the rules, resolutions or Supplemental Declaration (including fines) or interfering with the delivery of the services. Notwithstanding such rules, resolutions or Supplemental Declaration, the Board always reserves the right to adjust (upwards or downwards) the fees or assessments relating to such services whenever the Board reasonably determines that such adjustment is necessary to cover the actual or projected costs incurred by the Association in providing such services and facilities and to ensure that the Owners receiving such services pay all costs associated with such services and facilities. Notices of

assessments or fees and rules regarding such services will be posted in a prominent place in the Common Area and posted on the Association's website and/or the Association's newsletter (which may be distributed electronically), if any. No Owner may interfere with, tamper with or modify any facilities owned or used by the Association in providing such services, even if located on the Owner's Lot.

8.18. Litigation. Except as provided below, the Association shall not commence any judicial or administrative proceeding without the approval of 67% of the total Association vote. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article IX; (c) proceedings involving challenges to ad valorem taxation; (d) counterclaims brought by the Association in proceedings instituted against it, or (e) actions approved by the Class "B" Member. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above. This Section shall apply in addition to the provisions of Article XIV, if applicable.

8.19. Association Records. The Association shall make the books and records of the Association, including financial records, reasonably available to an Owner in compliance with Section B, Article 2.23 of the Texas Non-Profit Corporation Act, as amended. An Owner may not request the Association's attorney's files and records relating to work performed for the Association except in connection with the Association's request for attorney invoices under Section 8.10.

Article IX

ASSOCIATION FINANCES

9.1. Budgeting and Allocating Common Expenses. Not less than 30 days before the beginning of each calendar year, the Board shall prepare a budget covering the Common Expenses estimated to be incurred during the coming year. The budget shall include a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 9.3, but shall not include expenses incurred during the Class "B" Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by a majority of the total Class "A" Members.

The Base Assessment shall be levied equally against all Lots subject to assessment and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including contributions to reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Lots subject to assessment under Article IX on the first day of the calendar year for which the budget is prepared and the number of Lots reasonably anticipated to become subject to assessment during the calendar year.

The Declarant may, but shall not be obligated to, reduce the Base Assessment for any calendar year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 9.5), which may be either a contribution, an advance against future assessments due from the Declarant,

or a loan, in the Declarant's discretion. Any such subsidy shall be disclosed as a line item in the Common Expense budget. The payment of such subsidy in any year shall not obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Declarant.

The budget shall become effective unless disapproved at a meeting by at least a majority of the total Association vote and by the Declarant as long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in Section 2.4 of the By-Laws, which petition must be presented to the Board within 30 days after notice of the assessments.

Notice of assessments shall be posted in a prominent place within the Properties and included in the Association's newsletter (which may be distributed electronically) and/or posted on the Association's website, if any. If the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then and until such time as a budget shall have been determined, the budget in effect for the immediately preceding year shall continue for the current year.

9.2. Budgeting and Allocating Neighborhood Expenses. At least 30 days before the beginning of each calendar year, the Board shall prepare a separate budget for each Neighborhood covering the estimated Neighborhood Expenses, if any, expected to be incurred on behalf of such Neighborhood during the coming year. The Board shall be entitled to set such budget only to the extent that (a) this Declaration, any Supplemental Declaration, or the By-Laws specifically authorizes the Board to assess certain costs as a Neighborhood Assessment, or (b) the Association expects to incur expenses to provide additional services for a Neighborhood. Any Neighborhood may request that additional services or an increased level of services be provided by the Association, and if such request is approved by the Board, any additional costs shall be added to such budget. Such budget shall include a reserve contribution establishing a fund for repair and replacement of items maintained as a Neighborhood Expense, if any, within the Neighborhood.

Neighborhood Expenses shall be levied as a Neighborhood Assessment against all Lots within the benefited Neighborhood and shall be allocated equally among those Lots. If specified in the Supplemental Declaration applicable to such Neighborhood or if directed by petition signed by a majority of the Owners within the Neighborhood, any portion of the assessment intended for exterior maintenance of Dwelling Units or other structures, insurance on Dwelling Units or other structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefited Lots in proportion to the benefit received. Such proportion shall be specified in the Supplemental Declaration applicable to such Neighborhood, or if not so specified, shall be approved by a majority of the Owners within the Neighborhood and Declarant, as long as Declarant owns any property within such Neighborhood.

Neighborhood budgets shall become effective unless disapproved by a majority vote of the Owners of Lots in the Neighborhood for which the Neighborhood budget applies. There shall be no obligation to call a meeting for the purpose of considering the Neighborhood budget except on

petition of Owners representing at least 10% of votes in such Neighborhood, which petition must be presented to the Board within 30 days after notice of the Neighborhood Assessments. Notice of Neighborhood Assessment shall be provided as set forth in Section 9.1. The right to disapprove shall apply only to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood. In the event the Owners within any Neighborhood disapprove any line item of a Neighborhood budget, the Association shall not be obligated to provide the services anticipated to be funded by such line item of the budget. If the Board fails for any reason to determine the Neighborhood budget for any year, then and until such time as such budget shall have been determined as provided herein, the Neighborhood budget in effect for the immediately preceding year shall continue for the current year.

9.3. Budgeting for Reserves; Special Reserve Contributions. The Board shall prepare, on an annual basis, reserve budgets which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost of each asset. Such reserve budgets may also anticipate making additional capital improvements and purchasing additional capital assets. The Board shall include in the Base Assessments reserve contributions in amounts sufficient to meet these projected needs, if any.

The Board may adopt resolutions regarding the expenditure of reserve funds, including policies designating the nature of assets for which reserve funds may be expended. Such policies may differ for general Association purposes. So long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1, neither the Association nor the Board shall adopt, modify, limit or expand such policies without the Declarant's prior written consent.

The Board may adopt resolutions requiring payment of a supplemental Base Assessment or Neighborhood Assessment allocated to the funding of capital reserves upon the sale or transfer of a Lot as follows or in any combination thereof:

- (a) payable by the purchaser of the Lot upon his or her purchase from the Declarant;
or
- (b) payable by the purchaser or seller of the Lot, as determined by the Board, upon sale of the Lot by a Home Owner.

The amount of any such capital reserve supplemental Base Assessment or Neighborhood Assessment plus the administrative transfer fee described in Article XIX may not exceed one half of one percent (0.5%) of the Gross Selling Price (as defined in Section 9.8) of the Lot.

9.4. Authority to Assess Owners; Obligation for Assessments. The Association may levy assessments against each Lot for Association expenses as the Board may specifically authorize from time to time. There shall be five types of assessments for Association expenses: (a) Base Assessments to fund Common Expenses for the general benefit of all Lots; (b) Neighborhood Assessments for Neighborhood Expenses benefiting only Lots within a particular Neighborhood or Neighborhoods; (c) Special Assessments as described in Section 9.6; (d) Benefited Assessments as described in Section 9.7 and (e) the New Member Fee described in Section 9.8. Each Owner, by

accepting a deed or entering into a recorded contract of sale for any portion of the Properties is deemed to covenant and agree to pay these assessments.

All assessments, together with interest from the due date of such assessment at a rate determined by the Association (not to exceed the highest rate allowed by Texas law), late charges, costs, including lien fees and administrative costs, fines, reasonable attorneys' fees, and any other amounts owed in accordance with the Governing Documents shall be a charge and continuing lien upon each Lot against which the assessment is levied until paid, as more particularly provided in Section 9.9 and shall be the personal obligation of the Person who was the Owner of such Lot at the time the assessment arose. Upon a transfer of title to a Lot, the grantee shall be jointly and severally liable with the grantor for any assessments and other charges due at the time of conveyance. No first Mortgagee who obtains title to a Lot by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title. The Board may apply amounts received from an Owner to any amounts owed by the Owner, regardless of instructions or notations on checks.

Assessments shall be paid in such manner and by such dates as the Board may establish. Unless the Board otherwise provides, the Base Assessment and any Neighborhood Assessment for each Lot shall be due and payable from Homeowners upon the Homeowner's acquisition of a Lot and on each anniversary of such date thereafter, and from Declarant (to the extent Declarant pays such Assessments on Lots) in advance of each calendar year. If any Owner is delinquent in paying any assessments or other charges levied on his or her Lot, the Board may assess a late charge and require unpaid installments of all outstanding assessments to be paid in full immediately.

The Association shall, upon request by an Owner, furnish to any Owner a certificate in writing signed by an officer of the Association setting forth whether assessments for such Owner's Lot have been paid and any delinquent amount. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

No Owner may exempt himself or herself from liability for assessments, by nonuse of Common Area, abandonment of his or her Lot or Dwelling Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it or for inconvenience or discomfort arising from repairs or improvements or other action taken by it.

9.5. Declarant's Option to Fund Budget Deficits. During the Class "B" Control Period, Declarant may annually elect either to pay assessments on all of its unsold Lots or to pay the shortage (or operating deficit) for such calendar year. Such "shortage" shall be deemed to exist if Income and Revenues, as defined in paragraph (a) below, are less than Expenditures incurred, as defined in paragraph (b) below.

(a) Income and Revenues are: the amount of all income and revenue of any kind actually received by the Association during the calendar year, including but not limited to, assessments

collected on all Lots (other than assessments received for and deposited in reserve accounts), use fees, advances made by Declarant, and income from all other sources.

(b) Expenditures are: the amount of all operating expenses actually paid by the Association during the calendar year, but excluding the following: all non-cash expenses such as depreciation or amortization, all expenditures and reserve contributions for making additional capital improvements or purchasing additional capital assets, and all expenditures made from reserve funds.

If the Declarant elects to pay the shortage, such payment shall be made within 30 days after receipt of the calendar year's audited and certified financial statements. Calculation of the shortage shall be performed on a cash (not accrual) basis as set forth above. Financial statements, prepared in accordance with generally accepted accounting principles, shall be audited by an independent Certified Public Accountant selected by the Board and approved by the Declarant so long as the Class "B" Membership exists.

Unless the Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each calendar year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding calendar year. The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with the Declarant or other entities for payment of Common Expenses. After termination of the Class "B" Control Period, the Declarant shall pay assessments on its unsold Lots in the same manner as any other Owner.

9.6. Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Such Special Assessment may be levied against the entire membership, if for Common Expenses, or against the Lots within any Neighborhood, if for Neighborhood Expenses, or against Lots receiving Association services, if for such services. Such Special Assessments shall become effective unless (a) disapproved at a meeting of the Owners representing at least two-thirds of the total votes allocated to Lots which will be subject to such Special Assessment, or (b) disapproved by the Declarant, as long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1.

There shall be no obligation to call a meeting for the purpose of considering Special Assessments except on petition of the Members or Owners as provided for special meetings in Section 2.4 of the By-Laws, which petition must be presented to the Board within 30 days after notice of the Special Assessment. Notice of Special Assessment shall be provided as set forth in Section 10.1. Special Assessments shall be payable in such manner and at such times as determined by the Board and may be payable in installments extending beyond the calendar year in which the Special Assessment is approved.

9.7. Benefited Assessments. The Board may levy Benefited Assessments against particular Lots for expenses incurred or to be incurred by the Association, as follows:

(a) to cover the costs, including overhead and administrative costs, of providing benefits, items, or services to the Lot or Occupants thereof pursuant to this Declaration or upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize, which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner; and

(b) to cover costs incurred in bringing the Lot into compliance with the terms of this Declaration, any applicable Supplemental Declaration, the By-Laws, the Design Guidelines, or rules of the Association, or costs incurred as a consequence of the conduct of the Owner or Occupants of the Lot, their licensees, invitees, or guests; provided, the Board shall give the Lot Owner prior written notice and an opportunity for a hearing before levying a Benefited Assessment under this subsection (b).

The Association may also levy a Benefited Assessment against the Lots within a Neighborhood to reimburse the Association for costs incurred in bringing the Neighborhood into compliance with the provisions of the Declaration, any applicable Supplemental Declaration, the Articles, the By-Laws, the Design Guidelines, and rules of the Association, provided the Board gives the Members from such Neighborhood prior written notice and an opportunity to be heard before levying any such assessment.

9.8. New Member Fee Assessment.

(a) Authority. As an additional funding source, in addition to the administrative or transfer fee collected to cover administrative costs of membership transfer, the Association shall collect an assessment known as a "New Member Fee" upon each sale, conveyance or transfer of a Lot, other than exempt transfers as set forth herein. The New Member Fee shall be charged to the seller, grantor or transferor of the Lot, as applicable, provided that (i) the seller and purchaser of a Lot are free to contract among themselves as to whether the purchaser shall reimburse the seller for the New Member Fee; and (ii) if the seller, grantor or transferor of the Lot fails to pay the New Member Fee, the purchaser or grantee shall be jointly and severally responsible for payment of the New member Fee and the obligation to pay the New Member Fee shall be secured by the Association's lien for assessments. Each Home Owner transferring a Lot shall notify the Association's secretary or designee at least seven days prior to the scheduled closing. Such notice shall include the name of the buyer, the date of title transfer, and other information the Association may reasonably require.

(b) Fee Limit. The fee shall equal 1/3 of one percent of the Gross Selling Price (as defined herein) of the Lot, with all improvements, and shall be due upon the closing of the sale or transfer of the Lot. The Gross Selling Price shall mean the total consideration paid by the purchaser of the Lot to the seller of the Lot, including financed amounts, but excluding transfer taxes and fees imposed by any governmental entity, if any.

(c) Purpose. New Member Fees shall be used for any purpose the Board deems beneficial to operation of the Association. By way of example and not limitation, New Member Fees may be used to assist the Association or one or more tax-exempt entities in funding the operation

and maintenance of recreational facilities, Common Areas, open space preservation as well as funding reserves and all other funding needs of the Association.

(d) Exempt Transfers. No New Member Fee shall be levied upon the following sales, transfers or conveyances of Lots:

- (i) by or to the Developer;
- (ii) by a builder or developer holding title solely for purposes of development and resale;
- (iii) by a co-owner to any Person who was a co-owner immediately prior to such transfer;
- (iv) to the Owner's estate, surviving spouse, or heirs at law upon the death of the Owner;
- (v) to an entity wholly owned by the grantor or to a family trust created by the grantor for the direct benefit of the grantor and his or her spouse and/or heirs at law; provided, upon any subsequent transfer of an ownership interest in such entity, the New Member Fee shall become due; or
- (vi) to an institutional lender as security for the performance of an obligation pursuant to a Mortgage.

The New Member Fee set forth herein is in addition to any administrative fee described in Article XIX covering the costs of establishing new membership documents upon lease or transfer and any capital reserve supplemental Base or Neighborhood Assessment that may be adopted by the Board pursuant to Section 9.3, and the limitation on these types of fees is not applicable to the New Member Fee.

9.9. Lien for Assessments. The Declarant does hereby establish, reserve, create and subject each Lot to a perfected contractual lien in favor of the Association to secure payment of delinquent assessments owed on account of such Lot, as well as interest (subject to the limitations of Texas law), late charges, fines, and any other amounts owed in accordance with the Governing Documents, and costs of collection (including attorney's fees (subject to Section 8.10), lien fees and administrative costs). Such lien shall be prior to and superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with the first priority over other Mortgages) made in good faith and for value. Declarant hereby assigns such lien to the Association without recourse. The lien shall be self operative and shall continue in inchoate form without being reserved or referenced in any deed or other document and without any other action required. The Association may enforce such lien, when any assessment or other charge is delinquent, by suit, judgment, and judicial and nonjudicial foreclosure subject to Section 9.10 and in accordance with Texas law.

Although no further action is required to create or perfect the lien, the Association may, as further evidence and notice of the lien, execute and record a document setting forth as to any Lot the amount of the delinquent sums due the Association at the time such document is executed and the fact that a lien exists to secure the repayment thereof. However, the failure of the Association to execute and record any such document shall not, to any extent, affect the validity, enforceability, or priority of the lien. The lien may be foreclosed through judicial or, to the extent allowed by law, nonjudicial foreclosure proceedings in accordance with TEX. PROP. CODE ANN. § 51.002 (Vernon Supp. 2004), as it may be amended, in like manner of any deed of trust on real property. Each Owner hereby grants to the Association, whether or not it is so expressed in the deed or other instrument conveying such Lot to the Owner, a power of sale to be exercised in accordance with TEX. PROP. CODE ANN. § 51.002 (Vernon Supp. 2004), as it may be amended.

At any foreclosure proceeding, any Person, including but not limited to Declarant, the Association, and any Owner may bid for the Lot at foreclosure sale and acquire and hold, lease, mortgage, and convey the Lot. While a Lot is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association. The Association may sue for unpaid Common Expenses and costs without foreclosing or waiving the lien securing the same.

The sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, a Mortgagee holding a first Mortgage of record or other purchaser of a Lot who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Lot due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Lots subject to assessment under Section 9.11 including such acquirer, its successors and assigns.

9.10. Foreclosure Sale Prohibited in Certain Circumstances. The Association may not foreclose on an Owner's assessment lien if the debt securing the lien consists solely of:

(a) fines assessed by the Association; or

(b) attorney's fees incurred by the Association solely associated with fines assessed by the Association.

This Section does not apply if (and to the extent) Texas law permits foreclosures in such circumstances.

9.11. Date of Commencement of Assessment Obligations. The obligation to pay assessments shall commence as to each Lot on the first day of the month following: (a) the date the Lot is made subject to this Declaration, or (b) the date the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Base and Neighborhood Assessments against each Lot may be adjusted according to the number of months remaining in the

calendar year at the time assessments commence on the Lot. The obligation to pay Benefited Assessments for services provided by the Association to the Lot shall commence on the first day such services are provided to the Lot.

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

9.13. Exempt Property. The following property shall be exempt from payment of Base Assessments, Neighborhood Assessments, Special Assessments and New Member Fees:

- (a) all Common Area; and
- (b) all property dedicated to and accepted by any governmental authority or public utility.

In addition, the Declarant and/or the Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

COMMUNITY DEVELOPMENT

Article X

EXPANSION OF THE COMMUNITY

10.1. Expansion by the Declarant.

(a) Until all property described in Exhibit "B" has been subjected to this Declaration or 50 years after recordation of this Declaration, whichever is earlier, Declarant may unilaterally subject to the provisions of this Declaration all or portions of the real property described in Exhibit "B".

(b) Declarant may transfer or assign this right to annex property, provided that the transferee or assignee is the developer of at least a portion of the real property described in Exhibits "A" or "B" and that such transfer is memorialized in a written, recorded instrument executed by Declarant. Nothing in this Declaration shall be construed to require the Declarant or any successor to annex or develop any of the property set forth in Exhibit "B" in any manner whatsoever.

(c) Such annexation shall be accomplished by filing a Supplemental Declaration in the County Clerk's Office describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Such Supplemental Declaration shall not require the consent of Members, but shall require the consent of the owner of such property, if other than Declarant. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein.

10.2. Expansion by the Association. The Association or the Declarant may subject any real property to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of at least 67% of the Class "A" Members at a meeting duly called for such purpose, and the consent of the Declarant so long as Declarant owns property subject to this Declaration or has the right to annex property pursuant to Section 10.1.

Such annexation shall be accomplished by filing a Supplemental Declaration in the County Clerk's Office describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the annexed property. Any such annexation shall be effective upon filing unless otherwise provided therein.

10.3. Additional Covenants and Easements. The Declarant may unilaterally subject any portion of the property submitted to this Declaration initially or by Supplemental Declaration to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through Neighborhood Assessments. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrent with or after the annexation of the subject property and shall require the written consent of the owner of such property, if other than the Declarant.

10.4. Amendment. This Article shall not be amended without the prior written consent of Declarant so long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1.

Article XI

SPECIAL RIGHTS RESERVED TO DECLARANT

11.1. Withdrawal of Property. The Declarant reserves the right to amend this Declaration so long as it has a right to annex additional property pursuant to this Article, without prior notice and without the consent of any Person, for the purpose of removing property then owned by the Declarant, its affiliates, or the Association from the coverage of this Declaration, to the extent originally included in error or as a result of any changes in the Declarant's plans for the Properties, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Properties.

11.2. Master Planned Community. Any Person that acquires any interest in the Properties acknowledges awareness that The Village at Frisco Lakes is a master planned community, the development of which is likely to extend over many years, and agrees not to protest or otherwise object to (a) zoning or changes in zoning, or to uses of or changes in density of the Properties (other than within such Owner's or other Person's Neighborhood) or (b) changes in any conceptual or Planned Development District for the Properties, including, but not limited to, the Planned Development District and any associated Concept Plan (other than within such Owner's or other Person's Neighborhood); provided, such revision is or would be lawful and is not inconsistent with what is permitted by the Declaration as it may be amended from time to time.

11.3. Construction of Improvements. The Declarant and its employees, agents and designees shall have a right and easement over and upon all of the Common Area for the purpose of making, constructing, installing, modifying, repairing, expanding, replacing, and removing such improvements on, to, or from the Common Area as it deems appropriate in its sole discretion as long as the Declarant owns any property described in Exhibits "A" or "B".

11.4. Models and Sales Offices; Other Property Owned by Declarant. So long as construction and initial sales of Lots shall continue and for one (1) year after the last Lot is sold by Declarant, or so long as the Declarant owns any Private Amenity, the Declarant and its designees may maintain and carry on upon the Common Area and any property owned by the Declarant such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the construction or sale of Lots or other properties owned by Declarant, including, but not limited to, business offices, signs, model units, market trails, sales offices, and storage of building materials and equipment. The Declarant and its designees shall have easements for access to and use of such facilities. Declarant has no obligation to convey, or otherwise transfer such facilities to the Association or otherwise convert such facilities for the benefit of the Association or Members at any time. Members may not enter into the sales office, model units, business offices or other property owned by Declarant (including Lots under construction) except with permission of Declarant. Any unauthorized entrance onto Declarant's property by a Member

shall be trespassing and may subject the Owner to criminal prosecution. Each Member who enters onto Declarant's property without authorization shall indemnify and hold harmless Declarant for all losses, costs, expenses, injuries, liabilities or obligations arising from or relating to such Member's unauthorized entrance onto Declarant's property. The Declarant's or any designee's unilateral right to use the Common Area for purposes stated in this paragraph shall not be exclusive and shall not unreasonably interfere with use of such Common Area by Owners unless leased pursuant to a lease agreement with the Association providing for payment of reasonable rent.

11.5. Vacation Getaways. The Declarant may, in its discretion, construct residential improvements for temporary occupancy within or adjacent to the Properties and designate such improvements as "Vacation Getaways." Vacation Getaways shall not be considered Dwelling Units or Lots; provided however, Vacation Getaways within the Properties shall be subject to assessments as provided in Article IX. Owners and Occupants of Vacation Getaways shall not become Members of the Association. The Declarant may transfer or lease Vacation Getaways and make Vacation Getaways available for use by guests selected in its sole discretion. The Declarant hereby reserves for itself, its guests, and any Occupants of any Vacation Getaway, a non-exclusive easement for use, access, and enjoyment in and to the Common Area, including but not limited to any recreational facilities within the Common Area.

The Declarant, in its discretion, may convert a Vacation Getaway located in the Properties to a Lot by filing a Supplemental Declaration in the County Clerk's Office identifying such property as a Lot or Lots. Any such conversion of a Vacation Getaway to a Lot shall be effective upon the filing of such Supplemental Declaration unless otherwise provided therein.

11.6. Equal Treatment. So long as the Declarant owns any property described on Exhibits "A" or "B" or any Private Amenity, the Association shall not, without the prior written approval of the Declarant, adopt any policy, rule or procedure that:

(a) Limits the access of the Declarant, its successors, assigns and/or affiliates or their personnel, invitees, or guests to the Common Area of the Association or to any property owned by any of them;

(b) Limits or prevents the Declarant, its successors, assigns and/or affiliates or their personnel from advertising, marketing or using the Association or its Common Area or any property owned by any of them in promotional materials;

(c) Limits or prevents purchasers of new Dwelling Unit constructed by the Declarant, its successors, assigns and/or affiliates in The Village at Frisco Lakes from becoming members of the Association or enjoying full use of its Common Area, subject to the membership provisions of this Declaration and the By-Laws;

(d) Discriminates against or singles out any group of Association members or prospective members or the Declarant [this provision shall expressly prohibit the establishment of a fee structure (i.e., assessments, Special Assessments, and other mandatory fees or charges other than Benefited Assessments, chartered club dues, and use fees) that discriminates against or singles out any group

of Association members or the Declarant, but shall not prohibit the establishment of Benefited Assessments];

(e) Impacts the ability of the Declarant, its successors, assigns and/or affiliates, to carry out to completion its development plans and related construction activities for The Village at Frisco Lakes, as such plans are expressed in the Concept Plan, as such may be amended and updated from time to time. Policies, rules or procedures affecting the provisions of existing easements established by the Declarant and limiting the establishment by the Declarant of easements necessary to complete The Village at Frisco Lakes shall be expressly included in this provision. Easements that may be established by the Declarant shall include but shall not be limited to easements for development, construction and landscaping activities and utilities; or

(f) Impacts the ability of the Declarant, its successors, assigns and/or affiliates to develop and conduct customer service programs and activities in a customary and reasonable manner.

The Association shall exercise its authority over the Area of Common Responsibility or Common Area (including, but not limited to, any entrance and other means of access to the Properties, the Exhibit "B" property, or any Private Amenity) in a manner that does not interfere with the rights of the Declarant set forth in this Declaration or unreasonably impede access to any portion of the Properties, the Exhibit "B" property, or any Private Amenity over the streets and other Common Area within the Properties.

11.7. Other Covenants Prohibited. No Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's prior review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by recorded consent signed by the Declarant.

11.8. Use of the Words "The Village at Frisco Lakes". No Person shall use the words "The Village at Frisco Lakes" or "Village at Frisco Lakes" or any derivative, or any other term which Declarant may select as the name of this development or any component thereof, in any printed or promotional material without the Declarant's prior written consent. However, Owners may use the words "The Village at Frisco Lakes" and "Village at Frisco Lakes" in printed or promotional matter solely to specify that particular property is located within the Properties, and the Association shall be entitled to use the words "The Village at Frisco Lakes" and "Village at Frisco Lakes" in its name. During the Class "B" Control Period, Declarant reserves the right to change the name of the master planned community, in its sole discretion. In the event the name of the master planned community is changed by Declarant and the Association amends its articles of incorporation to a new name consistent with such new name of the master planned community, then all references in this Declaration to the "The Village at Frisco Lakes Community Association, Inc" shall be deemed automatically amended to reflect such revised name.

11.9. Pulte and Del Webb Marks. Any use by the Association of names, marks or symbols of Pulte Homes of Texas L.P., or Pulte Homes, Inc. or any of their respective affiliates (collectively "Del Webb Marks") shall inure to the benefit of Pulte Homes of Texas L.P and Pulte Homes, Inc.,

respectively, and shall be subject to Pulte Homes of Texas L.P.'s and Pulte Homes, Inc.'s periodic review for quality control. The Association shall enter into license agreements with Pulte Homes of Texas L.P. and/or Pulte Homes, Inc., as applicable, terminable with or without cause and in a form specified by Pulte Homes of Texas L.P. or Pulte Homes, Inc. in its sole discretion, with respect to permissive use of certain Del Webb Marks. The Association shall not use any Del Webb Mark without Pulte Homes of Texas L.P.'s or Pulte Homes, Inc.'s, as applicable, prior written consent.

11.10. Right to Transfer or Assign Declarant Rights. Any or all of the special rights and obligations of the Declarant set forth in this Declaration or the By-Laws may be transferred to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained in this Declaration or the By-Laws. No such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the County Clerk's Office. Nothing in this Declaration shall be construed to require Declarant or any successor to develop any of the property set forth in Exhibit "B" in any manner whatsoever.

11.11. Sales By Declarant. Notwithstanding the restriction set forth in Article III, Declarant reserves the exclusive right to sell Lots to Persons between the ages of 50 and 55, inclusive for the purpose of such Persons occupying the Lot; provided, such sales may not result in The Village at Frisco Lakes failing to comply with applicable State and Federal laws permitting the Properties to be developed and operated as an age-restricted community. No other Person shall be permitted to sell Lots that will not be occupied by at least one person 55 years of age or older. The right to purchase a Lot from Declarant for the purpose of occupying the Lot by Persons aged 50 to 55 is personal to the purchaser of a Lot from Declarant. Such right may not be assigned by a Person purchasing a Lot from Declarant and such right shall not run with or bind the Lot. All Lots acquired from Declarant for occupancy by a Person aged 50 and 55 pursuant to this Section, which are later transferred by such Person, whether by sale or otherwise, are intended exclusively, upon the transfer or sale of the Lot by such Person, for occupancy by at least one Person 55 years of age or older.

11.12. Amendment. This Article shall not be amended without the prior written consent of the Declarant so long as the Declarant owns any property described in Exhibits "A" or "B" or any Private Amenity. The rights contained in this Article shall terminate upon the earlier of (a) 50 years after the conveyance of the first Lot to a Home Owner, or (b) upon recording by Declarant of a written statement that all sales activity has ceased. Thereafter, the Declarant and its designees may continue to use the Common Area for purposes stated in this Article only pursuant to a rental or lease agreement between the Declarant and/or such designee and the Association which provides for rental payments based on the fair market rental value of any such portion of the Common Area.

PROPERTY RIGHTS WITHIN THE COMMUNITY

Article XII EASEMENTS

12.1. Easements in Common Area. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) This Declaration, the By-Laws and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) The right of the Board to adopt rules, regulations or policies regulating the use and enjoyment of the Common Area, including rules restricting use of recreational facilities within the Common Area to Occupants of Dwelling Units and their guests, and rules limiting the number of Occupants and guests who may use the Common Area;
- (d) The right of the Board to suspend the right of an Owner to use recreational facilities within the Common Area pursuant to this Declaration, including Article IX;
- (e) The right of the Association to dedicate or transfer all or any part of the Common Area to governmental entities pursuant to Section 13.3;
- (f) The right of the Board to impose reasonable membership requirements and charge reasonable membership, admission, or other fees for the use of any recreational facility situated upon the Common Area;
- (g) The right of the Board to permit use of any Common Area recreational facilities by non-Owners, their families, lessees and guests upon payment of Board established use fees;
- (h) The right of the Board to create, enter agreements with, grant easements to and transfer portions of the Common Area to tax-exempt organizations under Section 18.1;
- (i) The right of the Association to mortgage, pledge, or hypothecate any or all of its real or personal property as security for Association obligations;
- (j) The rights of certain Owners to the exclusive use of those portions of the Common Area designated as Exclusive Common Area, as more particularly described in Section 13.2;
- (k) The right of the Association to rent or lease any portion of any clubhouse and other recreational facilities within the Common Area on a short-term basis to any Person approved by the Association for the exclusive use of such Person and such Person's family and guests;
- (l) The right of the Board to change the use of any portion of the Common Area with the consent of the Declarant so long as it owns any property described on Exhibits "A" or "B"; and
- (m) Additional covenants or restrictions that may be imposed by the Association as required to comply with any federal, state or local law or ordinance.

12.2. Easements of Encroachment. Declarant reserves unto itself, so long as it owns any portion of the Properties or has the right to annex property pursuant to Section 10.1, easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and

any adjacent Common Area and between adjacent Lots due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with this Declaration) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of the Declarant. Additionally, Declarant reserves easements of encroachment for Lot Owners if the encroaching item or structure was built in substantial conformity with plans approved by the appropriate Reviewing Body pursuant to Article V.

12.3. Easements for Utilities, Etc. Declarant reserves unto itself, so long as it owns any portion of the Properties or has the right to annex property pursuant to Section 10.1, and grants to the Association an easement for the purpose of access and maintenance upon, across, over, and under all of the Properties to the extent reasonably necessary to install, replace, repair, and maintain cable television systems, master television antenna systems, security and similar systems, roads, walkways, bicycle pathways, trails, lakes, ponds, wetlands, drainage systems, street lights, signage, and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, gas, and electricity. The Declarant and/or the Association may assign these rights to any local utility supplier, cable company, security company or other company providing a service or utility to The Village at Frisco Lakes subject to the limitations herein.

This easement shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing Dwelling Unit on a Lot, and any damage to a Lot resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or Occupant.

Declarant specifically grants to the local utility suppliers easements across the Properties for ingress, egress, installation, reading, replacing, repairing, and maintaining utility meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the Dwelling Unit on any Lot, nor shall any utilities be installed or relocated on the Properties, except as approved by the Board or Declarant.

12.4. Easements to Serve Additional Property. The Declarant hereby reserves for itself and its duly authorized agents, representatives, employees, successors, assigns, licensees, and Mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B" whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. Declarant agrees that it shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof is not made subject to this Declaration, the Declarant shall enter into a reasonable agreement with the Association to share the cost of maintenance of any access roadway serving such property.

12.5. Easements for Private Amenities.

(a) The owner of any Private Amenity, its respective agents, successors and assigns, shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Area reasonably necessary, with or without the use of maintenance vehicles and equipment, for the operation, maintenance, repair and replacement of such Private Amenity.

(b) The owner of any Private Amenity, its respective agents, successors and assigns, shall have a perpetual, non-exclusive easement to the extent reasonably necessary, over the Properties for the installation, maintenance, repair, replacement and monitoring of utility lines, wires, drainage pipelines and pipelines serving all or portions of such Private Amenity.

(c) The Association and the Members shall not restrict or seek to restrict the rights of the Members of the Private Amenities and guests and authorized users of the Private Amenities to park their vehicles on and otherwise use the roadways located within the Properties at reasonable times before, during, and after tournaments and other similar functions held by or at the Private Amenities.

(d) The owner of any Private Amenity, its respective agents, successors and assigns, shall at all times have a right and non-exclusive easement of access and use over such portion of the Properties designated by the Declarant as the common maintenance area. Such common maintenance area may be used by the owner of any Private Amenity and the Association for offices of maintenance personnel, for the storage of maintenance vehicles, parts, fuel and materials, and for vehicle maintenance.

12.6. Easements for Golf Courses.

(a) Every Lot and the Common Area are burdened with an easement permitting golf balls unintentionally to come upon such Common Area, Lots or common property of a Neighborhood and for golfers at reasonable times and in a reasonable manner to come upon the Common Area, common property of a Neighborhood, or the exterior portions of a Lot to retrieve errant golf balls; provided, however, if any Lot is fenced or walled, the golfer shall seek the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls or the exercise of this easement: the Declarant; the Association or its Members (in their capacity as such); the management company of the Association; the owner of any Golf Course; its successors, successors-in-title to any Golf Course, or assigns; any successor Declarant; any builder or contractor (in their capacities as such);

(b) The Properties immediately adjacent to any Golf Course are hereby burdened with a non-exclusive easement in favor of the owner of such course for overspray of water, materials used in connection with fertigation, and effluent from any irrigation system serving such course. The owner of any Golf Course may use treated effluent in the irrigation of any Golf Course. Under no circumstance shall the Association or the owner of any Golf Course be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

(c) The owner of any Golf Course, its respective agents, successors and assigns, shall have a perpetual, exclusive easement of access over the Properties for the purpose of retrieving golf balls from bodies of water within the Common Area lying reasonably within range of golf balls hit from such Golf Course.

(d) The owner of any Golf Course, its respective agents, successors and assigns, shall have a perpetual non-exclusive easement, to the extent reasonably necessary, over the Properties for the installation, operation, maintenance, repair, replacement, monitoring and controlling of irrigation systems and equipment, including, without limitation, wells, pumps and pipelines, serving all or portions of the Golf Course.

(e) The Properties are hereby burdened with easements in favor of any Golf Course for natural drainage of storm water runoff from such Golf Course.

(f) The Properties are hereby burdened with easements in favor of any Golf Course for golf cart paths serving such Golf Course. Under no circumstances shall the Association or the owner of any Golf Course, or their respective agents, successors, or assigns, be held liable for any damage or injury resulting from the exercise of this easement.

(g) The owner of any Golf Course, its respective agents, successors and assigns, as well as its members, guests, invitees, employees, and authorized users of the Golf Course shall at all times have a right and non-exclusive easement of access and use over the golf cart paths, if any, located within the Properties as reasonably necessary for the use and enjoyment of the Golf Course.

(h) There is hereby established for the benefit of the owner of any Golf Course, its respective agents, successors and assigns, as well as its members, guests, invitees, employees, and authorized users of the Golf Course, a right and nonexclusive easement of access and use over all roadways located within the Properties reasonably necessary to travel between the entrance to the Properties and the Golf Course. Without limiting the generality of the foregoing, members of the Golf Course and guests and authorized users of the Golf Course shall have the right to park their vehicles on the roadways located within the Properties at reasonable times before, during and after tournaments and other similar functions held by or at the Golf Course to the extent that the Golf Course has insufficient parking to accommodate such vehicles.

12.7. Easements for Cross-Drainage. Every Lot and the Common Area shall be burdened with easements for natural drainage of storm water runoff from other portions of the Properties; provided, no Person shall alter the natural drainage on any Lot to increase materially the drainage of storm water onto adjacent portions of the Properties without the consent of the Owner(s) of the affected property, the Board, and the Declarant as long as it owns any portion of the Properties, any Private Amenity, or may annex property pursuant to Section 10.1.

12.8. Right of Entry. The Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each Lot and Dwelling Unit, for emergency, security, and safety reasons. Such right may

be exercised by the authorized agents of the Association, its Board, officers or committees, and by all police officers, fire fighters, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in emergencies, entry into a Dwelling Unit shall be only during reasonable hours and after notice to and permission from the Owner thereof. This easement includes the right to enter any Lot or Dwelling Unit to cure any condition which increases the risk of fire or other hazard if an Owner fails or refuses to cure the condition within a reasonable time after request by the Board, but does not authorize entry into any Dwelling Unit without permission of the Owner, except by emergency personnel acting in their official capacities. Public providers of emergency services shall have access to Lots in an emergency as provided by state law and, if applicable, City of Frisco operating policies.

12.9. Easements for Maintenance and Enforcement. Authorized agents of the Association, including the Covenants Committee if established, shall have the right, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each Lot or Dwelling Unit to (a) perform its maintenance responsibilities under Article VI, and (b) make inspections to ensure compliance with this Declaration, any Supplemental Declaration, By-Laws, and rules. Except in emergencies, entry into a Dwelling Unit shall be only during reasonable hours and after notice to and permission from the Owner. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, and any damage caused by the Association shall be repaired by the Association at its expense. The Association also may enter a Lot to abate or remove, using such measures as may be reasonably necessary, any structure, thing or condition which violates the Declaration, any Supplemental Declaration, the By-Laws, the Design Guidelines, or the rules.

12.10. Rights to Stormwater Runoff, Effluent and Water Reclamation. Declarant hereby reserves for itself and its designees, including but not limited to the owner of any Private Amenity, all rights to ground water, surface water, storm water runoff, and effluent located or produced within the Properties, and each Owner agrees, by acceptance of a deed to a Lot, that Declarant shall retain all such rights until such time as the City of Frisco exercises its right to use stormwater runoff as specified in Section 17.1 below. Such right shall include an easement over the Properties for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff and effluent. This Section 12.10 may not be amended without the consent of the Declarant or its successor, and the rights created in this Section 12.10 shall survive termination of this Declaration.

The Properties are hereby burdened with a non-exclusive easement in favor of the Association for overspray of water from any irrigation system serving the Area of Common Responsibility. The Association may use treated effluent in the irrigation of any Area of Common Responsibility. Under no circumstances shall the Association be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

12.11. Easements for Lake and Pond Maintenance and Flood Water. Declarant reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon the lakes, ponds, rivers, streams, and wetlands located within the Area of Common Responsibility to (a) construct, maintain, and repair pumps in order to

provide water for the irrigation of any of the Area of Common Responsibility; (b) construct, maintain, and repair any bulkhead, wall, dam, or other structure retaining water; and (c) remove trash and other debris therefrom and fulfill their maintenance responsibilities as provided in this Declaration. Declarant, the Association, and their successors, assigns and designees shall have an access easement over and across any of the Properties abutting or containing any portion of any of the lakes, ponds, rivers, streams, or wetlands to the extent reasonably necessary to exercise their rights under this Section.

There is further reserved herein for the benefit of Declarant, the Association, and their successors, assigns and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Lots (but not the Dwelling Units thereon) adjacent to or within one hundred feet of lake beds, ponds, rivers, streams and wetlands within the Properties, in order to (a) temporarily flood and back water upon and maintain water over such portions of the Properties; (b) fill, drain, dredge, deepen, clean, fertilize, dye, and generally maintain the lakes, ponds, rivers, streams, and wetlands within the Area of Common Responsibility subject to the approval of all appropriate regulatory bodies; (c) maintain and landscape the slopes and banks pertaining to such lakes, ponds, rivers, streams, and wetlands; and (d) enter upon and across such portions of the Properties for the purpose of exercising their rights under this Section. All Persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from, the intentional exercise of the rights granted under such easements. Nothing herein shall be construed to make Declarant, the Association, or any other Person liable for damage resulting from flooding due to heavy rainfall, hurricanes, or other natural occurrences.

12.12. Easements for Tax Exempt Organizations. Tax exempt organizations designated or established by the Declarant or the Association to maintain or assist in the preservation of any portion of the Properties shall have easements over the Area of Common Responsibility to the extent necessary to carry out their responsibilities.

12.13. Easement for Provision of Services. Declarant hereby reserves unto itself, so long as it owns any portion of the Properties or has the right to annex property pursuant to Section 10.1, and grants to the Association, and the authorized agents and assigns of the Declarant and the Association, a perpetual, non-exclusive easement of entry on to, over, and across any Lot for the performance of such services (including, but not limited to, landscaping or other exterior maintenance services) as the Association is authorized to provide pursuant to this Declaration. The exercise of this easement shall not permit entry into any Dwelling Unit or any portion of the Lot which is enclosed by a privacy wall as permitted under the Design Guidelines and approved pursuant to Article V without the permission of the Owner.

12.14 Easement for Trail System. Declarant reserves unto itself, so long as it owns any portion of the Properties or has the right to annex property pursuant to Section 10.1, and grants to the Association an easement for the purpose of access and maintenance upon, across, over, and under all of the Properties to the extent reasonably necessary to install, replace, repair, and maintain a system of trails, with associated benches, markers, lighting, signs, landscaping and similar facilities.

(a) The Properties are hereby burdened with easements in favor of any trails constructed by the Declarant or the Association for natural drainage of storm water runoff from such trails.

(b) The Association, its respective agents, successors and assigns, as well as its members, guests, invitees, employees, and authorized users of the trail system shall at all times have a right and non-exclusive easement of access and use over the trails, if any, located within the Properties as reasonably necessary for the use and enjoyment of the trails. Under no circumstances shall the Association, or its agents, successors, or assigns, be held liable for any damage or injury resulting from the exercise of this easement. Declarant reserves unto itself, so long as it owns any portion of the Properties or has the right to annex property pursuant to Section 10.1, and grants to the Association, an easement for the purpose of constructing and relocating trails anywhere within the Properties as determined by the Declarant or Association, in its sole discretion, provided that trails shall not be permitted to cross over any Lot after it is sold to a Homeowner. Each Homeowner consents to having a trail, with associated benches, markers, lighting, signs, landscaping and similar facilities located adjacent to its Lot if, as and when a trail is constructed by Declarant or the Association.

Article XIII

SPECIAL PROPERTY RIGHTS

13.1 Activity Cards. Ownership of each Lot occupied by an Age-Qualified Occupant shall entitle the Owner thereof to receive up to two activity cards for use by the Qualified Occupant and other members of his or her household. The cards for each Lot shall be renewed by the Association on an annual basis without charge, provided that all applicable assessments and other charges have been paid and provided the Dwelling Unit on such Lot continues to be occupied by a Qualified Occupant. The Board may establish policies, limits, and charges with regard to the issuance of additional cards and guest privilege cards.

Subject to reasonable Board regulation and any transfer fees established by the Board, any Owner may assign the right to receive activity cards to the Qualified Occupant of his or her Dwelling Unit. An Owner who leases his or her Lot to a Qualified Occupant shall be deemed to have assigned such rights to the lessee of such Lot, unless the Board adopts a resolution permitting Owners to reserve such rights and such Owner provides the Board with written notice of such reservation. Any Owner may reassign the right to receive activity cards by providing the Association with written notice of such reassignment and surrendering previously issued cards.

The Board may issue activity cards to Persons who have signed binding contracts to purchase a Lot, subject to such policies as the Board may determine from time to time.

As long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1, the Association shall provide the Declarant with as many activity cards as the Declarant, in its sole discretion, deems necessary for the purpose of marketing the Properties or the property described on Exhibit "B". The Declarant may transfer the activity cards to prospective purchasers of Lots subject to such terms and conditions as it, in its sole discretion, may determine.

Activity cards held by the Declarant shall entitle the bearer to use all Common Area and recreational facilities and shall not be subject to any fee or payment by the bearer or the Declarant.

13.2. Exclusive Common Area. The Declarant reserves the right to designate certain portions of the Common Area as Exclusive Common Area as long as it owns any portion of the Properties or may annex property pursuant to Section 10.1. Exclusive Common Area shall be Common Area that is reserved for the exclusive use or primary benefit of Owners, Occupants, and invitees of specified Lots or Lots within a particular Neighborhood or Neighborhoods. Exclusive Common Area may include, without limitation, recreational facilities, landscaped rights of way and medians, and other portions of the Common Area. All costs associated with maintenance, repair, replacement, and insurance of Exclusive Common Area shall be assessed as a Neighborhood Assessment in addition to the Base Assessment against the Owners of Lots to which the Exclusive Common Area is assigned.

The Declarant may designate Exclusive Common Area or change such designation by filing a Supplemental Declaration with the County Clerk's Office indicating the Exclusive Common Area and the Lots or Neighborhoods to which it is assigned. The Association also may designate Common Area as Exclusive Common Area or change such designation by filing a Supplemental Declaration with the consent of the Declarant as long as it owns any portion of the Properties or has the right to annex property pursuant to Section 10.1. The Association may permit Owners of Lots to use all or a portion of Exclusive Common Area assigned to other Lots upon payment of reasonable use fees which shall offset the expenses attributable to such Exclusive Common Area.

13.3. Governmental Interests. So long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1, the Declarant may designate sites within the Properties for fire, police, utility facilities, drainage facilities, parks, and other public facilities in accordance with the Concept Plan and applicable laws. The sites may include Common Area and in such case, the Association shall dedicate and convey such sites as directed by the Declarant, and no membership approval shall be required.

13.4. View Impairment. Neither the Declarant nor the Association guarantees or represents that any view over and across any property, including any Lot, from adjacent Lots will be preserved without impairment. Neither the Declarant nor the Association shall have the obligation to prune or thin trees or other landscaping except as set forth in Article VIII. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

13.5. Party Walls and Party Fences.

Each wall and fence built as a part of the original construction on the Lots:

(a) any part of which is built upon or straddling the boundary line between two adjoining Lots or between a Lot and the Common Area, or between a Lot and any Golf Course; or

(b) which is constructed within four feet of the boundary line between adjoining Lots or between a Lot and the Common Area, or between a Lot and any Golf Course, has no windows or doors, and is intended to serve as a privacy wall for the benefit of the adjoining Lot; or

(c) which, in the reasonable determination of the Board, otherwise serves and/or separates two adjoining Lots or between a Lot and the Common Area, or between a Lot and any Golf Course, regardless of whether constructed wholly within the boundaries of one Lot; shall constitute a party wall or party fence (herein referred to as "party structures").

The owners of the property served by a party structure (the "Adjoining Owners") shall own that portion of the party structure lying within the boundaries of their respective properties and shall have an easement for use and enjoyment and, if needed, for support, in that portion, if any, of the party structure lying within the boundaries of the adjoining property. Each Adjoining Owner shall be responsible for maintaining a property insurance policy on that portion of any party structure lying within the boundaries of such Owner's Lot, and shall be entitled to all insurance proceeds paid under such policy on account of any insured loss.

The responsibility for the repair and maintenance of party structures and the reasonable cost thereof shall be shared equally by the Adjoining Owners; provided, however, any Owner that is solely responsible for damage to a party wall solely shall be responsible for its repair. To the extent damage to a party structure from fire, water, soil settlement, or other casualty is not repaired out of the proceeds of insurance, any Adjoining Owner may restore it. If other Adjoining Owners thereafter benefit from the party structure, they shall contribute to the restoration cost in equal shares without prejudice to any Owners' right to larger contributions from other users under any rule of law. Any Owner's right to contribution from another Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

With respect to party structures between Lots and Common Area, the Association shall be responsible for all maintenance and repair thereof, subject to the provisions of Section 9.7(b), except that each Adjoining Owner shall be responsible for painting and making cosmetic repairs to the portion of the party structure, other than any wrought iron comprising such party structure, facing his or her Lot. The Association shall be responsible for all maintenance and repair, including painting and cosmetic repairs, of all wrought iron comprising party structures between Lots and Common Area. The costs incurred by the Association in maintaining and repairing party structures pursuant to this Section shall be a Common Expense allocated among all Lots as part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from the Persons responsible for such work pursuant to this Declaration, other recorded covenants, or agreements with such Persons.

RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

Article XIV

DISPUTE RESOLUTION, LIMITATION ON LITIGATION AND ARBITRATION AGREEMENT

14.1. Agreement to Avoid Litigation. The Declarant, the Association, its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Properties, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees that those claims, grievances or disputes described in Sections 14.2 ("Claims") shall be resolved using the procedures set forth in Section 14.3 in lieu of filing suit in any court.

14.2. Claims. Unless specifically exempted below, all claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of the Governing Documents or the Association's Use Restrictions, or the rights, obligations and duties of any Bound Party under the Governing Documents or relating to the design or construction of improvements on the Properties shall be subject to the provisions of Section 14.3.

Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 14.3:

- (a) any suit or other collection action by the Association against any Bound Party to enforce the provisions of Article IX or XIX;
- (b) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) or injunction and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of this Declaration, including but not limited to Articles IV, V and VI and the Use Restrictions;
- (c) any suit by an Owner to challenge the actions of the Declarant, the Association, the ARC, the MC, any covenants committee, or any other committee with respect to approval, disapproval, application or enforcement of the provisions of Article V or Article IV;
- (d) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;
- (e) any suit in which any indispensable party is not a Bound Party;
- (f) any suit which otherwise would be barred by any applicable statute of limitations; and

(g) any action by the Association against a Bound Party which relates to an actual or potential threat to the health or safety of any Bound Party.

With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth in Section 14.3.

14.3. Mandatory Procedures.

(a) Notice. Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent") (collectively, the "Parties") shall notify each Respondent in writing (the "Notice"), stating plainly and concisely:

(i). the nature of the Claim, including the Persons involved and Respondent's role in the Claim;

(ii). the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);

(iii). Claimant's proposed remedy; and

(iv). that Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation and Mediation.

(i). The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing by any party, accompanied by a copy of the Notice, the Board may appoint a designee to assist the Parties in resolving the dispute by negotiation.

(ii). If the Parties do not resolve the Claim within 30 days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days to submit the Claim to mediation either to the Association if it has adopted a mediation procedure for The Village at Frisco Lakes, or to an independent agency providing dispute resolution services in the Denton County, Texas area.

(iii). If Claimant does not submit the Claim to mediation within 30 days after Termination of Negotiations, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

(iv). Any settlement of the Claim through mediation shall be documented in writing by the mediator. If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation process, or within such time as determined by the mediator, the mediator shall issue

a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth that the Parties are at an impasse and the date that mediation was terminated.

(v). Within five days of the Termination of Mediation, the Claimant shall make a final written settlement demand ("Settlement Demand") to the Respondent and the Respondent shall make a final written settlement offer ("Settlement Offer") to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant's original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a "zero" or "take nothing" Settlement Offer.

(c) Agreement for Final and Binding Arbitration.

(i). If the Parties do not agree in writing to a settlement of the Claim within 15 days of the Termination of Mediation, the Claimant shall have 15 additional days to submit the Claim to arbitration in accordance with the Rules of Arbitration contained in Exhibit "D" or such rules as may be required by the agency providing the arbitrator. If not timely submitted to arbitration or if the Claimant fails to appear for the arbitration proceeding, the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons other than Claimant.

(ii). This Article XIV, including this sub-paragraph (c), is an agreement to arbitrate and is specifically enforceable under the applicable arbitration laws of the United States and the State of Texas. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction.

14.4. Allocation of Costs of Resolving Claims.

(a) Subject to Section 14.4(b), each Party shall bear its own costs, including any attorneys fees incurred, and each Party shall share equally all charges rendered by the mediator(s) and all filing fees and costs of conducting the arbitration proceeding ("Post Mediation Costs").

(b) Any Award which is equal to or more favorable to Claimant than Claimant's Settlement Demand shall add Claimant's Post Mediation Costs to the Award, such costs to be borne by all Respondents jointly and severally. Any Award which is equal to or less favorable to Claimant than any Respondent's Settlement Offer shall award to such Respondent its Post Mediation Costs, such costs to be borne by all Claimants, jointly and severally.

14.5. Enforcement of Resolution. After resolution of any Claim, if any Party fails to abide by the terms of any agreement or Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement or Award without the need to comply again with the procedures set forth in Section 14.3. In such event, the Party taking action to enforce the agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-

complying Party, from all such Parties jointly and severally) all costs incurred in enforcing such agreement or Award, including, without limitation, attorney's fees and court costs.

Article XV
GOLF COURSES AND PRIVATE AMENITIES

15.1. Right to Use. Access to and use of the Private Amenities, if any, are strictly subject to the rules and procedures of the Private Amenities, and no Person automatically gains any right to enter or to use those facilities by virtue of membership in the Association, ownership of a Lot, or occupancy of a Dwelling Unit.

Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined by their respective owners. Such owners shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities and to terminate use rights altogether.

The ownership or operational duties of and as to the Private Amenities may change at any time and from time to time by virtue of, but without limitation, (a) the sale to or assumption of operations by an independent entity, (b) conversion of the membership structure to an "equity" club or similar arrangement whereby the members of a Private Amenity or an entity owned or controlled thereby become the owner(s) and/or operator(s) of the Private Amenity, or (c) the conveyance of a Private Amenity to one or more subsidiaries, affiliates, shareholders, employees, or independent contractors of the Declarant, or (d) the conveyance of a Private Amenity to the Association by the Declaration or any affiliate or designee of the Declarant. No consent of the Association, any Neighborhood Association, or any Owner shall be required to effectuate such a transfer or conversion.

At a time to be determined in the Declarant's sole discretion, but not later than the termination of the Class "B" Control Period, the Declarant or, upon the direction of the Declarant, an affiliate of the Declarant, may, but is in no way obligated to, convey to the Association all or part of the Golf Course and clubhouse to be located within the property described in Exhibits "A" and "B". Such property shall be accepted by the Association, subject to any restrictions set forth in the deed of conveyance, including but not limited to, restrictions governing the use of such property.

In the event of such conveyance, the Golf Course shall thereafter be deemed Common Area, and the Association shall have the responsibility for the maintenance, operation, and insurance of such Golf Course in accordance with this Declaration; provided, however, the Association shall not make any modification with regard to the maintenance, operation, or insurance of the Golf Course, without the prior written consent of the Declarant, so long as the Declarant owns any portion of the Properties or any Private Amenity or has the unilateral right to annex property.

Except as provided herein, no representations or warranties, either written or oral, have been or are made by the Declarant or any other Person with regard to the nature or size of improvements to, or the continuing ownership or operation of the Private Amenities. No purported representation or warranty, written or oral, in conflict with this Section shall be effective without an amendment

to this Declaration executed or joined into by the Declarant or the owner(s) of the Private Amenities which are the subject thereof.

15.2. Assumption of Risk and Indemnification. Each Owner, by its purchase of a Lot in the vicinity of any Golf Course, hereby expressly assumes the risk of noise, personal injury or property damage caused by maintenance and operation of any such Golf Course, including, without limitation: (a) noise from maintenance equipment (it being specifically understood that such maintenance typically takes place around sunrise or sunset), (b) noise caused by golfers, (c) use of pesticides, herbicides and fertilizers, (d) use of effluent in the irrigation or fertigation of the Golf Course, (e) reduction in privacy caused by constant golf traffic on the Golf Course or the removal or pruning of shrubbery or trees on the Golf Course, (f) errant golf balls and golf clubs, and (g) design of the Golf Course.

Each such Owner agrees that neither Declarant, the Association nor any of Declarant's affiliates or agents shall be liable to Owner or any other person claiming any loss of damage, including, without limitation, indirect, special or consequential loss or damage arising from personal injury, destruction of property, trespass, loss of enjoyment or any other alleged wrong or entitlement to remedy based upon, due to, arising from or otherwise related to the proximity of Owner's Lot to the Golf Course, including, without limitation, any claim arising in whole or in part from the negligence of Declarant, any of Declarant's affiliates or agents or the Association. The Owner hereby agrees to indemnify and hold harmless Declarant, Declarant's affiliates and agents and the Association against any and all claims by Owner's visitors, tenants and others upon such Owner's Lot.

15.3. View Impairment. Neither the Declarant, the Association nor the owner or operator of any Private Amenity or Golf Course guarantees or represents that any view over and across any Private Amenity or Golf Course from adjacent Lots will be preserved without impairment. No provision of this Declaration shall be deemed to create an obligation of the Association, the owner of any Private Amenity, nor the Declarant to relocate, prune, or thin trees or other landscaping except as provided in Article VI. The Association and the owner of any Private Amenity may, in their sole and absolute discretion, add trees and other landscaping to their Private Amenities and Golf Courses from time to time. In addition, the owner of any Golf Course may, in its sole and absolute discretion, change the location, configuration, size and elevation of the tees, bunkers, fairways and greens on such Golf Course from time to time. Any such additions or changes to Golf Courses or Private Amenities may diminish or obstruct any view from the Lots and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed. Any such addition or change to any Private Amenity may not adversely affect drainage flow across the Properties.

15.4. Architectural Control. Neither the Association, the Modifications Committee or Architectural Control Committee, board or committee thereof, shall approve or permit any construction, addition, alteration, change, or installation on or to any portion of the Properties which is adjacent to, or otherwise in the direct line of sight of, any Private Amenity without giving the Private Amenity at least 15 days' prior written notice of its intent to approve or permit the same

together with copies of the request and all other documents and information finally submitted in such regard. The Private Amenity shall then have 15 days to approve or disapprove the proposal in writing delivered to the appropriate committee or association, stating in detail the reasons for any disapproval. The failure of the Private Amenity to respond to the notice within the 15-day period shall constitute a waiver of the Private Amenity's right to object to the matter. This Section shall also apply to any work on the Common Area performed by a Person other than Declarant, if any.

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

15.6. Jurisdiction and Cooperation. It is Declarant's intention that the Association and the Private Amenities shall cooperate to the maximum extent possible in the operation of the Properties and the Private Amenities. Each shall reasonably assist the other in upholding the Community-Wide Standard as it pertains to maintenance and the Design Guidelines. The Association shall have no power to promulgate Use Restrictions other than those set forth in Exhibit "C" affecting activities on or use of the Private Amenities without the prior written consent of the owners of the Private Amenities affected thereby.

Article XVI

PROTECTION OF MORTGAGEES

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

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

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

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Declaration or By-Laws relating to such Lot or the Owner or Occupant which is not cured within 60 days. Notwithstanding this provision, any holder of a first Mortgage is entitled to written notice upon request from the Association of any default in the performance by an Owner of a Lot of any obligation under the Declaration or By-Laws which is not cured within 60 days; or

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association.

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

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

Article XVII

RELATIONSHIPS WITH GOVERNMENT

17.1. Water Requirements. The City of Frisco shall have the right to use all stormwater leaving the Properties entering the City's treatment system for stormwater and shall have easements over the Common Area to the extent necessary to collect such stormwater; provided however, the City rights to stormwater shall not extend to water within Golf Course ponds or similar detention ponds and the exercise of such easements shall not unreasonably interfere with the Association's activities or the Owners' use and enjoyment of the Common Area.

17.2. Golf Crossings and Golf Cart Operations. The Association shall maintain all golf crossings in the Area of Common Responsibility in accordance with reasonable safety requirements established by the City of Frisco. Golf crossings may be marked with flashing lights or signage to warn oncoming traffic. All golf cart operators shall operate their carts in accordance with State and local law. The Association may, but shall not be obligated to, impose sanctions under Section 8.9 or any other authority based on laws regulating the use of golf carts.

Article XVIII

RELATIONSHIPS WITH OTHER ENTITIES

18.1. Relationship with Tax-Exempt Organizations. The Association may create, enter into agreements or contracts with, grant exclusive and/or non-exclusive easements over the Common Area to, or transfer portions of the Common Area to non-profit, tax-exempt organizations, including but not limited to organizations that provide facilities or services designed to meet the physical or social needs of older persons, for the benefit of the Properties, the Association, its Members and residents. The Association and the Declarant may contribute money, real or personal property or services to any such entity. Any such appropriate contribution by the Association shall be a Common Expense of the Association and included as a line item in the Association's annual budget.

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

18.2. Reciprocal Amenities Use Agreements. Declarant may cause the Association to, and the Association may from time-to-time, enter into a reciprocal amenities use agreements, whereby persons associated with other master planned communities which are age-restricted pursuant to the Federal Fair Housing Act and developed by the Declarant or any affiliate of the Declarant, shall be entitled to use the Association's recreational facilities and other amenities, and whereby the Members and their guests, as described in such agreements, shall be entitled to use the recreational facilities and other amenities owned by the other parties to such agreements or the Declarant or the Declarant's affiliates to the extent specifically identified in the Amenities Agreement. Such reciprocal amenities use agreements shall be referred to as "Amenities Agreements". The provisions of any Amenities Agreement will be determined by Declarant or the Board, as the case may be, but the initial term of any Amenities Agreement shall not exceed three years, with successive automatic renewal provisions. Amenities Agreements shall be subject to termination upon the vote of at least 67% of the Class "A" Members or in the discretion of the Declarant, as long as it owns any property or has the unilateral right to annex property.

All Members and their guests, as described in the Amenities Agreements, shall be entitled to enjoy the benefits of any Amenities Agreements to which the Association is a party, including, without limitation, the privilege of using recreational facilities and other amenities owned by parties to such Amenities Agreements or the Declarant or the Declarant's affiliates to the extent provided in the Amenities Agreement. In consideration for such rights, if any, each Member shall be responsible for user fees for the use of facilities by such Member and such Member's guests, in accordance with any applicable Amenities Agreement. Members' and Members' guests' rights to use any or all recreational facilities and other amenities shall be subject to any priorities for use established under the Amenities Agreements and any rules and regulations established by the parties to such Amenities Agreements.

The Association may enter into more than one Amenities Agreement and may amend Amenities Agreements for any purpose, including but not limited to, adding additional parties in accordance with the terms of such Amenities Agreements.

18.3. Conflicts. In the event of any conflict between this Declaration or any Supplemental Declaration and the Planned Development District, the Planned Development District shall control in all respects. This Declaration is not intended to supersede applicable city ordinances and all Owners and Members are required to comply with city and local codes and ordinances. In the event of any conflict between the standards set forth in this Declaration or any Supplemental Declaration, and the standards contained in city ordinances, the more stringent standard shall be applied.

CHANGES IN THE COMMUNITY

Article XIX

CHANGES IN OWNERSHIP OF LOTS

Any Owner, other than the Declarant, desiring to sell or otherwise transfer title to his or her Lot shall give the Board at least seven days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Lot, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title. The Association may require the payment of a reasonable administration or registration fee by the transferee.

Upon sale or transfer of title to a Lot, the transferor, other than the Declarant, shall pay an administrative transfer fee in such amount as may be determined by the Board from time to time, and a capital reserve supplemental Base Assessment transfer fee in such amount as may be determined by the Board from time to time, provided the cumulative amount of the administrative transfer fee plus any capital reserve supplemental Base Assessment or Neighborhood Assessment due upon sale or transfer shall not exceed one half of one percent (0.5%) of the sales price of the Lot. Such transfer fees shall be paid to the Association or such charitable entity serving the Properties as the Association shall determine. In the event that the transferor fails to pay such transfer fees, the transferee shall be jointly and severally liable, and such transfer fees may be charged to the transferee as a Benefited Assessment.

Article XX

CHANGES IN COMMON AREA

20.1. Condemnation. Whenever any part of the Common Area shall be taken or conveyed under threat of condemnation by any authority having the power of eminent domain, each Owner shall be entitled to notice thereof. The Board may convey Common Area under threat of condemnation only if approved in writing by at least 67% of the Class "A" Members in the Association and Declarant, as long as Declarant owns any portion of the Properties or has the unilateral right to annex property.

The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent practicable, unless within 60 days after such taking the Declarant, so long as the Declarant owns any portion of the Properties or has the unilateral right to annex property, and at least 67% of the total Class "A" Members in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board.

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

20.2 No Partition. Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of the whole or any part thereof without the written consent of all Owners and Mortgagees.

20.3. Dedication of Common Area. The Association may dedicate or grant easements over portions of the Common Area to any local, state, or federal governmental entity.

Article XXI

AMENDMENT OF DECLARATION

21.1. Amendment by Declarant. Until termination of the Class "B" membership, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, the Declarant may unilaterally amend this Declaration if such amendment is (i) necessary to bring any provision into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to make or purchase Mortgage loans on the Lots; (iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure Mortgage loans on the Lots; or (v) otherwise necessary to satisfy the requirements of any governmental agency for approval of this Declaration. However, any such amendment shall not adversely affect the title to any Lot unless the affected Owner shall consent thereto in writing. In addition, so long as Declarant owns any portion of the Properties or has the unilateral right to annex property, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

21.2. Amendment by Owners. Except as otherwise specifically provided in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of 67% of the Class "A" votes, and the consent of the Declarant, so long as the Declarant owns any Private Amenity or any portion of the Properties or has the unilateral right to annex property.

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

21.3. Validity and Effective Date of Amendments. Amendments to this Declaration shall become effective upon recordation in the County Clerk's Office unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of

its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration. Notice of an amendment shall be posted in a prominent place in the Common Area and on the Association's website, if any, for thirty (30) days following recordation of the amendment in the County Clerk's office and included (or a summary included with a designation of where the entire amendment is available) in the Association's next available newsletter (which may be distributed electronically), if any, provided that delay or failure to provide such notice shall not affect the validity of the amendment.

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

No amendment may remove, revoke, or modify any right or privilege of the Declarant without the written consent of the Declarant or the assignee of such right or privilege as long as the Declarant owns any Private Amenity or any portion of the Properties or has the unilateral right to annex property.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration as of this day of March 1st, 2006.

PULTE HOMES OF TEXAS, L.P.,
a Texas limited partnership

By: PNI, Inc.

Its: General Partner

By: [Signature]
Name: Richard Dix
Title: President, DFW Pulte Homes

Attest: [Signature]
Name: ELDA L. MCGRATH
Title: ADMIN. ASSIT.

STATE OF TEXAS

COUNTY OF Dallas

§
§
§

ACKNOWLEDGMENT

This instrument was acknowledged before me on this 1st day of March, 2006, by Richard Dix, a person known to me in his or her capacity as President of PNI, Inc., as general partner of Pulte Homes of Texas, L.P., on behalf of said limited partnership.

[Signature] Julie W. Clayton
Notary Public, in and for the State of Texas

Upon Recording Return to:

Pulte Homes of Texas
1234 Lakeshore Drive, Suite 750A
Coppell, TX 75019-4927

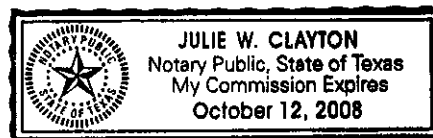


EXHIBIT "A"
Land Initially Submitted

**THIS STAMP IS FOR SCANNING
PURPOSES ONLY.**

DECLARATION OF CC&R'S OF VILLAGE OF FRISCO LAKES; EXECUTION VERSION

EXHIBIT A: FOR Z# _____, - TRACT 1

BEING A TRACT OF LAND LYING AND BEING SITUATED IN THE D. BLANTON SURVEY, ABSTRACT NUMBER 1456, A. SPARKS SURVEY, ABSTRACT NUMBER 1491, M.E.P. & P. R.R. SURVEY, ABSTRACT NUMBER 919, DAVID E. LAWHORN SURVEY, ABSTRACT NUMBER 727, B.B.B. & C. R.R. COMPANY SURVEY, ABSTRACT NUMBER 171 & 179, AND THE A. SMITH SURVEY, ABSTRACT NUMBER 1194, AND BEING A PORTION OF THOSE TRACTS OF LAND CONVEYED TO PULTIE HOMES OF TEXAS, L.P., ACCORDING TO THE DEED FILED OF RECORD IN DENTON COUNTY CLERK FILE NUMBER 2004-118342, DEED RECORDS OF DENTON COUNTY, TEXAS, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING	AT A POINT FOR THE BEGINNING OF A NON-TANGENT CURVE TO THE LEFT AT THE "T" INTERSECTION OF HACKBERRY AND ROSE ROADS;
THENCE	ALONG SAID CURVE TO THE LEFT, HAVING A DELTA ANGLE OF 45°07'44", A RADIUS OF 1500.00 FEET, AN ARC LENGTH OF 1181.47 FEET, A CHORD BEARING OF NORTH 67°08'38" EAST, AND A CHORD LENGTH OF 1151.17 FEET TO A POINT FOR A CORNER;
THENCE,	NORTH 44°34'46" EAST, A DISTANCE OF 843.57 FEET TO A POINT FOR CORNER AT THE BEGINNING OF A CURVE TO THE RIGHT;
THENCE	ALONG SAID CURVE TO THE RIGHT HAVING A DELTA ANGLE OF 61°38'51", A RADIUS OF 3000.00 FEET, AN ARC LENGTH OF 3227.86 FEET, A CHORD BEARING OF NORTH 75°24'12" EAST, AND A CHORD LENGTH OF 3074.40 FEET TO A POINT FOR A CORNER;
THENCE,	SOUTH 73°46'22" EAST, A DISTANCE OF 1070.19 FEET TO A POINT FOR CORNER AT THE BEGINNING OF A CURVE TO THE LEFT;
THENCE	ALONG SAID CURVE TO THE LEFT HAVING A DELTA ANGLE OF 16°36'29", A RADIUS OF 3000.00 FEET, AN ARC LENGTH OF 869.59 FEET, A CHORD BEARING OF SOUTH 82°04'37" EAST, AND A CHORD LENGTH OF 866.55 FEET TO A POINT FOR A CORNER;

THENCE, NORTH 89°37'09" EAST, A DISTANCE OF 501.66 FEET TO A POINT FOR CORNER IN THE CURVING WEST LINE OF F.M HIGHWAY 423;

THENCE ALONG THE WEST LINE OF SAID F.M. HIGHWAY AND SAID CURVE TO THE LEFT HAVING A DELTA ANGLE OF 4°03'21", A RADIUS OF 5774.57 FEET, AN ARC LENGTH OF 408.76 FEET, A CHORD BEARING OF SOUTH 03°34'32" EAST, AND A CHORD LENGTH OF 408.67 FEET TO A POINT FOR A CORNER;

THENCE, SOUTH 05°36'12" EAST, A DISTANCE OF 1148.90 FEET TO A POINT FOR CORNER A THE BEGINNING OF A CURVE TO THE RIGHT;

THENCE ALONG SAID CURVE TO THE RIGHT HAVING A DELTA ANGLE OF 2°48'07", A RADIUS OF 5684.58 FEET, AN ARC LENGTH OF 278.00 FEET, A CHORD BEARING OF SOUTH 04°12'09" EAST, AND A CHORD LENGTH OF 277.97 FEET TO A POINT FOR A CORNER;

THENCE, SOUTH 42°03'26" WEST, A DISTANCE OF 119.00 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 00°59'27" EAST, A DISTANCE OF 62.00 FEET TO A POINT FOR CORNER;

THENCE, NORTH 89°34'48" EAST, A DISTANCE OF 83.99 FEET TO A POINT FOR CORNER AT THE BEGINNING OF A CURVE TO THE RIGHT;

THENCE ALONG SAID CURVE TO THE RIGHT HAVING A DELTA ANGLE OF 2°36'16", A RADIUS OF 5684.61 FEET, AN ARC LENGTH OF 258.41 FEET, A CHORD BEARING OF SOUTH 00°00'39" WEST, AND A CHORD LENGTH OF 258.38 FEET TO A POINT FOR A CORNER,

THENCE, SOUTH 01°18'48" WEST, A DISTANCE OF 737.20 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 07°01'26" WEST, A DISTANCE OF 100.50 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 01°18'48" WEST, A DISTANCE OF 100.00 FEET TO A POINT FOR CORNER;

THENCE,	SOUTH 04°23'51" EAST, A DISTANCE OF 100.50 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 01°18'48" WEST, A DISTANCE OF 908.80 FEET TO A POINT FOR CORNER;
THENCE,	WEST, LEAVING THE WEST LINE OF SAID F.M. HIGHWAY, A DISTANCE OF 976.74 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 39°58'45" WEST, A DISTANCE OF 126.03 FEET TO A POINT FOR CORNER;
THENCE,	NORTH 79°52'24" WEST, A DISTANCE OF 100.33 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 36°26'32" WEST, A DISTANCE OF 245.67 FEET TO A POINT FOR CORNER;
THENCE,	NORTH 28°54'57" WEST, A DISTANCE OF 204.99 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 16°56'39" WEST, A DISTANCE OF 135.65 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 08°44'03" EAST, A DISTANCE OF 151.41 FEET TO A POINT FOR CORNER;
THENCE,	NORTH 85°57'48" WEST, A DISTANCE OF 367.25 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 41°31'39" WEST, A DISTANCE OF 113.53 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 73°01'04" WEST, A DISTANCE OF 497.61 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 43°15'58" WEST, A DISTANCE OF 252.15 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 86°41'56" WEST, A DISTANCE OF 224.54 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 25°29'00" WEST, A DISTANCE OF 196.54 FEET TO A POINT FOR CORNER;

THENCE,	SOUTH 36°27'50" WEST, A DISTANCE OF 212.21 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 04°38'07" WEST, A DISTANCE OF 102.70 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 65°26'31" WEST, A DISTANCE OF 184.58 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 53°52'11" WEST, A DISTANCE OF 205.67 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 67°28'29" WEST, A DISTANCE OF 314.41 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 77°20'45" WEST, A DISTANCE OF 211.45 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 82°20'51" WEST, A DISTANCE OF 423.37 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 68°33'53" WEST, A DISTANCE OF 112.29 FEET TO A POINT FOR CORNER;
THENCE,	NORTH 01°38'47" WEST, A DISTANCE OF 24.43 FEET TO A POINT FOR CORNER;
THENCE,	NORTH 79°31'27" WEST, A DISTANCE OF 1169.59 FEET TO A POINT FOR CORNER;
THENCE,	NORTH 46°44'44" EAST, A DISTANCE OF 1170.60 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 84°36'17" WEST, A DISTANCE OF 1099.63 FEET TO A POINT FOR CORNER;
THENCE,	SOUTH 58°37'10" WEST, A DISTANCE OF 361.11 FEET TO A POINT FOR CORNER;
THENCE,	NORTH 08°32'24" WEST, A DISTANCE OF 2051.07 FEET TO A POINT FOR CORNER;
THENCE,	NORTH 01°52'51" WEST, A DISTANCE OF 199.24 FEET TO A POINT FOR CORNER;

THENCE, NORTH 00°58'32" WEST, A DISTANCE OF 936.34 FEET TO A POINT FOR CORNER;

THENCE, NORTH 89°53'13" WEST, A DISTANCE OF 501.00 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 02°49'00" EAST, A DISTANCE OF 939.00 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 03°26'06" EAST, A DISTANCE OF 233.00 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 10°23'05" EAST, A DISTANCE OF 1398.27 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 16°55'46" WEST, A DISTANCE OF 130.07 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 67°32'45" WEST, A DISTANCE OF 1301.42 FEET TO A POINT FOR CORNER;

THENCE, NORTH 26°35'44" WEST, A DISTANCE OF 800.64 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 28°16'16" WEST, A DISTANCE OF 1000.68 FEET TO A POINT FOR CORNER;

THENCE, NORTH 71°25'42" WEST, A DISTANCE OF 299.96 FEET TO A POINT FOR CORNER;

THENCE, SOUTH 25°38'10" WEST, A DISTANCE OF 470.96 FEET TO A POINT FOR CORNER IN THE EAST LINE OF SARATOGA ADDITION, AN ADDITION TO DENTON COUNTY, TEXAS, RECORDED IN CABINET C, PAGE 36, PLAT RECORDS OF DENTON COUNTY, TEXAS;

THENCE, NORTH 00°41'09" WEST, ALONG THE EAST LINE OF SAID ADDITION, A DISTANCE OF 1571.87 FEET TO A POINT FOR CORNER AT THE NORTHEAST CORNER OF THE REPLAT OF SARATOGA ADDITION, SECTION TWO, AN ADDITION TO DENTON COUNTY, TEXAS, AS RECORDED IN CABINET M, PAGE 335, PLAT RECORDS OF DENTON COUNTY, TEXAS;

THENCE, SOUTH 89°30'54" WEST, ALONG THE NORTH LINE OF SAID ADDITION, A DISTANCE OF 619.20 FEET TO A POINT FOR CORNER IN THE EAST LINE OF LARIAT;

THENCE, NORTH 01°15'26" WEST, ALONG A PORTION OF LARIAT TO THE INTERSECTION OF HACKBERRY ROAD, AND CONTINUEING GENERALLY ALONG THE CENTER OF HACKBERRY ROAD, A DISTANCE OF 2634.65 FEET TO A POINT FOR THE INTERSECTION OF THE CENTER OF SAID ROAD, AND FOR A CORNER OF THIS TRACT;

THENCE, NORTH 89°42'30" EAST, GENERALLY ALONG THE CENTER OF SAID ROAD, A DISTANCE OF 2646.30 FEET TO THE **POINT OF BEGINNING**, AND CONTAINING 973.64 ACRES OF LAND, MORE OR LESS.

THIS DOCUMENT WAS PREPARED UNDER 22 TAC 663.21, DOES NOT REFLECT THE RESULTS OF AN ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN REAL PROPERTY EXCEPT THOSE RIGHTS AND INTEREST IMPLIED OR ESTABLISHED BY THE CREATION OR RECONFIGURATION OF THE POLITICAL SUBDIVISION FOR WHICH IT WAS PREPARED.

EXHIBIT "B"

Land Subject to Annexation

ALL THOSE TRACTS OR PARCELS OF LAND located within 2 miles of the property described on Exhibit "A".

**THIS STAMP IS FOR SCANNING
PURPOSES ONLY.**

EXHIBIT "C"

Initial Use Restrictions

1. General. The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association or business offices for the Declarant or the Association consistent with this Declaration and any Supplemental Declaration), subject to applicable laws. Any Supplemental Declaration or additional covenants imposed on the property within any Neighborhood may impose stricter standards than those contained in this Declaration and the Association shall have standing and the power to enforce such standards.

2. Prohibited Activities. The following activities are prohibited within the Properties unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board:

(a) Posting of signs of any kind except those required by law, including posters, circulars and billboards; provided, one professionally lettered "for rent" or "for sale" sign may be displayed on a Lot being offered for lease or for sale if in accordance with any restrictions in size, coloring, lettering and placement of signs as may be adopted by the Board, the Architectural Review Committee and the Modifications Committee and if approved by the Architectural Review Committee or Modifications Committee;

(b) Subdivision of a Lot into two or more Lots after a subdivision plat including such Lot has been approved and filed with the appropriate governmental authority, or changing the boundary lines of any Lot, except that the Declarant shall be permitted to subdivide or change the boundary lines of Lots which it owns and that an Owner of two adjacent Lots may combine them with the permission of the Declarant, provided that such Owner shall be entitled to all rights and subject to all obligations of membership in the Association for each originally platted Lot;

(c) Active use of lakes, ponds, rivers, streams, wetlands, or other bodies of water within the Properties or within any Golf Course, except that the owners of any Golf Courses and their agents, successors and assigns, shall have the exclusive right and easement to retrieve golf balls from bodies of water within the Common Area and except that the Board may allow use of non-motorized boats subject to any rules and regulations it may establish. Any use of and access to Lake Lewisville or its shoreline must be in accordance with rules and regulations of the United States Corps of Engineers or applicable governmental authorities. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, rivers, streams, wetlands or other bodies of water within or adjacent to the Properties;

(d) Operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Dwelling Unit rotates among participants in the program on a fixed or floating time schedule over a period of years;

(e) Occupancy of a Dwelling Unit by more than two persons per bedroom in the Dwelling Unit. For the purposes of this provision, "occupancy" shall be defined as staying overnight in the Dwelling Unit more than 30 days in any six-month period;

(f) Capturing, trapping or killing wildlife within the Properties, except in circumstances posing an imminent threat to the safety of persons or pets on the Properties or when authorized and supervised by the Board in accordance with a game management program and with the consent of the Declarant as long as it owns any portion of the Properties or any Private Amenity, or may annex property pursuant to Section 9.1;

(g) Raising, breeding or keeping of animals of any kind, including livestock and poultry, except that for each Dwelling Unit there shall be permitted up to a total of three dogs or cats (or combination thereof), no more than two birds, and a reasonable number, as determined by the Board, of other usual and common household pets subject to compliance with applicable city codes. However, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the Owners or Occupants of other Lots shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. No monkeys, snakes, pigs, or ferrets shall be permitted in any Lot or Dwelling Unit;

(h) Activities which materially disturb or destroy the vegetation, wildlife, or air quality within the Properties or which result in unreasonable levels of sound or light pollution;

(i) Discharge of firearms or explosives within the Properties. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size;

(j) Exterior antennae, aerials, satellite dishes, or other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind unless reviewed and approved pursuant to Article V; provided, the Declarant and the Association shall have the right, without obligation, to erect or install and maintain such apparatus for the benefit of all or a portion of the Properties; and further provided that approval shall not be required for any small and inconspicuous satellite dish antenna having a diameter of 18" or less which is installed in a side or rear yard adjacent to a Dwelling Unit and which is integrated with the Dwelling Unit and surrounding landscape;

(k) Conducting any Business, Trade, garage sale, estate sale, moving sale, rummage sale, or similar activity, except that an Owner or Occupant residing in a Dwelling Unit may conduct business activities which are commonly conducted within residential areas within the Dwelling Unit so long as: (A) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Dwelling Unit; (B) the business activity conforms to all zoning requirements for the Properties; (C) the business activity does not involve visitation of the Lot or Dwelling Unit by clients, customers, suppliers, or other business invitees or door-to-door

solicitation of residents of the Properties; and (D) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board.

(l) Entering onto any property owned by the Declarant, including Lots under construction, the model home park or undeveloped land without permission or invitation by Declarant. Any unauthorized entry onto Declarant's property shall be trespassing and may result in criminal prosecution. Each Owner indemnifies and holds harmless Declarant for all losses, costs, expenses, injuries, liabilities or obligations arising from or relating to unauthorized entry onto Declarant's property by Owner or its tenants or invitees.

This subsection shall not apply to any activity conducted by the Declarant with respect to its development and sale of the Properties or its use of any Lots which it owns within the Properties, including the designation and use of Vacation Getaways. The leasing of a Dwelling Unit shall not be considered a Business or Trade within the meaning of this subsection.

3. Prohibited Conditions. The following shall be prohibited within the Properties:

(a) Walls, dog runs, animal pens, or fences of any kind on any Lot except as approved in accordance with Article V; provided, the Declarant and the Association shall have the right, without obligation, to construct and maintain fences on any portion of the Properties which they own;

(b) Open garage doors. Garage doors shall remain closed at all times except when entering and exiting the garage;

(c) Excessive exterior lighting on any Lot. The Board shall in its sole discretion determine whether any exterior lighting is excessive;

(d) Tents, shacks, or other structures of a temporary nature on any Lot except as approved in accordance with Article V or as may be authorized by the Declarant during initial construction within the Properties. Approved temporary structures used during the construction or repair of a Dwelling Unit or other improvements shall be removed immediately after the completion of construction or repair; and

(e) Storage of furniture, fixtures, appliances, machinery, equipment, wood piles, or other goods and chattels not in active use on the Common Area or any portion of a Lot which is visible from outside the Lot, except as approved in accordance with Article V.

(f) Storage of any material that could pollute surrounding areas, including, but not limited to, batteries, oil pans, and tires.

4. Leasing. "Leasing", for purposes of this Declaration, is defined as regular, exclusive occupancy of a Dwelling Unit by any person other than the Owner and the members of the Owner's household or the Owner's roommate, for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. Dwelling Units may be leased only in their entirety. No fraction or portion may be leased. No structure on a Lot other than the primary residential Dwelling Unit shall be leased or otherwise occupied for residential purposes, except that any Lot comprised of more than one acre of land may make residential use of such a structure for an ancillary use such as in-law suite or nanny suite, but not for independent leasing. There shall be no subleasing of Dwelling Units or assignment of leases unless prior written approval is obtained from the Board. All leases shall be in writing. No transient tenants may be accommodated in a Dwelling Unit, and all leases, other than leases of cottages, shall be for an initial term of no less than 30 days.

Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board by the Lot Owner within ten days of execution of the lease. The Owner must make available to the lessee copies of the Declaration, By-Laws, and the rules and regulations. The Board may adopt reasonable rules regulating leasing and subleasing.

5. Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other portion of the Properties. Woodpiles or other material shall be stored in a manner so as not to be visible from outside the Lot and so as not to be attractive to native rodents, snakes, and other animals and to minimize the potential danger from fires. No other nuisance shall be permitted to exist or operate upon any Lot so as to be offensive or detrimental to any other portion of the Properties. No activities shall be conducted upon or adjacent to any Lot or within improvements constructed thereon which are or might be unsafe or hazardous to any Person or property. No open fires shall be lighted or permitted on the Properties, except in a contained outdoor fireplace or barbecue unit while attended and in use for cooking purposes or within a safe and well designed interior fireplace.

6. Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in covered containers of a type, size and style which are approved in accordance with Article V or as required by the applicable governing jurisdiction. Such containers shall be kept inside garages or other structures on Lots except when they are being made available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be removed from the Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot. All composting devices or rain barrels shall be within a fenced yard or patio, be of a size, type and material approved in accordance with Article V, and be shielded and located in accordance with Article V.

7. Clothes Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot.

8. Vehicles and Parking. The term “vehicle(s),” as used in this Section, shall include, without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, recreational vehicles, and golf carts. All vehicles shall be operated in accordance with State law. No vehicle may be parked in a street or left upon any portion of the Properties except in an area designated by the Board. Commercial vehicles, recreational vehicles, mobile homes, trailers, campers, boats or other watercraft, other oversized vehicles (except that handicapped or conversion vans may be parked in the driveway, if the garage is not of an adequate size to accommodate the vehicle and if the van is the primary mode of transportation for the resident), stored vehicles, and unlicensed vehicles or inoperable vehicles shall not be parked within the Properties other than in enclosed garages, provided that one boat or one recreational vehicle may be temporarily kept or stored completely in a driveway or completely on a parking pad on a Lot for not more than 48 hours within each seven-day period, provided that such temporary parking must be in accordance with applicable municipal ordinances and rules.

EXHIBIT "D"

Rules of Arbitration

1. Claimant shall submit a Claim to arbitration under these Rules by giving written notice to all other Parties stating plainly and concisely the nature of the Claim, the remedy sought and Claimant's submission of the Claim to arbitration ("Arbitration Notice").

2. The Parties shall select arbitrators ("Party Appointed Arbitrators") as follows: all the Claimants shall agree upon one Party Appointed Arbitrator, and all the Respondents shall agree upon one Party Appointed Arbitrator. The Party Appointed Arbitrators shall, by agreement, select one neutral arbitrator ("Neutral") so that the total arbitration panel ("Panel") has three arbitrators.

3. If the Panel is not selected under Rule 2 within 45 days from the date of the Arbitration Notice, any party may notify the nearest chapter of The Community Associations Institute, for any dispute arising under the Governing Documents, or the American Arbitration Association, or such other independent body providing arbitration services, for any dispute relating to the design or construction of improvements on the Properties, which shall appoint one Neutral ("Appointed Neutral"), notifying the Appointed Neutral and all Parties in writing of such appointment. The Appointed Neutral shall thereafter be the sole arbitrator and any Party Appointed Arbitrators or their designees shall have no further duties involving the arbitration proceedings.

4. No person may serve as a Neutral in any arbitration in which that person has any financial or personal interest in the result of the arbitration. Any person designated as a Neutral or Appointed Neutral shall immediately disclose in writing to all Parties any circumstance likely to affect impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Bias Disclosure"). If any Party objects to the service of any Neutral or Appointed Neutral after receipt of that Neutral's Bias Disclosure, such Neutral or Appointed Neutral shall be replaced in the same manner in which that Neutral or Appointed Neutral was selected.

5. The Appointed Neutral or Neutral, as the case may be ("Arbitrator") shall fix the date, time and place for the hearing. The place of the hearing shall be within the Properties unless otherwise agreed by the Parties. In fixing the date of the hearing, or in continuing a hearing, the Arbitrator shall take into consideration the amount of time reasonably required to determine Claimant's damages accurately.

6. Any Party may be represented by an attorney or other authorized representative throughout the arbitration proceedings. In the event the Respondent fails to participate in the arbitration proceeding, the Arbitrator may not enter an Award by default, but shall hear Claimant's case and decide accordingly.

7. All persons who, in the judgment of the Arbitrator, have a direct interest in the arbitration are entitled to attend hearings. The Arbitrator shall determine any relevant legal issues,

including whether all indispensable parties are Bound Parties, whether the claim is barred by the statute of limitations, and the scope of the arbitration agreement.

8. There shall be no stenographic, video or other record of the proceedings.

9. The hearing shall be conducted in whatever manner will, in the Arbitrator's judgment, most fairly and expeditiously permit the full presentation of the evidence and arguments of the Parties. The Arbitrator may issue such orders as it deems necessary to safeguard rights of the Parties in the dispute without prejudice to the rights of the Parties or the final determination of the dispute.

10. If the Arbitrator decides that it has insufficient expertise to determine a relevant issue raised during arbitration, the Arbitrator may retain the services of an independent expert who will assist the Arbitrator in making the necessary determination. The scope of such professional's assistance shall be determined by the Arbitrator in the Arbitrator's discretion. Such independent professional must not have any bias or financial or personal interest in the outcome of the arbitration, and shall immediately notify the Parties of any such bias or interest by delivering a Bias Disclosure to the Parties. If any Party objects to the service of any professional after receipt of a Bias Disclosure, such professional shall be replaced by another independent, neutral licensed professional selected by the Arbitrator.

11. No formal discovery shall be conducted in the absence of express written agreement among all the Parties. The only evidence to be presented at the hearing shall be that which is disclosed to all Parties at least 30 days prior to the hearing; provided, however, no Party shall deliberately withhold or refuse to disclose any evidence which is relevant and material to the Claim, and is not otherwise privileged. The Parties may offer such evidence as is relevant and material to the Claim, and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Claim. The Arbitrator shall be the sole judge of the relevance and materiality of any evidence offered, and conformity to the legal rules of evidence shall not be necessary. The Arbitrator shall be authorized, but not required, to administer oaths to witnesses.

12. The Arbitrator shall declare the hearings closed when satisfied the record is complete.

13. There will be no posthearing briefs.

14. The Award shall be rendered immediately following the close of the hearing, if possible, and no later than 14 days from the close of the hearing, unless otherwise agreed by the Parties. The Award shall be in writing, shall be signed by the Arbitrator and acknowledged before a notary public. If the Arbitrator believes an opinion is necessary, it shall be in summary form.

15. If there is more than one arbitrator, all decisions of the Panel and the Award shall be by majority vote.

16. Each Party agrees to accept as legal delivery of the Award the deposit of a true copy in the mail addressed to that Party or its attorney at the address communicated to the Arbitrator at the hearing.

THIS STAMP IS FOR SCANNING
PURPOSES ONLY.

EXHIBIT "E"

By-Laws

THIS STAMP IS FOR SCANNING
PURPOSES ONLY.

BY-LAWS

OF

**THE VILLAGE AT FRISCO LAKES
COMMUNITY ASSOCIATION, INC.**

APPROVED March 1, 2006

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Article I
NAME, PRINCIPAL OFFICE, AND DEFINITIONS:

1.1. **Name.** The name of the Association shall be The Village at Frisco Lakes Community Association, Inc. ("Association").

1.2. **Principal Office.** The initial principal office of the Association shall be located in Denton County, 1234 Lakeshore Drive #750, Coppel, TX 75019. The Association may have such other offices as the Board may determine or as the affairs of the Association may require.

1.3. **Definitions.** The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions, and Restrictions for The Village at Frisco Lakes filed in the Official Records of Real Property of Denton County, Texas ("Declaration"), unless the context indicates otherwise.

Article II
ASSOCIATION:

A. Composition.

2.1. **Membership.** The Association shall have two classes of membership, Class "A" and Class "B," as set forth in the Declaration. The provisions of the Declaration pertaining to membership, including the arbitration and other dispute resolution provisions contained in Article XIV are incorporated herein by this reference.

B. Members Meetings.

2.2. **Place of Members' Meetings.** Meetings of the Members of the Association shall be held within the Properties or at such other suitable place within Denton County, State of Texas as may be designated by the Board.

2.3. **Annual Meetings.** The first annual meeting of the Association's Members, whether a regular or special meeting, shall be held within one year after the sale of the first Lot to a Home Owner. Subsequent regular annual meetings shall be set by the Board so as to occur at least 30 days but not more than 120 days before the close of the Association's calendar year on a date and at a time set by the Board.

2.4. **Special Meetings.** The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Members holding at least 5% of the voting power of the Association.

2.5. **Notice of Meetings.** Written notice stating the place, day, and hour of any meeting of the Association shall be delivered, either personally, by U.S. mail, or by electronic mail, or other similar communication devices to each Member entitled to vote at such meeting, not less than 10 nor more than 50 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting. Notice may also be delivered by including a prominent announcement of the place, day and hour of the meeting of the Association in the Association's newsletter, so long as the newsletter is delivered either personally, by U.S. mail or by electronic mail or similar communication device

to each Member entitled to vote at such meeting.

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

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Association, with postage prepaid. If sent by electronic mail, the notice of the meeting shall be deemed delivered when sent from the Association's computer system to the electronic address of the Member as it appears on the records of the Association.

2.6. Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Association, either before or after such meeting. Attendance at a meeting by a Member shall be deemed to be a waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed to be a waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a date not less than 5 nor more than 30 days from the time the original meeting was called. At the reconvened meeting, any business may be transacted which might have been transacted at the meeting originally called provided that Members representing at least 25% of the total voting power of the Association are present. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

2.8. Voting. Members shall have such voting rights as set forth in the Declaration, which are incorporated herein by this reference. Members may vote at a meeting by voice vote, ballot, by mail, or pursuant to other policies as determined by the Board; provided, however, meetings shall be held when required by the Declaration or By-Laws. All Membership votes shall be subject to the quorum requirements of Section 2.11.

2.9 Proxies. Members may vote in person or by proxy. Each proxy shall be in writing, dated, signed and filed with the Secretary prior to the commencement of the meeting for which it is to be effective. Proxies may be delivered to the Secretary by personal delivery, U.S. mail or telecopy to any Board member or the professional management agent, if any. Unless otherwise provided in the proxy, a proxy shall cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. No proxy shall be valid more than 11 months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable and shall

automatically cease upon conveyance of the Member's Lot.

2.10. Majority. As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

2.11. Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence of Members holding 25% of the voting power in the Association shall constitute a quorum at all Members meetings of the Association. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough to leave less than a quorum, provided that at least 15% of the Members originally in attendance remain, and provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

2.13. Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by Members representing at least the minimum number of votes necessary to authorize such action at a meeting if all Members entitled to vote thereon were present. All such consents shall be signed within 60 days after receipt of the earliest dated consent, dated and delivered to the Association at its principal place of business in the State of Texas. Such consents shall be filed with the minutes of the Association.

Article III **BOARD OF DIRECTORS:**

A. Composition.

3.1. Governing Body; Composition. A Board of Directors shall govern the affairs of the Association. Each director shall have one equal vote. Except with respect to directors appointed by the Class "B" Member, the directors shall be Members or residents of Dwelling Units; provided, however, no more than one representative from a Lot may serve on the Board at the same time. All directors shall complete, prior to being elected to the Board, such training and committee or other service requirements as established by the Board.

In the case of a Member that is not a natural person, any officer, director, partner or trust officer of such Member shall be presumed to be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member. No Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2. Number of Directors. The number of directors in the Association shall be not less than three nor more than seven, as provided in Section 3.5. The initial Board shall consist of three directors as identified in the Articles.

3.3. Directors During Class "B" Control Period. Subject to the provisions of Section 3.5, the directors shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following:

(a) when 95% of the total number of Lots proposed by the Declarant's master plan (the "Master Plan") for the Properties described in Exhibits A and B of the Declaration, as amended have certificates of occupancy issued thereon and have been conveyed to Home Owners;

(b) December 31, 2046; provided that, in the event the Declarant annexes additional property pursuant to Section 9.1 of the Declaration at any time after December 31, 2040, this date shall be extended for additional three year periods for every 500 acres of property annexed, or any fraction thereof; or

(c) when, in its discretion, the Class "B" Member so determines.

3.4. Nominating Committee. A Nominating Committee shall be appointed by the Board no later than six months before the first annual meeting of the Association at which the Members are anticipated to elect a number of the Board of Directors and shall serve until the Board elected at the Association meeting holds its first meeting. The Nominating Committee shall nominate its slate of candidates for the Board no later than 30 days before the meeting at which the election shall be held.

The Nominating Committee shall make as many nominations on each slate for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled from each slate as provided in Section 3.5. The Nominating Committee shall nominate one slate for the directors to be elected at large by all Members. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

3.5. Election and Term of Office. Notwithstanding any other provision of these By-Laws:

(a) Within 30 days after the time that Home Owners own 50% of the Lots proposed by the Master Plan as it may be amended, or whenever the Class "B" Member earlier determines, the Board shall be increased to five directors. The Association shall hold an election at which the Class "A" Members shall be entitled to elect two of the five directors, who shall serve as at-large directors and shall serve a term of two years or until the happening of the event described in subsection (b) below, whichever is earlier. If such directors' terms expire prior to the happening of the event described in subsection (b) below, successors shall be elected for a like term. The remaining three directors shall be appointees of the Class "B" Member and shall serve at the pleasure of the Class "B" Member.

(b) Within 120 days after the termination of the Class "B" Control Period, the Board shall be increased to seven directors. The Association shall hold an election at which all directors shall be elected as follows: the directors shall be elected by both Class "A" Members and the Class "B" Member exercising one vote for each Lot it owns.

Members shall be entitled to cast one vote per Lot with respect to each vacancy to be filled. There shall be no cumulative voting. The candidate(s) receiving the most votes shall be elected. For the first election held pursuant to this subsection (b), the majority of the directors shall be elected for a term of two years and the remaining directors shall be elected for a term of one year, with each term to expire at the next annual meeting after the two-year or one-year period, as applicable. Those elected candidates receiving the most votes shall serve the two-year terms. Successor directors shall be elected at annual meetings to serve for two-year terms. The directors elected by the Members shall hold office until their respective successors have been elected. Directors may serve no more than two consecutive full or partial terms. A director serving two consecutive full or partial terms may not serve as director again until at least one year has lapsed after the expiration of his or her most recent term.

3.6. Removal of Directors and Vacancies. Any director elected solely by the Members may be removed, with or without cause, by the vote of Members holding a majority of the votes entitled to be cast for the election of such director, but shall not be subject to removal solely by the Class "B" Member. Any director whose removal is sought shall be given notice prior to any meeting called and noticed for that purpose. Upon removal of a director, a successor shall be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected solely by the Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent in the payment of any assessment, fee or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting of the Board at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director elected by the Members, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term. In the event of the death, disability or resignation of a director appointed or elected by the Declarant or the Class "B" Member, the Declarant or the Class "B" Member, as appropriate, may appoint a successor director to fill the vacancy.

B. Meetings.

3.7. Organizational Meetings. The Board shall hold its first meeting at the time and place determined by the initial Board of Directors, but no later than 30 days after the first annual meeting of the Members. After the Members are entitled to elect a number of the Board of Directors, the newly constituted Board shall meet within thirty (30) days after the annual election of directors.

3.8. Regular Meetings. Regular meetings of the Board may be held at such time and place as the Board shall determine, but at least one such meeting shall be held each quarter. Notice of the time and place of the meeting shall be posted in a prominent place within the Properties and communicated to directors not fewer than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

3.9. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) facsimile, computer, e-mail, fiber optics or any such other communication device. All such notices shall be given at the director's telephone, fax, or e-mail number or sent to the director's address as shown on the records of the Association. Notices of special meetings of the Board shall be posted in a prominent place within the Properties. Notices sent by first class mail shall be deposited into a United States mailbox at least seven business days before the time set for the meeting. Notices given by personal delivery, telephone, facsimile or other device shall be delivered, telephoned, or transmitted at least 72 hours before the time set for the meeting.

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

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

3.12. Compensation. No director shall receive any compensation from the Association for acting as such; provided however, any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

3.13. Conduct of Meetings. The President shall preside over all regular and special meetings of the Board, and the Secretary shall keep a minute book of meetings of the Board, recording all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

3.14. Open Meetings. Subject to the provisions of Sections 3.15 and 3.16, all meetings of the Board shall be open to all Members, but a Member other than a director may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss matters of a sensitive nature, such as pending or threatened litigation and personnel matters.

3.15. Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote. Written consent or consents shall be filed with the minutes of the proceedings of the Board.

3.16. Telephonic Participation. One or more directors may participate in and vote during any regular or special meeting of the Board by telephone conference call, fiber optics, or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those directors so participating shall be present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Board.

C. Powers and Duties.

3.17. Powers. The Board shall have all of the powers and duties necessary and appropriate for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declaration, these By-Laws, the Articles, and as provided by law. The Board may do or cause to be done all acts and things as are not by the Declaration, Articles, these By-Laws, or Texas law directed to be done and exercised exclusively by the membership generally.

3.18. Duties. The duties of the Board shall include, without limitation:

- (a) Preparation and adoption of annual budgets and establishing each Owner's share of the Common Expenses and Neighborhood Expenses, if any;
- (b) levying and collecting assessments from the Owners to fund the Common Expenses and Neighborhood Expenses, if any;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;
- (d) designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

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

(f) making and amending rules and regulations, including Use Restrictions, and establishing penalties for infractions thereof;

(g) opening of bank accounts on behalf of the Association and designating the signatories required;

(h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;

(i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules adopted by the Board and bringing any proceedings, which may be instituted on behalf of or against the Owners concerning the Association;

(j) obtaining and carrying property, liability and commercial crime insurance, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(k) paying all taxes and/or assessments, which are or could become a lien on the Common Area or a portion thereof;

(l) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(m) keeping books with detailed accounts of the receipts and expenditures of the Association;

(n) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of the Declaration, the Articles, the By-Laws, Management Certificate, rules and all other books, records, and financial statements of the Association;

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

(p) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is permitted or required by Texas law, the Articles, and these By-Laws; and

(q) assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration.

3.19. Right of Class "B" Member to Disapprove Actions. So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Association, the Board, and any committee which, in the judgment of the Class "B" Member, would tend to impair rights of the Declarant or its designees under the Declaration or these By-Laws, or interfere with development, construction or marketing of any portion of the Properties, or any real property described in Exhibit "B" of the Declaration, or diminish the level of services being provided by the Association. This right to disapprove is in addition to, and not in lieu of, any right to approve or disapprove specific actions of the Association, the Board or any committee as may be granted to the Class "B" Member or the Declarant in the Declaration or these By-Laws.

(a) The Class "B" Member shall be given written notice of all meetings of the Association, the Board or any committee thereof and of all proposed actions of the Association, the Board or any committee thereof to be approved at such meetings or by written consent in lieu of a meeting. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address if registered with the Secretary of the Association, as it may change from time to time, which notice complies with the requirements for Board meetings set forth in these By-Laws and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting.

(b) The Class "B" Member shall be given the opportunity at each such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee.

(c) No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the time period set forth in subsection (d) below has expired.

(d) The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 30 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 30 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but shall not extend to the requiring of any action or counteraction on behalf of any committee, the Board, or the Association unless such action or counteraction countermands an action, policy or program that was not properly noticed and implemented in accordance with these By-Laws. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.20. Management. The Association may, but shall not be required to, employ a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize; provided, however, that such management agent may not be terminated by the Board unless termination is approved by at least a majority of the total Association vote. The Declarant, or

an affiliate of the Declarant, may be employed as managing agent or manager. The Board may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

3.21. Accounts and Reports. The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

(a) modified accrual accounting, as defined by generally accepted accounting principles, shall be employed; provided however, that any "shortage" shall be calculated on a cash basis of accounting as provided in Section 9.5 of the Declaration;

(b) accounting and controls should conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other accounts;

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

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

(f) the following financial and related information shall be regularly prepared by the Board and copies made available to all Members of the Association at the expense of the Association:

(i) The Board shall cause a reserve budget and a Common Expense budget (collectively referred to as the "Budget") for the Association (which may include the budget for Neighborhoods, if any), to be prepared for each calendar year of the Association. The Board shall post written notice in a prominent place within the Properties that the Budget is available at the business office of the Association or at one other suitable location within the Properties. If any Member requests a copy of the Budget, the Association shall provide one copy to the Member without charge within 7 days of such request.

(ii) The Board shall cause an annual report ("Financial Statement") to be prepared in accordance with generally accepted accounting principles within 120 days after close of the Association's calendar year. The Board shall post written notice in a prominent place within the Properties that the Financial Statement is available at the business office of the Association or at one other suitable location within the Properties. If any Member requests a copy of the Financial Statement, the Association shall provide one copy to the Member within 7 days of such request. The Financial Statement shall consist of:

(A) a balance sheet as of the end of the calendar year;

(B) an income and expense statement for the calendar year (this statement shall

include a schedule of assessments received and receivables identified by the numbers of the Lots and the names of the Owners assessed); and

(C) a statement of changes in financial position for the calendar year.

Such Financial Statement shall be prepared on a audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant.

(iii) The Board shall do the following at least quarterly:

(A) cause a current reconciliation of the Association's operating accounts to be made and review the same;

(B) cause a current reconciliation of the Association's reserve accounts to be made and review the same;

(C) review the current year's actual reserve revenues and expenses compared to the current year's Budget;

(D) review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts;

(E) review an income and expense statement for the Association's operating and reserve accounts; and

(F) review the delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent.

3.22. Borrowing. The Association, acting through its Board, shall have the power to borrow money for any legal purpose; provided, the Board shall obtain the approval by vote or written consent of Members holding at least a majority of the total Board if the proposed borrowing is for the purpose of making discretionary capital improvements or purchasing additional capital assets and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross expenses of the Association for that calendar year. During the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent of at least a majority of the Members other than the Declarant.

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

3.24. Enforcement.

(a) Notice. Prior to the imposition of any sanction as provided in the Declaration involving:

- (1) suspending an Owner's right to use a common area;
- (2) filing suit against an Owner (other than a suit to collect regular or special assessments, a suit for foreclosure of the Association's lien, or a suit for a temporary restraining order or injunctive relief);
- (3) assessing an Owner for property damage; or
- (4) the levy of a fine for a violation of the restrictions,

the Board or, if so directed by the Board, the Covenants Committee, if established, or the managing agent shall serve the alleged violator with written notice by certified mail, return receipt requested. This notice must include:

- (i) A description of the violation or property damage and a statement of the amount due the Association from the Owner;
- (ii) A statement giving a reasonable period of time that the Owner has to cure the violation and avoid the fine or suspension. However, if the Owner was given notice and a reasonable opportunity to cure a similar violation within the preceding six months, at the Association's option, the Owner will not be entitled to a cure period and the notice need not contain reference to a cure period; and
- (iii) A statement that the Owner may request a hearing before the Board or Covenants Committee, if established, on or before the 30th day after the day the Owner receives the notice. Proof of proper notice shall be placed in the Board's record book. Proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice.

If a timely request for a hearing is not received by the Board or the Covenants Committee, if any, the sanctions stated in the notice shall be imposed; provided the Board or the Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured or if a cure is diligently commenced within the 30-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted 30 day period, the hearing shall be held before the Covenants Committee, if any, or if none, before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Appeal. If a hearing is held before a Covenants Committee, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the management agent, President, or Secretary of the Association within 30 days after the hearing date.

D. Officers.

3.25 Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President, Vice President, Secretary and Treasurer shall be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary.

3.26 Election and Term of Office. The officers of the Association shall be elected annually by the Board at the first meeting of the Board following each annual meeting of the Association, as set forth in Article III.

3.27 Removal and Vacancies. Any officer may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term.

3.28 Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board.

(a) The President shall be the chief executive officer of the Association.

(b) The Vice President shall act in the President's absence and shall have all powers, duties and responsibilities provided for the President when so acting.

(c) The Secretary shall keep the minutes of all meetings of the Association and the Board and shall have charge of such books and papers as the Board may direct. In the Secretary's absence, any officer directed by the Board shall perform all duties incident to the office of secretary.

(d) The Treasurer shall have primary responsibility for the preparation of the Budget as provided for in the Declaration and these By-Laws and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

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

3.30 Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association (other than for the withdrawal of reserve funds) shall be executed by at least two officers or by such other person or persons as may be designated by resolution

of the Board.

3.31 Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.12 hereof.

Article IV **BOARD GOVERNANCE COMMITTEES:**

A. Composition.

4.1 Composition. The Association's Board may charter advisory committees to advise the Board on affairs of the Association. Each committee shall be comprised of Committee Members appointed by the Board. Committee Members shall be Members of the Association; provided, however, no more than one representative from a Lot may serve on the same committee at the same time and no resident may serve on more than one committee at any given time. All Members shall complete, as soon as possible after being appointed to a committee, such training or other service requirements as established by the Board. Each committee may also have one non-voting Board liaison and one non-voting staff liaison, as determined by the Board.

4.2 Number of Committee Members. The number of Committee Members on any one committee shall be not less than three or more than seven members, unless specifically waived by the Board. Committees may form and direct sub-committees to assist in the work of the parent committee.

4.3 Nomination of Committee Members. Except with respect to committee members appointed by the Class "B" Member, nominations for committees shall be made by a Nominating Committee. Appointments to the Nominating Committee shall be made annually by the Board. The Nominating Committee shall nominate its slate of candidates for committees no later than 30 days before the meeting at which the Board is schedule to make appointments. The Nominating Committee shall make as many nominations as vacancies on committees.

4.4 Appointments and Term of Office. Notwithstanding any other provision of these By-Laws: Committee Members shall be appointed for a term of two years, with terms expiring on either June 30 or December 31. Successor Committee Members shall be appointed to serve for two-year terms. The Committee Members shall hold office until their respective successors have been elected. Committee Members may serve no more than two full or partial consecutive terms on a committee. Committee Members who serve two full or partial terms on a committee may not serve on that committee again until twelve months has lapsed since the expiration of their most recent term on the committee.

4.5 Removal of Committee Members and Vacancies. The Board may remove any Committee Member, with or without cause. Committee Members, whose removal is sought, shall be given notice prior to any meeting called and noticed for that purpose. Upon removal of a Committee Member, a successor shall be appointed by the Board to fill the vacancy for the remainder of the term of such Committee Member.

Any Committee Member who has three consecutive unexcused absences from committee meetings, or who is more than 30 days delinquent in the payment of any assessment, fee or other charge due the Association, may be removed by a majority vote of the remaining Committee Members present at a regular or special meeting of the Committee, at which a quorum is present. If removed, a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a Committee Member, the Board may declare a vacancy and appoint a successor to fill the vacancy for the remainder of the term. Committee Chairpersons are to notify the Chairperson of the Nominations Committee should a vacancy occur.

B. Meetings.

4.6 Organizational Meetings. Committees shall hold their first meeting within 30 days after being chartered by the Board.

4.7 Scheduling of Meetings. Regular meetings of committees may be held at such time and place as the committee shall determine, but at least one such meeting shall be held each quarter. Notice of the time and place of the meeting with an agenda shall be posted in a prominent place within the Properties and communicated to Committee Members not less than 72 hours prior to the meeting.

4.8 Special Meetings. Special meetings of committees may be held when called by written notice prepared by the committee Chairperson or by any two-committee members. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Committee Member either by: (a) personal delivery; (b) mail, (c) telephone communication, either directly to the Committee Member or to a person at the Committee Member's home who would reasonably be expected to communicate such notice promptly to the Committee Member; or (d) facsimile, computer, fiber optics or any such other communication device. Notices shall be delivered, telephoned, or transmitted at least 72 hours before the time set for the meeting.

4.9 Waiver of Notice. The transactions of any meeting of the committee however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present. Notice of a meeting also shall be deemed given to any Committee Member who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

4.10 Quorum of Committee Members. At all meetings of committees, majority of the Committee Members shall constitute a quorum for the transaction of business, and the votes of a majority of the Committee Members present at a meeting at which a quorum is present shall constitute the decision of the committee, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Committee Members, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Committee cannot be held because a quorum is not present, a majority of the Committee Members present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business, which might have been transacted at the meeting originally called, may be transacted without

further notice.

4.11 Compensation. No Committee Member shall receive any compensation from the Association for acting as such; provided however, any Committee Member may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other Committee Members. Nothing herein shall prohibit the Association from compensating a Committee Member, or any entity with which a Committee Member is affiliated, for services or supplies furnished to the Association in a capacity other than as a Committee Member pursuant to a contract or agreement with the Association, provided that such Committee Member's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Committee, excluding the interested Committee Member.

4.12 Conduct of Meetings. The Committee Chairperson shall preside over all meetings of the committee, and the Secretary shall keep a minute book of meetings of the committee, recording all resolutions adopted by the committee and all transactions and proceedings occurring at such meetings.

4.13 Open Meetings. All meetings of committees shall be open to all members of the association, but a Association member (other than a Committee Member) may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a Committee Member. Committee liaisons (both staff and Board) are to be treated as Committee Members with respect to speaking at Committee meetings. In such case, the Chairperson may limit the time any Member may speak. Notwithstanding the above, the Chairperson may adjourn any meeting of the committee and reconvene in executive session, excluding non-Committee Members, to discuss matters of a sensitive nature, such as pending or threatened litigation and personnel matters.

4.14 Action Without a Formal Meeting. Any action to be taken at a meeting of the Committee Members or any action that may be taken at a meeting of the Committee Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Committee Members, and such consent shall have the same force and effect as a unanimous vote. Written consent or consents shall be filed with the minutes of the proceedings of the committee.

4.15 Telephonic Participation. One or more Committee Members may participate in and vote during any regular or special meeting of the committee by telephone conference call or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those Committee Members so participating shall be present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the committee.

4.16 Powers. Committees will have only those powers specifically delegated by the Board in the Committee's Charter. Committees may not do or cause to be done acts and things that are not provided for in the Declaration, Articles, By-Laws, or Texas law.

C. Officers.

4.17 Officers. The officers of Committees' shall be a Chairperson, Vice Chair and Secretary. The Chairperson, Vice Chair and Secretary shall be elected from among the members of the committee.

The Committee may appoint such other officers, including one or more Assistant Secretaries as it shall deem desirable, such officers to have the authority and perform the duties prescribed by the Committee.

4.18 Election and Term of Office. The officers of the Committee shall be elected annually by the Committee at the first meeting of the Committee following anniversary date of the committee original charter.

4.19 Removal and Vacancies. The Committee may remove any officer whenever in its judgment the best interests of the Committee and the Association will be served thereby. The Committee for the remaining portion of the term may fill a vacancy in any office arising because of death, resignation, removal, or otherwise.

4.20 Powers and Duties of Officers. The officers of the Committee shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Committee. The Chairperson shall be the chief executive officer of the Committee. The Vice Chair shall act in the Chairperson's absence and shall have all powers, duties and responsibilities provided for the Chairperson when so acting. The Secretary shall keep the minutes of all meetings of the Committee and shall have charge of such books and papers as the Committee may direct. In the Secretary's absence, any officer directed by the Committee shall perform all duties incident to the office of secretary.

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

4.22 Parliamentary Rules. Except as may be modified by the Board, Roberts Rules of Order (current edition) shall govern the conduct of Committee proceedings when not in conflict with Texas law, the Articles, the Declaration or these By-laws.

4.23 Right of Declarant to Disapprove Actions.

(a) So long as the Declarant controls the Board, the Declarant shall have a right to disapprove any action, policy or program of the Association, the Board, and any Committee which, in the judgment of the Declarant, would tend to impair rights of the Declarant or its designees under the Declaration or these By-Laws, or interfere with development, construction or marketing of any portion of the Properties or the real property described in Exhibit "B" to the Declaration, or diminish the level of services being provided by the Association. This right to disapprove is in addition to, and not in lieu of, any right to approve or disapprove specific actions of the Association, the Board or any Committee as may be granted to the Declarant in the Declaration or these By-Laws.

(b) The Declarant shall be given the opportunity at each such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or

agents may make its concerns, thoughts, and suggestions known to the Committee and/or the members of the subject committee.

(c) No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the time period set forth in subsection (d) below has expired.

(d) The Declarant, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 30 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 30 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but shall not extend to the requiring of any action or counteraction on behalf of any Committee, the Board, or the Association unless such action or counteraction countermands an action, policy or program that was not properly noticed and implemented in accordance with these By-Laws. The Declarant shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable federal, state or local laws and regulations.

Article V

MISCELLANEOUS

5.1 Calendar Year. The calendar and fiscal year of the Association shall be January 1 through December 31 unless otherwise established by Board resolution.

5.2 Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Texas law, the Articles, the Declaration, or these By-Laws.

5.3 Conflicts. If there are conflicts between the provisions of Texas law, the Articles, the Declaration, and these By-Laws, the provisions of Texas law, the Declaration, the Articles, and the By-Laws (in that order) shall prevail.

5.4 Books and Records.

- (a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Declaration, By-Laws, and Articles, any amendments to the foregoing, the rules of the Association, the membership register, the most recent Financial Statement, Management Certificate, the current Budget, books of account, the minutes of meetings of the Members, the Board, and committees and any other document required by law to be made available to Members or their Mortgages. The Board shall provide for such inspection to take

place at the office of the Association or at such other place within the Properties as the Board shall designate.

- (b) Rules for Inspection. The Board shall establish reasonable rules with respect to:
 - (i) notice to be given to the custodian of the records;
 - (ii) hours and days of the week when such an inspection may be made; and
 - (iii) payment of the cost of reproducing copies of documents requested.
- (c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association in furtherance of such director's duties as a director.
- (d) The Board shall adopt reasonable rules and procedures for the delivery of subdivision information and re-sale certificates to an Owner, an Owner's agent or to the insurance company or its agent in accordance with Texas Property Code, Chapter 207, as amended from time to time.
 - (i) The Association is not required to inspect a Lot prior to issuing a resale certificate for the Lot;
 - (ii) The Association shall have no liability for failure to comply with the rules and procedures promulgated by the Board or in relation to a resale certificate except as expressly provided under Chapter 207 of the Texas Property Code as amended.

5.5 Notices. Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

- (a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or
- (b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

5.6 Indemnification. The Association shall indemnify every officer, director, and committee member against all expenses, including counsel fees, reasonably incurred by them and each of them in connection with any action, suit, arbitration or other proceeding (including settlement of any suit or proceeding, if

approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association. The Association shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, commitment or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

5.7 Amendments.

(a) By Declarant. Until termination of the Class "B" membership, Declarant may unilaterally amend these By-Laws for any purpose. Thereafter, the Declarant may unilaterally amend these By-Laws if such amendment is (i) necessary to bring any provision hereof into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase Mortgage loans on the Lots; (iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure Mortgage loans on the Lots; or (v) otherwise necessary to satisfy the requirements of any governmental agency for approval of these By-Laws. However, any such amendment shall not adversely affect the ownership of title to any Lot unless the affected Owner shall consent thereto in writing. In addition, so long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to Section 10.1 of the Declaration, it may unilaterally amend these By-Laws for any other purpose provided that the amendment has no material adverse effect on any right of any owner. Thereafter and otherwise, these By-Laws may be amended in accordance with Section 5.7(b).

(b) By Board. Except as provided above, these By-Laws may be amended only by resolution duly adopted by the Board and with the consent of the Declarant, so long as the Declarant owns any Private Amenity or any portion of the Properties or has the right to annex property pursuant to Section 10.1 of the Declaration.

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

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon recordation in the Official Records of Real Property of Denton County, Texas unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

If an Owner consents to any amendment to the Declaration or these By-Laws, it will be conclusively presumed that such Owner has the authority to do so, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Notwithstanding any provision herein to the contrary, no amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege for as long as the Declarant owns any Private Amenity or any portion of the Properties or has the right to annex property pursuant to Section 10.1 of the Declaration.