

**DECLARATION
OF
COVENANTS, CONDITIONS, AND
RESTRICTIONS
FOR
LAGUNA BAY**

a

Planned Community

in

**The City of Pelican Bay,
Tarrant County, Texas**

Declarant

MEC Shores, L.P.

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
LAGUNA BAY**

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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS FOR
LAGUNA BAY**

This DECLARATION OF COVENANTS, CONDITIONS and RESTRICTIONS for LAGUNA BAY is made by MEC Shores, L.P., a Texas limited partnership ("Declarant") fully effective as of the date of Declarant's execution hereof as specified below. Declarant owns the real property described in Exhibit A of this Declaration, attached hereto and incorporated by reference herein for all purposes, together with all improvements thereon, all rights, uses, easements, benefits, utility connections and capacities, entitlements and other appurtenances thereto (collectively referred to herein as the "Property").

Declarant desires to establish a general plan or scheme of development for the planned community to be known as LAGUNA BAY. Declarant further desires to provide for the preservation, administration, and maintenance of the Common Areas (below defined) of LAGUNA BAY, and to protect the value, desirability, and attractiveness of LAGUNA BAY. As an integral part of such development plan, Declarant deems it advisable to create a Property Owners Association ("Association") whose members will be the fee Owners of the separately platted, described and numerically designated single family residential Lots within LAGUNA BAY as such Lots are shown and dedicated on the face of the recorded Plat of LAGUNA BAY, recorded in Cabinet A, Slide 13104, Plat Records of Tarrant County, Texas. The ASSOCIATION is charged with, and shall be responsible to perform the duties, functions and activities, and to fund and pay the costs and expenses of performing those functions and discharging those duties as they are more fully described in this Declaration and the other Governing Documents described below.

Declarant hereby declares that the Property described in Exhibit A will be owned, held, transferred, sold, conveyed, leased, occupied, used, insured and encumbered subject to all terms, covenants, conditions, restrictions, easements, reservations and dedications of this Declaration, including without limitations, Declarant's representations and reservations in Article 16 herein below, all of which are appurtenant to, and shall run with title to the Property and each Lot, the Common Areas and all other portions thereof (whether or not so specified in any document of grant or conveyance thereof), and shall be binding upon, and enforceable against all parties having, acquiring or claiming any right, title or interest (legal, equitable, ownership, lien and/or possessory) in any Lot or other part of the Property, including without limitation the single-family residential dwelling, all other related improvements thereon and all appurtenances thereto, and in each instance, the heirs, devisees, personal representatives, trustees, beneficiaries, successors, successors in title and assigns of those parties, and shall inure to the benefit of each owner of any such Lot or other part of the Property, and their respective heirs, devisees, personal representatives, trustees, beneficiaries, successors, successors in title and assigns.

ARTICLE 1.

DEFINITIONS

The following words and phrases, whether or not capitalized, have specified meanings when used in the Governing Documents, unless a different meaning is apparent from the context in which the word or phrase is used.

1.1 "Applicable Law" means the statutes and public laws and ordinances in effect at the time a provision of the Governing Documents is applied, and pertaining to the subject matter of the Governing Documents provisions, Statutes and ordinances specifically referenced in the Governing Documents are "Applicable Law" on the date of the Governing Document, and are not intended to apply to the Addition if they cease to be applicable by operation of law, or if they are replaced or superseded by one or more other statutes or ordinances.

1.2 "Architectural Reviewer" means the entity having jurisdiction over a particular application for architectural approval. During the Development Period, the Architectural Reviewer is Declarant, Declarant's designee, or Declarant's delegee. Thereafter, the Board-appointed Architectural Control Committee (the "ACC") is the Architectural Reviewer.

1.3 "Assessment" means any charge levied against a Lot or Owner by the Association, pursuant to the Governing Documents or Texas state law, including but not limited to Dues, Regular Assessments, Special Assessments, Individual Assessments, and Deficiency Assessments, as defined in Article 8 of this Declaration.

1.4 "Association" means the association of Owners of all single family residential Lots in the Addition, and serving as the "Property Owners' Association" (as that term is used and defined herein and as defined in Section 202.001(2) of the Texas Property Code. The initial name of the Association is LAGUNA BAY Property Owner's Association.

1.5 "Board" means the Board of Directors of the Association.

1.6 Intentionally Omitted

1.7 "Common Area" means those portions of real Property comprising this Addition, and any improvements thereon that are owned and/or maintained by the Association, as described in Article 4 below, and as described or so designated on the face of the recorded Plat of the Addition as being "Common Area," or similar designations. All Common Area shall be maintained for the use, benefit and enjoyment of its members. Common Area in this Addition includes without limitation, the screening fence around all or portions of the perimeter area of the Addition, the front (main) entrance area to the Addition located at the juncture of Tower Squadron Road a publicly dedicated street which is to be widened in that area to a 60' right-of-way, including any decorative fencing, landscaping, signage which

identifies LAGUNA BAY Addition, and a coated security and privacy gate installed and maintained by the Association across the entire width of the 60' wide entrance; and emergency ingress and egress easement and coded security gate located on and across portions of Lots 17 and 18, Block 1 as shown on the final recorded plat connecting Laguna Bay West and Laguna Bay North with Gale Drive an existing publicly dedicated street in Pelican Bay Addition, Tenth Filing, with all police, fire and other emergency departments in whose jurisdiction the Addition is located having the code at all times. The emergency access easement and the paved drive, security gate and other facilities are for emergency use only and all other ingress and egress to and from the Addition shall be via the main or front entry gate in the widened portion of Laguna Bay North in the location of Lots 1-6, Block 1, as shown on the plat. Common Area also includes the canal located within the Addition and designated on the plat as Lot 1, Block 2 a 160' canal and the streets designated as Laguna Bay North, Laguna Bay South and Laguna Bay West, designated on the plat as Lot 1, Block 3. The canal and streets will be owned and maintained by the Association for the use and enjoyment of all of its members who own Lots in the Addition. Each Lot backs up to the canal and having a natural beach area at the rear of the lot (with no bulkhead). Other provisions of this Declaration address specific uses, limitations and improvements that apply to the beach area at the rear of each Lot.

1.8 "Declarant" means MEC Shores, L.P., a Texas limited partnership, which is developing the Property, or its successors and assigns, which are designated as a Successor Declarant by MEC Shores, L.P., or by any such successor and assign in a written document making specific reference to this Declaration by reference to its original recording information, executed by both Declarant and Successor Declarant in the case of a voluntary assignment, and then filed in the Real Property Records of Tarrant County, Texas.

1.9 "Declarant Control Period" is defined in Article 16 of this Declaration.

1.10 "Declaration" means this document, as it may be amended from time to time.

1.11 "Development Period" is defined in Article 16 of this Declaration.

1.12 "Governing Documents" means, singly or collectively, as the case may be, this Declaration, the Plat, the Bylaws of the Association, the Association's Articles of Association, and the Rules of the Association, as any of these may be amended from time to time. An Appendix, Exhibit, Schedule, or Certification accompanying a Governing Document is a part of that Governing Document.

1.13 "Lot" means a portion of the Property intended for independent Ownership, on which there is or will be constructed one single-family residential dwelling, as shown on the Plat. As a defined term, "Lot" does not refer to Common Area, even if platted and numbered as a Lot. Where the context indicates or requires, "Lot" includes all improvements thereon and any portion of a right-of-way that customarily is used exclusively by and in connection with the Lot.

1.14 "Majority" means more than half. A reference to "a majority of Owners" in any Governing Document or applicable law means "Owners of at least a majority of the Lots," unless a different meaning is specified.

1.15 "Member" means a member of the Association, each Member being an Owner of a Lot, unless the context indicates that Member means a member of the Board or a member of a Committee of the Association. In the context of votes and decision-making, each Lot has only one Membership, although it may be shared by co-Owners of a Lot.

1.16 "Owner" means a holder of record fee simple title to a Lot. Declarant is the initial Owner of all Lots. Contract sellers and mortgagees who acquire title to a Lot through a deed in lieu of foreclosure or through judicial or non-judicial foreclosure are Owners. Persons or entities having Ownership interests merely as security for the performance of an obligation are not Owners. Every Owner is a Member of the Association. A reference in any Governing Document or applicable law to a percentage or share of Owners or Members means Owners of at least that percentage or share of the Lots, unless a different meaning is specified. For example, "a majority of Owners" means Owners of at least a majority of the Lots. (excluding any lot that is Common Area as designated on the Plat.)

1.17 "Plat" means all plats, singly and collectively, recorded in the Real Property Records of Tarrant County, Texas, and pertaining to the real Property described in Exhibit A of this Declaration, including all dedications, limitations, restrictions, easements, and reservations shown on the Plat, as it may be amended from time to time. The initial Plat titled "Final Plat of LAGUNA BAY" was recorded on January 26, 2009, in Cabinet A, Slide 13104, Plat Records, Tarrant County, Texas.

1.18 "Property" means all the land subject to this Declaration and all improvements, easements, rights, and appurtenances to the land. The name of the Property is LAGUNA BAY. The Property is located on land described in Exhibit A attached to this Declaration, and incorporated herein for all purposes, and includes every Lot and any Common Area thereon.

1.19 "Resident" means an occupant of a single-family dwelling situated on a Lot pursuant to a written lease or rental agreement with the Owner thereof, which writing is the source of the Resident's right and authority to do so in the absence of being the Owner. A true and correct copy of the executed written lease or rental agreement shall be furnished to the Association for its records at or prior to the date of Resident's initial occupancy thereunder.

1.20 "Rules" means rules and regulations of the Association adopted in accordance with the Governing Documents or applicable law. The initial Rules may be adopted by Declarant for the benefit of the Association.

ARTICLE 2

PROPERTY SUBJECT TO DOCUMENTS

2.1 **PROPERTY.** The real Property described in Exhibit A is held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, liens, and easements of this Declaration, including Declarant's representations, rights, and reservations in Article 16, which run with the Property and bind all parties having or acquiring any right, title, or interest in the Property, their heirs, successors, and assigns, and inure to the benefit of each Owner of the Property.

2.2 ADDITIONAL PROPERTY. Additional real Property may be annexed to LAGUNA BAY and subjected to the Declaration and the jurisdiction of the Association by Annexation, upon the approval of Owners representing at least two-thirds of the Lots in the Property, prior to such proposed Annexation, or, during the Development Period, by Declarant as permitted in Article 16. Annexation of additional property is accomplished by recording a Declaration of Annexation, including an amendment to Exhibit A, including the to-be-Annexed land legally described therein, and file in the Real Property Records of Tarrant County, Texas.

2.3 ADJACENT LAND USE. Declarant makes no representation of any kind as to current or future uses - actual or permitted - of any land that is adjacent to or near LAGUNA BAY, regardless of what the plat shows as potential uses of adjoining land. Declarant and the Association can not and do not guaranty scenic views, volumes of traffic on streets around and through LAGUNA BAY, availability of schools or shopping, or any other aspect of the Property that is affected by the uses or conditions of adjacent or nearby land, water, or air.

2.4 RESTRICTIONS EASEMENTS & PLAT DEDICATIONS. In addition to the covenants, conditions, restrictions, easements and reservations contained in this Declaration, the Property is subject to all other restrictions, easements, licenses, leases, and encumbrances, of record, if any, including any shown or referenced on the recorded Plat, each of which is incorporated herein by reference. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by prior-recorded covenants, conditions, restrictions, easements, reservations, licenses, leases, and encumbrances, and further agrees to maintain any easement that crosses his Lot and for which the Association does not have express responsibility.

2.5 STREETS WITHIN ADDITION. The interior streets within the Addition, being Lot 1, Block 3, and being named Laguna Bay North, Laguna Bay West and Laguna Bay South, all as shown and depicted on the face of the recorded Plat of the Addition shall be part of the Common Area and shall be private streets. The Association shall have ongoing responsibility to repair or maintain such streets as part of the Common Area.

ARTICLE 3

PROPERTY EASEMENTS AND RIGHTS

3.1 GENERAL. In addition to other easements and rights established by the Governing Documents, the Property is subject to the easements and rights contained in this Article.

3.2 EASEMENT FOR SCREENING WALL. The Association is hereby granted and/or reserves a perpetual easement along and over an area equal to five feet running parallel to the Property lines a they change courses from point of beginning to that same point of closure for the purpose of constructing, maintaining or repairing a privacy and security fence around the Addition with gates installed only at the front or main entry and at the location of the emergency ingress and egress easement.

3.3 OWNER'S EASEMENT OF ENJOYMENT. Every Owner is granted a right and easement of enjoyment over the Common Area and to use of improvements therein, subject to other rights and easements contained in the Governing Documents. An Owner who does not occupy a Lot temporarily delegates this right of enjoyment to the Residents of his Lot. Under the written lease previously provide to the Association during the term of such lease and occupancy there under. Such easement shall be perpetual in nature and shall grant each owner the non-exclusive right and easement over the private street in the addition for vehicular and pedestrian ingress to and egress from his lot.

3.4 OWNER'S INGRESS/EGRESS EASEMENT. Every Owner is granted a perpetual easement over the Property's streets, as may be reasonably required, for vehicular ingress to and egress to and from his Lot and the non-exclusive right and easement to the entire canal (being described as Lot 1, Block 2, of the Addition as shown on the Plat) for access by water to and from each owner's Lot and connecting via the canal to the main body of Eagle Mountain Lake.

3.5 RIGHTS OF MUNICIPALITY. The City of Pelican Bay, including its agents and employees, has the right of immediate access to the Common Areas at all times via the emergency access easement and coded security gate if necessary for the welfare or protection of the public, or owners of the Lots in the Addition and/or through the front or main entry if performing any repairs or maintenance of the street within the Addition and associated facilities.

3.6 ASSOCIATION'S ACCESS EASEMENT. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, grants to the Association an easement of access and entry over, across, under, and through the Property, including without limitation all Common Areas and the Owner's Lot and all improvements thereon - including the house and yards - for the below-described purposes.

3.6.1 Purposes. Subject to the limitations stated below, the Association may exercise this easement of access and entry for the following express purposes:

- a. To inspect the property for compliance with maintenance and architectural standards.
- b. To perform maintenance that is permitted or required of the Association by the Governing Documents or by applicable law.
- c. To perform maintenance that is permitted or required of the Owner by the Governing Documents or by applicable law, if the Owner fails or refuses to perform such maintenance.
- d. To enforce architectural standards.
- e. To enforce use restrictions.
- f. The exercise of self-help remedies permitted by the Governing Documents or by applicable law.
- g. To enforce any other provision of the Governing Documents.
- h. To respond to emergencies.
- i. To grant easements to utility providers as may be necessary to install, maintain, and inspect utilities serving any portion of the Property.
- j. To perform any and all functions or duties of the Association as permitted or required by the Governing Documents or by applicable law.

3.6.2 No Trespass. In exercising this easement on an Owner's Lot, the Association is not liable to the Owner for trespass.

3.6.3 Limitations. If the exercise of this easement requires entry onto an Owner's Lot, including into an Owner's fenced yard, the entry will be during reasonable hours and after notice to the Owner. This Subsection does not apply to situations that at time of entry - are deemed to be emergencies that may result in imminent damage to or loss of life or property.

3.7 UTILITY EASEMENT. The Association may grant permits, licenses, and easements over Common Areas for utilities, roads, and other purposes necessary for the proper operation of LAGUNA BAY. A company or entity, public or private, furnishing utility service to the Property, is granted an easement over the Property for ingress, egress, meter reading, installation, maintenance, repair, or replacement of utility lines and equipment, and to do anything else necessary to properly maintain and furnish utility service to the Property; provided, however, this easement may not be exercised without prior notice to the board. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, master or cable television, and security.

3.8 MINERAL RIGHTS. Some or all of the Property may be subject to a previous Owner's acquisition, reservation, or conveyance of oil, gas, or mineral rights pursuant to one or more deeds, leases or other instruments, whether recorded or unrecorded in the Real Property Records of Tarrant County, Texas, including but not limited to rights to all oil, gas, or other minerals lying on, in, or under the Property and surface rights of ingress and egress. Because the instruments conveying or reserving mineral interests were recorded prior to this Declaration, those interests in the Property are superior and are not affected by any provision to the contrary in this Declaration. By accepting title to or interest in a Lot, every Owner acknowledges the existence of the mineral rights and/or reservations, referenced in this Section and the attendant rights in favor of the Owner or Lessees of the mineral interests.

3.9 SECURITY. The Association may, but is not obligated to, maintain or support certain activities within LAGUNA BAY designed, either directly or indirectly, to improve safety in or on the Property. Each Owner and resident acknowledges and agrees, for himself and any resident or guest, that Declarant, the Association, and their respective directors, officers, committees, agents, and employees are not providers, insurers, or guarantors of security within the Property. Each Owner and Resident acknowledges and accepts his sole responsibility to provide security for his own person and property, and assumes all risks for loss or damage to same. Each Owner and Resident further acknowledges that Declarant, the Association, and their respective directors, officers, committees, agents, and employees have made no representations or warranties, nor has the Owner or Resident relied on any representation or warranty, express or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any fire, burglar, and/or intrusion systems recommended or installed, or any security measures undertaken within LAGUNA BAY. Each Owner and resident acknowledges and agrees that Declarant, the Association, and their respective directors, officers, committees, agents, and employees may not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

ARTICLE 4
COMMON AREA

4.1 OWNERSHIP. The designation of real property as Common Area is determined by the Plat and this Declaration, and not by the Ownership of the property. This Declaration contemplates that the Association will eventually hold title to every Common Area capable of independent Ownership by the Association. Declarant may install, construct, or authorize certain improvements on Common Area in connection with the initial development of LAGUNA BAY, and the cost thereof is not a common expense of the Association. Thereafter, all costs attributable to Common Area, including maintenance, property taxes, insurance, and enhancements, are automatically the responsibility of the Association, regardless of the nature of title to the Common Area, unless this Declaration elsewhere provides for a different allocation for a specific Limited Common Area.

4.2 ACCEPTANCE. By accepting an interest in or title to a Lot, each Owner is deemed (i) to accept the Common Area of the Property, and any improvement thereon, in its then-existing "as is" condition; (ii) to acknowledge the authority of the Association, acting through its board of directors, for all decisions pertaining to the Common Area; (iii) to acknowledge that transfer of a Common Area's title to the Association by or through the Declarant is a ministerial task that does not require acceptance by the Association; and (iv) to acknowledge the continuity of maintenance of the Common Area, regardless of changes in the Association's board of directors or management.

4.3 COMPONENTS. The Common Area of LAGUNA BAY consists of the following components on or adjacent to the Property, even if located on a Lot or a public right-of-way:

- a. Any area shown on the Plat as Common Area or an area to be maintained by the Association, including without limitations Lot 1, Block 2 (being the 160' wide canal) and the perimeter fence easement and the fencing, emergency access drive and coded security gate located therein, the front or main entry and its coded security gate, and such decorative fencing, landscaping, underground irrigation equipment and signage for the Addition as Declarant may place in the area of the main entrance to the Addition, and other real Property or improvements associated with any of the foregoing.
- b. Any modification, replacement, or addition to any of the above-described areas and improvements.
- c. Personal property owned by the Association, such as books and records, office equipment, and supplies.

4.4 LIMITED COMMON AREA. If it is in the best interest of the Association, a portion of the Property may be licensed, leased, or allocated to one or more Lots for their sole and exclusive use, as a Limited Common Area, whether or not the area is so designated on the Plat. Inherent in the Limiting of a Common Area, maintenance of the Limited Common Area becomes the responsibility of the Lot Owner, rather than the Association. For example, a Limited Common Area that is difficult to access and maintain except via the adjoining house Lot might be a candidate for limited Common Area.

ARTICLE 5

ARCHITECTURAL COVENANTS AND CONTROL

5.1. PURPOSE. Because the Lots are part of a single, unified community, this Declaration creates rights to regulate the design, use, and appearance of the Lots and Common Areas in order to preserve and enhance the Property's value and architectural harmony. One purpose of this Article is to promote and ensure the level of taste, design, quality, and harmony by which LAGUNA BAY is developed and maintained. Another purpose is to prevent improvements and modifications that may be widely considered to be radical, curious, odd, bizarre, or peculiar in comparison to then existing improvements. A third purpose is to regulate the appearance of every aspect of proposed or existing improvements on a Lot, including but not limited to dwellings, roofing (pitch, design, materials & tones), fences, landscaping, retaining walls, yard art, mail boxes, sidewalks and driveways, and further including replacements or modifications of original construction or installation. During the Development Period, a primary purpose of this Article is to reserve and preserve Declarant's right of architectural control.

5.2 ARCHITECTURAL CONTROL DURING THE DEVELOPMENT PERIOD. During the Development Period, neither the Association, the board of directors, nor a committee appointed by the Association or board (no matter how the committee is named) may involve itself with the approval of new homes on vacant Lots. During the Development Period, the Architectural Reviewer for new homes on vacant Lots is the Declarant or its delegates.

5.2.1 Declarant's Rights Reserved. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees that Declarant has a substantial interest in ensuring that the improvements within LAGUNA BAY enhance Declarant's reputation as a community developer and do not impair Declarant's ability to sell lots and/or homes in the Addition. Accordingly, each Owner agrees that - during the Development Period - no improvements will be commenced on Owner's Lot without the prior written approval of Declarant, which approval may be granted or withheld at Declarant's sole discretion. In reviewing and acting on a written application for approval, Declarant may act solely in its self-interest and owes no duty to any other person or any organization. Declarant may designate one or more persons from time to time to act on its behalf in reviewing and responding to applications.

5.2.2 Delegation by Declarant. During the Development Period, Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under this Article to (i) a modifications or architectural committee appointed by Declarant or by the board, (ii) a modifications or architectural committee elected by the Owners, or (iii) a committee comprised of architects, engineers, or other persons who may or may not be members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant (y) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (z) to veto any decision which Declarant in its sole discretion determines to be inappropriate or inadvisable for any reason.

5.3 ARCHITECTURAL CONTROL BY ASSOCIATION. Unless and until such time as Declarant delegates all or a portion of its reserved rights to the Architectural Control Committee (the "ACC"), or the Development Period is terminated or expires, the Association has no jurisdiction over architectural matters. On termination or expiration of the Development Period, or earlier if delegated in writing by Declarant, the Association, acting through the ACC, will assume jurisdiction over architectural control. The ACC will consist of at least 3 but not more than 7 persons appointed by the board, pursuant

to the Bylaws. Members of the ACC serve at the pleasure of the board and may be removed and replaced at the board's discretion. At the board's option, the board may act as the ACC, in which case all references in the Governing Documents to the ACC are construed to mean the board. Members of the ACC need not be Owners or residents, and may but need not include architects, engineers, and design professionals whose compensation, if any, may be established from time to time by the board.

5.4 LIMITS ON LIABILITY. The Architectural Reviewer has sole discretion with respect to taste, design, and all standards specified by this Article. The Architectural Reviewer and each of its members has no liability for decisions made in good faith by the Architectural Reviewer, and which are not arbitrary or capricious. The Architectural Reviewer is not responsible for: (i) errors in or omissions from the plans and specifications submitted to the Architectural Reviewer, (ii) supervising construction for the Owner's compliance with approved plans and specifications, or (iii) the compliance of the Owner's plans and specifications with governmental codes and ordinances, state and federal laws.

5.5 PROHIBITION OF CONSTRUCTION, ALTERATION & IMPROVEMENT. Without the Architectural Reviewer's prior written approval, a person may not construct a dwelling or make an addition, alteration, improvement, installation, modification, redecoration, or reconstruction of or to the Property, if it will be visible from a street, another Lot, or the Common Area. The Architectural Reviewer has the right but not the duty to evaluate every aspect of construction, landscaping, and property use that may adversely affect the general value or appearance of LAGUNA BAY.

5.6 ARCHITECTURAL APPROVAL. To request architectural approval, an Owner must make written application to the Architectural Reviewer and submit 2 identical sets of plans and specifications showing the nature, kind, shape, color, size, materials, and locations of the work to be performed. In support of the application, the Owner may but is not required to submit letters of support or non-opposition from Owners of Lots that may be affected by the proposed change. The application must clearly identify any requirement of this Declaration for which a variance is sought. The Architectural Reviewer will return one set of plans and specifications to the applicant marked with the Architectural Reviewer's response, such as "Approved," "Denied," or "More Information Required." The Architectural Reviewer will retain the other set of plans and specifications, together with the application, for the Architectural Reviewer's files. Verbal approval by an Architectural Reviewer, the Declarant, an Association director or officer, a member of the ACC, or the Association's manager does not constitute architectural approval by the appropriate Architectural Reviewer, which must be in writing.

5.6.1 Deemed Approval. Under the following limited conditions, the applicant may presume that his request has been approved by the Architectural Reviewer:

- a. If the applicant or a person affiliated with the applicant has not received the Architectural Reviewer's written response - approving, denying, or requesting additional information - within 60 days after delivering his complete application to the Architectural Reviewer.
- b. If the proposed improvement or modification strictly conforms to requirements and construction specifications contained in this Declaration and in any design guidelines for the Property in effect at the time of application.

If those conditions are satisfied, the owner may then proceed with the improvement, provided he adheres to the plans and specifications which accompanied his application, and provided he initiates and completes the improvement in a timely manner. In exercising deemed approval, the

burden is on the owner to document the Architectural Reviewer's actual receipt of the owner's complete application. Under no circumstance may approval of the Architectural Reviewer be deemed, implied, or presumed for an improvement or modification that would require a variance from the requirements and construction specifications contained in this Declaration and in any design guidelines for the Property in effect at the time of application.

5.6.2 Building Permit. If the application is for work that requires a building permit from a governmental body, the Architectural Reviewer's approval is conditioned on the issuance of the appropriate permit. The Architectural Reviewer's approval of plans and specifications does not mean that they comply with the requirements of the governmental body. Alternatively, governmental approval does not ensure Architectural Reviewer approval.

5.6.3 Declarant Approved. Notwithstanding anything to the contrary in this Declaration, any improvement to LAGUNA BAY made or approved by Declarant during the Development Period is deemed to have been approved by the Architectural Reviewer.

5.7 ARCHITECTURAL GUIDELINES. Declarant during the Development Period, and the Association thereafter, may publish architectural restrictions, guidelines, and standards, which may be revised from time to time to reflect changes in technology, style, and taste.

ARTICLE 6

CONSTRUCTION AND USE RESTRICTIONS

6.1 VARIANCE. The use of the Property is subject to the restrictions contained in this Article, and subject to rules adopted pursuant to this Article. The Board or the Architectural Reviewer, as the case may be, may grant a variance or waiver of a restriction or rule on a case-by-case basis when unique circumstances dictate, and may limit or condition its grant. To be effective, a variance must be in writing. The grant of a variance does not affect a waiver or estoppel of the Association's right to deny a variance in other circumstances. Approval of a variance or waiver may not be deemed, implied, or presumed under any circumstance.

6.2 CONSTRUCTION RESTRICTIONS. Without the Architectural Reviewer's prior written approval for a variance, improvements constructed on every Lot must have the characteristics described in Exhibit B, which may be treated as the minimum requirements for improving and using a Lot. The Architectural Reviewer and the Board may promulgate additional rules and restrictions, as well as interpretations, additions, and specifications of the restrictions contained in this Article. An Owner should review the Association's architectural restrictions, if any, before planning improvements, repairs, or replacements to his Lot or the single family dwelling to be located thereon.

6.3 LIMITS TO RIGHTS. No right granted to an owner by this Article or by any provision of the Governing Documents is absolute. The Governing Documents grant rights with the expectation that the rights will be exercised in ways, places, and times that are customary for the neighborhood. This Article and the Governing Documents as a whole do not try to anticipate and address every creative interpretation of the restrictions. For example, an owner's right to have a sign advertising the home for sale is not the right to mount the sign on the chimney and illuminate it with pulsating neon lights. The right of access to a home is not the right to land helicopters on the lot. The rights granted by this Article and the Governing Documents are at all times subject to the board's determination that a

particular interpretation and exercise of a right is significantly inappropriate, unattractive, or otherwise unsuitable for the neighborhood, and thus constitutes a violation of the Governing Documents. In other words, the exercise of a right or restriction must comply with the spirit of the restriction as well as with the letter of the restriction.

6.4 ASSOCIATION'S RIGHT TO PROMULGATE RULES. The Association, acting through its board, is granted the right to adopt, amend, repeal, and enforce reasonable Rules, and penalties for infractions thereof, regarding the occupancy, use, disposition, maintenance, appearance, and enjoyment of LAGUNA BAY. In addition to the restrictions contained in this Article, each lot is owned and occupied subject to the right of the board to establish Rules, and penalties for infractions thereof, governing:

- a. Use of Common Areas.
- b. Hazardous, illegal, or annoying materials or activities on the Property.
- c. The use of Property-wide services provided through the Association.
- d. The consumption of utilities billed to the Association.
- e. The use, maintenance, and appearance of exteriors of dwellings and lots.
- f. Landscaping and maintenance of yards.
- g. The occupancy and leasing of dwellings.
- h. Animals.
- i. Vehicles.
- j. Disposition of trash and control of vermin, termites, and pests.
- k. Anything that interferes with maintenance of the Property, operation of the Association, administration of the Governing Documents, or the quality of life for residents.

6.5 ACCESSORY SHEDS. Accessory structures, such as dog houses, gazebos, metal storage sheds, playhouses, and greenhouses, are permitted as long as they are typical for LAGUNA BAY in terms of type, number, size, location, color, material, and height. Accessory structures may not be located in front yards or in unfenced portions of side yards facing streets. If an accessory structure that is visible from a street or another lot is installed on a lot without the prior written approval of the Architectural Reviewer, the Architectural Reviewer reserves the right to determine that the accessory structure is unattractive or inappropriate or otherwise unsuitable for the Property, and may require the owner to screen it or to remove it.

6.6 ANIMAL RESTRICTIONS. No animal, bird, fish, reptile, or insect of any kind may be kept, maintained, raised, or bred anywhere on the Property for any commercial purpose or for food. The only animals permitted on the Property are customary domesticated household pets, which may be kept for personal companionship subject to rules adopted by the board. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, locations, and behavior of animals at the Property. If the rules fail to establish animal occupancy quotas, no more than 4 dogs and/or cats may be maintained on each lot. Pets must be kept in a manner that does not disturb the peaceful enjoyment of residents of other lots. Pets must be maintained inside the dwelling, and may be kept in a fenced yard only if they do not disturb residents of other lots. Residents are responsible for the removal of their pet's wastes from the Lot.

Unless the Rules provide otherwise, a resident must prevent his pet from relieving itself on the common area or the lot of another owner.

6.7 ANNOYANCE. No lot or common area may be used in any way that: (1) may reasonably be considered annoying to neighbors; (2) may be calculated to reduce the desirability of LAGUNA BAY as a residential neighborhood; (3) may endanger the health or safety of residents of other lots; (4) may result in the cancellation of insurance on the Property; or (5) violates any law. During the Declarant's Control Period, Declarant, and thereafter, the board shall have the sole authority to determine what constitutes an annoyance.

6.8 APPEARANCE. Both the lot and the dwelling must be maintained in a manner so as not to be unsightly when viewed from the street or neighboring lots. The Architectural Reviewer is the arbitrator of acceptable appearance standards.

6.9 BUSINESS USE. A resident may use a dwelling for business uses, such as telecommuting, personal business, and professional pursuits, provided that: (1) the uses are incidental to the primary use of the dwelling as a residence; (2) the uses conform to applicable governmental ordinances; (3) the uses do not entail visits to the lot by employees or the public in quantities that materially increase the number of vehicles parked on the street; and (4) the uses do not interfere with the residential use and enjoyment of neighboring lots by other residents.

6.10 DECLARANT PRIVILEGES. Declarant has reserved a number of rights and privileges to use the Property in ways that are not available to other owners and residents, as provided in Article 16 of this Declaration. Declarant's exercise of a Development Period right that appears to violate a rule or a use restriction of this Article does not constitute waiver or abandonment of the restriction by the Association as applied to owners other than Declarant.

6.11 DRAINAGE. No person may interfere with the established drainage pattern over any part of LAGUNA BAY unless an adequate alternative provision for proper drainage has been approved by the board.

6.12 DRIVEWAYS. The driveway portion of a lot may not be used for any purpose that interferes with its ongoing use as a route of vehicular access to the garage. Without the board's prior approval, a driveway may not be used: (1) for storage purposes, including storage of boats, trailers, and inoperable vehicles; or (2) for repair or restoration of vehicles. Each owner shall obtain an Access Permit from Tarrant County prior to constructing their driveway on their Lot and its entrance into the private street in the Addition.

6.13 FENCES. This Section is subject to the Architectural Reviewer's right to adopt additional or different specifications for construction or reconstruction of fences, including the types and location of fences within the rear 30' feet natural beach area (the "Beach Area") adjoining the Lot and canal behind it with the intent of not interfering or obstructing the natural view of the canal from any Lot. The height of fences must be four feet (4'). Fences must be made of iron, painted or powder coated black, or other Architectural Reviewer-approved material. Any portion of a fence that faces a street, alley, or

common area must have a "finished side" appearance. Retaining walls must be constructed entirely with Architectural Reviewer-approved materials. Fences may not be constructed between a dwelling's front building line and the street. The use of barbed wire and chain-link fencing is prohibited. The use or application of a stain that cures in a solid color or paint is prohibited. Wood fences may be left in their natural state. No wood fence may be stained to alter the fence color from a natural wood color. Without prior approval of the Architectural Reviewer, clear sealants may be applied.

6.14 FLAGS. Each owner and resident of a Lot in LAGUNA BAY has a right to fly the United States flag and/or the Texas state flag on their lot, either or both such flags being display in a respectful and otherwise appropriate manner subject to reasonable standards adopted by the Association for the height, size, illumination, location, and number of flagpoles. All flag displays shall comply with applicable laws relating to flag displays. No other types of flags, pennants, banners, kites, or similar types of displays are permitted on a lot if the display is visible from the street or any portion of common area. Flags must fly no higher than 35' and cannot be larger than 30 square feet in size.

6.15 GARAGES. Without the board's prior written approval, the original garage area of a lot may not be enclosed or used for any purpose that prohibits the parking of two standard-size operable vehicles therein. Garage doors are to be kept closed at all times except when a vehicle is entering or leaving.

6.16 FIREARMS. Hunting and shooting are not permitted anywhere on or from LAGUNA BAY. The Association is not required to enforce this provision by confronting an armed person.

6.17 LANDSCAPING. No person may perform landscaping, planting, or gardening on the common area without the board's prior written authorization.

6.18 LEASING OF HOMES. An owner may lease the dwelling on his lot. Whether or not it is so stated in a lease, every lease is subject to the Governing Documents. An owner is responsible for providing his tenant with copies of the Governing Documents and notifying him of changes thereto. Failure by the tenant or his invitees to comply with the Governing Documents, federal or state law, or local ordinance is deemed to be a default under the lease. When the Association notifies an owner of his tenant's violation, the owner will promptly obtain his tenant's compliance or exercise his rights as a landlord for tenant's breach of lease. If the tenant's violation continues or is repeated, and if the owner is unable, unwilling, or unavailable to obtain his tenant's compliance, then the Association has the power and right to pursue the remedies of a landlord under the lease or state law for the default, including eviction of the tenant. The owner of a leased lot is liable to the Association for any expenses incurred by the Association in connection with enforcement of the Governing Documents against his tenant. The Association is not liable to the owner for any damages, including lost rents, suffered by the owner in relation to the Association's enforcement of the Governing Documents against the owner's tenant.

6.19 LIGHTS. Lights which are located on lots in the Addition, including landscape lighting and other forms of exterior illumination shall be unobtrusive, shielded to prevent glare, be directed away from neighboring homes and yards and shall otherwise be installed in a manner and location that will not spill over onto neighboring property or improvements. All visible exterior lighting fixtures on a lot or the improvements thereon should be consistent in style, design, color, intensity, color of light produced (excluding any colored lighting) and finish and otherwise compatible with the exterior appearance of the residential structure and the other components or other improvements on the lot. Street lights shall be the sole responsibility of the Association to maintain and repair or replace as necessary to be in compliance

with standard street lighting rules, regulations, policies and procedures and to promote security for owners and residents within the Addition and when utilizing the private street in the Addition.

6.20 NOISE & ODOR. A resident must exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb or annoy residents of neighboring lots. The Rules may prohibit the use of noise-producing security devices.

6.21 OCCUPANCY. Other than the completed single family residential dwelling constructed in accordance with the provisions and requirements of this Declaration, no other structure on a lot may be occupied as a residence at any time by any person. This provision applies, without limitation, to the garage, mobile homes, campers and storage sheds.

6.22 RESIDENTIAL USE. The use of any given lot in the Addition is limited exclusively to single family residential uses and purposes only and such related incidental uses and purposes thereto which may be permitted by this Declaration, including limited home business uses as more fully described above.

6.23 SCREENING. The Architectural Reviewer may require that the following items must be screened from the view of the public and neighboring lots and dwellings, if any of these items exists on the lot: (1) satellite reception equipment; (2) clotheslines, drying racks, and hanging clothes, linens, rugs, or textiles of any kind; (3) yard maintenance equipment; (4) wood piles and compost piles; (5) accessory structures that do not have prior approval of Architectural Reviewer; (6) garbage cans and refuse containers; (7) anything determined by the board to be unsightly or inappropriate for a residential subdivision. Screening may be achieved with fencing or with plant material, such as trees and bushes, or any combination of these. If plant material is used, a reasonable period of time is permitted for the plants to reach maturity as an effective screen. As used in this Section, "screened from view" refers to the view of a person in a passenger vehicle driving on a street or alley, or the view of a person of average height standing in the middle of a yard of an adjoining lot.

6.24 SIGNS. An owner who is actively marketing his lot for sale or lease may place in the front yard one professionally-made traditional yard sign of not more than 9 square feet advertising the lot for sale or for rent. No other sign or unsightly object may be erected, placed, or permitted to remain on the Property or to be visible from windows in the dwelling without the board's prior written approval. The board's approval may specify the location, nature, appearance, dimensions, number, and time period of a sign or object. The Association may effect the removal of any sign or object that violates this Section or which the board deems inconsistent with neighborhood standards without liability for trespass or any other liability connected with the removal.

6.25 TELEVISION. Each resident of LAGUNA BAY will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, electronic, microwave, cable, or satellite reception on the Property. Antennas, satellite or microwave dishes, and receiving or transmitting towers that are visible from a street or from another lot are prohibited within the Property, except (1) reception-only antennas or satellite dishes designed to receive television broadcast signals, (2) antennas or satellite dishes that are one meter or less in diameter and designed to receive

direct broadcast satellite service (DBS), or (3) antennas or satellite dishes that are one meter or less in diameter or diagonal measurement and designed to receive video programming services via multipoint distribution services (MDS) (collectively, the "Antenna") are permitted if located (a) inside the structure (such as in an attic or garage) so as not to be visible from outside the structure, (b) in a fenced yard, or (c) attached to or mounted on the rear wall of a structure below the eaves. If an owner determines that an Antenna cannot be located in compliance with the above guidelines without precluding reception of an acceptable quality signal, the owner may install the Antenna in the least conspicuous location on the lot where an acceptable quality signal can be obtained. The Association may adopt reasonable rules for the location, appearance, camouflaging, installation, maintenance, and use of the Antennas to the extent permitted by public law.

6.26 TEMPORARY STRUCTURES. Except for "accessory sheds" as described above, improvements or structures of a temporary or mobile nature, such as tents, ~~portable sheds~~, and mobile homes, may not be placed on a lot if visible from a street or another lot. However, an owner or owner's contractor may maintain a temporary structure (such as a portable toilet or construction trailer) on the lot during construction of the dwelling.

6.27 VEHICLES. All vehicles on the Property, whether owned or operated by the residents or their families and guests, are subject to this Section and Rules adopted by the board. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on the Property. The board may effect the removal of any vehicle in violation of this Section or the Rules without liability to the owner or operator of the vehicle.

6.27.1 Parking in Street. The following subsection shall not be construed to totally prohibit the temporary and periodic parking of all vehicles on the private streets in the Addition, but are intended to be restrictive and as to certain types of vehicles and certain circumstances to constitute an outright prohibition of parking on the street. As with other provisions of these Governing Documents the Association shall have the continuing right to adopt reasonable rules relating to on-street parking as and when conditions and circumstances may warrant.

6.27.2 Prohibited Vehicles. Without prior written board approval, ~~the following types of~~ vehicles and vehicular equipment - mobile or otherwise - may not be kept, parked, or stored anywhere on the Property including overnight parking on streets and driveways - ~~if the vehicle is visible from the street or from any other lot.~~ The prohibited vehicles include mobile homes, motor homes, buses, trailers, boats and boat trailers, aircraft, any type of vehicle if inoperable, commercial truck and ~~truck cabs, trucks with~~ tonnage exceeding one ton, vehicles which are not customary personal passenger vehicles, and any other type of vehicle which the board may deem to be a nuisance, unsightly, or ~~inappropriate to be kept,~~ maintained or parked in the private street or in the driveway, garage, or any other area in the lot or ~~addition.~~ Any vehicles not in the above list and not otherwise specifically prohibited ~~from parking in the~~ street or drive of a lot shall be allowed to park in the private street only periodically and temporary, meaning not more than twelve consecutive hours on not more than two ~~separate occasions during any~~ thirty day period during a calendar year. Parking for more than twelve consecutive hours or more than two separate occasions during any thirty day period shall be deemed to violate these ~~parking restrictions.~~ Notwithstanding, no vehicle of any kind shall park in the private street in front of another lot or in a location that would block or impede the use by the owner or resident of that lot of its own driveway, mailbox and any fire hydrant that may be installed in that location.

6.28 WINDOW TREATMENTS. All window treatments within the dwelling that are visible from the street or another dwelling must be maintained in good condition and must not detract from the

appearance of the Property. The Architectural Reviewer may require an owner to change or remove a window treatment that the Architectural Reviewer determines to be inappropriate or unattractive. The Architectural Reviewer may prohibit the use of certain colors or materials for window treatments.

6.29 YARD ART. The Association is interested in the appearance of all portions of a house lot that are visible from the street or from a neighboring lot, including yards, porches, sidewalks, window sills, mailboxes and chimneys (hereafter, collectively, the "yard"). Some changes or additions to a yard may defy easy categorization as an improvement, a sign, or landscaping. This Section confirms that all aspects of a visible yard are within the purview of the Architectural Reviewer.

6.30 PROPANE TANKS. Propane tanks shall be permitted provided that any propane tank larger than twenty pounds must be buried on the lot and in a location approved by the Architectural Reviewer.

6.31 WINDMILLS, SOLAR PANELS AND WELLS. No solar panels, windmills, wind turbines, wind generated electrical generator or well shall be erected, constructed, maintained or operated on any Lot.

ARTICLE 7

ASSOCIATION OPERATIONS

7.1 THE ASSOCIATION. The existence and legitimacy of the Association is derived from this Declaration and the Bylaws of the Association.

7.1.1 Type. The Association must be a nonprofit organization, ~~and may be unincorporated or~~ incorporated, as the Association decides from time to time. If the Association incorporates, the subsequent failure of the Association to maintain its corporate charter from time to time ~~does not affect the existence or legitimacy of the Association.~~

7.1.2 Applicability. The Association is subject ~~to the Texas Business Organizations Code~~ ("TBOC"). Because provisions of this Declaration address issues covered by the TBOC, this Declaration is a "Governing Document" as defined by TBOC, and any such provision herein is a "Bylaw" as defined by TBOC. When incorporated, the Association is subject to TBOC Chapter 22 - the Nonprofit Corporation Law. When unincorporated, the Association is subject to TBOC Chapter 252 - the Uniform Unincorporated Nonprofit Association Act.

7.1.3 Name. A name is not the defining feature of the Association. ~~Although the initial name of the Association is LAGUNA BAY Property Owner's Association, the Association may operate under any name that is approved by the board and (1) registered by the board with the County Clerk of Tarrant County, Texas, as an assumed name, or (2) filed by the Association with the Secretary of State as the name of the filing entity. The Association may also change its name by amending the Governing Documents. Another legal entity with the same name as the Association, or with a name based on the name of the Property is not the Association, which derives its authority from this Declaration.~~

7.1.4 Duties. The duties and powers of the Association are those set forth in the Governing Documents, together with the general and implied powers of a property owners association and, as applicable, an unincorporated nonprofit association or a nonprofit corporation organized under the laws of the State of Texas. Generally, the Association may do any and all things that are lawful and necessary.

proper, or desirable in operating for the peace, health, comfort, and general benefit of its members, subject only to the limitations on the exercise of such powers as stated in the Governing Documents.

7.1.5 Duration. The Association comes into existence on the later to occur of the two following events: (1) the date on which this Declaration is recorded in the Real Property Records of Tarrant County, Texas, or (2) the date on which a deed is recorded in the Real Property Records of Tarrant County, Texas, evidencing diversity of ownership in the Property (that the Property is not owned entirely by Declarant or its affiliates). The Association will continue to exist at least as long as this Declaration, as it may be amended, is effective against all or part of the Property.

7.2 BOARD. The Association is governed by a board of directors. Unless the Association's Bylaws or Articles of Association provide otherwise, the board will consist of at least 3 persons elected by the members at the annual meeting of the Association, or at a special meeting called for that purpose. Unless the Governing Documents expressly reserve a right, action, or decision to the owners, Declarant, or another party, the board acts in all instances on behalf of the Association. Unless the context indicates otherwise, references in the Governing Documents to the "Association" may be construed to mean "the Association acting through its board of directors."

7.3 MEMBERSHIP. Each owner is a member of the Association, ownership of a lot being the sole qualification for membership. Membership is appurtenant to and may not be separated from ownership of the lot. The board may require satisfactory evidence of transfer of ownership before a purported owner is entitled to vote at meetings of the Association. If a lot is owned by more than one person or entity, each co-owner is a member of the Association and may exercise the membership rights appurtenant to the lot. A member who sells his lot under a contract for deed may delegate his membership rights to the contract purchaser, provided a written assignment is delivered to the board. However, the contract seller remains liable for all assessments attributable to his lot until fee title to the lot is transferred.

7.4 DECISION MAKING. Any decision or act of the Association may be made by or at the direction of the board, unless the Governing Documents reserve the decision or act to the members, the Declarant, or any other person or group. Unless the Governing Documents or applicable law provide otherwise, any action requiring approval of the members may be approved (1) at a meeting by owners of at least a majority of the lots that are represented at the meeting, provided notice of the meeting was given to an owner of each lot, or (2) in writing by owners of at least a majority of all lots, provided the opportunity to approve or disapprove was given to an owner of each lot.

7.5 MANAGER. The board may delegate the performance of certain functions to one or more managers or managing agents of the Association. Notwithstanding a delegation of its functions, the board is ultimately responsible to the members for governance of the Association.

7.6 COMMUNICATIONS. This Declaration is drafted in an era of rapidly changing communication technologies. Declarant does not intend to limit the methods by which the Association, owners, and residents communicate with each other. Such communications may be by any method or methods that are available and customary. For example, if the Association is required by the Governing Documents or applicable law to make information available to owners of all lots, that requirement may be satisfied by posting the information on the Association's website or by using electronic means of disseminating the information, unless applicable law requires a specific method of communication. It is

foreseeable that meetings of the Association and voting on issues may eventually be conducted via technology that is not widely available on the date of this Declaration. As communication technologies change, the Association may adopt as its universal standard any technology that is used by owners of at least 85 percent of the lots. Also, the Association may employ multiple methods of communicating with owners and residents.

7.7 VOTING. One indivisible vote is appurtenant to each lot. The total number of votes equals the total number of lots in the Property. If additional property is made subject to this Declaration, the total number of votes will be increased automatically by the number of additional lots or tracts. Each vote is uniform and equal to the vote appurtenant to every other lot, except during the Declarant Control Period as permitted in Article 16. Cumulative voting is not allowed. Votes may be cast by written proxy, according to the requirements of the Association's Bylaws.

7.8 BOOKS & RECORDS. The Association will maintain copies of the Governing Documents and the Association's books, records, and financial statements. The Association will make its books and records available to members, on request, for inspection and copying.

7.9 INDEMNIFICATION. The Association indemnifies every officer, director, ~~committee chair, and committee member~~ (for purposes of this Section, "Leaders") against expenses, including attorney's fees, reasonably incurred by or imposed on the Leader in connection with ~~an action, suit, or proceeding~~ to which the Leader is a party by reason of being or having been a Leader. A Leader is not liable for a mistake of judgment, negligent or otherwise. A Leader is liable for his willful ~~misfeasance, malfeasance, misconduct, or bad faith.~~ This right to indemnification does not exclude any other rights to which present or former Leaders may be entitled. The Association may maintain general liability and directors and officers liability insurance to fund this obligation. Additionally, the Association may indemnify a person who is or was an employee, trustee, agent, or attorney of the Association, ~~against any liability asserted~~ against him and incurred by him in that capacity and arising out of that capacity. Additionally, the Association may indemnify a person who is or was an employee, trustee, agent, or attorney of the Association, against any liability asserted against him and incurred by him in that capacity and arising out of that capacity.

7.10 OBLIGATIONS OF OWNERS. Without limiting the obligations of owners under the Governing Documents, each owner has the following obligations:

7.10.1 Pay Assessments. Each owner will pay assessments properly levied by the Association against the owner or his lot, and will pay regular assessments without demand by the Association.

7.10.2 Transfers. Each owner will pay the applicable HOA Sale Fees described in Article 8 of this Declaration and pursuant to the Notice of HOA Sale Fees in effect at the time of transfer.

7.10.3 Comply. Each owner will comply with the Governing Documents as amended from time to time.

7.10.4 Reimburse. Each owner will pay for damage to the Property caused by the negligence or willful misconduct of the owner, a resident of the owner's lot, or the owner or resident's family, guests, employees, contractors, agents, or invitees.

~~**7.10.5 Liability.**~~ Each owner is liable to the Association for violations of the Governing Documents by the owner, a resident of the owner's lot, or the owner or resident's family, guests,

employees, agents, or invitees, and for costs incurred by the Association to obtain compliance, including reasonable attorney's fees whether or not suit is filed.

7.11 NEW HOME SALES. The sale by Declarant to a homeowner of (1) a lot that is improved with a newly constructed house or (2) a lot with a contract for construction of the first house, is considered a "New Home Sale" for purposes of this Declaration. New Home Sales are not resales. The obligations for HOA Sale Fees for New Home Sales are described in Article 8 of this Declaration.

7.12 HOME RESALES. For purposes of this Declaration, a "resale" is every sale or conveyance of a lot (or of an interest in a lot) that is improved with a house, other than the initial sale by Declarant of the lot with the newly constructed house to the initial homeowner. This Section applies to every resale of a house lot.

7.12.1 Resale Certificate. An owner intending to sell his home will notify the Association and will request a resale certificate from the Association.

7.12.2 No Right of First Refusal. The Association does not have a right of first refusal and may not compel a selling owner to convey the owner's lot to the Association.

7.12.3 HOA Sale Fees. At time of transfer, the HOA Sale Fees described in Article 8 of this Declaration and pursuant to the Notice of HOA Sale Fees in effect at the time of transfer are due and payable by buyer and/or seller

7.12.4 Information. Within 30 days after acquiring an interest in a lot, an owner will provide the Association with the following information: a copy of the settlement statement or deed by which owner has title to the lot; the owner's email address (if any), U. S. postal address, and phone number; any mortgagee's name, address, and loan number; the name and phone number of any resident other than the owner; the name, address, and phone number of owner's managing agent, if any.

7.12.5 Exclusions. This requirements of this Section, do not apply to the following transfers: (1) the initial conveyance from Declarant; (2) foreclosure of a mortgagee's deed of trust lien, a tax lien, or the Association's assessment lien; (3) conveyance by a mortgagee who acquires title by foreclosure or deed in lieu of foreclosure; (4) transfer to, from, or by the Association; (5) voluntary transfer by an owner to one or more co-owners, or to the owner's spouse, child, or parent; (6) a transfer by a fiduciary in the course of administering a decedent's estate, guardianship, conservatorship, or trust; (7) a conveyance pursuant to a court's order, including a transfer by a bankruptcy trustee; or (8) a disposition by a government or governmental agency.

ARTICLE 8

COVENANT FOR ASSESSMENTS

8.1 PURPOSE OF ASSESSMENTS. The Association will use assessments for the general purposes of preserving and enhancing LAGUNA BAY, and for the common benefit of owners and residents, including but not limited to maintenance of real and personal property, management and operation of the Association, and any expense reasonably related to the purposes for which LAGUNA BAY was developed. If made in good faith, the board's decision with respect to the use of assessments is final.

8.2 PERSONAL OBLIGATION. An owner is obligated to pay assessments levied by the board against the owner or his lot. An owner makes payment to the Association at its principal office or at any other place the board directs. Payments must be made in full regardless of whether an owner has a dispute with the Association, another owner, or any other person or entity regarding any matter to which this Declaration pertains. No owner may exempt himself from his assessment liability by waiver of the use or enjoyment of the common area or by abandonment of his lot. An owner's obligation is not subject to offset by the owner, nor is it contingent on the Association's performance of the Association's duties. Payment of assessments is both a continuing affirmative covenant personal to the owner and a continuing covenant running with the lot.

8.3 CONTROL FOR ASSESSMENT INCREASES. This Section of the Declaration may not be amended without the approval of owners of at least two-thirds of the lots. In addition to other rights granted to owners by this Declaration, owners have the following powers and controls over the Association's budget:

8.3.1 Veto Increased Dues. At least 30 days prior to the effective date of an increase in regular assessments, the board will notify an owner of each lot of the amount of, the budgetary basis for, and the effective date of the increase. The increase will automatically become effective unless owners of at least a majority of the lots disapprove the increase by petition or at a meeting of the Association. In that event, the last-approved budget will continue in effect until a revised budget is approved.

8.3.2 Veto Special Assessment. At least 30 days prior to the effective date of a special assessment, the board will notify an owner of each lot of the amount of, the budgetary basis for, and the effective date of the special assessment. The special assessment will automatically become effective unless owners of at least majority of the lots disapprove the special assessment by petition or at a meeting of the Association.

8.4 TYPES OF ASSESSMENTS. There are 4 types of assessments: Regular, Special, Individual, and Deficiency.

8.4.1 Regular Assessments. Regular assessments are based on the annual budget. Each lot is liable for its equal share of the annual budget. If the board does not approve an annual budget or fails to determine new regular assessments for any year, or delays in doing so, owners will continue to pay the regular assessment as last determined. If during the course of a year the board determines that regular assessments are insufficient to cover the estimated common expenses for the remainder of the year, the board may increase regular assessments for the remainder of the fiscal year in an amount that covers the estimated deficiency. Regular assessments are used for common expenses related to the recurring, periodic, and anticipated responsibilities of the Association, including but not limited to:

- a. Maintenance, repair, and replacement, as necessary, of the common area.
- b. Utilities billed to the Association.
- c. Services billed to the Association and serving all lots.
- d. Taxes on property owned by the Association and the Association's income taxes.
- e. Management, legal, accounting, auditing, and professional fees for services to the Association.
- f. Costs of operating the Association, such as telephone, postage, office supplies, printing, meeting expenses, and educational opportunities of benefit to the Association.

- g. Premiums and deductibles on insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association, including fidelity bonds and directors and officers liability insurance.
- h. Contributions to the reserve funds.
- i. Any other expense which the Association is required by law or the Governing Documents to pay, or which in the opinion of the board is necessary or proper for the operation and maintenance of LAGUNA BAY or for enforcement of the Governing Documents.

8.4.2 Special Assessments. In addition to regular assessments, and subject to the owners' control for assessment increases, the board may levy one or more special assessments against all lots for the purpose of defraying, in whole or in part, common expenses not anticipated by the annual budget or reserve or sinking funds. Special assessments do not require the approval of the owners, except that special assessments for the following purposes must be approved by owners of least a majority of the lots:

- a. Acquisition of real property, other than the purchase of a lot (any any improvements thereon) at the sale foreclosing the Association's lien against the lot (and any improvements thereon).
- b. Construction of additional improvements within LAGUNA BAY, but not replacement of original improvements.
- c. Any expenditure that may reasonably be expected to significantly increase the Association's responsibility and financial obligation for operations, insurance, maintenance, property taxes, income taxes, repairs, or replacement.

8.4.3 Individual Assessments. In addition to regular and special assessments, the board may levy an individual assessment against a lot and its owner. Individual assessments may include, but are not limited to: interest, late charges, and collection costs on delinquent assessments; reimbursement for costs incurred in bringing an owner or his lot (and any improvements thereon) into compliance with the Governing Documents; fines for violations of the Governing Documents; insurance deductibles; transfer related fees and resale certificate fees; fees for estoppel letters and project documents; reimbursement for damage or waste caused by willful or negligent acts; common expenses that benefit fewer than all of the lots, which may be assessed according to benefit received; fees or charges levied against the Association on a per lot basis; and "pass through" expenses for services to lots provided through the Association and which are equitably paid by each lot according to benefit received.

8.4.4 Deficiency Assessments. The board may levy a deficiency assessment against all lots for the purpose of defraying, in whole or in part, the cost of repair or restoration if insurance proceeds or condemnation awards prove insufficient.

8.5 BASIS & RATE OF ASSESSMENTS. The share of liability for common expenses allocated to each lot is uniform for all lots, regardless of a lot's location or the value and size of the lot or dwelling; subject, however, to an exemption for Declarant provided in Article 16 herein, below.

8.6 ANNUAL BUDGET. The board will prepare and approve an estimated annual budget for each fiscal year. The budget will take into account the estimated income and expenses for the year, contributions to reserve funds, and a projection for uncollected receivables. The board will make the budget or its summary available to an owner of each lot, although failure to receive a budget or summary does not affect an owner's liability for assessments. The board will provide copies of the detailed budget to owners who make written request and pay a reasonable copy charge.

8.7 DUE DATE. The board may levy regular assessments on any periodic basis - annually, semi-annually, quarterly, or monthly. Regular assessments are due on the first day of the period for which levied. Special and individual assessments are due on the date stated in the notice of assessment or, if no date is stated, within 10 days after notice of the assessment is given. Assessments are delinquent if not received by the Association on or before the due date.

8.8 RESERVE FUNDS. The Association will establish, maintain, and accumulate reserves for operations and sinking fund reserves for replacement and/or repair of Common Area improvements. The Association must budget for reserves and/or sinking fund payments to be made in each fiscal year "Calendar Year" out of regular assessment income.

8.9 ASSOCIATION'S RIGHT TO BORROW MONEY. The Association is granted the right to borrow money, subject to the consent of owners of at least a majority of lots and the ability of the Association to repay the borrowed funds from assessments. To assist its ability to borrow, the Association is granted the right to encumber, mortgage, pledge, or deed in trust any of its real or personal property, and the right to assign its right to future income, as security for money borrowed or debts incurred, provided that the rights of the lender in the pledged property are subordinate and inferior to the rights of the owners hereunder.

8.10 LIMITATIONS OF INTEREST. The Association, and its officers, directors, managers, and attorneys, intend to conform strictly to the applicable usury laws of the State of Texas. Notwithstanding anything to the contrary in the Governing Documents or any other document or agreement executed or made in connection with the Association's collection of assessments, the Association will not in any event be entitled to receive or collect, as interest, a sum greater than the maximum amount permitted by applicable law. If from any circumstances whatsoever, the Association ever receives, collects, or applies as interest a sum in excess of the maximum rate permitted by law, the excess amount will be applied to the reduction of unpaid special and regular assessments, or reimbursed to the owner if those assessments are paid in full.

8.11 EFFECT OF NONPAYMENT OF ASSESSMENTS. An assessment is delinquent if the Association does not receive payment in full by the assessment's due date. The Association, acting through the board, is responsible for taking action to collect delinquent assessments. The Association's exercise of its remedies is subject to applicable laws, such as Chapter 209 of the Texas Property Code, and pertinent provisions of the Bylaws. From time to time, the Association may delegate some or all of the collection procedures and remedies, as the board in its sole discretion deems appropriate, to the Association's manager, an attorney, or a debt collector. Neither the board nor the Association, however, is liable to an owner or other person for its failure or inability to collect or attempt to collect an assessment. The following remedies are in addition to and not in substitution for all other rights and remedies which the Association has.

8.11.1 Interest. Delinquent assessments are subject to interest from the due date until paid, at a rate to be determined by the board from time to time, not to exceed the lesser of 16 percent per annum or the maximum rate permitted by applicable law, whichever is the lesser rate of interest. If the board fails to establish a rate, the rate shall be 10 percent per annum, until such later date that a different rate of interest is established by the board.

8.11.2 Late Fees. Delinquent assessments are subject to reasonable late fees, at a rate to be determined by the board from time to time, but in no event greater than four percent of the amount of the delinquent assessment.

8.11.3 Costs of Collection. The owner of a lot against which assessments are delinquent is liable to the Association for reimbursement of reasonable costs incurred by the Association to collect the delinquent assessments, including reasonable attorneys fees and reasonable, normal and customary processing fees charged by the manager.

8.11.4 Acceleration. If an owner defaults in paying an assessment that is payable in installments, the Association may accelerate the remaining installments on 30 days written notice to the defaulting owner. The entire unpaid balance of the assessment becomes due on the date stated in the notice.

8.11.5 Suspension of Vote. If an owner's account has been delinquent for at least 30 days, the Association may suspend the right to vote appurtenant to that owner's lot for so long as such delinquency continues. Any such suspension shall be revoked and restored to its full voting rights under the Governing Documents without any further act or consent by any party upon payment of all delinquent sums. Suspension does not constitute a waiver or discharge of the owner's obligation to pay assessments.

8.11.6 Money Judgment. The Association may file suit seeking a money judgment against an owner delinquent in the payment of assessments, without foreclosing or waiving the Association's lien for assessments.

8.11.7 Notice to Mortgagee. The Association may notify and communicate with the holder of any lien against a lot regarding the owner's default in payment of assessments.

8.11.8 Foreclosure of Assessment Lien. As provided by this Declaration, the Association may foreclose its lien against the lot by judicial means.

8.12 HOA SALE FEES. This Section addresses the expenses, fees, charges, and contributions (hereafter, collectively, the "HOA Sale Fees") that are charged by the Association or its manager, and that arise at the time of a home's sale or purchase. As used in this Section, "HOA Sale Fees" does not include a buyer's prepaid and/or pro-rata assessments. HOA Sale Fees are not refundable by the Association or the Association's manager, and may not be regarded as a prepayment of or credit against assessments. HOA Sale Fees generally fall into two types of categories - budget enhancing fees, such as contributions to the reserve or operating funds of the Association, and administrative fees, such as fees for resale certificates, estoppel certificates, copies of governing documents, compliance inspections, ownership record changes, and priority processing.

8.12.1 Notice of HOA Sale Fees. The Association will publicly record a Notice of HOA Sale Fees, which may be recorded as part of the Management Certificate.

8.12.2 Manager's Fees. HOA Sale Fees may be charged by the Association's manager, managing director, or managing agent (collectively, "manager"), pursuant to a contract between the Association and the manager, and provided there is no duplication of fees by type or amount with fees charged by the Association.

This Article does not obligate the manager to levy HOA Sale Fees. The number, types, and amounts of HOA Sale Fees charged by a manager (1) must have the prior written approval of the board, (2) are not subject to the Association's assessment lien, (3) should not exceed what is customary in amount, kind, and number for the local marketplace, and (4) are not payable by the Association unless the management contract so stipulates.

8.12.3 Amendment of Notice. Although the initial Notice of HOA Sale Fees is recorded as an exhibit of this Declaration, the Notice is not subject to the amendment requirements of Article 16 of this Declaration. The board, without a vote of the owners, may amend the Notice of HOA Sale Fees for the following two purposes: (1) to change a stated amount or formula for an HOA Sale Fee, or (2) to conform the Notice of HOA Sale Fees with applicable law regarding HOA Sale Fees. Any other amendment of the Notice requires the approval of owners of two-thirds of the lots represented at a meeting of the Association at which a quorum is present, provided notice of the proposed amendment is given with the notice of meeting. During the Development Period, any amendment of the Notice of HOA Sale Fees must have the written and acknowledged consent of Declarant.

8.12.3.1 Effective. To be effective, an amendment or restatement of the Notice of HOA Sale Fees by the owners or by the board must be in the form of a written instrument (1) referencing the name of the Property, the name of the Association, the recording data of the Declaration, and the recording data of the previously recorded Notice of HOA Sale Fees, (2) signed and acknowledged by an officer of the Association, certifying the requisite approval of owners or directors, and (3) recorded in the Real Property Records of Tarrant County, Texas.

8.12.3.2 Applicability. If the amended or restated Notice of HOA Sale Fees results in an overall reduction of HOA Sale Fees for a conveyance that is pending at the time of the amendment, the lower rate is effective immediately for any closing that occurs after the date the amendment is publicly recorded. If the amended or restated Notice of HOA Sale Fees results in an overall increase of HOA Sale Fees for the lot being conveyed, the increased amount is not effective until the 90th day after the date on which the amended or restated Notice of HOA Sale Fees is publicly recorded.

8.12.3.3 Distribution. Within 60 days after the amended or restated Notice of HOA Sale Fees is publicly recorded, a copy or report of, or electronic link to, the recorded amended Notice of HOA Sale Fees must be delivered or made available to an owner of each lot.

ARTICLE 9

ASSESSMENT LIEN

9.1 ASSESSMENT LIEN. Each owner, by accepting an interest in or title to a lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay assessments to the Association. Each assessment is a charge on the lot and is secured by a continuing lien on the lot. Each owner, and each prospective owner, is placed on notice that his title may be subject to the continuing lien for assessments attributable to a period prior to the date he purchased his lot.

9.2 RELEVANT PRIORITY OF ASSESSMENT LIEN. The assessment lien on a lot is subordinate and inferior to (1) real property taxes and assessments levied by governmental and taxing authorities, (2) federal tax liens levied or affixed to a lot, (3) state tax liens assessed or fixed to a lot, (4) real property ad valorem taxes constituting a lien on a lot, (5) a recorded deed of trust lien and/or vendor's line securing a purchase money loan and/or construction loan and/or a home equity or reverse mortgage lien on the lot or improvements thereon. Except for the foregoing, the assessment lien is superior to all other liens and encumbrances on a lot.

9.3 EFFECT OF MORTGAGEE'S FORECLOSURE. Foreclosure of a superior lien (being any of the liens specifically listed as being superior in section 9.2 above and/or by applicable law) shall extinguish the Association's lien and encumbrance against the lot and all improvements thereon for

all unpaid assessments that became due, payable and delinquent prior to the foreclosure having occurred, but shall not extinguish the Association's monetary and cause of action against the owner of such lot at the time the assessments became due and payable. The purchaser (including any foreclosing lender) at the foreclosure sale of a superior lien is liable for payment of only those assessments and other charges properly due that are first due and owing from and after the date of the sale.

9.4 NOTICE AND RELEASE OF NOTICE. The Association's lien for assessments is created by recordation of this Declaration, which constitutes record notice and perfection of the lien. No other recordation of a lien or notice of lien is required. However, the Association, at its option, may cause a notice of the lien to be recorded in the Real Property Records of Tarrant County, Texas. If the debt is cured after a notice has been recorded, the Association will record a release of the notice at the expense of the curing owner.

9.5 POWER OF SALE. By accepting an interest in or title to a lot, each owner grants to the Association a private power of non-judicial sale in connection with the Association's assessment lien. The board may appoint, from time to time, any person, including an officer, agent, trustee, substitute trustee, or attorney, to exercise the Association's lien rights on behalf of the Association, including the power of sale. The appointment must be in writing and may be in the form of a resolution recorded in the minutes of a board meeting.

9.6 FORECLOSURE OF LIEN. The assessment lien may be enforced by judicial or non-judicial foreclosure. A foreclosure must comply with the requirements of applicable law, such as Chapter 209 of the Texas Property Code. A non-judicial foreclosure must be conducted in accordance with the provisions applicable to the exercise of powers of sale as set forth in Section 51.002 of the Texas Property Code, or in any manner permitted by law. In any foreclosure, the owner is required to pay the Association's costs and expenses for the proceedings, including reasonable attorneys' fees, subject to applicable provisions of the Bylaws and applicable law, such as Chapter 209 of the Texas Property Code. The Association has the power to bid on the lot at foreclosure sale and to acquire, hold, lease, mortgage, and convey same. The Association may not foreclose the assessment lien if the debt consists solely of fines and/or a claim for reimbursement of attorney's fees incurred by the Association.

ARTICLE 10

ENFORCING THE DOCUMENTS

10.1 NOTICE AND HEARING. Before the Association may exercise certain of its remedies for a violation of the Governing Documents or damage to the Property, the Association must give an owner written notice and an opportunity for a hearing, according to the requirements and procedures in the Bylaws and in applicable law, such as Chapter 209 of the Texas Property Code. Notices are also required before an owner is liable to the Association for certain charges, including reimbursement of attorneys fees incurred by the Association.

10.2 REMEDIES. The remedies provided in this Article for breach of the Governing Documents are cumulative and not exclusive. In addition to other rights and remedies provided by the Governing Documents and by law, the Association has the following right to enforce the Governing Documents, subject to applicable notice and hearing requirements (if any):

10.2.1 Nuisance. The result of every act or omission that violates any provision of the Governing Documents is a nuisance, and any remedy allowed by law against a nuisance, either public or private, is applicable against the violation.

10.2.2 Fine. The Association may levy reasonable charges, as an individual assessment, against an owner and his lot if the owner or resident, or the owner or resident's family, guests, employees, agents, or contractors violate a provision of the Governing Documents. Fines may be levied for each act of violation or for each day a violation continues, and does not constitute a waiver or discharge of the owner's obligations under the Governing Documents.

10.2.3 Suspension. The Association may suspend the right of owners and residents to use common areas for any period during which the owner or resident, or the owner or resident's family, guests, employees, agents, or contractors violate the Governing Documents. A suspension does not constitute a waiver or discharge of the owner's obligations under the Governing Documents.

10.2.4 Self-Help. The Association has the right to enter any part of the Property, including lots, to abate or remove, using force as may reasonably be necessary, any improvement, thing, animal, person, vehicle, or condition that violates the Governing Documents. In exercising this right, the board is not trespassing and is not liable for damages related to the abatement. The board may levy its costs of abatement against the lot and owner as an individual assessment. The board will make reasonable efforts to give the violating owner prior notice of its intent to exercise self-help. The notice may be given in any manner likely to be received by the owner. Prior notice is not required (1) in the case of emergencies, (2) to remove violative signs, (3) to remove violative debris, or (4) to remove any other violative item or to abate any other violative condition that is easily removed or abated and that is considered a nuisance, dangerous, or an eyesore to the neighborhood.

10.2.5 Suit. Failure to comply with the Governing Documents will be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Prior to commencing any legal proceeding, the Association will give the defaulting party reasonable notice and an opportunity to cure the violation.

10.3 BOARD DISCRETION. The board may use its sole discretion in determining whether to pursue a violation of the Governing Documents, provided the board does not act in an arbitrary or capricious manner. In evaluating a particular violation, the board may determine that under the particular circumstances (1) the Association's position is not sufficiently strong to justify taking any or further action; (2) the provision being enforced is or may be construed as inconsistent with applicable law; (3) although a technical violation may exist, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or (4) that enforcement is not in the Association's best interests, based on hardship, expense, or other reasonable criteria.

10.4 NO WAIVER. The Association and every owner has the right to enforce all restrictions, conditions, covenants, liens, and charges now or hereafter imposed by the Governing Documents. Failure by the Association or by any owner to enforce a provision of the Governing Documents is not a waiver of the right to do so thereafter. If the Association does waive the right to enforce a provision, that waiver does not impair the Association's right to enforce any other part of the Governing Documents at any future time. No officer, director, or member of the Association is liable to any owner for the failure to enforce any of the Governing Documents at any time.

10.5 RECOVERY OF COSTS. The costs of curing or abating a violation are at the expense of the owner or other person responsible for the violation. If legal assistance is obtained to enforce any

provision of the Governing Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Governing Documents or the restraint of violations of the Governing Documents, the prevailing party is entitled to recover from the non-prevailing party all reasonable and necessary costs incurred by it in such action, including reasonable attorneys' fees.

ARTICLE 11

MAINTENANCE AND REPAIR OBLIGATIONS

11.1 MAINTENANCE OBLIGATIONS OF ASSOCIATION. The Association's maintenance obligations will be discharged when and how the board deems appropriate. The Association shall maintain, repair and replace, as a common expense, the portions of the Property listed below, regardless of whether the portions are on Lots or Common Areas.

- a. the Common Areas;
- b. any other real and personal property owned by the Association but which is not, for whatever reason, a Common Area, such as a residential lot purchased by the Association at a foreclosure sale of that same lot.
- c. any land adjacent to LAGUNA BAY if maintenance of such adjacent land is deemed to be in the best interests of the Association and is not prohibited by the actual owner or occupant of such adjacent land; and
- d. any other area, item, easement, or service - the maintenance of which is specifically assigned to the Association under this Declaration or as specified on the recorded plat of this addition.

11.2 OWNER RESPONSIBILITY. Every owner has the following responsibilities and obligations for the maintenance, repair, and replacement of that owners own lot and all improvements situated thereon, subject to the architectural control requirements of Article 5 and the use restrictions of Article 6 of this Declaration.

11.2.1 House Maintenance. Each owner, at such owner's own expense, shall maintain such lot and all permanent improvements situated thereon including but not limited to the single family dwelling, fences (other than the Security Fence which is a part of the Common Area), any sidewalk that crosses over an owner's lot, owner's driveways and on site turn space. Maintenance includes preventative maintenance, repair as needed, and replacement as needed. Each owner shall maintain his lot's improvements at a level, to a standard, and with an appearance that is commensurate with the neighborhood. Specifically, each owner shall repair and replace worn, rotten, deteriorated, and unattractive materials, and must regularly repaint all painted surfaces.

11.2.2 Yard Maintenance. Each owner, at such owner's own expense, shall maintain the yard, grass, planting, trees, vegetation and other landscaping on his own lot at a standard level of condition and with an appearance that is comparable those same areas on the other lots in the addition. For purposes hereof the term ("Yard") means all parts of the lot other than the single family residential dwelling, and includes both fenced and unfenced portions of the lot. Specifically, each owner shall:

- a. Maintain an attractive ground cover or lawn on all Yard areas that are visible from the street.
- b. Edge the grass as it grows at curbside at regular intervals to maintain a neat appearance.

- c. Mow or have mowed the lawns and grounds on his lot at regular intervals and before grass and other vegetation is allowed to grow to an unsightly height or appearance.
- d. Prevent lawn weeds or grass from exceeding 6 inches in height in any part of owner's lot.
- 2nd amend* (c) e. Not plant vegetable gardens that are visible from a street.
- f. Maintain all shrubs, trees, planting areas, planting material, bedding materials, and any structures that may be incorporated into the overall landscaping design on the lot in a clean, neat and comparable condition which meets, at a minimum, landscaping requirements of Exhibit B, attached hereto and incorporated here for all purposes.

11.2.3 Avoid Damage. An owner may not do any work or to fail to do any work which, in the reasonable opinion of the board, would materially jeopardize the soundness and safety of the Property, reduce the value of the Property, adversely affect the appearance of the Property, or impair any easement relating to the Property.

11.2.4 Responsible for Damage. An owner is responsible for his own willful or negligent acts and those of his or the resident's family, guests, agents, employees, or contractors when those acts necessitate maintenance, repair, or replacement to the Common Areas or the lot or improvements thereon of another owner.

11.3 OWNER'S DEFAULT IN MAINTENANCE. If the board determines that an owner has failed to properly discharge his obligation to maintain, repair, and replace items for which the owner is responsible, the board may give the owner written notice of the Association's intent to provide the necessary maintenance at owner's expense. The notice must state, with reasonable particularity, the maintenance deemed necessary and a reasonable period of time in which to complete the work. If the owner fails or refuses to timely perform the maintenance, the Association may do so at owner's expense, which is an individual assessment against the owner and his lot. In case of an emergency, however, the board's responsibility to give the owner written notice may be waived and the board may take any action it deems necessary to protect persons or property, the cost of the action being the owner's expense.

ARTICLE 12
INSURANCE

12.1 GENERAL PROVISIONS. All insurance affecting the Property is governed by the provisions of this Article, with which the board will make every reasonable effort to comply. The cost of insurance coverages and bonds maintained by the Association is an expense of the Association. Insurance policies and bonds obtained and maintained by the Association must be issued by responsible insurance companies authorized to do business in the State of Texas. The Association must be the named insured on all policies obtained by the Association. Each owner irrevocably appoints the Association, acting through its board, as his trustee to negotiate, receive, administer, and distribute the proceeds of any claim against an insurance policy maintained by the Association. Additionally:

12.1.1 Notice of Cancellation or Modification. Each insurance policy maintained by the Association should contain a provision requiring the insurer to give at least 10 days' prior written notice to the board before the policy may be canceled, terminated, materially modified, or allowed to expire, by either the insurer or the insured.

12.1.2 Deductibles. An insurance policy obtained by the Association may contain a reasonable deductible, which will be paid by the party who would be liable for the loss or repair in the absence of

insurance. If a loss is due wholly or partly to an act or omission of an owner or resident or their invitees, the owner must reimburse the Association for the amount of the deductible that is attributable to the act or omission.

12.2 PROPERTY. To the extent it is reasonably available, the Association will obtain property insurance for insurable Common Area improvements. Also, the Association will insure the improvements on any house lot owned by the Association.

12.3 GENERAL LIABILITY. The Association will maintain a commercial general liability insurance policy over the Common Areas - expressly excluding the liability of each owner and resident within his lot - for bodily injury and property damage resulting from the operation, maintenance, or use of the common areas. If the policy does not contain a severability of interest provision, it should contain an endorsement to preclude the insurer's denial of an owner's claim because of negligent acts of the Association or other owners.

12.4 DIRECTORS & OFFICERS LIABILITY. To the extent it is reasonably available, the Association will maintain directors and officers liability insurance, errors and omissions insurance, indemnity bonds, or other insurance the board deems advisable to insure the Association's directors, officers, committee members, and managers against liability for an act or omission in carrying out their duties in those capacities.

12.5 OTHER COVERAGES. The Association may maintain any insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association, including but not limited to worker's compensation insurance, fidelity coverage, and any insurance and bond requested and required by an Underwriting Lender for planned unit developments as long as an Underwriting Lender is a mortgagee or an owner.

12.6 OWNER'S RESPONSIBILITY FOR INSURANCE. Each owner will obtain and maintain property insurance on all insurable improvements on his lot, in an amount sufficient to cover 100 percent of the replacement cost of any repair or reconstruction in event of damage or destruction from any insured hazard. Further, each owner will obtain and maintain general liability insurance on his lot. Each owner will provide the Association with proof or a certificate of insurance on request by the Association from time to time. If an owner fails to maintain required insurance, or to provide the Association with proof of same, the board may obtain insurance on behalf of the owner who will be obligated for the cost as an individual assessment. The board may establish additional minimum insurance requirements, including types and minimum amounts of coverage, to be individually obtained and maintained by owners if the insurance is deemed necessary or desirable by the board to reduce potential risks to the Association or other owners. Each owner and resident is solely responsible for insuring his personal property in his dwelling and on the lot, including furnishings, vehicles, and stored items. The association, and each of its members has a valid "insurable interest" in the single family residential dwelling and other items of permanent improvements on each other lot in the addition sufficient to allow the association and/or its members to be named as additional insurers in any policies of insurance the association may from time to time obtain on a members improvements due to the members failure himself to do so as provided in this section 12.6. The "insurable interest" exists from the damage and diminution in value that would result to other owners from uninsured or under insured damage or destruction to the dwelling and/or other improvements on any other lot, should the owner thereof not be able or not be

willing to pay for the repair, restoration, clean up and other costs occasioned by damage or destruction in the absence of any comprehensive liability coverage or inadequate levels of coverage. It is that concern and risk that is the basis for the provisions of this subsection 12.6.

ARTICLE 13

MORTGAGEE PROTECTION

13.1 INTRODUCTION. This Article establishes certain standards for the benefit of Mortgagees, as defined below.

13.1.1 "Underwriting Lender" means Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Housing Administration (HUD/FHA), Federal National Mortgage Association (Fannie Mae), or U. S. Department of Veterans Affairs (VA), singly or collectively. The use of this term and these institutions may not be construed as a limitation on an owner's financing options nor as a representation that the Property is approved by any institution.

13.1.2 "Mortgagee" means a holder, insurer, or guarantor of a purchase money mortgage secured by a recorded senior or first deed of trust lien against a lot, or any renewal, modification, or refinancing thereof. In dealing with the Association, a Mortgagee may be represented by a mortgage services, agent, or representative.

13.1.3 "Eligible Mortgagee" means a Mortgagee that submits to the Association a written notice containing its name and address, the loan number, the identifying number and street address of the mortgaged lot, and the types of actions for which the Eligible Mortgagee requests timely notice. A single notice per lot will be valid so long as the Eligible Mortgagee holds a mortgage on the lot. The board will maintain this information.

13.2 MORTGAGEE RIGHTS.

13.2.1 Lien Superiority. As stated in the Assessment Lien Article of this Declaration, the lien in a Mortgagee's recorded deed of trust is superior to the Association's lien for assessments.

13.2.2 Termination. An action to terminate the legal status of the Property after substantial destruction or condemnation must be approved by at least 51 percent of Eligible Mortgagees, in addition to the required consents of owners. An action to terminate the legal status for reasons other than substantial destruction or condemnation must be approved by at least two-thirds of Eligible Mortgagees.

13.2.3 Inspection of Books. Mortgagees may inspect the Association's books and records, including the Governing Documents, by appointment, during normal business hours.

13.2.4 Financial Statements. If a Mortgagee so requests, the Association will give the Mortgagee an audited statement for the preceding fiscal year within 120 days after the Association's fiscal year-end. A Mortgagee may have an audited statement prepared at its own expense.

13.2.5 Right of First Refusal. Any right of first refusal imposed by the Association with respect to a lease, sale, or transfer of a lot does not apply to a lease, sale, or transfer by a Mortgagee, including transfer by deed in lieu of foreclosure or foreclosure of a deed of trust lien.

13.2.6 Amending Governing Documents. If a Mortgagee requests from the Association compliance with the guidelines of an Underwriting Lender, the board, without approval of owners or Mortgagees, may amend this Article and other provisions of the Governing Documents, as necessary, to meet the requirements of the Underwriting Lender. This Article is supplemental to, not a substitution for, any other provision of the Governing Documents. In case of conflict, this Article controls.

13.2.7 Attend Meetings. A representative of an Eligible Mortgagee may attend and address any meeting which an owner may attend.

13.2.8 Insurance. If an Underwriting Lender is a Mortgagee or an owner, at the request of the Underwriting Lender the Association will comply with the Underwriting Lender's insurance requirements to the extent the requirements are reasonable and available, and do not conflict with other insurance requirements of this Declaration.

13.3 LIMITS ON ASSOCIATION'S DUTIES.

13.3.1 Which Mortgagees? The Association's affirmative obligations to Mortgagees under the Governing Documents extend only to those Mortgagees of whom the Association has actual knowledge. This Article may not be construed to require the Association to perform title research to ascertain the existence and identify of a Mortgagee on a lot. Any duty of the Association to a Mortgagee is conclusively satisfied if performed for Mortgagees known to the Association, without regard to other holders of liens on lots. The Association may rely on the information provided by owners and mortgagees.

13.3.2 Communications with Mortgagee. If the Governing Documents or public law require the consent of Mortgagees for an act, decision, or amendment by the Association, the approval of a Mortgagee is implied when the Mortgagee fails to respond within 30 days after receiving the Association's written request for approval of a proposed amendment, provided the Association's request was delivered by certified or registered mail, return receipt requested.

ARTICLE 14

AMENDMENTS & TERMINATION

14.1 **CONSENTS REQUIRED.** As permitted by this Declaration, certain amendments of this Declaration may be executed by Declarant alone, or by the board alone. Otherwise, amendments to this Declaration must be approved by owners of at least a majority of the lots. Approval of owners does not require that the amendment be signed by the consenting owners, or that consents be executed and acknowledged by the approving owners.

14.2 **METHOD OF AMENDMENT.** For an amendment that requires the approval of owners, this Declaration may be amended by any method selected by the board from time to time, pursuant to the Bylaws, provided the method gives an owner of each lot the substance, if not exact wording, of the proposed amendment, a description of the effect of the proposed amendment, and an opportunity to vote for or against the proposed amendment.

14.3 **EFFECTIVE.** To be effective, an amendment approved by the owners or by the board must be in the form of a written instrument (1) referencing the name of the Property, the name of the Association, and the recording data of this Declaration and any amendments hereto; (2) signed and acknowledged before a Notary Public by an officer of the Association, certifying the requisite approval of owners or directors and, if required, Eligible Mortgagees; and (3) recorded in the Real Property Records of Tarrant County, Texas, except as modified by the following section.

14.4 DECLARANT PROVISIONS. Declarant has an exclusive right to unilaterally amend this Declaration for the purposes stated in Article 16. An amendment that may be executed by Declarant alone is not required to name the Association or to be signed by an officer of the Association. No amendment may affect Declarant's rights under this Declaration without Declarant's written and acknowledged consent, which must be part of the recorded amendment instrument. This Section may not be amended without Declarant's written and acknowledged consent.

14.5 MERGER. Merger or consolidation of the Association with another association must be evidenced by an amendment to this Declaration. The amendment must be approved by owners of at least a majority of the lots. Upon a merger or consolidation of the Association with another association, the property, rights, and obligations of another association may, by operation of law, be added to the properties, rights, and obligations of the Association as a surviving association pursuant to the merger. The surviving or consolidated association may administer the provisions of the Governing Documents within LAGUNA BAY, together with the covenants and restrictions established upon any other property under its jurisdiction. No merger or consolidation, however, will effect a revocation, change, or addition to the covenants established by this Declaration within the Property.

14.6 TERMINATION. Termination of this Declaration and all covenants, conditions, restrictions and other terms and provisions herein, and the status of the Property as a planned unit development are according to the following provisions. In the event of substantially total damage, destruction, or public condemnation of the Property, an amendment to terminate must be approved by owners of at least two-thirds of the lots. In the event of public condemnation of the entire Property, an amendment to terminate may be executed by the board without a vote of owners. In all other circumstances, an amendment to terminate must be approved by owners of at least 80 percent of the lots.

14.7 CONDEMNATION. In any proceeding, negotiation, settlement, or agreement concerning condemnation of the Common Area, the Association will be the exclusive representative of the owners. The Association may use condemnation proceeds to repair and replace any damage or destruction of the Common Area, real or personal, caused by the condemnation. Any condemnation proceeds remaining after completion, or waiver, of the repair and replacement will be deposited in the Association's reserve funds.

ARTICLE 15
DISPUTE RESOLUTION

15.1 INTRODUCTION & DEFINITIONS. The Association, the owners, Declarant, all persons subject to this Declaration, and any person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, the "Parties") agree to encourage the amicable resolution of disputes involving the Property and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, each Party hereby covenants and agrees that this Article applies to all claims as hereafter defined. As used in this Article only, the following words, when capitalized, have the following specified meanings:

15.1.1 "Claim" means any claim, grievance, or dispute between Parties involving the Properties, except Exempt Claims as defined below, and including without limitation:

- a. Claims arising out of or relating to the interpretation, application, or enforcement of the Governing Documents.
- b. Claims relating to the rights and/or duties of Declarant as Declarant under the Governing Documents.
- c. Claims relating to the design, construction, or maintenance of the Property.

15.1.2 "Claimant" means any Party having a Claim against any other Party.

15.1.3 "Exempt Claims" means the following claims or actions, which are exempt from this Article:

The Association's claim for assessments, and any action by the Association to collect assessments.

An action by a Party to obtain a temporary restraining order or equivalent emergency equitable relief, and such other ancillary relief as the court deems necessary to maintain the status quo and preserve the Party's ability to enforce the provisions of this Declaration.

Enforcement of the easements, architectural control, maintenance, and use restrictions of this Declaration.

A suit to which an applicable statute of limitations would expire within the notice period of this Article, unless a Party against whom the Claim is made agrees to toll the statute of limitations as to the Claim for the period reasonably necessary to comply with this Article.

15.1.4 "Respondent" means the Party against whom the Claimant has a Claim.

15.2 MANDATORY PROCEDURES. Claimant may not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of its Claim until Claimant has complied with the procedures of this Article.

15.3 NOTICE. Claimant must notify Respondent in writing of the Claim (the "Notice"), stating plainly and concisely: (1) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim; (2) the basis of the Claim (i.e., the provision of the Governing Documents or other authority out of which the Claim arises); (3) what Claimant wants Respondent to do or not do to resolve the Claim; and (4) that the Notice is given pursuant to this Section.

15.4 NEGOTIATION. Claimant and Respondent will make every reasonable effort to meet in person to resolve the Claim by good faith negotiation. Within 60 days after Respondent's receipt of the Notice, Respondent and Claimant will meet at a mutually-acceptable place and time to discuss the Claim. At such meeting or at some other mutually-agreeable time, Respondent and Respondent's representatives will have full access to the property that is subject to the Claim for the purposes of inspecting the property. If Respondent elects to take corrective action, Claimant will provide Respondent and Respondent's representatives and agents with full access to the property to take and complete corrective action.

15.5 MEDIATION. If the parties negotiate but do not resolve the Claim through negotiation within 120 days from the date of the Notice (or within such other period as may be agreed on by the parties), Claimant will have 30 additional days within which to submit the Claim to mediation under the

auspices of a mediation center or individual mediator on which the parties mutually agree. The mediator must have at least 5 years of experience serving as a mediator and must have technical knowledge or expertise appropriate to the subject matter of the Claim. If Claimant does not submit the Claim to mediation within the 30-day period, Claimant is deemed to have waived the Claim, and Respondent is released and discharged from any and all liability to Claimant on account of the Claim.

15.6 TERMINATION OF MEDIATION. If the Parties do not settle the Claim within 30 days after submission to mediation, or within a time deemed reasonable by the mediator, the mediator will issue a notice of termination of the mediation proceedings indicating that the Parties are at an impasse and the date that mediation was terminated. Thereafter, Claimant may file suit or initiate administrative proceedings on the Claim, as appropriate.

15.7 ALLOCATION OF COSTS. Except as otherwise provided in this Section, each Party bears all of its own costs incurred prior to and during the proceedings described in the Notice, Negotiation, and Mediation sections above, including its attorneys fees. Respondent and Claimant will equally divide all expenses and fees charged by the mediator.

15.8 ENFORCEMENT OF RESOLUTION. Any settlement of the Claim through negotiation or mediation will be documented in writing and signed by the Parties. If any Party thereafter fails to abide by the terms of the agreement, then the other Party may file suit or initiate administrative proceedings to enforce the agreement without the need to again comply with the procedures set forth in this Article. In that event, the Party taking action to enforce the agreement is entitled to recover from the non-complying Party all costs incurred in enforcing the agreement, including, without limitation, attorneys fees and court costs.

15.9 GENERAL PROVISIONS. A release or discharge of Respondent from liability to Claimant on account of the Claim does not release Respondent from liability to persons who are not a party to Claimant's Claim. A party having an Exempt Claim may submit it to the procedures of this Article.

15.10 LITIGATION APPROVAL & SETTLEMENT. To encourage the use of alternate dispute resolution and discourage the use of costly and uncertain litigation, the initiation of any judicial or administrative proceeding by the Association is subject to the following conditions in addition to and notwithstanding the above alternate dispute resolution procedures. Each owner, by accepting an interest in or title to a lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by this Section. This Section may not be amended without the approval of owners of at least 75 percent of the lots.

15.10.1 Owner Approval. The Association may not initiate any judicial or administrative proceeding without the prior approval of owners of at least a majority of the lots, except that no such approval is required (1) to enforce provisions of this Declaration, including collection of assessments; (2) to challenge condemnation proceedings; (3) to enforce a contract against a contractor, vendor, or supplier of goods or services to the Association; (4) to defend claims filed against the Association or to assert counterclaims in a proceedings instituted against the Association; or (5) to obtain a temporary restraining order or equivalent emergency equitable relief when circumstances do not provide sufficient time to obtain the prior consents of owners in order to preserve the status quo.

15.10.2 Funding Litigation. Except in the case of a temporary restraining order or equivalent emergency equitable relief when circumstances do not provide sufficient time to levy a special

assessment, the Association must levy a special assessment to fund the estimated costs of litigation prior to initiating a judicial or administrative proceeding. The Association may not use its annual operating income, reserve funds, or savings to fund litigation, unless the Association's annual budget or a savings account was established and funded from its inception as a litigation reserve fund.

15.10.3 Settlement. The board, on behalf of the Association and without the consent of owners, is hereby authorized to negotiate settlement of litigation, and may execute any document related thereto, such as settlement agreements and waiver or release of claims.

15.11 CONSTRUCTION-RELATED DISPUTES. In addition to the above procedures, a claim relating to an alleged construction defect may be governed by Texas statutes relating to residential construction, such as:

15.11.1 RCLA. Under Chapter 27 of the Texas Property Code, the Residential Construction Liability Act, if an owner has a complaint concerning an alleged construction defect, and if the alleged defect has not been corrected through normal warranty service, the owner must provide the notice required by Chapter 27 of the Texas Property Code to the builder or contractor by certified mail, return receipt requested, not later than the 60th day before the date owner files suit to recover damages in a court of law or initiate arbitration. The notice must refer to Chapter 27 of the Texas Property Code and must describe the alleged construction defect. If requested by the builder or contractor, the owner must provide the builder or contractor an opportunity to inspect and cure the defect as provided by Section 27.004 of the Texas Property Code.

15.11.2 TRCCA. Under Chapters 401 et. seq. of the Texas Property Code, the Texas Residential Construction Commission Act (TRCCA), alleged construction defects in units constructed as townhouses, duplexes, and detached single family houses are subject to the policies and procedures of the TRCCA. The Commission maintains a website with information for home owners.

ARTICLE 16

DECLARANT RIGHTS and RESERVATIONS

16.1 GENERAL PROVISIONS.

16.1.1 Introduction. Declarant intends the Declaration to be perpetual and understands that provisions pertaining to the initial development, construction, marketing, and control of the Property will become obsolete when Declarant's role is complete. As a courtesy to future users of the Declaration, who may be frustrated by then-obsolete terms, Declarant is compiling the Declarant-related provisions in this Article.

16.1.2 General Reservation & Construction. Notwithstanding other provisions of the Governing Documents to the contrary, nothing contained therein may be construed to, nor may any mortgagee, other owner, or the Association, prevent or interfere with the rights contained in this Article which Declarant hereby reserves exclusively unto itself and its successors and assigns. In case of conflict between this Article and any other Governing Document, this Article controls. This Article may not be amended without the prior written consent of Declarant. The terms and provisions of this Article must be construed liberally to give effect to Declarant's intent to protect Declarant's interests in the Property.

16.1.3 Purpose of Development and Declarant Control Periods. This Article gives Declarant certain rights during the Development Period and the Declarant Control Period to ensure a complete and orderly buildout and sellout of LAGUNA BAY, which is ultimately for the benefit and protection of owners and mortgagees. Declarant may not use its control of the Association and the Property for an

advantage over the owners by way of retention of any residual rights or interests in the Association or through the creation of any contractual agreements which the Association may not terminate without cause with 90 days' notice.

16.1.4 Intent to Build. Declarant, in its own name or through its affiliates, intends to construct dwellings on the lots in connection with the sale of the lots. However, Declarant may, without notice, sell some or all of the lots to one or more other builders to improve the lots with dwellings to be sold and occupied. In that event, Declarant may be expected to amend this Declaration to add provisions addressing the role of a builder in the Property.

16.2 DEFINITIONS. As used in this Article and elsewhere in the Governing Documents, the following words and phrases have the following specified meanings:

16.2.1 "Declarant Control Period" means that period of time during which Declarant controls the operation and management of the Association. The duration of the Declarant Control Period will be from the date this Declaration is recorded for a maximum period not to exceed the earlier of (1) two (2) years from date this Declaration is recorded, or (2) 60 days after title to 75 percent of the Lots that may be created in LAGUNA BAY has been conveyed to owners other than Declarant or affiliates of Declarant.

16.2.2 "Development Period" means the four (4) year period beginning the date this Declaration is recorded, during which Declarant has certain rights pursuant to this Article, such as rights relating to development, construction, expansion, and marketing of LAGUNA BAY. The Development Period is for a term of years and does not require that Declarant own land described in Exhibit A. The Development Period is different from and longer than the Declarant Control Period. Declarant may terminate the Development Period at any time by recording a notice of termination.

16.2.3 "Unilaterally" means that the Declarant may take the authorized action without the consent, approval, vote, or joinder of any other person, such as owners, mortgagees, and the Association. Certain provisions in this Article and elsewhere in the Governing Documents authorize the Declarant to act unilaterally. Unilateral action by Declarant is favored for purposes of efficiency and to protect the interests of Declarant.

16.3 DECLARANT CONTROL PERIOD RESERVATIONS - GOVERNANCE. Declarant reserves the following powers, rights, and duties during the Declarant Control Period:

16.3.1 Incorporation of Association. Declarant will incorporate the Association as a Texas nonprofit corporation before the end of the Declarant Control Period.

16.3.2 Officers & Directors. During the Declarant Control Period, the Board may consist of 3 persons. During the Declarant Control Period, Declarant may appoint, remove, and replace any officer or director of the Association, none of whom need be members or owners, and each of whom is indemnified by the Association as a "Leader." Declarant's unilateral right to remove and replace officers and directors applies to officers and directors who were elected or designated by lot owners other than Declarant, as well as to Declarant's appointees.

16.3.3 Association Meetings. During the Declarant Control Period, meetings of the Association may be held at a location, date, and time that is convenient to Declarant, whether or not it is mutually convenient for the owners.

16.3.4 Transition Meeting. Within 60 days after the end of the Declarant Control Period, or sooner at the Declarant's option, Declarant will call a transition meeting of the members of the Association for the purpose of electing, by vote of the owners, directors to the board. Written notice of the transition meeting must be given to an owner of each lot at least 10 days before the meeting. For the

transition meeting, owners of 10 percent of the lots constitute a quorum. The directors elected at the transition meeting will serve until the next annual meeting of the Association or a special meeting of the Association called for the purpose of electing directors, at which time the staggering of terms will begin.

16.4 DECLARANT CONTROL PERIOD RESERVATIONS - FINANCIAL. Declarant reserves the following powers, rights, and duties during the Declarant Control Period:

16.4.1 Association Budget. During the Declarant Control Period, the Declarant-appointed board will establish a projected budget for LAGUNA BAY as a fully developed, full constructed, and fully occupied residential community with a level of services and maintenance that is typical for similar types of developments in the general area of the Property, using cost estimates that are current for the period in which the budget is prepared. The Association budget may not include enhancements voluntarily provided by Declarant to facilitate the marketing of new homes in the Property.

16.4.2 Budget Funding. During the Declarant Control Period only, Declarant is responsible for the difference between the Association's actual operating expenses and the regular assessments received from owners other than Declarant, and will provide any additional funds necessary to pay actual cash outlays of the Association. On termination of the Declarant Control Period, Declarant will cease being responsible for the difference between the Association's operating expenses and the assessments received from owners other than Declarant.

16.4.3 Declarant Assessments & Reserves. During the Declarant Control Period, any real property owned by Declarant is not subject to assessment by the Association. During the Declarant Control Period, Declarant is not required to make contributions to the Association's reserve funds for the lots owned by Declarant. Declarant's obligation to fund the difference in the Association's operating expenses may not be construed to require Declarant to fund reserve accounts.

16.4.4 Commencement of Assessments. During the initial development of the Property, Declarant may elect to postpone the Association's initial levy of regular assessments until a certain number of lots are sold. During the Declarant Control Period, Declarant will determine when the Association first levies regular assessments against the lots. Prior to the first levy, Declarant will be responsible for all operating expenses of the Association.

16.4.5 Expenses of Declarant. Expenses related to the completion and marketing of the Property will be paid by Declarant and are not expenses of the Association.

16.4.6 Budget Control. During the Declarant Control Period, the right of owners to veto assessment increases or special assessments is not effective and may not be exercised.

16.5 DEVELOPMENT PERIOD RESERVATIONS. Declarant reserves the following easements and rights, exercisable at Declarant's sole discretion, at any time during the Development Period:

16.5.1 Withdrawal. During the Development Period, Declarant may withdraw real property from the Property and the effect of this Declaration (1) if the owner of the withdrawn property consents to the withdrawal, and (2) if the withdrawal does not significantly and detrimentally change the appearance, character, operation, or use of the Property.

16.5.2 Changes in Development Plan. Declarant may modify the initial development plan to respond to perceived or actual changes and opportunities in the marketplace. Subject to approval by (1) a governmental entity, if applicable, and (2) the owner of the land or lots to which the change would directly apply (if other than Declarant), Declarant may (a) change the sizes, dimensions, and

configurations of lots and streets; (b) change the minimum dwelling size; (c) change the building setback requirements; and (d) eliminate or modify any other feature of the Property.

16.5.3 Architectural Control. During the Development Period, Declarant has the absolute right to serve as the Architectural Reviewer pursuant to Article 5. Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under Article 5 and this Article to (1) an architectural control committee appointed by the board, or (2) a committee comprised of architects, engineers, or other persons who may or may not be members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (2) to veto any decision which Declarant in its sole discretion determines to be inappropriate or inadvisable for any reason. Declarant also has the unilateral right to exercise architectural control over vacant lots in LAGUNA BAY. Neither the Association, the board of directors, nor a committee appointed by the Association or board (no matter how the committee is named) may involve itself with the approval of new homes and related improvements on vacant lots.

16.5.4 Amendment. During the Development Period, Declarant may amend this Declaration and the other Governing Documents, without consent of other owners or any mortgagee, for any purpose.

16.5.5 Completion. During the Development Period, Declarant has (1) the right to complete or make improvements indicated on the plat; (2) the right to sell or lease any lot owned by Declarant; and (3) an easement and right to erect, construct, and maintain on and in the common area and lots owned or leased by Declarant whatever Declarant determines to be necessary or advisable in connection with the construction, completion, management, maintenance, leasing, and marketing of LAGUNA BAY, including, without limitation, parking areas, temporary buildings, temporary fencing, portable toilets, storage areas, dumpsters, trailers, and commercial vehicles of every type.

16.5.6 Easement to Inspect & Right to Correct. During the Development Period, Declarant reserves for itself the right, but not the duty, to inspect, monitor, test, redesign, correct, and relocate any structure, improvement, or condition that may exist on any portion of the Property, including the lots, and a perpetual nonexclusive easement of access throughout the Property to the extent reasonably necessary to exercise this right. Declarant will promptly repair, at its sole expense, any damage resulting from the exercise of this right. By way of illustration but not limitation, relocation of a screening wall located on a lot may be warranted by a change of circumstance, imprecise siting of the original wall, or desire to comply more fully with public codes and ordinances. This Section may not be construed to create a duty for Declarant or the Association.

16.5.7 Promotion. During the Development Period, Declarant reserves for itself an easement and right to place or install signs, banners, flags, display lighting, potted plants, exterior decorative items, seasonal decorations, temporary window treatments, and seasonal landscaping on the Property, including items and locations that are prohibited to other owners and residents, for purposes of promoting, identifying, and marketing LAGUNA BAY and/or Declarant's houses, lots, developments, or other products located outside the Property. Declarant reserves an easement and right to maintain, relocate, replace, or remove the same from time to time within the Property. Declarant also reserves the right to sponsor marketing events - such as open houses, MLS tours, and brokers parties - at the Property to promote the sale of lots.

16.5.8 Offices. During the Development Period, Declarant reserves for itself the right to use dwellings owned or leased by Declarant as models, storage areas, and offices for the marketing, management, maintenance, customer service, construction, and leasing of the Property and/or Declarant's developments or other products located outside the Property. Also, Declarant reserves for itself the easement and right to make structural changes and alterations on and to lots and dwellings used by Declarant as models, storage areas, and offices, as may be necessary to adapt them to the uses permitted herein.

16.5.9 Access. During the Development Period, Declarant has an easement and right of ingress and egress in and through the Property for purposes of constructing, maintaining, managing, and marketing LAGUNA BAY, and for discharging Declarant's obligations under this Declaration. Declarant also has the right to provide a reasonable means of access for the home buying public through any existing or future gate that restricts vehicular access to the Property in connection with the active marketing of lots and homes by Declarant, including the right to require that the gate be kept open during certain hours and/or on certain days.

16.5.10 Utility Easements. During the Development Period, Declarant may grant permits, licenses, and easements over, in, on, under, and through the Property for utilities, roads, and other purposes necessary for the proper development and operation of the Property. Declarant reserves the right to make changes in and additions to the easements on any lot, as shown on the plat, to more efficiently or economically install utilities or other improvements. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, television, cable, internet service, and security. To exercise this right as to land that is not a Common Area of the Property or not owned by Declarant, Declarant must have the prior written consent of the land owner.

16.5.11 Assessments. For the duration of the Development Period after the Declarant Control Period ends, each lot owned by Declarant is subject to mandatory assessment by the Association in the same manner as the lot of any other owner.

16.5.12 Land Transfers. During the Development Period, any transfer of an interest in the Property to or from Declarant is not subject to any transfer-related provision in the Governing Documents, including without limitation an obligation for transfer or resale certificate fees, and the transfer-related provisions of Article 7 of this Declaration.

16.6 DIFFERENT STANDARDS. Declarant has the right (1) to establish specifications for the construction of all initial improvements in LAGUNA BAY, (2) to establish different specifications for each neighborhood within the Property, and (3) to grant variances or waivers from community-wide standards to certain neighborhoods of the Property.

16.7 COMMON AREAS. Any initial Common Area improvement will be installed, constructed, or authorized by Declarant, the cost of which is not a common expense of the Association. For every Common Area capable of being conveyed to the Association, Declarant will convey title to the Common Area to the Association by one or more deeds without warranty. At the time of conveyance to the Association, the Common Areas will be free of encumbrance except for the property taxes accruing for the year of conveyance. Declarant's conveyance of title is a ministerial task that does not require and is not subject to acceptance by the Association or the owners. The transfer of control of the Association at the end of the Declarant Control Period is not a transfer of Common Areas requiring inspection, evaluation, acceptance, or approval of Common Area improvements by the owners.

16.8 SUCCESSOR DECLARANT. Declarant may designate one or more Successor Declarants for specified designated purposes and/or for specified portions of the Property, or for all purposes and all of the Property. To be effective, the designation must be in writing, signed and acknowledged by Declarant and Successor Declarant, and recorded in the Real Property Records of Tarrant County, Texas. Declarant (or Successor Declarant) may subject the designation of Successor Declarant to limitations and reservations. Unless the designation of Successor Declarant provides otherwise, a Successor Declarant has the rights of Declarant under this Section and may designate further Successor Declarants.

ARTICLE 17
GENERAL PROVISIONS

17.1 COMPLIANCE. The owners hereby covenant and agree that the administration of the Association will be in accordance with the provisions of the Governing Documents and applicable laws, regulations, and ordinances, as same may be amended from time to time, of any governmental or quasi-governmental entity having jurisdiction over the Association or Property.

17.2 CONTROLLING DOCUMENTS; CONTROLLING PROVISIONS. The Governing Documents, and all of the covenants, conditions, restrictions, terms and other provisions thereof shall be fully enforceable and effective as written except to the extent that any of the governing documents or any of the covenants, conditions, restrictions, terms or other provisions contained therein is determined to be in violation of or inconsistent with the relevant federal or Texas statutes or local ordinances to which applicable to the addition. In the event of any such conflict or violation between the governing documents and the applicable statutes or ordinances, the provisions and requirements of the statutes and ordinances shall be controlling. If any of the governing documents or any of the covenants, conditions, restrictions, terms or provisions thereof are held to be unenforceable, such facts shall not affect any other of the governing documents or any other of the covenants, conditions, restrictions, terms or other provisions thereof, all of which continue to be fully binding and effective as written. To the same extent as if the invalid or ineffective provisions had never appeared therein. In the event of any inconsistency between any of the governing documents, or any of the covenants, conditions, restrictions, terms or other provisions thereof as appearing in various ones of those governing documents, the declaration, and any covenants, conditions, restrictions, terms and other provisions of that document shall control over any inconsistent provisions of the associations articles of association or certificate of formation, bylaws and rules. As for provisions within the declaration itself, any inconsistency therein of any article therein with the provisions of article 16 thereof, article 16 shall in all things be controlling.

17.3 NOTICE. All demands or other notices required to be sent to an owner or resident by the terms of this Declaration may be sent by electronic, ordinary, or certified mail, postage prepaid, to the party's last known address as it appears on the records of the Association on the date the notice is issued. If an owner fails to give the Association an address for sending notices, all notices may be sent to the owner's lot, and the owner is deemed to have been given notice whether or not he actually receives it.

17.4 CHANGING TECHNOLOGY. The Governing Documents are drafted at the end of an era that uses ink on paper to communicate, to give notice, and to memorialize decisions. The next era of communications may be paperless, relying on electronic communications for many activities that are customarily papered on the date of this Declaration. As technology changes, the terms of the Governing Documents that pertain to communications, notices, and documentation of decisions may be interpreted and applied in ways that are consistent with and customary for the then-current technology for standard business practices, without necessity of amending the Governing Document.

17.5 LIBERAL CONSTRUCTION. The terms and provision of each Governing Document are to be liberally construed to give effect to the purposes and intent of the Governing Document. All doubts regarding a provision, including restrictions on the use or alienability of property, will be resolved

first to give effect to Declarant's intent to protect Declarant's interests in the Property, and second in favor of the operation of the Association and its enforcement of the Governing Documents, regardless which party seeks enforcement.

17.6 SEVERABILITY. Invalidation of any provision of this Declaration by judgment or court order does not affect any other provision, which remains in full force and effect. The effect of a general statement is not limited by the enumeration of specific matters similar to the general.

17.7 CAPTIONS. In all Governing Documents, the captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer.

17.8 EXHIBITS. The following exhibits are attached to this Declaration and incorporated herein by reference:

Exhibit A - Description of Property

Exhibit B - Rules, Regulations and Restrictions Governing Use and Construction of Improvements on Lots in Laguna Bay

Exhibit C - Ratification and Consent by Lienholder

17.9 INTERPRETATION. Whenever used in the Governing Documents, unless the context provides otherwise, a reference to a gender includes all genders. Similarly, a reference to the singular includes the plural, the plural the singular, where the same would be appropriate.

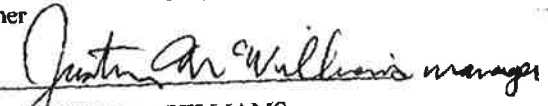
17.10 DURATION. Unless terminated or amended by owners as permitted herein, the provisions of this Declaration run with and bind the Property, and will remain in effect perpetually to the extent permitted by law.

SIGNED on this 2 day of February, 2009

DECLARANT

MEC SHORES, LP, a Texas limited partnership

By: MEC SHORES GENERAL, LLC, a Texas limited liability company, its sole General Partner

By: 
Name: JUSTIN MC WILLIAMS
Title: Manager

ACKNOWLEDGEMENT

THE STATE OF TEXAS §
 §
COUNTY OF TARRANT §



Before me the undersigned Notary on this 2 day of February, 2009, personally appeared JUSTIN Mc WILLIAMS, Manager of MEC SHORES GENERAL, LLC, the sole General Partner of MEC SHORES, LP, and acknowledged to me that he executed the foregoing instrument as the act and deed of said limited partnership, acting by and through the limited liability company as its sole General Partner, for the purposes and consideration expressed therein, and in the capacity stated.

Given under my hand and official seal of office on this the 2 day of February, 2009.

Notary Public in and for the State of Texas

Personalized Notary Seal



RECORD AND RETURN TO:

MEC SHORES, LP
2900 RACE STREET
FORT WORTH, TEXAS 76111

Exhibit A

Being Lots 1-50, Block 1, Lot 73R, Block 1, Lot 1, Block 2, and Lot 1, Block 3, of Laguna Bay, an Addition to the City of Pelican Bay, Tarrant County, Texas, according to the Plat recorded in Cabinet A, Slide 13104, Plat Records, Tarrant County, Texas.

EXHIBIT "B"

RULES, REGULATIONS AND RESTRICTIONS GOVERNING USE AND CONSTRUCTION OF IMPROVEMENTS ON LOTS IN LAGUNA BAY

The following Rules, Regulations and Restrictions are hereby adopted and imposed by Declarant on the single family residential Lots in Laguna Bay and/or the respective Owners thereof, including the "Canal Lots" and the "Lake Lots", as these terms are defined in Article 1 of the Declaration unless expressly stated to be inapplicable to one or the other such groupings of Lots (i.e. Canal Lots or Lake Lots) in a given Section, Subsection or other provisions, and then only to the limited extent and only under the limited circumstances and provisions stated. The Rules, Regulations and Restrictions set forth herein below are intended to supplement any similar terms and provisions contained in the Declaration, and in the event of any inconsistencies between the terms and provisions of this Exhibit B and those of the Declaration, the terms and provisions of this Exhibit B shall be controlling. These Rules, Regulations and Restrictions are hereby made a part of, and are incorporated into the Declaration for all purposes. They shall be and remain in effect until such future time as the then Architectural Reviewer (as that term is defined in Art. 1.2 of the Declaration) has amended, modified, limited or terminated any one or more of such Rules, Regulations and Restrictions, whether in whole or in part, pursuant the provisions and procedures for amendment or termination as set forth in the Declaration. The terms "Owner" and "Resident" as used throughout the Declaration and this Exhibit B shall be synonymous unless the context requires otherwise. Any term or provision not otherwise defined herein shall have the same meaning as ascribed to it in the Declaration.

SECTION 1 GENERAL RESTRICTIONS

1.1 Antennas and Satellite Dishes. No antenna, satellite dish, wires, cable or telephone lines, or other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind shall be placed, constructed, maintained or allowed upon any Lot or single family residential dwelling located thereon without the prior written consent of the "Architectural Reviewer" (as that term is defined in the Declaration), unless it is completely contained within the dwelling and is not visible from the "Street" (referring to Lot 1, Block 3 of Laguna Bay, as shown and dedicated to the public on the recorded Plat of Laguna Bay), or from the "Canal" (referring to Lot 1, Block 2 of Laguna Bay, as such is shown and reserved as Common Area on the recorded Plat of the Addition), or from any other Lot or part of the Common Area in the Addition. Prior to the installation of any antenna, satellite dish, wires, cable or telephone lines, or other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind, the Owner of the Lot or residence within which such item shall be placed must submit to the Architectural Reviewer a written application for approval and consent as to the item and the location for placement of same, and the Architectural Reviewer shall have sole discretion as to the item and the location for its placement. Declarant and/or the Association shall have the right, but not the obligation to erect or install an aerial, satellite dish, master antenna, cable system or other apparatus for the transmission of television, radio, satellite, internet or other signals for the benefit of all or portions of Laguna Bay, and for a charge to the Owners or Residents using such service.

1.2 Clothes Drying. The drying of clothes in public view or in the view of any other Lot, the Street, Canal or other parts of the Common Area is strictly prohibited. The Owners and occupants of any Lots having only a wrought iron fence (and no privacy fence) may not install any outside clotheslines or other outside clothes drying or airing structure on any part of their Lot. The Owners and occupants of any Lots having a backyard, portions of which are screened by a privacy fence and/or privacy landscaping may install an outside clotheslines or other outside clothes drying or airing facility so long as it is not visible from any other Lots, the Street, Canal or any other Common Area.

1.3 Home Maintenance. Residents are required to keep their Lot and all improvements thereon and landscaped areas in good condition at all times. The paintable areas of the exterior surfaces of all dwellings and other permanent improvements on a Lot are to be re-painted regularly as needed, using quality exterior paints and colors (approved in advance and in writing by the Architectural Reviewer) that are compatible and harmonious with the exterior colors of dwellings and related improvements situated on adjoining Lots, and shall otherwise be maintained in good condition and repair, consistent with the standards of care and maintenance established for the Addition.

1.4 Landscape Maintenance. Lawns, shrubs, plants, bushes or any other plantings shall be trimmed and maintained regularly.

a. Walkway Encroachments. No landscaping may be allowed to overhang or otherwise encroach on any sidewalk or other pedestrian walkways.

b. Fire Hydrants. Areas around fire hydrants must be free of shrubs, bushes or other plantings so they are fully accessible to firefighters in the event of an emergency.

c. Trees. Trees shall be trimmed to a height of ten (10) feet above any sidewalk at all times. Trees which are in the rear yards facing the Canal are to be trimmed in order to preserve the view and prevent tree limbs and/or branches from hanging into the Canal.

d. Gardening Debris. Gardeners may not sweep, blow or wash grass clippings, garden debris, oils, repair residue or any toxic or poisonous material into the Street, gutters or anywhere else which may cause such items to drain, blow or flow into the Canal.

e. Decorative Vines. Residents are reminded that the side yard wrought iron fencing that is common to two (2) yards belongs to the Owners on both sides of such fence and the purpose of wrought iron fencing is to preserve a view of the Canal and Lake. Planting of decorative vines or other vegetation must have the approval of (i) the Owners of the houses on both sides of such fence, and (ii) the Architectural Reviewer. In no event shall decorative vines or other vegetation be planted along or on any fence in any manner which interferes with the view of the Canal or Lake from the Street facing a Lot.

1.5 Littering. Littering of any kind is strictly prohibited.

1.6 Mailboxes. Only posted mailing material delivered by a U.S. Postal Service carrier may be deposited in mailboxes or mail slots located within the Addition.

1.7 Noise. No Resident or invitee may make unreasonable noise which disrupts the peace and quiet of other Residents. Exterior speakers are not permitted on any home. Musical instruments, radios, televisions, stereos, etc. may not be played if it unreasonably disturbs or annoys Owners or other Residents of area Lots in the Addition. Because nuisance noise is largely subjective, the Association cannot involve itself in every dispute which may arise between two or more Owners. As a matter of practicality and as a benefit to its membership as a whole, the Board has adopted the following standard for determining when the Association will become involved in such disputes:

- a. Multiple Neighbors. If the noise is such that it disturbs more than one neighbor, the Association may take appropriate action to abate the nuisance if the affected Owners or Residents request in writing that action be taken by the Board.
- b. One Neighbor. If the noise is such that it only disturbs a single neighbor, then the disturbance is not sufficient to cause intervention by the Association and the two neighbors must resolve their dispute between themselves.

1.8 Single Family Residential Use Only. No Lot Owner or other Resident may use, occupy, or allow the dwelling on his Lot to be used and occupied for any purpose other than as the site of one private single family residential dwelling. No such dwelling shall be occupied by more than one "single family". For purposes of this restriction, and irrespective of the purpose or context of its use, the term "single family" shall mean, includes and is defined as persons living together in a dwelling on a Lot in the Addition as a single housekeeping unit who are related by blood, adoption, or marriage, or if unrelated, then no more than two unrelated persons, and if applicable, the household employees(s) of such single family unit.

1.9 Dumping and Removal of Trash or Debris.

a. Dumping and the Removal of Brush. No Lot or other area within the Addition shall be used as a dumping ground for tree branches, brush, grass, grass clippings trimmings from shrubbery or any other similar matter, No Owner may place tree branches, brush, clippings or trimming from shrubbery on his Lot more than three days prior to the date on which it will be picked up and removed from the Lot and properly disposed.

b. Dumping and the Removal of Rubbish. No Lot, Street, Canal or other part of the Common Area within Laguna Bay shall be used as a dumping ground for rubbish or a site for the accumulation of unsightly materials of any kind, without limitation, broken or rusty equipment, disassembled or inoperative cars, other vehicles or discarded appliances, furniture, building materials or any other unsightly matter. No Owner may place any rubbish or unsightly materials including, without limitation, broken or rusty equipment, disassembled or inoperative cars, other vehicles or discarded appliances, furniture or building materials on his Lot for any period of time. Any such items must be hauled off the Lot by the Owner or placed outside for pickup no earlier than the day prior to the actual time such rubbish is picked up and removed from the Lot and properly discarded. Materials incident to construction of improvements shall be removed from the Lot on a regular (at least once a week or more often) basis throughout the entire construction periods long as construction progresses without undue delay.

SECTION 2
VEHICLES AND PARKING

2.1 Intentionally Omitted.

2.2 Speed Limit. The speed limit within Laguna Bay is 25 miles per hour. Violations can result in citations by local law enforcement officials in addition to fines or other sanctions by the Association.

2.3 Fire Hydrants. Parking vehicles in front of or within fifteen (15) feet of a fire hydrant can result in the Association causing such vehicle to be towed at the vehicle Owner's expense.

2.4 Driveways Cleaned. Owners or other Residents are required to keep driveways free of oil, grease, rust and other vehicle fluids. Residents are required to clean stained driveways with nontoxic materials that do not drain into the Street, gutters, storm drainage system, Canal or Lake. Owners will be required to pay for any cleanup and/or repair resulting from drainage of oil, gasoline or other environmentally toxic fluids from leaking vehicles or otherwise spilled or discharged anywhere on the Owner's Lot.

2.5 Car Washing. Residents may wash their vehicles with water, however soaps, detergents and cleaning products of any kind are prohibited since all runoff water is channeled ultimately into the Canal.

2.6 Dumping Into Street or Drains Prohibited. The dumping or spillage of oils, paints, chemicals, soaps, detergents, shampoos, dirty water or cleaning products of any kind into the Street drains are prohibited because it will end up flowing into the Canal or Lake. Violation of this rule can result in cleanup costs and fines imposed by the Association on the violating Owner.

2.7 Garage and Garage Doors. Residents are prohibited from altering their garages to preclude compliance with the minimum two-car parking space requirement. Garage Doors are to remain closed at all times when the garage is not being used by the Resident.

2.8 Inoperable Vehicles. Vehicles which are inoperable, unlicensed, or have expired registration tags must be parked completely inside the Resident's enclosed garage.

2.9 Motorcycles, Motor Scooters, Mopeds and 4x4 Motor Vehicles. Residents who own these types of vehicles (assuming they are licensed and legal to drive in public streets) are permitted to operate them on Laguna Bay's Street for the sole purpose of transportation to and from home. No cruising around is allowed. Non-Residents are not permitted to bring these vehicles into Laguna Bay and must leave them parked in the designated area near the front security gate entrance to the Addition.

2.10 Parking. Every home on a Lot in Laguna Bay shall have at least a two-vehicle garage, plus room for two vehicles in the driveway. Residents are strongly encouraged to park their vehicles in their garage or in those location(s) in their driveway where such vehicle will be the least visible from the Street and to Residents of adjoining Lots. Parking on the Street shall be

limited to temporary purposes only, as set out in other Sections of this Exhibit B and/or the Declaration.

a. Blocking Sidewalks. Vehicles are not to block sidewalks or other Common Areas utilized by pedestrians.

b. Blocking Driveways. No driveway may be blocked except by the prior express permission of the Owner or other Resident of the Lot in each separate instance of whose access to and from his driveway and the Street in front would be adversely affected. There can be no presumed, implied or continuing permission on the part of an Owner or other Resident for his driveway being blocked.

c. Boats, Trailers, Commercial Vehicles and Truck Campers. No boat, trailer, commercial vehicle, truck or other motor vehicle in excess of one (1) ton (as characterized by the manufacturer and not by weight), vehicle with painted advertisement, jet skis or other water vehicles, aircraft, truck campers, unattached pick-up camper or similar vehicle or equipment shall be parked overnight, or stored in the driveway or on any part of the yard of any Lot, or parked on the Street in Laguna Bay, and all such vehicles must be parked in the garage on the Lot of its Owner or other Resident, and not visible from the Street, Canal or any neighboring Lot. Notwithstanding the foregoing, any vehicles which are used by builders, developers and contractors during the construction process, or by movers during the process of moving into or out of Laguna Bay shall be permitted.

d. Limousines. Limousines are not allowed to park over night on the Street. They must be parked in the garage or in the driveway of the Lot of the individual owning or renting such limousine.

e. Motor homes. Overnight parking of motor homes will be permitted for a period not to exceed 48 hours for the purpose of loading and unloading. ~~Laguna Bay Security personnel will issue a temporary permit which must be displayed in the driver's window.~~ Motor homes owned or rented by guests may not park overnight on Laguna Bay's Street or in the homeowner's driveway or yard.

2.11 Parking for Parties or Gatherings. Laguna Bay has limited parking. Residents are encouraged to have guests carpool if at all possible. A gathering that will result in more than ten cars must be coordinated with the Association's security personnel in advance. Laguna Bay reserves the right to refuse entry of vehicles if the potential for a hazardous situation may be caused by the additional traffic being allowed in Laguna Bay.

2.12 Vehicles with Signs. Vehicles with signage of any kind must be parked in the Owner's garage.

2.13 Parking on Streets. Parking on the Street within Laguna Bay shall be for temporary purposes only and shall not be permitted for the regular and on-going overnight or daily parking of vehicles, or for the storage of vehicles. If an Owner or other Resident must park his otherwise permissible vehicle in the Street from time to time on a non-recurring overnight or other temporary basis, then as a courtesy to other Owners and other Residents of Lots in the Addition, parking shall be permitted only in front of the vehicle Owner's own Lot.

2.14 Parking Violations. Any vehicle parked or stored in violation of this Section or parked or stored in violation of any other parking rules hereafter adopted by the Association may be towed by the Association, and retrievable only at the Owner's expense.

2.15 Boating Activities and Water Related Structures and Restrictions in Canal. The Owner of each Canal Lot in the Addition may be approved to build and maintain a dock or other similar water related structure, together with the normal equipment and accessories relating thereto within, or at the end of the Beach Area of such Owner's own Lot for his own personal use and enjoyment, including a structure to moor his own boat or watercraft, and from which to load, board, launch and operate his own boat or other watercraft within the waters of the Canal (referring to Lot 1, Block 2, as it appears on the recorded Plat of the Addition), and from there out into the main body of Eagle Mountain Lake, provided that:

a. Any such dock or similar structure must first be approved in writing by Declarant, or the Architectural Reviewer before construction commences. Such approval, if same be given, will be based on the package of plans, design, size, dimensions, specifications, materials, details and engineering on the proposed support for the structure (whether fixed or floating), its proposed color, location and such additional details that the Document Reviewer may request on a case by case basis, as requests and applications for review and approvals are submitted by Owners. Prior to constructing any approved dock or similar structure Owner must obtain a permit from the Tarrant Regional Water District.

b. Any proposed dock and similar structure; if approved, that will extend from the Owner's rear Lot line out into the Canal shall be located as represented on the Plat and shall in no event extend more than 53 feet out into the Canal unless otherwise approved by the Architectural Control Committee and the TRWD. All docks for Lots 2-15 and Lots 27-42 must be side entrance only.

c. Each Lot shall be limited to having and maintaining not more than four boats and/or other watercraft tied to or otherwise moored at the Owner's own dock,

d. Neither of the two boats and/or other watercraft shall exceed 45' feet in length, nor have engine(s) that exceed the boat manufacturer's recommended maximum horsepower ratings for the boat or other watercraft.

e. Boats and other watercraft utilizing the Canal shall strictly observe all "No Wake Zone" signs and buoys posted in and around the Canal limiting the disturbance and damage to other Owner's boats, docks and Beach Areas on their Lots backing up to the Canal.

f. The Association shall have the right and authority to amend or add additional rules, restrictions, prohibitions and other protective covenants relating to the use and enjoyment of the Canal by the Owners or other Residents of Lots in Laguna Bay, and any invited guests (so long as personally accompanied by the Owner at all times the guest is using any part of the Canal or Beach Area of the Owner's Lot), as the Association may deem necessary or desirable to adopt and impose upon the use and permitted activities and maintenance of the Canal, it being a Common Area amenity of Laguna Bay, placed and maintained within the Addition for the use, benefit and enjoyment of its Lot Owners and other Residents of homes in the Addition on Lots which directly abut the Canal at the rear thereof.

SECTION 3
PET RULES

3.1 Types of Pets. No animals or livestock shall be, raised, bred or kept on any Lot except that dogs, cats or other household pets may be kept for the purpose of providing companionship for the private family. Animals are not to be raised, bred or kept for commercial purposes or for food. It is the purpose of these provisions to restrict the use of the Lots so that no person shall quarter on the premises cows, horses, hogs, guinea fowls, ducks, chickens, turkeys, skunks or any other animals that may interfere with the quietude, health or safety of the Addition.

^{and} 3.2 Number of Pets. No more than three (3) household pets will be permitted on each Lot. Pets must be restrained or confined by their Owner to the back yard of the applicable Lot or within the residence erected thereon.

3.3 Licenses. All dog Owners are required to register their pets with the Association and obtain appropriate licenses from the City of Pelican Bay or, if appropriate, the County of Tarrant. Dogs must wear identification tags at all times. Residents must include the names and description of all pets on their Resident cards filed with the Association.

3.4 Clean Up After Pets. It is the Owner's responsibility to keep the front of their Lot clean and free of pet droppings. If a pet leaves droppings in the yards of other Owners' Lots or in the Street or any of the Common Areas within Laguna Bay, it is the responsibility of the Owner of such pet to pick up after his or her pet and properly dispose of all droppings collected. Residents must carry a bag or proper scoop to pick up any droppings deposited by their pets on other Lots, the Street or any of the Common Area in Laguna Bay. At night Residents must bring a flashlight along in order to pick up their pets' droppings when visibility may be a problem. The Association shall have the right to adopt any other and more specific rules, regulations, penalties or sanctions for violations regarding Owners' pets and the restrictions that are believed appropriate for both Owners and their pets within this Addition.

3.5 Leash Law. Residents are required to keep their dogs on a leash whenever they are outside the residence or outside of the enclosed back yard of their own Lot. Pets which are not so restrained or confined by their Owner, or which, in the sole discretion of the Board endanger the health or threaten the safety of other Owners within Laguna Bay, shall be removed from Laguna Bay by the Owner upon request by the Board. If the Owner fails to honor such request, the pet may be removed by the Department of Animal Control or other appropriate department of the City of Pelican Bay or Tarrant County, as may have the appropriate jurisdiction over Lots in Laguna Bay.

3.6 Barking and Other Animal Noises. No dog shall be permitted to bark, howl or make other loud noises for such a time as to cause a disturbance to persons in the Association. No other pet (such as birds, cats, etc.) shall be permitted to screech or make other loud, noises for such time as to cause a disturbance to persons in the Association. Written complaints by two or more other Owners or residents of Lots in the Addition or by any of the Association's security personnel can result in a fine or other sanction being assessed by the Association on the pet's owner as the Association may deem appropriate. Three or more such violations can result in (i) removal of the animal by the Department of Animal Control, and/or (ii) legal action.

3.7 Dangerous Animals. No Resident shall be permitted to have or keep an animal on the

premises which the Board deems, in its sole discretion, to be dangerous or a threat to the health or safety of any person. Any dog that attacks any person on Laguna Bay or exhibits aggressive or violent behavior may be ordered to be removed from Laguna Bay.

3.8 Animal Structures. No structure for the care, housing or confinement of any animal may be visible from the Street, Canal or any other Lot within the Addition.

SECTION 4 CONSTRUCTION AND REMODELING

4.1 Approval by Architectural Reviewer. All new construction of the single family residential dwelling and other permitted permanent improvements on any Lot in the Addition, as well as subsequent construction, remodeling or expansion to existing improvements on any Lot in the Addition shall require the prior written approval by the Architectural Reviewer prior to the commencement of construction. Exterior modifications include painting, windows, doors, roofs, remodeling, repairs, major landscaping, tree planting or removal, concrete work or any other type of exterior work in advance of any construction, repair or upgrading. Residents must obtain Architectural Reviewer approval. Copies of the Laguna Bay Construction Work Rules, the Architectural Reviewer Rules and the Architectural Application are available from the Association. Construction, that requires a permit from any governmental authority or agency must be approved by the Architectural Reviewer prior to the submission of an application to the governing authority issuing a permit. Laguna Bay Architectural Rules are in addition to all governmental codes and requirements.

4.2 Working Without Approval. Vendors attempting to do exterior work that has not been approved by the Architectural Reviewer will be denied access until the Owner files the appropriate paperwork and receives written approval.

4.3 Non-Vendor Work. Homeowners performing their own work are asked to abide by the same rules and work hours.

4.4 Construction Schedule. Approved construction is limited to Monday through Friday 7:00 a.m. to 5:00 p.m. No construction is permitted on Sunday or the following holidays: New Year's Day, Memorial Day, July 4th, Labor Day, Thanksgiving and Christmas.

4.5 Limitation of Construction Activities During Weekends. Any construction work permitted to the place on a Saturday shall occur only between the hours of 9:00 a.m. to 5:00 p.m. The following construction activities may be permitted on a Saturday, provided such work is conducted entirely indoors and the noise caused by such work does not disrupt the peace and quiet of the Owners or Residents of neighboring Lots. Such limited indoor activities include: installation of carpet and other flooring, work on interior wall covering, other interior decorating and painting, appliance repair and installation, installation of interior cabinets that have been made and assembled at off-site cabinet shops leaving only their placement and indoor installation to perform within the dwelling.

4.6 Emergency Repairs. The Owner or other Residents of a dwelling on a Lot in the Addition shall notify the security personnel if and when an emergency repair such as plumbing or utility leaks or related problems occur during off hours or on Sundays or on any of the holidays listed in Section 4.4 above. Owners and Residents shall use their best efforts to make

emergency repairs during the normal construction hours, if the emergency itself arises during those same normal business hours.

4.7 Construction Debris. Owners, other Residents or individuals hired to perform clean up on construction projects occurring on Lots in the Addition are prohibited from sweeping, blowing or washing construction debris, oils, repair residue or any toxic or poisonous material into the Street, gutters or anywhere else which may cause such items to drain, blow or flow into the Canal or Lake.

4.8 Contractor Signs. Contractors may display stake signs not exceeding three (3) square feet in size during any preapproved construction, remodeling or major construction or repair project taking place on any Lot in the Addition. Contract signs must be removed upon completion of the current project.

4.9 Utility Lines. Requests for additional phone, fax or cable lines that require a cut to Streets or concrete walks must first be approved by and coordinated with the Architectural Reviewer.

SECTION 5 RESTRICTED USES, RESTRICTED ACTIVITIES AND PROHIBITED CONDITIONS

5.1 Temporary Structures and Mobile Homes. No temporary dwelling, workshop, trailer, tent, canopy, carport, shack, barn, out-building, mobile home, playhouses, playground equipment, dog houses, greenhouses, gazebos and buildings for storage of lawn maintenance equipment, or any structure or improvement of a temporary character shall be permitted on any Lot without the prior written consent of the Architectural Reviewer. No building material of any kind or character shall be placed or stored upon any Lot or other property until the Owner thereof is ready to commence construction of improvements, and then such material shall be placed within the property lines of the Lot upon which the improvements are to be erected. Notwithstanding the foregoing, a builder or contractor may have temporary improvements such as a construction trailer on a given Lot during the construction period, but only as permitted by the Architectural Reviewer.

5.2 Fences. The only fences permitted on any Lot within Laguna Bay are those fences specifically provided for in Section 8.8 and other specific provisions in this Exhibit B. All wrought iron fencing which is placed on the common property line of two adjoining Lots in the Addition shall be jointly maintained by the Owners of such Lot as a common amenity to the two Lots.

5.3 Air Conditioning Units and Similar Equipment.

a. Air Conditioning Units. No window air conditioning unit or evaporative cooler may be installed in any residence on any Lot in the Addition. No air-conditioning apparatus shall be installed on the ground in front of a residence or on the side of the residence in view of the Street. All air-conditioning equipment must be installed in the side or rear yard area of the Lot and screened from view from the Street in front and the Canal to the rear of such Lot by a short screening fence only tall enough to exceed the height of the unit itself or by plantings of shrubs or hedges to provide the desired screening from vision.

b. Energy Conservation Equipment. No solar energy collector panels or attendant hardware or other energy conservation equipment shall be constructed or installed in any residence unless it is an integral and harmonious part of the Architectural design of a structure, as determined in the sole discretion of the Architectural Reviewer. No windmills, wind generators, or other apparatus for generating power from the wind shall be erected or installed on any Lot without first obtaining the express written consent of the Architectural Reviewer.

5.4 Garage Sales. Garage sales are prohibited within Laguna Bay.

5.5 Pools. All swimming pools, Jacuzzis, whirlpools, spas, fountains, and similar water features on a Lot must have the prior written consent of the Architectural Reviewer. No above-ground swimming pools shall be erected, constructed or installed on any Lot. Jacuzzis, whirlpools, spas, fountains and similar water features which are approved in writing by the Architectural Reviewer shall not be considered an above-ground pool.

5.6 Removal of Trees. No trees within Laguna Bay being ten inches (10") in caliper or greater (except for those which are diseased or dead or create a safety hazard) shall be removed except upon written consent from the Architectural Reviewer having jurisdiction of this matter. In the event of an intentional or unintentional violation of this provision, the violator may be required by the Architectural Reviewer having jurisdiction over this matter to replace the removed tree with one or more comparable trees of such size and number and in such locations as such Architectural Reviewer may determine necessary, in its sole discretion, to mitigate the damage.

5.7 Unlawful Activities. No Owner shall perform, fail to perform or permit anything to be done or not done on his Lot which would violate any laws, statutes, ordinances or regulation, of any kind or character.

5.8 Drilling. No oil or gas drilling, oil or gas development or production operations, oil refining, quarrying or mining operations of any kind shall be permitted in, on or within Laguna Bay, nor shall oil or gas wells, tanks, pipelines (not already in place in assigned easements); or mineral excavations be permitted upon or in any part of Laguna Bay. No derrick or other structure designed for using in quarrying or boring for oil, natural gas or other hydrocarbons or minerals shall be erected, maintained, operated or permitted within Laguna Bay of any type or for any purpose.

5.9 Prohibitions. The following activities and/or conditions are prohibited within Laguna Bay:

- a. Any activity which emits foul or obnoxious odors outside the Lot or creates noise of other conditions which tend to disturb the peace or threaten the safety of the occupants of other Lots.
- b. Any activity which violates local, state or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation.
- c. Pursuit of hobbies or other activities which tend to cause an unclean, unhealthy or untidy condition to exist outside of enclosed structures on the Lot

d. Any noxious or offensive activity which in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants of other Lots.

e. Burning of trash, leaves, debris or other materials.

f. Use or discharge of firecrackers or fireworks (except as may be part of organized and professionally displayed by the management by or under the authority and supervision of the Association).

g. Dumping grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, Canal, or elsewhere within Laguna Bay, except that fertilizers may be applied to landscaping on Lots provided care is taken to minimize runoff, and Declarant and Builders may dump and bury rocks and trees removed from a building site on such building site.

h. Obstruction or rechanneling drainage flows after location and installation, of drainage swales, storm sewers, or storm drains, except that Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value of, or unreasonably interfere with the use of any Lot without the Owner's consent.

i. Subdivision of a Lot into two or more Lots, or, unless approved by Declarant, changing the boundary lines of any Lot after a subdivision Plat including such Lot has been approved and Recorded, except that Declarant shall be permitted to subdivide or replat the Lots which it owns.

j. Declarant, its successors and assigns, shall be permitted, and shall have the exclusive right and easement to draw water from the Canal within the Addition for purposes of irrigation and such other purposes as Declarant shall deem desirable. Neither the Declarant nor the Association shall be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of such the Canal or the main body of Eagle Mountain Lake to which the Canal connects.

k. Discharge of firearms; provided, the Board shall have no obligation to take action to prevent or stop such discharge.

l. On-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Lot for emergency purposes and for operation of lawn mowers and similar gasoline powered tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment.

m. Capturing, trapping or killing of wildlife within Laguna Bay, except in circumstances posing a threat to safety or a nuisance in Laguna Bay. The foregoing shall not prevent the Owner of a Lot from fishing off his dock located within the Beach Area of his Lot.

n. Any activities which result in unreasonable levels of sound or light pollution; provided, this restriction shall not restrict or prevent Declarant or the Association from operating recreational facilities or other amenities on the Common Areas in a manner consistent with their intended use; and nor shall it prevent the maintenance and/or operation of the marina.

o. Conversion of any carport or garage to finished space for use as an apartment

or other integral part of the living area on any Lot.

p. Operation of motor vehicles on sidewalks, pathways or trails maintained by the Association, except that golf carts may be operated on cart paths intended for such purposes.

q. Any construction, erection, placement, or modification of anything, permanently or temporarily, on the exterior portion of any improvement on a Lot or elsewhere on a Lot, whether the Lot is improved or unimproved, without the prior written consent of the Architectural Reviewer including, without limitation, signs, basketball hoops, swing sets and similar sports and play, equipment, woodpiles, docks, piers and similar structures, and hedges, walls, dog runs, animal pens, or fences of any kind.

r. Plants, animals, devices or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of Laguna Bay.

s. Structures, equipment or other items on the exterior portion of a Lot which have become rusty, dilapidated or have otherwise fallen into disrepair.

SECTION 6 REQUIREMENTS AFTER APPROVAL

6.1 No Construction Without Approval. Final working drawings and specifications must be approved in writing by the Architectural Reviewer before any improvements or construction thereof commences. All approvals, to be effective for purposes hereof, must be in writing and signed by a duly authorized representative of the Architectural Reviewer who has such approval authority at the particular time it is sought. Commencing construction activities including delivery of materials to the job site or any preliminary site preparation work prior to having written approval signed and in hand may result, in Architectural Reviewers discretion, in fines or other sanctions deemed being assessed against the violating Owner as the Architectural Reviewer may deem appropriate to the particular circumstances of a given violation.

6.2 Approval and Building Permits (if applicable) Must Be Posted. The approved architectural submittal form as well as all applicable permits must be posted on the Owners garage clearly visible from the Street until the final inspection.

6.3 Approval Conditioned on Signed Construction Agreement. All approvals shall be conditioned on the signing of a construction agreement provided by the Architectural Reviewer. Failure to sign the construction agreement prior to the commencement of construction shall render the approval null and void. One of the conditions imposed by the Architectural Reviewer in commencing his review and considering its approval of the proposed improvements is that a written construction agreement in the form and content promulgated by the ACC, including provisions for the Owner to make a cash deposit to be held in a segregated account in the Association's name but dedicated and limited to the credit of Owner and Owner's Lot and the specific construction project identified in the construction agreement. The deposit shall be in an amount determined to be reasonable and adequate for its purposes by the Association or other Architectural Reviewer. The deposit shall constitute security and a source to pay any damages assessed by the Association against Owner under the provisions of Section 7.3 herein below. Such deposit shall be used for that purpose only and if no damages are assessed or are owing by

Owner to the Association (for damages to any portion of the Common Areas) or to the Owner or residents of any other Lot in the Addition, by completion of the construction project, the entire amount of such deposit shall promptly be refunded to Owner at the time of completion.

6.4 Approval Lapses After Six Months. All approvals plans, designs, specifications and other features and aspects proposed for construction projects and of the permanent improvements which are to be placed on the Owner's Lot shall be valid and effective for a period of six months from and after the date the written approval is signed. If work is not commenced on the approved construction project on or before the expiration of this six months period, or if the Lot is sold before the approved project has been commenced, the prior written approval previously granted shall automatically, and without requirement of any further act or consent of any party, shall lapse and the entire document submittal, review and approval process must be commence anew for the same project or any addition or modification thereto itself be considered written approval of the Architectural Reviewer.

6.5 Notice of Completion. When the work is complete, the Owner must notify the Architectural Reviewer for inspection by the Architectural Reviewer. If the work conforms to the approved plans, the Architectural Reviewer will sign off on the proposed project. After sign-off by the Architectural Reviewer, the Deposit (less any costs for clean up or repairs by the Association) will be returned to the Owner within 30 days.

SECTION 7 GENERAL CONDITIONS FOR APPROVAL

7.1 Improvements Limited To Owner's Lot. All improvements are limited to the Owner's Lot. It is the Owner's responsibility to verify the location of his perimeter Lot lines and to accurately observe all building set-back lines and easements as shown on the recorded Plat of the Addition affecting the subject Lot in the placement of the permanent improvements on such Lot.

7.2 Building Permits. Prior to the commencement of construction, all applicable building permits must be obtained from appropriate governmental agencies. Approvals given by the Architectural Reviewer in no way relieve the Owner from complying with all governing governmental statutes, ordinances, and regulations.

7.3 Owner Liable for Damage. Any damage caused by the Owner or his subcontractors, agents, employees or invitees to Common Area or to the separate interests or personal property of others is the Owner's responsibility. If the damage is not repaired in a timely manner, the Association has the right to make the repairs and specially assess the Owner and/or take legal action against the Owner. If the Owner fails or refuses to pay the special assessment; the Association shall have the right to suspend construction, lien the Owner's property and exercise any other remedy provided for in the CC&R's or by law.

7.4 Inspections. The Architectural Reviewer has the right to periodically inspect the work and will conduct a final inspection before releasing the Deposit. Construction will be halted if inspections are not allowed. Such inspections Or lack of inspections by the Architectural Reviewer do NOT relieve Owner from his duty to comply with the (i) CC&Rs, (ii) plans approved by the Architectural Reviewer; and (iii) all applicable building and fire codes.

7.5 Insurance. All contractors and subcontractors must be licensed and carry appropriate amounts of General Liability and Property Damage Insurance.

7.6 Indemnity. The consent of the Architectural Reviewer to improvements shall not give rise to any liability on the part of the Association, the Architectural Reviewer, or its representatives.

7.7 Approval of Nonconforming Improvements. Existing nonconforming improvements on any Lots shall not constitute a basis for granting approval of any new nonconforming improvements on that or any other Lot in the Addition. The approval by the Architectural Reviewer of any plans, drawings or specifications for any work done or proposed or for any other matter requiring the approval of the Architectural Reviewer shall not constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval by that or any other Owner.

7.8 Waiver of Liability. Neither Declarant, the Association nor the ACC or any of its officers, directors, agents, employees or Members shall be liable for any damage, loss, or prejudice suffered or claimed by the Owner on account of (i) the approval or disapproval of any plans, drawings and specifications, whether or not defective, (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (iii) the development of any property within the Project, or (iv) the execution and filings of Notice of Non-Compliance.

SECTION 8 ARCHITECTURAL RESTRICTIONS

8.1 Building Materials. The total exterior wall area (as that term is below defined) of the single family residential dwelling and other permanent structure placed on any Lot in the Addition after the appropriate written approval for those improvements has been properly obtained by the Owner of such Lot shall be constructed 100% of brick, stone, true stucco or other masonry material that may be approved by the Architectural Reviewer. The term "total exterior wall area" as it is used in this Section 8.1, means and includes both first and second story exterior walls, but shall exclude only the surface area of such exterior walls that is comprised of windows, doors and gables. It is this net exterior wall area that the 100% requirement applies to.

8.2 Minimum Floor Area. The minimum floor area of the one single family residential dwelling to be constructed on a given Lot in the Addition shall be equal to the total air-conditioned interior living area of the one single family residential dwelling constructed on a given Lot, as measured to the outside of exterior walls, but which area is exclusive of any square footage of open porches, garages, patios and any detached accessory buildings on that Lot, and as so calculated, shall be not less than 3000 square feet of air conditioned living area.

8.3 Air Conditioning Units. Location of air conditioning units and condensers shall be approved by the Architectural Reviewer. Types of air conditioning units and condensers shall be approved by the Architectural Reviewer so that the aesthetics and noise and vibration resulting from their operation can be evaluated by the Architectural Reviewer. Size and height of units should be shown on elevation drawings.

8.4 Alteration of Common Area. Excepting only for any dock or similar structure

permitted by the Declaration pursuant to the provisions of the Declaration and/or this Exhibit B, and approved by the Architectural Reviewer, no Owner or other Resident of any Lot in the Addition shall do, make or allow any other party to do or make any improvement, alteration, addition or modification to any portion of the Common Area within the Addition, or any improvements to or within any Common Area as previously made by Declarant or by the Association.

8.5 Awnings. Retractable canvas awnings shall be approved on an individual basis by the Architectural Reviewer. A fabric color sample and sketch must be submitted. The use of bamboo, plastic or metal sun shades are NOT allowed, nor is reflective/mirror tinting.

8.6 Boat Docks and Similar Water Related Structures. The installation of, or alterations made to any boat dock or other similar water related structure sought to be built on or at the rear line of any Lot as it adjoins the Canal must be approved in writing by the Architectural Reviewer prior to commencing construction thereon and shall comply with the other restrictions, covenants and requirements set forth in Section 2.15 herein above.

8.7 Decks. Decks, swimming pools, and Jacuzzi tubs are subject to Architectural Reviewer approval.

8.8 Canal Lots; Easements. All of Lots 2-43, inclusive, Block 1, of Laguna Bay (collectively, the "Canal Lots"); back up to and are adjacent to the 160' wide Canal situated within the central portion of the Addition as it appears on the recorded Plat of Laguna Bay, and is designated thereon as Lot 1, Block 2 of such Addition. Also reserved on the face of the recorded Plat of the Addition is a 30' Drainage Easement situated at the far rear of each Lot, extending from the rear Lot line of such Lot inward for a distance of 30' from and running parallel to the rear Lot line. Further shown and reserved on the face of the recorded Plat of the Addition is a 20' Environmental Mitigation Easement which runs parallel to and 20' inland from the 30' Drainage Easement. The back 30' of each Lot from side Lot line to side Lot line thereof is sometimes referred to in various provisions of this Exhibit B as the "Beach Area" of such Lot.

8.9 Canal Lots Benefits and Restrictions. Each Canal Lot in the Addition, must comply with the following restrictions, covenants, rules and procedures which Declarant has adopted and imposed as covenants, conditions, restrictions, rules and requirements appurtenant to each Canal Lot and running with the title thereto irrespective of mention thereof being made in any document of conveyance. These additional Canal Lot covenants conditions, restrictions, rules and requirements are intended to permit and enhance the use, benefit and enjoyment of the Canal by the Owners of Lots in the Addition, it being the prominent water feature that extends throughout the central portion of the Property and provides access by water from each of the Canal Lots in the Addition out and across the Canal and into the main body of Eagle Mountain Lake, and back, and otherwise providing all of the benefits of actual Lake frontage properties, but with the added benefit of a privately owned and privately maintained Canal that provides water born ingress, egress, and access to and from each of the Canal Lots and the main body of the Lake. Given the significant benefits the Canal adds to the use, enjoyment, appreciation and other benefits to the Owners or other Residents, Declarant has imposed on the Canal Lots and the Owners or other Residents thereof, the following additional covenants conditions, restrictions, rules and requirements pertaining thereto.

8.9.1. Fencing. All Canal Lots in Laguna Bay shall have wrought iron fencing in certain specified areas to maintain maximum visibility of the Canal from the Street in front of each Canal Lot and from adjoining Canal Lots in the Addition.

a. Type of Fencing and Location. Wrought iron fencing shall be installed and maintained by the Owner of each Lot extending from one side Lot line to the other side Lot line of the Lot and running parallel with, and 30' from the rear property line of the Lot. This will leave the rear 30' of each Lot unfenced and it is this same rear 30' that is referred in certain of the provisions of this Exhibit B as the "Beach Area" of a Canal Lot. At the point in each side Lot line where the rear wrought iron fence touches the side Lot line, the Owner shall install a "Masonry Column" (below defined) of a height, exterior dimension, and utilizing exterior masonry materials as may be specified by Declarant or such other Architectural Reviewer as may then have the authority to specify and/or approve such installations. From each such Masonry Column an additional length of wrought iron fencing of the same color, style, design and height shall be installed and maintained by the Owner along each side Lot line of his Lot for a distance of 20' from and perpendicular with the rear wrought iron fence, terminating on each side at a second and matching Masonry Column located in each side Property line. From the point of each second masonry column, the Owner shall install a wood privacy fence along that portion of each side Lot line as privacy fencing that extends in the direction of the front of such Lot to the point in the side Lot line where a wrought iron fence shall be installed, running from the side Lot line to the side of the house. At the point of juncture of the wood privacy fencing and the length of wrought iron fencing connecting the side Lot line with the side of the house, Owner shall install a third Masonry Column on each side Lot line. The third Masonry Column shall be constructed in a like manner to the first two on each side, and it will serve as the transition point and structure to which the wooden privacy fence and wrought iron side yard fence are visually and physically connected.

b. Gates. Owner may propose the installation of gates in the rear wrought iron fence and/or in one or both of the wrought iron fences connecting the side of the house with the side Lot line of the Lot as part of its submitted package for approval for the fencing to be installed on such Owner's Lot.

c. Height of Fencing. All sections of wrought iron fencing and of the wood privacy fencing on the Canal Lots shall, to the maximum extent possible, be of the same height and the height shall not be less than six feet nor more than eight feet, with the actual height thereof to be determined by the Architectural Reviewer based in a large part on height of fencing that may already be installed on adjacent Lots at the time fencing approval is sought. The Owner of each Lot shall be the sole party entitled to use, occupy and enjoy the Beach Area on his own Lot to the exclusive of any other Lot Owner.

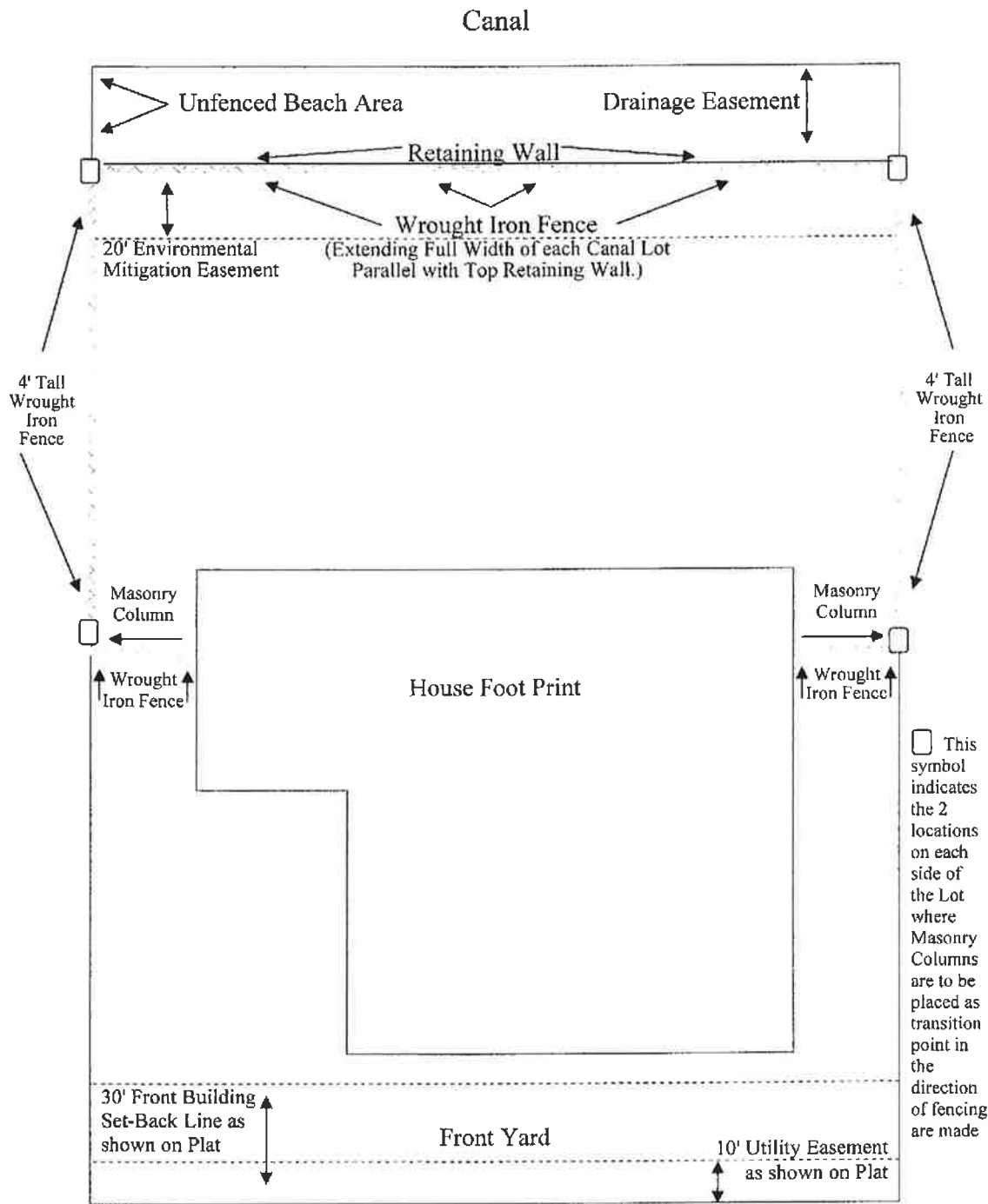
d. Painting and Maintenance of Wrought Iron Fencing. All wrought iron fencing on each Lot shall be of the same style, design and construction, shall be painted with oil based, semi-gloss, exterior black paint and shall be repainted with the same quality and color of exterior paint periodically thereafter by the Owner at his own expense, as and when needed or as directed by the ACC.

e. Wooden Privacy Fencing. All privacy fencing shall be constructed along the portions of each side Lot line, beginning at a point 50' from the rear Lot line and extending the front of the Lot to the point it meets the wrought iron fence which runs from the side of the house to the side Lot line.

f. Masonry Column. The term "Masonry Column" as used herein, shall mean and refer to the three columns installed in each side Lot line of a Lot (as depicted in the illustration on page 19 hereof) that serves to connect different sections of fencing in the designated areas on each Canal Lot. The Owner of each of the Canal Lots, as a part of the specific fencing requirements specified herein above and below, shall construct Masonry Columns at each point of a change in the type of fencing or direction of fencing (as the case may be) in the locations specified in the following provisions and as visually depicted in the detailed illustration set forth on page 19 of this Exhibit B such Masonry Column shall be constructed according to the design, color, height and type of masonry material (e.g. stone, chopped and a natural color resembling what has been used in the community for the surrounding fence, with buff mortar and cast stone toppers) all of which shall be as specified and hereafter designated by the Architectural Reviewer with the intended purpose of forwarding an obstructed view of the Canal from the Street and from each Canal Lot and other Lots in the Addition, and maintaining uniformity of design, exterior materials and colors throughout the Addition.

8.10 Wrought Iron Fencing Specific Requirements. The wrought iron fencing must be the type, quality and style approved by the Architectural Reviewer, must be consistent throughout the entire Resort, 4' in height and must be painted or powder coated black. The wrought iron fencing extending full length of lot and running parallel with the top retaining wall extending entire width of such Canal Lot from Masonry Column to Masonry Column located at that point in each side Lot line. All of such Lots shall also have wrought iron fencing between the house and the side Lot line of the Lot connecting with the fence running along each of the side Lot lines on either side of the single family residential dwelling so that the view of the Canal from the Street in Laguna Bay will not be obstructed. Except as specifically permitted hereby or as otherwise permitted by the Architectural Reviewer, no wood fence, cyclone fence, dog run or other fence shall be permitted on any part of any Lot in the areas where wrought iron fencing is specified, and the only fences permitted on a Lot with wrought iron fencing are those specifically provided for herein. The purpose of having wrought iron fences is to maintain a visibility corridor to and from each side. Therefore, no fence, trellis or privacy screen of any type shall be placed on or near any wrought iron fence in any way which will obstruct through the fence from either side; however, landscaping which is not intended to obstruct the view of the Canal is permitted. Fences may not be painted without the approval of the Architectural Reviewer. Affixing anything to a fence in any manner which is visible to any neighbor or other person within Laguna Bay without the prior written consent of the Architectural Reviewer is prohibited. Fences separating properties shall not extend into any front yard.

SEE THE FOLLOWING DETAILED ILLUSTRATION
DEPICTING THE FENCING REQUIREMENTS FOR ALL
CANAL LOTS.



60' Right-of-way of Public Dedicated Street Running in Front of Each Lot in the Addition

8.11 Flag Poles. Permanently installed flag poles must have a metal, metallic, baked or electrostatic precipitated finish. Natural metal colors, black, and white finishes are acceptable. Owners will be cited for improperly maintained flags. Large flags must either be lowered or replaced with small flags during high wind conditions. Flags must fly no higher than 35' and cannot be larger than 30 square feet in size.

8.12 Garages and Driveways. Every residence is required to have a garage with a capacity for not less than two automobiles. Garages may not be converted to other uses that would result in less than two parking spaces. Except as otherwise permitted by the Architectural Reviewer, all garages on Lots, being adjacent to the Canal in this Addition, must be side entry garages. No rear entry nor front entry garages are permitted on any Lot in the Addition.

8.13 Landscaping. Every Lot on which a single family dwelling is constructed shall be landscaped by the Owner according to approved plans adopted by the Architectural Reviewer and maintained thereafter in a good, healthy and well maintained manner and condition. Landscaping approved by the Architectural Reviewer shall be commenced within 30 days and completed within 90 days after written approval of the particularly proposed landscaping has been given. All planted areas on a Lot shall be provided with an underground water irrigation system adequate to sustain normal growth under normal precipitation levels for the area wherein the Addition is located. The landscaping plan and design adopted by approved by the Architectural Reviewer or ACC for the rear yard areas of each Lot shall be uniform for all Lots throughout the Addition. The only permitted ground cover utilized for rear yard landscaping to maintain uniformity along the Canal frontage throughout the Addition.

SECTION 9 LAND USE AND CONSTRUCTION OF DWELLINGS

9.1 Garage. No garage or outbuilding on any Lot shall be used as a residence or living quarters, temporarily or otherwise, except by servants engaged on the Lot by its Owners. No dwelling shall be occupied in any manner at any time prior to completion. The work of constructing the dwelling shall be prosecuted diligently from the commencement thereof until completion.

9.2 Canal Related Structures. The foregoing restrictions shall not be construed to prevent the construction of a boathouse, bathhouse, dock or similar structure on the Beach Area of a Lot, provided that the application for approval of such structures, and the structures themselves will be in full compliance with the express provision of Section 2.15 of this Exhibit B to the Declaration, and so long as such structure shall correspond in style, Architecture design and conformity with exterior materials, colors, textures and design of the single family residential dwelling on such Lot and of other similar structures built on the Beach Areas of other Canal Lots in the area. Any structures built on the Beach Area of a Canal Lot shall be for the sole and exclusive use, benefit and enjoyment of the Owner or other Resident of that same Lot.

9.3 Location of Dwelling on Lot. The placement of any residence or other structure on a Lot should take into consideration the location of future structures so as not to interfere unnecessarily with the aesthetics or view of the Lake of neighboring Lot Owners.

9.4 Frontage. Every single family residential dwelling constructed on a Lot in the Addition shall present a good frontage view from the Street and from other adjoining Lots. All Canal Lots shall present an unobstructed view from the Canal of the rear Beach Area of such Lot, and of the single family residential dwelling and other permitted permanent structures erected thereon.

9.5 Building Time. Construction upon any Lot must commence no later than 24 months after Owner closes on the purchase of a Lot. Construction must be completed within 36 months after Owner closes on the purchase of a Lot. It is required, however, that the Lots be cleaned and kept clean and mowed.

9.6 Opening of Garages. No garage, or other structure designed or intended to be used for the storage or housing of automobiles or other vehicles, shall be constructed in such a way so that the doors, or openings thereof, will face toward the Canal at the rear of a Canal Lot or the Street at the front of any Lot in the Addition. It is expressly required that the garage or other such structure shall face the side of the Lot in the area where visibility is intentionally obstructed by wood privacy fencing installed along that portion of the side Lot lines of such Lot.

9.7 Building Lines. No dwelling, outbuilding or other structure, or any part thereof, shall be erected or maintained on any Lot nearer to the Street than the front Building Line shown on the recorded Plat of the Addition. No fence or wall, or other detached structure shall be erected or maintained on any part of any Lot closer to the Street than the front Building Line from the Street. The actual location and setting of the single family residential dwelling to be constructed on each Lot within the parameters of the front, side and rear Building Lines shown on the Plat, shall be approved in advance by the Architectural Reviewer and shall be in full compliance with all municipal, building and development codes and ordinances affecting the Addition.

9.8 Dwelling Free Space. No dwelling, including porches, attached garages or greenhouses, but excluding cornices, spoutings, chimneys and purely ornamental projections, shall occupy more than 70% of the width of the Lot on which it is erected, such width to be measured along the building line nearest the respective Street on which such Lot fronts, except that with written consent of the Architectural Reviewer, the dwelling may occupy as much as 80 of said width of the Lot.

9.9 Signs. No sign or signs shall be displayed to the public view on any Lot except that Declarant may erect and maintain a sign or signs deemed reasonable or necessary for the construction, development, operation, or promotion and sale of the Lots, but in no case shall a permanent sign exceed fifteen (15) square feet in area. Any builder, during the applicable initial construction and sales period, may utilize one professional sign (of not more than twelve (12) square feet in size) per Lot for advertising and sales promotion. Thereafter, a dignified "for sale" sign (of not more than six (6) square feet in size) may be utilized by the Lot Owner of the respective Lot for sale of the Lot.

SIGNED on this 2 day of February, 2009

DECLARANT

MEC SHORES, LP, a Texas limited partnership

By: MEC SHORES GENERAL, LLC, a Texas limited liability company, its sole General Partner

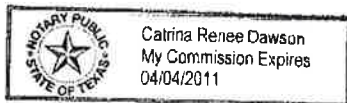
By: Justin McWilliams manager
JUSTIN MCWILLIAMS, Manager

ACKNOWLEDGEMENT

THE STATE OF TEXAS §
 §
COUNTY OF TARRANT §

Before me the undersigned Notary on this 2 day of February 2009, personally appeared JUSTIN McWILLIAMS, Manager of MEC SHORES GENERAL, LLC, the sole General Partner of MEC SHORES, LP, and acknowledged to me that he executed the foregoing instrument as the act and deed of said limited partnership, acting by and through the limited liability company as its sole General Partner, for the purposes and consideration expressed therein, and in the capacity stated.

Given under my hand and official seal of office on this the 2 day of February 2009.



Catrina Renee Dawson
Notary Public in and for the State of Texas

Personalized Notary Seal

RECORD AND RETURN TO:

MEC Shores, LP
2909 Race Street
Fort Worth, Texas 76111

Rules, Regulations and Restrictions Governing Use and Construction of Improvement on Lots in LAGUNA BAY

RATIFICATION AND CONSENT
BY LIENHOLDER

LAGUNA BAY

1st International Bank, whose address is 1912 Avenue K, Suite 110, Plano, Texas 75074 ("Lienholder"), is the Owner and holder of that one certain Promissory Note (the "Note") dated February 21, 2008, executed by MEC Shores, L.P., A Texas limited partnership ("Declarant") and payable to the order of Lienholder. The Note is secured by a Deed of Trust of even date executed by Declarant to W.R. Kerr, Trustee for the benefit of Lienholder, as the Beneficiary therein. The Deed of Trust was filed on February 27, 2008 as Instrument # D208066732, Real Property Records, Tarrant County, Texas, and creates a valid and enforceable lien on the real property described therein, including the property ("Property") described in Exhibit A of the Declaration of Covenants, Conditions, and Restrictions for LAGUNA BAY (the "Declaration").

*NOT
Attached
Plat
Recorded*

By signing this instrument, and to the extent its written approval or consent may be required under the terms and provisions of the Deed of Trust, and/or any other documents evidencing or securing the Note, and/or by applicable law, such approval and consent by Lienholder to the Platting of said Property and to the dedications and reservations set forth on the face of the recorded Plat of Laguna Bay and/or contained among the provisions of the Declaration is hereby given and evidenced for all purposes.

Accordingly, and notwithstanding the fact that the Deed of Trust was filed in the Real Property Records of Tarrant County, Texas prior to the recordation of the Declaration, such filing, and the dedications and reservations by Declarant in the Plat, the Lots, Blocks, street, easements, Common Areas, and other aspects, features or amenities, shown and dedicated to the public use and benefit, or reserved for the private use and benefit of Owners of Lots in LAGUNA BAY, such signing, dedication, reservations and recordation of the Plat of LAGUNA BAY shall not constitute a default by Declarant under the Note, the Deed of Trust or any other documents evidencing or securing the Note, and any subsequent foreclosure or deed in lieu of foreclosure of the Vendor's Lien and/or the Lien of the Deed of Trust or any other lien or security interest that Lienholder may now or hereafter hold or acquire against the Property described in Exhibit A hereto, or any portion thereof, or interest therein, shall not affect, nor will it diminish, release, extinguish or in any way impair, the Platting of the Property, the designation, dedications and/or reservations of the Lots, Blocks, streets, easements, Common Areas, or other aspects, features or amenities thereon or thereto, all of which are hereby unconditionally and irrevocably RATIFIED AND AFFIRMED by Lienholder to the same extent as if Lienholder had joined with Declarant in signing the Plat and the dedication and reservation provisions on the face of the Plat of LAGUNA BAY, as recorded.

*Exhibit
NOT
Attached*

SIGNED on the 19th day of February, 2009.

LIENHOLDER:

1st International Bank

By: Charles Floyed
Name: Charles Floyed
Title: SVP

ACKNOWLEDGEMENT

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

Before me, the undersigned Notary Public, on this day personally appeared Charles Floyed, SVP/SVO of 1st International Bank, and acknowledged to me that he/she is the individual and officer who signed the foregoing instrument as the act and deed of the bank, for the purposes and consideration therein expressed and in the capacity stated.



Beth Austin
Notary Public in and for the State of Texas

Personalized Notary Seal

AFTER RECORDING RETURN TO:

MEC SHORES, LP
2900 RACE STREET
FORT WORTH, TEXAS 76111

RATIFICATION AND CONSENT BY LIENHOLDER

Page 2 of 2



MEC SHORES LP
2900 RACE ST

FT WORTH TX 76111

Submitter: MORRISON & COX

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 03/04/2009 03:42 PM
Instrument #: D209059320
OPR 76 PGS \$308.00

By: _____



D209059320

**ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.**

Printed by: DS