

3092 479

35440

1989 JUL 17 PM 1:13

COLLIN COUNTY TEXAS

BY SD DEPUTY

**MASTER
DECLARATION
of
COVENANTS, CONDITIONS, RESTRICTIONS,
EASEMENTS, CHARGES AND LIENS**

**on and for
SUMMER POINT
(Phase I)**

at

STONEBRIDGE RANCH



3092 480

Scrivener's Note to Collin County Clerk
and to all
Abstracters and Title Examiners:

This instrument specifically refers to, and constitutes a covenant running with, the residential Lots within that certain 5.812± acre tract situated within the George McGarrah Survey, Abstract No. 573 of Collin County, Texas which has been formally subdivided in accordance with a certain subdivision plat entitled

"Summer Point
(Phase I)"

and filed and recorded in Cabinet G, Drawer 578 of the Map and Plat Records of Collin County, Texas, to which reference is hereby made for all purposes.

The name and address of the business entity which owns the subject land, and which is the Declarant herein, is:

RANCH DEVELOPMENT COMPANY
c/o RCS Investments, Inc.
5956 Sherry Lane, Suite 800
Dallas, Texas 75225
(214) 739-1414

TABLE OF CONTENTS

	<u>Page</u>
Preamble.....	1
Declaration.....	2
ARTICLE I - CONCEPTS AND DEFINITIONS.....	3
ARTICLE II - PROPERTY SUBJECT TO THIS DECLARATION	
Section 1. Existing Property.....	10
Section 2. Additions to Existing Property.....	11
ARTICLE III - MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION	
Section 1. Membership.....	12
Section 2. Voting Rights.....	12
Section 3. Board of Directors.....	13
Section 4. Notice and Voting Procedures.....	14
ARTICLE IV - RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES	
Section 1. Easement.....	14
Section 2. Extent of Members' Easements.....	14
Section 3. Restricted Actions by Members.....	16
Section 4. Damage to the Common Properties.....	16
Section 5. Rules of the Board.....	16
Section 6. Use of Common Properties.....	16
Section 7. User Fees and Charges.....	16
Section 8. Encroachments.....	17
ARTICLE V - COVENANTS FOR ASSESSMENTS	
Section 1. Creation of the Lien and Personal Obligation of Assessments.....	17
Section 2. Purposes of Assessments.....	18
Section 3. Basis and Amount of Annual Assessments.....	18
Section 4. Special Group Assessments.....	20
Section 5. Rate of Assessments.....	20
Section 6. Date of Commencement of Assessments; Due Dates.....	20
Section 7. Duties of the Board of Directors with Respect to Assessments.....	21
Section 8. Effect of Non-Payment of Assessment; the Personal Obligation of the Owner; the Lien; and Remedies of Association.....	21

Section 9.	Power of Sale.....	23
Section 10.	Rights of City of McKinney.....	25
Section 11.	Subordination of the Lien to Mortgages.....	26
Section 12.	Exempt Property.....	27

ARTICLE VI - GENERAL POWERS AND DUTIES OF THE BOARD OF DIRECTORS OF THE ASSOCIATION

Section 1.	Powers and Duties.....	27
Section 2.	Board Powers.....	30
Section 3.	Maintenance Contracts.....	30
Section 4.	Liability Limitations.....	30
Section 5.	Reserve Funds.....	30

ARTICLE VII - INSURANCE; REPAIR; RESTORATION; SECURITY ARRANGEMENTS

Section 1.	Right to Purchase Insurance.....	31
Section 2.	Insurance and Condemnation Proceeds.....	31
Section 3.	Insufficient Proceeds.....	31
Section 4.	Security Arrangements.....	32

ARTICLE VIII - ARCHITECTURAL REVIEW

Section 1.	Master Architectural Review Committee.....	32
Section 2.	MARC Jurisdiction.....	33
Section 3.	Master Design Guidelines.....	34
Section 4.	Preliminary and Final Plan Submissions.....	36
Section 5.	Village Architectural Review Committee.....	37
Section 6.	General.....	38

ARTICLE IX - USE OF LOTS IN THE SUBDIVISION; PROTECTIVE COVENANTS

Section 1.	Residential Lots.....	40
Section 2.	Minimum Floor Space; Alarms.....	40
Section 3.	Garages; Parking.....	40
Section 4.	Setback Requirements.....	41
Section 5.	Height Limitations; Elevations.....	41
Section 6.	Fences; Signs.....	41
Section 7.	Easements; Utilities.....	42
Section 8.	Temporary Structures and Vehicles.....	43
Section 9.	Site Maintenance, Garbage and Trash Collection.....	44
Section 10.	Offensive Activities; Pets.....	45
Section 11.	Landscaping; Maintenance.....	45
Section 12.	Exterior Surfaces.....	46

ARTICLE X - EASEMENTS

Section 1.	Utility Easements.....	47
Section 2.	Sign Easements.....	47
Section 3.	Ingress, Egress and Maintenance by the Association.....	47

ARTICLE XI - RIGHT OF FIRST REFUSAL; REGISTRATION

Section 1.	Right of First Refusal.....	48
Section 2.	Registration with the Association.....	49

ARTICLE XII - RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

Section 1.	Notices of Action.....	50
Section 2.	Joinder to Documents.....	51
Section 3.	Special FHLMC Provision.....	52
Section 4.	Approval of Amendments.....	53
Section 5.	Inspection of Books.....	53
Section 6.	Financial Statements.....	53
Section 7.	Enforcement.....	53
Section 8.	Attendance at Meetings.....	53
Section 9.	Annexation.....	54
Section 10.	Working Capital Fund.....	54

ARTICLE XIII - GENERAL PROVISIONS

Section 1.	Power of Attorney.....	54
Section 2.	Further Development.....	55
Section 3.	Duration.....	55
Section 4.	Amendments.....	56
Section 5.	Enforcement.....	56
Section 6.	Validity.....	57
Section 7.	Proposals of Declarant.....	57
Section 8.	Service Mark.....	58
Section 9.	Headings.....	58
Section 10.	Notices to Resident/Member/Owner.....	58
Section 11.	Notices to Mortgagees.....	58
Section 12.	Disputes.....	58
Section 13.	Country Clubs.....	59

EXHIBIT "A"	61
-------------------	----

This MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS, CHARGES AND LIENS is made and effective as of the 12th day of July, 1989, by RANCH DEVELOPMENT COMPANY (sometimes referred to herein as the "Declarant"):

PREAMBLE

Declarant is the owner and developer of certain residential Lots within a 5.812+ acre tract of land now commonly known and described as the SUMMER POINT (Phase I) Subdivision (which lots are more particularly described within Exhibit "A" attached hereto). The Summer Point Subdivision is a residential portion of a master planned mixed-use community now commonly known as "STONEBRIDGE RANCH" which is a 6230+ acre tract of land formerly known as the "Flying M Ranch". The Flying M Ranch was acquired by the Declarant's predecessor (Gibraltar Savings Association) in 1985 and was annexed into the City of McKinney, Texas in 1986 by virtue of McKinney City Ordinance No. 1620, and was zoned by the City of McKinney as a Planned Development ("PD") in accordance with McKinney Ordinance No. 1621. The Declarant estimates that development of the Stonebridge Ranch project will occur within the next 25+ years and will encompass: (i) the zoning uses permitting: at least three (3) categories of single-family detached residences; attached and/or detached single-family and multiple-family residences; high density townhouse, multiple-family and condominium residences; office; retail; commercial; industrial and light manufacturing; and other uses permitted by the Zoning Ordinance; and (ii) up to the maximum number of dwelling units permitted by the Zoning Ordinance.

Declarant desires to take advantage of the presently-existing unique geographical features of the Stonebridge Ranch property and the Summer Point (Phase I) Subdivision property and proposes to establish and implement highly sophisticated plans for residential living, recreation, aesthetic and quality-of-life considerations. The purposes of this Master Declaration are to: protect the Declarant and the Owners against the improper development and use of Lots within the Properties; assure compatibility of design of improvements within the Subdivision; secure and preserve sufficient setbacks and space between buildings so as to create an aesthetically pleasing environment; provide for landscaping and the maintenance thereof; and in general to encourage construction of attractive, high quality, permanent improvements that will promote the general welfare of the Declarant and the Owners. In view of the various unusual and uncommon features of Declarant's long-range plans, Declarant desires to impose these restrictions on the Summer Point (Phase I) Subdivision property now and yet retain reasonable flexibility to respond to changing or unforeseen circumstances so as to guide, control and maintain the first-class quality and distinction of the Stonebridge Ranch project.

3092 485

The restrictive covenants hereinbelow will also comply with the requirements of Zoning Ordinance No. 1621 of the City of McKinney, Texas and those of the utility companies providing service to Stonebridge Ranch to better ensure the care and maintenance of the common areas and amenities within Stonebridge Ranch and to preserve the best interests of the Declarant and of the owners and residents of Stonebridge Ranch after completion of all development and construction therein.

The Stonebridge Ranch Community Association, Inc. (the "Association") has been chartered as a non-profit Texas corporation to assist in the ownership, management, use and care of the various common areas within Stonebridge Ranch and to assist in the administration and enforcement of the covenants, conditions, restrictions, easements, charges and liens set forth with this Declaration.

DECLARATION

The Declarant hereby declares that the Summer Point (Phase I) Subdivision residential lots described within Exhibit "A" attached hereto, and such phases or additions thereto as may hereafter be made pursuant to Article II hereof, is and shall be owned, held, mortgaged, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens (sometimes collectively referred to hereinafter as "the Covenants") hereinafter set forth. To better assure the proper operation and functioning of the Association and to promote the quality of life within Stonebridge Ranch, the Declarant further declares that:

```
*****
*
* ACQUISITION OF ANY LOT WITHIN STONEBRIDGE RANCH
* SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS:
*
* (A) THE "CLOSING INFORMATION PACKAGE" AND RELATED
* DOCUMENTS HAVE BEEN PROPERLY EXECUTED BY THE
* ASSOCIATION, DECLARANT AND THE PURCHASER/TRANSFeree;
* AND
*
* (B) ALL DIRECTIVES BY, AND ALL OBLIGATIONS TO, THE
* ASSOCIATION AND THE DECLARANT HAVE BEEN PROPERLY
* AND TIMELY SATISFIED.
*
*****
```

3092 486

ARTICLE I.

CONCEPTS AND DEFINITIONS

The following words, when used in this Declaration or in any amended or supplementary Declaration (unless the context shall otherwise clearly indicate or prohibit), shall have the following respective concepts and meanings:

"Amended Declaration" shall mean and refer to each and every instrument recorded in the Public Real Estate Records of Collin County, Texas which amends, supplements, modifies, clarifies or restates some or all of the terms and provisions of this Declaration.

"Annual Assessment" shall have the meaning specified in Article V, Section 3 below.

"Articles" shall mean and refer to the Articles of Incorporation (and all amendments thereto and restatements thereof) of the Association on file in the Office of the Secretary of State of the State of Texas, Austin, Texas.

"Assessable Property" shall mean and refer to each and every lot, parcel, tract, area, condominium apartment, unit and space within the entire Properties which: (i) the Declarant has subjected to and imposed upon a set of restrictive covenants calling for, inter alia, the payment of an Annual Assessment to the Association; (ii) may have been or will be given a separately identifiable tax or parcel number by the Central Appraisal District of Collin County ("CADCC") or a similar governmental agency; (iii) is not designated an "open space" or otherwise a portion of the Common Properties. The Declarant proposes to cause each residential Lot within the Properties to constitute an Assessable Property. However, the Declarant reserves the right and discretion to include or exclude each non-residential Lot from the concept of "Assessable Property" and/or to prescribe a different assessment and/or valuation scheme(s) for any non-residential Lot which is subjected to covenants which require the payment of assessments to the Association.

"Assessed Valuation" shall mean the then-existing highest and most recent valuation placed on a Lot and the permanent improvements thereon (and the easements appurtenant thereto) by the CADCC and/or the Taxing Authorities and/or the Board, but, if the provisions of Article V, Section 3 herein are unsatisfactory to the Board, the Board may adopt an alternative method of assessment which will provide a sufficient cash flow to meet the obligations of the Association.

"Association" shall mean and refer to the STONEBRIDGE RANCH COMMUNITY ASSOCIATION, INC., an existing non-profit Texas corporation

which has the power, duty and responsibility of maintaining and administering certain portions of the Properties and all of the Common Properties, administering and enforcing the Covenants and otherwise maintaining and enhancing the quality of life within Stonebridge Ranch.

"Board" shall mean and refer to the Board of Directors of the Association.

"Bylaws" shall mean and refer to the Bylaws of the Association, as adopted and amended from time to time in accordance with the provisions of the Texas Non-Profit Corporation Act and this Declaration.

"Central Appraisal District of Collin County" ("CADCC") shall mean and refer to the governmental and/or quasi-governmental agency established in accordance with Texas Property Tax Code Section 6.01 et seq. (and its successor and assigns as such law may be amended from time to time) or other similar statute which has, as one of its purposes and functions, the establishment of an assessed valuation and/or fair market value for various lots, parcels and tracts of land in Collin County, Texas.

"Commercial Use" shall mean and refer to those uses permitted by the Zoning Ordinance for the conduct of a trade, business or enterprise, such as (but not necessarily limited to) office, retail, business, shopping and other commonly understood commercial activities.

"Common Properties" shall mean and refer to any and all areas of land within the Properties which are known, described or designated as common green, common areas, parks, recreational easements, lakes, ponds, dams, perimeter fences and columns, off-site monuments and directional signs, landscape easements, greenbelts, swimming pool(s), interfaith centers, beach and tennis club(s), open spaces, paths and trails, playing fields, amphitheaters, community halls, sports pavilions and the like including without limitation those shown on any recorded subdivision plat of portions of the Properties as well as those not shown on a recorded subdivision plat but which are intended for or devoted to the common use and enjoyment of the Members of the Association, together with any and all improvements that are now or that may hereafter be constructed thereon. [However, the Common Properties shall not include the two (2) separate and privately owned golf and country clubs geographically situated within the center of Stonebridge Ranch nor shall it include any specifically identified area within any Village which is limited to the use and enjoyment of the Owners, Members and Residents within such Village]. There may be "private" green areas, parks, lakes, ponds, dams, fences and columns, off-site monuments and signs, swimming pools, interfaith centers, beach areas and tennis clubs, open spaces and paths and trails within the Properties which are not a portion of the Common Properties. The

Declarant reserves the right to use, during the Development Period, portions of the Common Properties (e.g. a sales information center) for business matters directly and indirectly related to STONEBRIDGE RANCH. The concept of Common Properties will also include: (i) any and all public right-of-way lands for which the City of McKinney has required that the Declarant and/or the Association expend private, non-reimbursable time and monies to care for and maintain, such as but not limited to: street medians, street underpasses, streetscape, hike and bike trails, park areas and quasi-governmental service facilities; and (ii) any and all facilities provided by the Declarant and/or the Association to or for the benefit of the local police, fire and similar governmental departments for which no reimbursement via public funds is requested or anticipated. One or more portions of the Common Properties may from time to time be reasonably limited to private functions, and conversely, one or more portions of otherwise private property may be utilized for Association functions and activities. Declarant shall convey record title to some or all of the Common Properties to the Association if, as and when deemed appropriate by Declarant or as may be required by governmental officials, and Declarant shall at all times have and retain the right to effect minor redesigns or minor reconfigurations of the Common Properties (particularly along the golf courses and lake/pond edges) and to execute any open space declarations applicable to the Common Properties which may be permitted in order to reduce property taxes, and to take whatever steps may be appropriate to lawfully avoid or minimize the imposition of federal and state ad valorem and/or income taxes.

"Consumer Price Index" ("CPI") shall mean and refer to the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers (Dallas-Fort Worth Area; Base: 1967 = 100). In the event the compilation and/or publication of the CPI shall be substantially revised, transferred to any other governmental department or bureau or agency or shall be discontinued, then the index (or a substitute procedure which reasonably reflects and monitors fluctuations in consumer prices) most nearly the same as the CPI shall be used to make the calculations envisioned herein, or in the event no such alternative index exists or a dispute arises concerning the selection of such alternative index, the Board shall have the final right and power to select and/or formulate such an alternate index.

"Covenants" shall mean and refer to all covenants, conditions, restrictions, easements, charges and liens set forth within this Declaration.

"Declarant" shall mean and refer to Ranch Development Company and any or all successor(s) and assign(s) of Ranch Development Company with respect to the voluntary disposition of all (or substantially all) of the assets and/or stock of Ranch Development Company and/or the voluntary disposition of all (or substantially all) of the right,

title and interest of Ranch Development Company in and to the Properties. However, no person or entity merely purchasing one or more Lots from Ranch Development Company in the ordinary course of business shall be considered a "Declarant".

"Declaration" shall mean and refer to this particular instrument entitled "Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens on and for Summer Point (Phase I)", together with any and all amendments or supplements hereto.

"Deed" shall mean and refer to any deed, assignment, testamentary bequest, muniment of title or other instrument, or intestate inheritance and succession, conveying or transferring fee simple title or a leasehold interest or another legally recognized estate in a Lot.

"Development Period" shall mean a period commencing on the date of the recording of this Declaration in the public real estate records of Collin County, Texas and continuing thereafter until and ending the earlier to occur of: (i) substantial completion of all development within the Properties, as determined by the Declarant; or (ii) the twenty-fifth (25th) anniversary of the date of recordation of this Declaration in the public real estate records of Collin County, Texas.

"Development Plan" shall generally mean and refer to the development plan for the Properties as set forth within the Zoning Ordinance and within the "Development Agreement between the City of McKinney, Texas and Gibraltar Savings Association for the Flying "M" Ranch Plan Development", dated January 21, 1986, and as such document(s) may from time to time be amended.

"Dwelling Unit" shall mean and refer to any building or portion of a building situated upon the Properties which is designed and intended for use and occupancy as a residence by a single person, a couple, a family or a permitted family size group of persons.

"Easement Area" shall mean and refer to those areas which may be covered by an easement specified in Sections 4 and 7 of Article IX and in Article X below.

"Eligible Insurers" is defined in Article XII below.

"Eligible Mortgagees" is defined in Article XII below.

"Exempt Property" shall mean and refer to the following portions of the Properties: (i) all land and Improvements owned by the United States of America, the State of Texas, Collin County or any instrumentality, political subdivision or agency of any such governmental entity acting in a governmental (rather than a proprietary) capacity; (ii) all land and Improvements owned (including legal and beneficial ownership, whether now or in the future) by the Association or

constituting a portion of the Common Properties; (iii) all land and Improvements which are not only exempt from the payment of ad valorem real property taxes by Collin County, the McKinney Independent School District, the Frisco Independent School District and the State of Texas, but also are exempt from the payment of any assessments hereunder as expressly determined by written resolution of the Declarant and/or the Association; and (iv) such other land(s) and/or Improvement(s) and/or Lot(s) which are specifically exempted from the payment of annual Assessments in accordance with a special resolution of the Board.

"Fiscal Year" shall mean each twelve (12) month period commencing on June 1 and ending on the following May 31, unless the Board shall otherwise select an alternative twelve month period.

"Greenway Frontage" shall mean and refer to golf courses, parks, schools, community facilities, common green space, recreational facilities (including lakes, hike and bike trails and the like) which are adjacent to rear or side yard Lot lines and/or clearly visible from public streets, sidewalks and rights-of-way.

"Improvement" shall mean any physical change to raw land or to an existing structure which alters the physical appearance, characteristics or properties of the land or structure, including but not limited to adding or removing square footage area space to or from a structure, painting or repainting a structure, or in any way altering the size, shape or physical appearance of any land or structure.

"Institutional Mortgage" shall mean and refer to any bona-fide mortgage, lien or security interest held by a bank, trust company, insurance company, savings and loan association or other recognized lending institution, or by an institutional or governmental purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or their successors, or guaranteed or subsidized by the FHA and/or VA.

"Lot" shall mean and refer to each separately identifiable portion of the Assessable Property, including any condominium unit, which is platted, filed and recorded in the office of the County Clerk of Collin County, Texas and which is assessed by any one or more of the Taxing Authorities and which is not intended to be an "open space" or a portion of the Common Properties.

"Master Architectural Review Committee" (sometimes referred to herein as the "MARC") shall mean and refer to that particular committee which is described and explained within Article VIII below.

"Master Design Guidelines" shall mean and refer to those particular standards, restrictions, guidelines, recommendations and specifications applicable to most of the aspects of construction,

placement, location, alteration, maintenance and design of any improvements to or within the Properties, and all amendments, bulletins, modifications, supplements and interpretations thereof.

"Member" shall mean and refer to each Resident who is in good standing with the Association and who has filed a proper statement of residency with the Association and who has complied with all directives and requirements of the Association. Each and every Owner shall and must take such affirmative steps as are necessary to become and remain a Member of, and in good standing in, the Association. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a Member of the Association.

"Owner" shall mean and refer to the holder(s) of record title to the fee simple interest of any Lot whether or not such holder(s) actually reside(s) on any part of the Lot.

"Payment and Performance Lien" shall mean and refer to the lien described within Sections 8 and 9 of Article V hereinbelow.

"Phase" shall mean and refer to each and every portion of a Village which is the specific subject of a subdivision plat. As an example, Wellington Point and Meadow Ridge are two separate Villages, each of which will be subdivided and platted in two or more phases in accordance with subdivision plats bearing their respective name and phase numbers.

"Planning Area" shall mean and refer to the twelve (12) separately numbered and identified land areas appearing within sketches of Stonebridge Ranch which are attached to the Development Plan and the Zoning Ordinance.

"Properties" shall mean and refer to: (i) the land described within Exhibit "A" attached hereto; and (ii) other land within the Stonebridge Ranch development.

"Resident" shall mean and refer to:

(a) each owner of:

(i) the fee simple title to any Lot within the Properties;

(ii) any share, membership or other interest in any cooperative or other entity organized and operated for the purpose of making residential dwelling units available to its shareholders, members or other beneficiaries which share, membership or other interest entitles

the owner thereof to possession of any residential Dwelling Unit within the Properties, excluding, however, those persons or entities having an interest merely as security for the performance of an obligation; and

- (b) each person residing on any part of the Assessable Property who is a bona-fide lessee pursuant to a legally cognizable lease agreement with an Owner; and
- (c) each individual lawfully domiciled in a Dwelling Unit other than an Owner or bona-fide lessee.

"Structure" shall mean and refer to: (i) any thing or device, other than trees, shrubbery (less than two feet high if in the form of a hedge) and landscaping (the placement of which upon any Lot shall not adversely affect the appearance of such Lot) including but not limited to any building, garage, porch, shed, greenhouse or bathhouse, cabana, coop or cage, covered or uncovered patio, swimming pool, play apparatus, clothesline, fence, curbing, paving, wall or hedge more than two feet in height, signboard or other temporary or permanent living quarters or any temporary or permanent Improvement to any Lot; (ii) any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel from, upon or across any Lot; and (iii) any enclosure or receptacle for the concealment, collection and/or disposition of refuse; (iv) any change in the grade of any Lot of more than three (3) inches from that existing at the time of initial approval by the Master Architectural Review Committee.

"Subdivision" shall mean and refer to the Summer Point (Phase I) subdivision, a subdivision phase of certain land as described within Exhibit "A" attached hereto, in accordance with the map and plat thereof filed of record in the Map and Plat Records of Collin County, Texas, as well as any and all revisions, modifications, corrections or clarifications thereto.

"Subdivisions" shall mean and refer to the Subdivision as well as all other subdivisions within the Stonebridge Ranch development which are intended to be a portion of the Properties. As an example, each and all of the Phases of Summer Point, Meadow Ridge, Quail Creek, Wellington Point and Hills Creek are separate and distinct residential Subdivisions within Stonebridge Ranch.

"Subdivision Design Guidelines" shall mean and refer to those particular standards, restrictions, guidelines, recommendations and specifications applicable to all aspects of construction, placement,

location, alteration, maintenance and design of any improvements to or within each Subdivision. The Subdivision Design Guidelines may vary between Phases and between Villages.

"Taxing Authorities" shall mean and refer to Collin County, the McKinney Independent School District, the Frisco Independent School District, the City of McKinney and the State of Texas and any and all other governmental entities or agencies which have, or may in the future have, the power and authority to impose and collect ad valorem taxes on real property estates, in accordance with the Texas Constitution and applicable statutes and codes.

"Trustee" shall mean and refer to RCS Investments, Inc., a Texas corporation, and its successors and assigns.

"Village" shall mean and refer to each respective community arising out of the development, construction, use and occupancy of all Phases of Subdivision plats bearing the same common name. As an example, Summer Point, Briar Ridge, Meadow Ridge, Quail Creek, Wellington Point and Hills Creek are each designed to be a separate and distinct residential Village within the Properties, even though some of the Villages may be composed of two (2) or more phased Subdivisions. The Declarant reserves the right, power and authority (and such may be assigned or delegated) to create and impose one or more sub-association(s) within one or more Villages (especially those containing townhouse and condominium projects) which may have, as one of their purposes, the responsibility for assuming and discharging one or more of the duties of the Association as to that particular Village.

"Village Architectural Review Committee" (sometimes referred to herein as the "VARC") shall mean and refer to that particular committee which is described and explained within Article VIII, Section 5 below.

"Zoning Ordinance" shall mean and refer to City of McKinney Ordinance No. 1621 and all amendments thereto.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION

Section 1. Existing Property. The residential Lots which are, and shall be, held, transferred, sold, conveyed and occupied subject to this Declaration within the Summer Point (Phase I) Subdivision and Village are more particularly described within Exhibit "A" attached hereto and incorporated herein by reference for all purposes.

Section 2. Additions to Existing Property. The Existing Property is within the perimeters of what is now known as Stonebridge Ranch. The legal description of the perimeters of Stonebridge Ranch is set forth within City of McKinney Ordinance No. 1620 and a land use plan for Stonebridge Ranch is set forth within City of McKinney Ordinance No. 1621. Additional land(s) within Stonebridge Ranch may become subject to this Declaration, or the general scheme envisioned by this Declaration, as follows:

(a) The Declarant may (without the joinder and consent of any person or entity but provided such land area is within the original boundaries of Stonebridge Ranch) add or annex additional real property to the scheme of this Declaration within the next twenty-five (25) years by filing of record an appropriate enabling declaration, generally similar to this Declaration, which may extend the scheme of the Covenants to such property. Provided further however, such other declaration(s) may contain such complementary additions and modifications of these Covenants as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with the concept and purpose of this Declaration. As an example, the Declarant intends to file separate declarations for each Phase of the Summer Point, Hills Creek, Meadow Ridge, Quail Creek, Briar Ridge and Wellington Point Villages which extends the jurisdiction of the Association over the residential lots within each of these Subdivisions, although the respective Village Architectural Review Committees and the Subdivision Design Guidelines may vary, in accordance with the applicable Development Plan and Zoning Ordinance, among each of the Villages (and possibly between or among the Phases and Subdivisions of each Village).

(b) In the event any person or entity other than the Declarant desires to add or annex additional Assessable Property and/or Common Property to the scheme of this Declaration, such annexation proposal must have the express approval of the Board.

No land parcels outside the original perimeter of Stonebridge Ranch may be annexed without the consent of at least two-thirds (2/3) of the Owners (excluding the Declarant).

Any additions made pursuant to this Section 2, when made, shall automatically extend the jurisdiction, functions, duties and membership of the Association to the properties added and correspondingly subject the properties added to the covenants of the enabling declaration. Upon any merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law or by lawful articles or agreement of merger, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law or by lawful articles or agreement of merger, be added to the properties,

rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Covenants established by this Declaration, together with the covenants and restrictions established upon any other properties, as one scheme.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Each and every Owner of each and every Lot within a Subdivision or Village which is subjected to these, or substantially similar, Covenants shall automatically be, and must at all times remain, a Member of the Association in good standing. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a non-voting Member of the Association. During the Development Period, the Association shall have two (2) classes of Members: Class A and Class B. The Class A Members shall include: (a) all Owners (other than the Declarant during the Development Period); and (b) all Residents (not otherwise Owners) who have properly and timely fulfilled all registration and related requirements prescribed by the Association. The Class B Member shall be the Declarant. Upon conclusion of the Development Period, the Class B membership shall terminate and the Declarant shall become a Class A Member.

Section 2. Voting Rights. There shall be two (2) classes of voting Members during the Development Period:

Class A: The Owner(s) of each Lot shall be entitled to one (1) vote per Lot. Where more than one (1) Owner owns and holds a record fee interest in a Lot such Owner(s) may divide and cast portions of the one (1) vote as they decide, but in no event shall any one (1) Lot yield more than one (1) vote.

Class B: The Class B Member shall have no more than three (3) votes for each Lot it owns.

Any Owner, Resident or Member shall not be in "good standing" if such person or entity is: (a) in violation of any portion of these Covenants, the Master and/or Subdivision Design Guidelines, or any rule or regulation promulgated by the Board and/or any portion of the Zoning Ordinance; (b) delinquent in the full, complete and timely payment of any Annual Assessment, special assessment, or any other fee, charge or fine which is levied, payable or collectible pursuant to the

provisions of these Covenants, the Bylaws or any rule or regulation promulgated by the Board.

The Board may make such rules and regulations, consistent with the terms of this Declaration and the Bylaws, as it deems advisable, for: any meeting of Members; proof of membership in the Association; the status of good standing; evidence of right to vote; the appointment and duties of examiners and inspectors of votes; the procedures for actual voting in person or by proxy; registration of Members for voting purposes; and such other matters concerning the conduct of meetings and voting as the Board shall deem fit.

Section 3. Board of Directors. The affairs of the Association shall be managed initially by a board of three individuals elected by the Class B Member. However, beginning with the fifth annual meeting of the Members of the Association and continuing thereafter through the ninth annual meeting, the Board shall be expanded to consist of five individual Directors, four of whom shall be elected by the Class B Member and one of whom shall be elected by the Class A Members. Beginning with the tenth annual meeting and continuing thereafter through the fifteenth annual meeting, the Board shall still consist of five individual Directors, three of whom shall be elected by the Class B Member and two of whom shall be elected by the Class A Members. Beginning with the sixteenth annual meeting of the Members of the Association and continuing thereafter, the Board shall consist of seven individuals. The Class A Members shall elect three of the Directors through the twenty-fourth annual meeting, then four of the Directors through the twenty-seventh annual meeting, then five of the Directors through the twenty-ninth annual meeting, then six of the Directors through the thirtieth annual meeting and seven of the Directors thereafter. The Class B Member shall elect the other individual Directors.

The Directors need not be Members of the Association. Directors shall be elected for two year terms of office and shall serve until their respective successors are elected and qualified. Any vacancy which occurs in the Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Board by the affirmative vote of a majority of the remaining Directors representing the same class of Members who elected the Director whose position has become vacant. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he or she was elected to fill.

Unless otherwise prohibited by the Bylaws, the Board shall be entitled to have one or more private workshop meetings and to have one or more public meetings per Fiscal Year. The Board, no later than 30 days prior to the annual meeting of the Members, shall file with the Declarant and distribute to the Members (by whatever means the Board may deem reasonable and economical) a certification of the Directors

to be elected by Class A Members, and the Directors to be elected by the Class B Member. The actual election of the directors shall take place in accordance with the Bylaws or, to the extent not inconsistent with the Bylaws, the directives of the then-existing Board.

Section 4. Notice and Voting Procedures. Quorum, notice and voting requirements of and pertaining to the Association may be set forth within the Articles and Bylaws, as either or both may be amended from time to time, and shall be in accordance with permitted Texas law.

ARTICLE IV

RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES

Section 1. Easement. Subject to the provisions of Sections 2 through 7 of this Article, each and every Owner in good standing with the Association shall have a non-exclusive right and easement of enjoyment in and to all Common Properties, and such easement shall be appurtenant to and shall pass with every Lot, provided the conveyance and transfer is accomplished in accordance with this Declaration. All Residents in good standing with the Association shall have a non-transferable, non-exclusive privilege to use and enjoy all Common Properties for so long as they are Members in good standing with the Association.

Section 2. Extent of Members' Easements. The rights and easements of use, recreation and enjoyment created hereby shall be subject to the following:

(a) The right of the Declarant or Association to prescribe reasonable regulations and policies governing, and to charge fees and/or deposits (e.g., key and access card deposits) related to, the use, operation and maintenance of the Common Properties;

(b) Liens or mortgages placed against all or any portion of the Common Properties with respect to monies borrowed by the Declarant to develop and improve the Properties or Common Properties or by the Association to improve or maintain the Common Properties;

(c) The right of the Association to enter into and execute contracts with any party (including, without limitation, the Declarant or its corporate affiliates) for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Association and/or this Declaration;

(d) The right of the Declarant or the Association to take such steps as are reasonably necessary to protect the Common Properties against foreclosure;

(e) The right of the Declarant or the Association to enter into and execute contracts with the owner-operators of any community antenna television system ("CATV") or other similar operations for the purpose of extending cable or utility or security service on, over or under the Common Properties to ultimately provide service to one or more of the Lots;

(f) The right of the Declarant or the Association to suspend the voting rights of any Member and to suspend the right of any Member to use or enjoy any of the Common Properties for any period during which any assessment (including without limitation "fines") against a Lot resided upon by such Member remains unpaid, or during which non-compliance with this Declaration or the Master and/or Subdivision Guidelines exists, and otherwise for any period deemed reasonable by the Association for an infraction of the then-existing rules and regulations;

(g) The right of the Declarant or the Association to delegate one or more of the duties and responsibilities of the Association to any Village sub-association which in turn shall assume and discharge such duties and responsibilities as to that particular Village;

(h) The right of the Declarant and/or the Association to hold and sponsor, whether alone or in conjunction with municipal departments or other non-profit groups and entities, events and activities within the Common Properties which are not necessarily limited only to Owners, Residents and Members, but which may also include selected invitees and/or the general public (for which the Board may, in its discretion, charge a user fee equal to or greater than any fee charged to Owners, Residents and Members), such as (but not necessarily limited to) children's summer recreational events, sports festivals and tournaments, summer camps, day care centers, concerts-in-the-park, wedding receptions, reunions, conferences, picnics, national and/or state holiday commemorations, educational and cultural presentations and other similar events which the Board reasonably believes will be of direct or indirect benefit to the Association and/or an appreciable number of its Members;

(i) The right of the Declarant and/or the Association to dedicate or transfer all or any part of the Common Properties to any municipal corporation, public agency, governmental authority, or utility for such purposes and upon such conditions as may be agreed to by the Declarant and the Board; and

(j) The right of the Declarant and/or the Association to grant permits, licenses and easements over the Common Properties for

utilities, roads and other purposes necessary for the proper operation of the Development Plan.

Section 3. Restricted Actions by Members. No Member shall permit anything to be done on or in the Common Properties which would violate any applicable public law or Zoning Ordinance or which would result in the cancellation of or the increase of premiums for any insurance carried by the Association, or which would be in violation of any law or any rule or regulation promulgated by the Board.

Section 4. Damage to the Common Properties. Each Member shall be liable to the Association for any damage to any portion of the Common Properties caused by the negligence or willful misconduct of the Member or his family and guests.

Section 5. Rules of the Board. All Members shall abide by any rules and regulations adopted by the Board. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and a Member determined to have violated said rules and regulations shall be liable to the Association for all damages and costs, including reasonable attorneys' fees.

Section 6. Use of Common Properties. The Board shall have the power and authority to prescribe rules and regulations which extend to and cover matters such as (but not limited to) smoking, the possession and consumption of alcoholic beverages, loud and obnoxious noises and behavior, dress and attire and the supervision by attending adults of children. No person or entity (excluding the Declarant) shall use any portion of the Common Properties to:

- (a) solicit, promote or conduct business, religious, political or propaganda matters;
- (b) distribute handbills, newsletters, flyers, circulars or other printed materials,

without the prior written consent of the Association (which consent may be withheld in its sole and absolute discretion). The Association may, on its own motion, permit and allow townhall meetings, voting precincts, community garage sales and bazaars and other reasonable activities to occur on the Common Properties in accordance with rules and regulations deemed reasonable and appropriate by the Association.

Section 7. User Fees and Charges. The Board may levy and collect charges and fees for the operation and maintenance of the Common Properties and services which the Board determines to be necessary for the advancement, benefit and welfare of the Residents. In establishing user fees, the Board may formulate reasonable classifications of users. Such fees must be uniform within each class but

need not be uniform from class to class. If a Resident shall fail to pay a charge or fee when due and payable, said unpaid charge or fee shall be delinquent and upon written notice to said Resident shall become a personal debt of said Resident. Failure of any Resident to pay said fee and charge when due and payable, in addition, shall be a breach of these Covenants and shall result in suspension of said Resident's rights or privileges.

Section 8. Encroachments. If: (a) construction, reconstruction or repair activities which have been approved by the MARC; or (b) shifting, settlement or other movements of any portion of MARC-approved improvements, results either in the Common Properties encroaching on a Lot or Dwelling Unit or in a Lot or Dwelling Unit encroaching on the Common Properties or on another Lot or Dwelling Unit, and unless otherwise directed by the MARC, a valid easement shall then and there exist to permit the encroachment and reasonable and necessary maintenance activities related thereto.

ARTICLE V.

COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned by it within the Subdivision, hereby covenants and agrees, and each subsequent Owner of any Lot, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such Deed or other conveyance, shall be deemed to covenant and agree (and such covenant and agreement shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot so as to have affected the purchase price) to pay to the Association (or to an independent entity or agency which may be designated by the Association to receive such monies):

- (1) regular Annual Assessments;
- (2) special group assessments for capital improvements or unusual or emergency matters, such assessments to be fixed, established and collected from time to time as hereinafter provided;
- (3) special individual assessments levied against individual Owners to reimburse the Association for extra or unusual costs incurred for items such as (but not limited to): maintenance and repairs to portions of the Properties caused by the willful or negligent acts of the individual Owner, Member or Resident; the remedy, cure or minimizing of problems caused by, or as a result of, violations of these Covenants by an Owner, Member or Resident; and

(4) individual assessments and fines levied against an individual Owner, Member or Resident for violations of rules and regulations pertaining to the Association and/or the Common Properties.

The regular, special group, special individual and individual assessments, together with such late charges, interest and costs of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien upon each Lot against which each such assessment is made and shall also be the continuing personal obligation of the then-existing Owner, Member and Resident of such Lot at the time when the assessment fell due. Each Owner of each Lot shall be directly liable and responsible to the Association for the acts, conduct and omission of each and every Member and Resident associated with the Dwelling Unit(s) on such Owner's Lot.

Section 2. Purposes of Assessments. The assessments levied by the Association shall be used for the purposes of promoting the comfort, health, recreation, safety, convenience, welfare and quality of life of the Residents of the Properties and in supplementing some services and facilities normally provided by or associated with governmental or quasi-governmental entities, and otherwise for the improvement and maintenance of greenbelt easements, walkways, common green, hike and bike trails, ponds, lakes, recreational areas and other properties, services and facilities devoted and related to the use and enjoyment of the Common Properties and operation of the Association, including, but not limited to or for: the payment of taxes on the Common Properties and insurance in connection with the Common Properties; the payment for utilities and the repair, replacement and additions of various items within the Common Properties; paying the cost of labor, equipment (including the expense of leasing any equipment) and materials required for, and management and supervision of, the Common Properties; carrying out the duties of the Board of Directors of the Association as set forth in Articles IV and VI herein; carrying out the other various matters set forth or envisioned herein or in any Amended Declaration related hereto; and for any matter or thing designated by the City of McKinney in connection with any zoning, subdivision, platting, building, development or occupancy requirements. The items and areas described above are not intended to be exhaustive but merely illustrative.

Section 3. Basis and Amount of Annual Assessments. The basis and concept of determining, revising (when appropriate from time to time) and collecting the Annual Assessment parallels the system of ad valorem taxation imposed and administered by the Taxing Authorities and the CADCC. Each Owner, therefore, shall be deemed to covenant and agree with the Association that:

(a) any and all renderings, renditions, valuations, comparables, sales price(s) and other information, calculations and data submitted to or for the benefit of the Taxing Authorities and/or

the CADCC shall similarly and contemporaneously be submitted to the Association;

(b) the Association is made, constituted and appointed as each Owner's true and lawful attorney-in-fact, coupled with an irrevocable interest, to apply for, seek and obtain ad valorem tax data, market valuations, assessed valuations and like data kept and maintained by the Taxing Authorities and/or the CADCC and/or multiple listing service records kept and maintained by realtors or appraisers on a systematized basis,

so that the Assessed Valuation can be properly determined. In the event any Owner fails, neglects or refuses to so cooperate with and assist the Association in discharging its responsibility to so determine the Assessed Valuation, then: (1) the Board may levy an individual special assessment against the Owner and the Owner's Lot equal to the reasonable cost and expense incurred by the Association in otherwise gathering the data; and/or (2) the Board may estimate and prescribe an Assessed Valuation which shall be binding upon the Owner.

To provide funds for the purposes illustrated in Article V, Section 2 above, the Annual Assessment for the Fiscal Year of June 1, 1989 through May 31, 1990 shall be equal to Twelve Cents (\$0.12) for each One Hundred Dollars (\$100.00) of the then current Assessed Valuation of each Lot. For each Fiscal Year from and after June 1, 1990, the Board shall assess against each Lot within the Assessable Property a charge which shall be uniform with respect to all residential Assessable Property equal to a specified number of dollars and/or cents for each One Hundred Dollars (\$100.00) of the then current Assessed Valuation of the Assessable Property. In making each such assessment, the Board shall separately assess each Lot and each such Lot shall be charged with and subjected to a lien for the amount of such separate assessment which shall be deemed the "Annual Assessment" with respect to such Lot. The date of the most recent assessment for each Lot need not be as of the first day of each January and need not be exact and uniform from one Lot to the next, so that the Board may update its records from time to time based on the best information and data available. The amount of the charge-per-\$100-of Assessed Valuation, and the then-existing budget of the Association, shall automatically increase (but not necessarily decrease) from time to time in direct proportion to each and every percentage increase in the CPI unless otherwise specifically waived or modified by the Board.

The Board of Directors may be permitted to increase the maximum Annual Assessment without a vote of the Members, but such an adjustment should not exceed 5 percent of the previous year's maximum Annual Assessment, or the change in the Consumer Price Index, whichever is greater. The annual maximum assessment may not be otherwise increased without the assent of at least two-thirds of each class of Members at

a meeting called for that purpose with at least 60 percent of the Lot Owners (or their proxies) present after adequate notice. If 60 percent do not attend, a second meeting may be called with the same notice and the quorum may be reduced to 30 percent.

The Board shall not increase the Annual Assessment except pursuant to this Section and shall not take formal action on or impose a cost of living increase in the Annual Assessment more than once in any Fiscal Year. Any such cost of living increase in the Annual Assessment shall thereafter remain in effect indefinitely; and any increase shall not be deemed to limit the Board's authority to increase the annual assessment in succeeding Fiscal Years provided, however, that any further increases are made in accordance with this Section. Each and every meeting of the Board in which final action on an Annual Assessment or special group assessment is taken shall be open to the Owners.

Section 4. Special Group Assessments. In addition to the regular Annual Assessment authorized by Section 3 hereof, the Association may levy in any Fiscal Year a special assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Common Properties, including any necessary fixtures and personal property related thereto or for any unusual or emergency purpose(s) (including without limitation those matters arising out of litigation and/or judgments); provided that any such assessment shall have the affirmative approval of at least three-fourths of the individuals comprising the Board.

Section 5. Rate of Assessments. Both regular and special group assessments must be fixed at a uniform rate for all residential Lots owned by Class A Members, unless otherwise approved by at least three-fourths of the individuals comprising the Board. The Board shall have the power and authority to prescribe and fix the rate(s) of regular and special group assessments for any and all Commercial Use Lots subjected to a declaration of covenants and these rate(s) may vary from one Commercial Use Lot to the next Commercial Use Lot, and from the Commercial Use Lots to the residential Lots.

Section 6. Date of Commencement of Assessments; Due Dates. The Annual Assessment shall be due and payable in full in advance on the first day of each Fiscal Year and shall, if not automatically paid within thirty (30) consecutive calendar days thereafter, automatically become delinquent. The Board shall use reasonable efforts to provide each Owner with an invoice statement of the appropriate amount due, but any failure to provide such a notice shall not relieve any Owner of the obligation established by the preceding sentence. The Board may (but is not required to), however, prescribe time-price differential payment schedules which would permit the collection of an amount greater than the Annual Assessment on a semi-annual, quarterly or

monthly basis provided that the creditworthiness of the Owner was acceptable to the Board and the inconvenience to the staff of the Association for additional invoicing and collection efforts was minimized or eliminated. The Board may further prescribe: (a) procedures for collecting advance regular Annual Assessments from new Owners, Members or Residents out of "closing transactions"; and (b) different procedures for collecting assessments from Owners who have had a recent history of being untimely in the payment(s) of assessments.

Section 7. Duties of the Board of Directors with Respect to Assessments.

(a) In the event of a revision to the amount or rate of the Annual Assessment, or establishment of a special group assessment, the Board shall fix the amount of the assessment against each Lot, and the applicable due date(s) for each assessment, at least sixty (60) days in advance of such date or period and shall, at that time, prepare a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association;

(b) Written notice of the applicable assessment shall be actually or constructively furnished to every Owner subject thereto in accordance with the procedures then determined by the Board as being reasonable and economical; and

(c) The Board shall, upon reasonable demand, furnish to any Owner originally liable for said assessment, a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid. A reasonable charge may be made by the Board for the issuance of such certificate.

Section 8. Effect of Non-Payment of Assessment; the Personal Obligation of the Owner; the Lien; and Remedies of Association.

(a) Effective as of, and from and after the filing and recordation of this Declaration, there shall exist a self-executing and continuing contract Payment and Performance Lien and equitable charge on each Lot to secure the full and timely payment of each and all assessments and all other charges and monetary amounts and performance obligations due hereunder. Such lien shall be at all times superior to any claim of homestead by or in any Owner. If any assessment, charge or fine or any part thereof is not paid on the date(s) when due, then the unpaid amount of such assessment, charge or fine shall (after the passage of any stated grace period) be considered delinquent and shall, together with any late charge and interest thereon at the highest lawful rate of interest per annum and costs of collection thereof, become a continuing debt secured by the

self-executing Payment and Performance Lien on the Lot of the non-paying Owner/Member/Resident which shall bind such Lot in the hands of the Owner and Owner's heirs, executors, administrators, devisees, personal representatives, successors and assigns. The Association shall have the right to reject partial payments of an unpaid assessment or other monetary obligation and demand the full payment thereof. The personal obligation of the then-existing Owner to pay such assessment, however, shall remain the Owner's personal obligation and shall not pass to Owner's successors in title unless expressly assumed by them. However, the lien for unpaid assessments shall be unaffected by any sale or assignment of a Lot and shall continue in full force and effect. No Owner may waive or otherwise escape liability for any assessment provided herein by non-use of the Common Properties or abandonment of the Lot. No diminution or abatement of assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the Association, or for inconvenience or discomfort arising from the making of improvements or repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such assessments being a separate and independent covenant on the part of each Owner;

(b) The Association may also give written notification to the holder(s) of any mortgage on the Lot of the non-paying Owner of such Owner's default in paying any assessment, charge or fine, particularly where the Association has theretofore been furnished in writing with the correct name and address of the holder(s) of such mortgage, a reasonable supply of self-addressed postage prepaid envelopes, and a written request to receive such notification;

(c) If any assessment, charge or fine or part thereof is not paid when due, the Association shall have the right and option to impose a late charge (but only to the extent permitted by applicable law) to cover the additional administrative costs involved in handling the account and/or to reflect any time-price differential assessment schedule adopted by the Association. The unpaid amount of any such delinquent assessment, charge or fine shall bear interest from and after the date when due at the highest lawful rate of interest per annum until fully paid. If applicable state law provides or requires an alternate ceiling under Vernon's Annotated Texas Civil Statutes Article 5069-1.04, then that ceiling shall be the indicated rate ceiling. The Association may, at its election, retain the services of an attorney to review, monitor and/or collect unpaid assessments, charges, fines and delinquent accounts, and there shall also be added to the amount of any unpaid assessment, charge, fine or any delinquent account any and all attorneys' fees and other costs of collection incurred by the Association;

(d) The Association may, at its discretion but subject to all applicable debt collection statutes: (i) prepare and file a lien affidavit in the public records of Collin County, Texas which specifically identifies the unpaid assessments, charges or fines; and (ii) publish and post, within one or more locations within the Properties, a list of those individuals or entities who are delinquent and, if applicable, their suspended use and enjoyment of the Common Properties until and unless the delinquency has been cured to the reasonable satisfaction of the Association. Each Owner consents to these procedures and authorizes the Board to undertake such measures for the general benefit of the Association;

(e) All agreements between any Owner and the Association and/or Declarant, whether now existing or hereafter arising and whether written or oral and whether implied or otherwise, are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to the Association and/or Declarant or for the payment or performance of any covenant or obligation contained herein or in any other document exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof or of such other document at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Association and/or Declarant should ever receive an amount deemed interest by applicable law which shall exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the actual base assessment amount or principal amount owing hereunder and other indebtedness of the Owner to the Association and/or Declarant and not to the payment of interest of if such excessive interest exceeds the unpaid balance of the actual Annual Assessment hereof and such other indebtedness, the excess shall be refunded to Owner. All sums paid or agreed to be paid by any Owner for the use, forbearance or detention of any indebtedness to the Association and/or Declarant shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the interest charged, collected or received on account of such indebtedness is never more than the maximum amount permitted by applicable law. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between any Owner and the Association and/or Declarant.

Section 9. Power of Sale. The lien described within the preceding Section is and shall be a contract Payment and Performance Lien. Each Owner, for the purpose of better securing each and all monetary obligations described within these Covenants, and in consideration of the benefits received and to be received by virtue of the ownership of real estate within Stonebridge Ranch, has granted, sold and conveyed and by these covenants does grant, sell and convey unto the Trustee,

such Owner's Lot. To have and to hold such Lot, together with the rights, privileges and appurtenances thereto belonging unto the said Trustee, and to its substitutes or successors, forever. And each Owner does hereby bind himself and/or herself, their heirs, executors, administrators and assigns to warrant and forever defend the Lot unto the said Trustee, its substitutes or successors and assigns, forever, against the claim, or claims of all persons claiming or to claim the same or any part thereof.

This conveyance is made in trust to secure payment of each and all assessments and other obligations prescribed by these Covenants to and for the benefit of the Association as the Beneficiary. In the event of default in the payment of any obligation hereby secured, in accordance with the terms thereof, then and in such event, Beneficiary may elect to declare the entire indebtedness hereby secured with all interest accrued thereon and all other sums hereby secured due and payable (subject, however, to the notice and cure provisions set forth in Section 51.002 of the Texas Property Code), and in the event of default in the payment of said indebtedness when due or declared due, it shall thereupon, or at any time thereafter, be the duty of the Trustee, or its successor or substitute as hereinafter provided, at the request of Beneficiary (which request is hereby conclusively presumed), to enforce this trust; and after advertising the time, place and terms of the sale of the Lot then subject to the lien hereof, and mailing and filing notices as required by Section 51.002, Texas Property Code, as then amended (successor to article 3810, Texas Revised Civil Statutes), and otherwise complying with that statute, the Trustee shall sell the Lot, then subject to the lien hereof, at public auction in accordance with such notices on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P.M., to the highest bidder for cash, selling all of the Lot as an entirety or in such parcels as the Trustee acting may elect, and make due conveyance to the Purchaser or Purchasers, with general warranty binding upon the Owner, his heirs and assigns; and out of the money arising from such sale, the Trustee acting shall pay first, all the expenses of advertising the sale and making the conveyance, including a reasonable commission to itself, which commission shall be due and owing in addition to the attorney's fees provided for, and then to Beneficiary the full amount of principal, interest, attorney's fees and other charges due and unpaid on said indebtedness secured hereby, rendering the balance of the sales price, if any, to the Owner, his heirs or assigns and/or to any other lienholders (if so required by applicable law); and the recitals in the conveyance to the Purchaser or Purchasers shall be full and conclusive evidence of the truth of the matters therein stated, and all prerequisites to said sale shall be presumed to have been performed, and such sale and conveyance shall be conclusive against the Owner, his heirs and assigns.

It is agreed that in the event a foreclosure hereunder should be commenced by the Trustee, or its substitute or successor, Beneficiary

may at any time before the sale of said property direct the said Trustee to abandon the sale, and may then institute suit for the collection of said indebtedness, and for the foreclosure of this contract Payment and Performance Lien; it is further agreed that if Beneficiary should institute a suit for the collection thereof, and for a foreclosure of this contract lien, that it may at any time before the entry of a final judgment in said suit dismiss the same, and require the Trustee, its substitute or successor to sell the Lot in accordance with the provisions of this section. Beneficiary, if it is the highest bidder, shall have the right to purchase at any sale of the Lot, and to have the amount for which such Lot is sold credited on the debt then owing. Beneficiary in any event is hereby authorized to appoint a substitute trustee, or a successor trustee, to act instead of the Trustee named herein without other formality than the designation in writing of a substitute or successor trustee; and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness hereby secured has been paid in full, or until said Lot is sold hereunder, and each substitute and successor trustee shall succeed to all of the rights and powers of the original trustee named herein. In the event any sale is made of the Lot, or any portion thereof, under the terms of this section, the Owner, his heirs and assigns, shall forthwith upon the making of such sale surrender and deliver possession of the property so sold to the Purchaser at such sale, and in the event of his failure to do so he shall thereupon from and after the making of such sale be and continue as tenants at will of such Purchaser, and in the event of his failure to surrender possession of said property upon demand, the Purchaser, his heirs or assigns, shall be entitled to institute and maintain an action for forcible detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such property, or any part thereof, is situated. The foreclosure of the continuing contract lien on any one or more occasions shall not remove, replace, impair or extinguish the same continuing lien from securing all obligations arising from and after the date of foreclosure.

Section 10. Rights of City of McKinney. In the event that the Association, its successors or assigns, shall fail or refuse to adequately maintain the appearance and condition of the Common Properties which it is obligated to maintain hereunder, the City of McKinney, Texas shall have the right and may assume the duty of performing all such maintenance obligations of the Association at any time, upon giving written notice to the Owners or at any time after the expiration of ten (10) days after receipt by the Association, its successors or assigns, of written notice specifying in detail the nature and extent of the failure to maintain without such failure being remedied, whichever notice shall be deemed appropriate by the City of McKinney. Upon assuming such maintenance obligations, the City of McKinney may levy an assessment upon each Lot on a pro rata basis for the cost of such maintenance, notwithstanding any other

provisions contained in this Declaration, which assessment shall constitute a lien upon the Lot against which each assessment is made. During the period the City of McKinney has a right and assumes the obligation to maintain and care for the Common Properties, the Association shall have no obligation or authority with respect to such maintenance. The right and authority of the City of McKinney to maintain the Common Properties shall cease and terminate when the Association, its successors or assigns, shall present to the City of McKinney reasonable evidence of its willingness and ability to resume maintenance of the Common Properties. In the event the City of McKinney assumes the duty of performing the maintenance obligations of the Association as provided herein, then the City of McKinney, its agents, representatives and employees shall have right of access to and over the Common Properties for the purpose of maintaining, improving and preserving the same; and in no event, and under no circumstances, shall the City of McKinney be liable to the Association or any Owner, Resident or Member, or their respective heirs, executors, administrators, devisees, personal representatives, successors and assigns for negligent acts or construction relating in any manner to maintaining, improving and preserving the Common Properties, or to any Owner, Resident, Member, the Association or any other person for failure to perform such maintenance.

Section 11. Subordination of the Lien to Mortgages. The lien securing the payment of the assessments and other obligations provided for herein shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Lot whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, except for:

- (a) bona-fide first mortgage or deed of trust liens for purchase money and/or home improvement purposes placed upon a Lot, including without limitation Institutional Mortgages and Eligible Mortgages, in which event the Association's lien shall automatically become subordinate and inferior to such first lien;
- (b) liens for taxes or other public charges as are by applicable law made superior to the Association's lien; and
- (c) such other liens about which the Board may, in the exercise of its reasonable discretion, elect to voluntarily subordinate the Association's lien;

provided however, such subordination shall apply only to: (i) the assessments which have been due and payable prior to the foreclosure sale (whether public or private) of such Lot pursuant to the terms and conditions of any such first mortgage or deed of trust or tax lien; (ii) the permitted lien on the Lot alone and not on or to any easement appurtenant for use and enjoyment of the Common Properties. Such

sale shall not relieve such Lot from liability for the amount of any assessment thereafter becoming due nor from the lien of any such subsequent assessment. Such subordination shall not apply where the first mortgage or deed of trust or tax lien is used as a device, scheme or artifice to evade the obligation to pay assessments and/or to hinder the Association in performing its functions hereunder.

Section 12. Exempt Property. The following property otherwise subject to this Declaration shall be exempted from any assessments, charge and lien created herein:

- (a) All properties dedicated to and accepted by a local public or governmental authority;
- (b) Common Properties; and
- (c) Exempt Property.

ARTICLE VI.

GENERAL POWERS AND DUTIES OF THE BOARD OF DIRECTORS OF THE ASSOCIATION

Section 1. Powers and Duties. The affairs of the Association shall be conducted by its Board. The Board, for the benefit of the Association, the Properties and the Owners and the Members and Residents, may provide and may pay for, out of the assessment fund(s) provided for in Article V above, one or more of the following:

- (a) Care, preservation and maintenance of the Common Properties (including without limitation the proper maintenance of lake water quality and lake shorelines) and the furnishing and upkeep of any desired personal property for use in or on the Common Properties;
- (b) Recreational and social programs and activities for the general benefit of the Residents and programs which are designed only for separately identifiable sub-groups of Residents, such as (but not limited to) infants, adolescents, teenagers, students, mothers and senior citizens;
- (c) Supplementing (to the extent, if any, deemed necessary, appropriate and affordable by the Board) the police, fire, ambulance, garbage and trash collection and similar services within the Properties traditionally provided by local governmental agencies;
- (d) Taxes, insurance and utilities (including, without limitation, electricity, gas, water, sewer and telephone charges) which pertain to the Common Properties;

(e) The services of any person or firm (including the Declarant and any affiliates of the Declarant) to manage the Association or any separate portion thereof, to the extent deemed advisable by the Board, and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager of the Association. The Board is specifically authorized to hire and employ one or more managers, secretarial, clerical, staff and support employees. The Board is specifically authorized to engage personnel (such as ad valorem tax consultants and computer operators) and equipment (such as computers, software and electronic communication and transmission devices), and to purchase and/or rent magnetic tapes and the like from the Taxing Authorities and/or the CADCC, to determine the Assessed Valuation and the administration of the collection of assessments described within the preceding Article V;

(f) Legal and accounting services and all costs and expenses reasonably incurred by the Master and Village Architectural Review Committees; and

(g) Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments which the Board is required to obtain or pay for pursuant to the terms of this Declaration or which in its opinion shall be necessary or proper for the operation or protection of the Association or for the enforcement of this Declaration.

The Board shall have the following additional rights, powers and duties:

(h) To execute all declarations of ownership for tax assessment purposes with regard to any of the Common Properties owned by the Association;

(i) To enter into agreements or contracts with insurance companies, Taxing Authorities, the holders of first mortgage liens on the individual Lots and utility companies with respect to: (i) any taxes on the Common Properties; (ii) monthly escrow and impound payments by a mortgagee regarding the assessment, collection and disbursement process envisioned by Article V hereinabove; (iii) utility installation, consumption and service matters; and (iv) the escrow or impounding of monies sufficient to timely pay the Annual Assessment applicable to any Lot;

(j) To borrow funds (including, without limitation, the borrowing of funds from the Declarant and/or its affiliates) to pay costs of operation, secured by such assets of the Association as deemed appropriate by the lender and the Association;

3092 512

(k) To enter into contracts, maintain one or more bank accounts and, generally, to have all the powers necessary or incidental to the operation and management of the Association;

(l) To protect or defend the Common Properties from loss or damage by suit or otherwise, to sue or defend in any court on behalf of the Association and to provide adequate reserves for repairs and replacements;

(m) To make reasonable rules and regulations for the operation of the Common Properties and to amend them from time to time and to enter into concession agreements regarding food, beverage, vending and other products and services within the Common Properties;

(n) To prepare an annual operating budget and to make available for review by each Owner at the Association offices within ninety (90) days after the end of each Fiscal Year an annual report;

(o) Pursuant to Article VII herein, to adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property; and if proceeds are insufficient to repair damage or replace lost property; to assess the Owners in proportionate amounts to cover the deficiency; and

(p) To enforce the provisions of this Declaration and any rules made hereunder and to enjoin and seek damages from any Owner, Resident or Member for violation of such provisions or rules. The Board is specifically authorized and empowered to establish (and to revise and amend from time to time) a monetary "fines" system which may include component steps such as warning citations, ticketing, due process hearings and appeals and a flat rate or discretionary range or geometric progression of fine amounts, which, when pronounced, shall constitute a permitted individual Lot Owner assessment secured by the continuing Payment and Performance Lien herein established.

The Association may: (i) borrow monies from the Declarant; (ii) lease equipment from the Declarant; (iii) contract with the Declarant concerning the provision of any personnel, labor, supplies, materials and services, provided such contract terms and conditions are: generally comparable (in terms of price, quality and timeliness) with those that might be otherwise obtained from unrelated third parties; and, as to professional management contracts, terminable by the Association at any time for any reason whatsoever and without penalty upon furnishing at least ninety (90) days advance notice thereof to Declarant. The Board shall not be required to solicit bids from unrelated third parties before entering into any contract with the Declarant and the reasonable judgment and resolution of the Board to enter into any such contract with the Declarant (absent fraud, gross negligence or willful misconduct) shall be final and conclusive and binding upon the Association and all of its Members.

Section 2. Board Powers. The Board shall have the right and obligation to perform the functions of the Board on behalf of the Association. In the event or if for any reason the Board is not deemed authorized to act for and on behalf of the Association and the Members, then the Declarant may exercise its power and authority under Article XIII, Section 1, to act for and on behalf of the Association and the Members, and the Association shall reimburse the Declarant for any and all reasonable expenses incurred in so acting.

Section 3. Maintenance Contracts. The Board, on behalf of the Association, shall have full power and authority to contract with any Owner, Member or Resident (including, without limitation, the Declarant) for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interests of the Association. The Association may also coordinate and/or contract with the owner(s) and/or operator(s) of the private golf courses and country club areas within the Properties concerning landscaping, irrigation, maintenance, plantings and related matters.

Section 4. Liability Limitations. Neither any Resident nor the directors and officers and managers of the Association shall be personally liable for debts contracted for or otherwise incurred by the Association or for any torts committed by or on behalf of the Association or for a tort of another Resident, whether such other Resident was acting on behalf of the Association or otherwise. Neither the Declarant, the Association, its directors, officers, managers, agents or employees shall be liable for any actual, incidental or consequential damages for failure to inspect any premises, improvements or portion thereof or for failure to repair or maintain the same. The Declarant, the Association or any other person, firm or corporation liable to make such repairs or maintenance shall not be liable for any personal injury or other actual, incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portion thereof.

Section 5. Reserve Funds. The Board may establish reserve funds which may be maintained and accounted for separately from other funds maintained for annual operating expenses and may establish separate, irrevocable trust accounts or any other recognized bookkeeping or tax procedures in order to better demonstrate that the amounts deposited therein are capital contributions and not net or taxable income to the Association.

3092 514

ARTICLE VII.

INSURANCE; REPAIR; RESTORATION;
SECURITY ARRANGEMENTS

Section 1. Right to Purchase Insurance. The Association shall have the right and option to purchase, carry and maintain in force insurance covering any or all portions of the Common Properties, any improvements thereon or appurtenant thereto, for the interest of the Association, its Board of Directors, officers, managers, agents and employees, and of all Members of the Association, in such amounts and with such endorsements and coverage as shall be deemed appropriate by the Board and/or as specifically required by the Eligible Mortgagees or Eligible Insurers. Such insurance may include, but need not be limited to:

(a) Insurance against loss or damage by fire and hazards covered by a standard extended coverage endorsement in an amount which shall be equal to the maximum insurable replacement value, excluding foundation and excavation costs;

(b) Comprehensive public liability and property damage insurance on a broad form basis, including coverage of personal liability (if any) of the Board, Owners, Residents and Members with respect to the Common Properties;

(c) Fidelity bonds for all officers and employees of the Association having control over the receipt or disbursement of funds; and

(d) Liability insurance regarding the errors and omissions of directors, officers, managers, employees and representatives of the Association.

Section 2. Insurance and Condemnation Proceeds. The Association shall be the exclusive representative of the Members in any proceedings, negotiations, settlements or agreements concerning insurance or condemnation. The Association and the Members may use the net insurance or condemnation proceeds to repair and replace any damage or destruction of property, real or personal, covered by such insurance or condemnation. Any balance from the proceeds of insurance or condemnation paid to the Association, remaining after satisfactory completion of repair and replacement or after the Board has elected to waive the repair, restoration or replacement, shall be retained by the Association as part of a general reserve fund for repair and replacement of the Common Properties.

Section 3. Insufficient Proceeds. If the insurance or condemnation proceeds are insufficient to repair or replace any loss

or damage, the Association may levy a special group assessment as provided for in Article V of this Declaration to cover the deficiency.

Section 4. Security Arrangements. Declarant and/or the Association may assist in the formation of voluntary neighborhood "Crime Watch" programs (and perhaps other similar programs) within one or more of the Villages. Although the Declarant and the Association reasonably believe that the existence and visibility of neighborhood crime watch programs may to some extent discourage the commission of criminal acts (e.g., burglary, theft, etc.) within the Properties, nevertheless neither the Declarant nor the Association warrant or guarantee that: (a) these arrangements are sufficient and adequate to diminish or eliminate the commission of crimes against persons or property; and (b) such acts will not be attempted or actually occur within the Properties. These voluntary arrangements are not designed or intended to replace the conventional police and fire protection and paramedical services available from the City of McKinney and other governmental authorities.

The Association will seek to carry public liability insurance, generally covering bodily injury and property damage arising out of negligent acts by employees, members or authorized representatives of the Association. The Declarant and Association will not carry any insurance pertaining to, nor does it assume any liability or responsibility for, the real or personal property of the Owners, Residents and Members (and their respective family members and guests). Each Owner, Resident and Member expressly understands, covenants and agrees with the Declarant and the Association that:

(a) neither Declarant nor the Association has any responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and personal property of each Owner, Resident and Member;

(b) each Owner, Resident and Member shall, from time to time and at various times, consult with reputable insurance industry representatives of each Owner's, Resident's and Member's own selection to select, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of insurance deemed satisfactory to each Owner, Resident and Member covering his or her real and personal property.

ARTICLE VIII

ARCHITECTURAL REVIEW

Section 1. Master Architectural Review Committee. The Master Architectural Review Committee ("MARC") shall be composed of at least

three (3) individuals selected and appointed by the Declarant, each generally familiar with residential and community development design matters and knowledgeable about the Declarant's concern for a consistent first class approach to and construction of improvements within Stonebridge Ranch. In the event of the death, incapacity or resignation of any member of the MARC, the Declarant (during the Development Period) shall have full authority to designate and appoint a successor. From and after conclusion of the Development Period, the MARC members shall be appointed, and replaced in the event of death, incapacity or resignation, by the Board.

Section 2. MARC Jurisdiction. No building, structure, fence, wall or improvement of any kind or nature shall be erected, placed or altered on any Lot until all plans and specifications have been submitted to and approved in writing by the MARC, or a majority of its members, as to:

- (i) quality of workmanship and materials, adequacy of site dimensions, adequacy of structural design, proper facing of main elevation with respect to nearby streets, in accordance with this Declaration and/or the Master Design Guidelines and/or the Subdivision Design Guidelines and/or bulletins;
- (ii) minimum finished floor elevation and proposed footprint of the dwelling;
- (iii) conformity and harmony of the external design, color, type and appearance of exterior surfaces and landscaping;
- (iv) drainage solutions;
- (v) the observance of and compliance with applicable setback lines and easement areas and the enhancement of aesthetic views and visual corridors to and from the Common Properties; and
- (vi) the other standards set forth within this Declaration (and any amendments hereto) or as may be set forth within the Master Design Guidelines, the Subdivision Design Guidelines, bulletins promulgated by the MARC, or matters in which the MARC has been vested with the authority to render a final interpretation and decision.

The MARC is authorized and empowered to consider and review any and all aspects of construction, location and landscaping, which may, in the reasonable opinion of the MARC, adversely affect the living enjoyment of one or more Owner(s) or Residents or the general value of

the Properties. Also, the MARC is permitted to consider technological advances and changes in design and materials and such comparable or alternative techniques, methods or materials may or may not be permitted, in accordance with the reasonable opinion of the MARC. The MARC is also authorized to request, receive and transmit cost data to the Board which would enable the Association to carry out its duties as prescribed by Article V, Section 3.

The following is a general outline of the steps likely to be involved in the review of plans and specifications:

- (1) Submit preliminary plans and specifications to the MARC;
- (2) Submit final plans and specifications to the MARC;
- (3) Submit plans and specifications to the City of McKinney; and
- (4) Submit copy of building permit to the MARC.

The MARC may require as a condition precedent to any approval of the final plans and specifications, that the applicant obtain and produce an appropriate building permit from the City of McKinney, Texas. The MARC is also authorized to coordinate with the City of McKinney in connection with the applicant's observance and compliance of the construction standards set forth in this Master Declaration, the Master Design Guidelines, the Subdivision Design Guidelines and any bulletins or lot information sheets promulgated thereunder. However, the mere fact that the City of McKinney issues a building permit with respect to a proposed structure does not automatically mean that the MARC is obliged to unconditionally approve the plans and specifications. Similarly, the MARC's approval of any plans and specifications does not mean that all applicable building requirements of the City of McKinney have been satisfied.

Each and every owner and applicant shall use their respective best efforts to commence construction of all improvements approved by the MARC and the City of McKinney, Texas (and any and all other applicable governmental agencies) within sixty (60) days after obtaining all necessary governmental approvals therefor and thereafter diligently pursue the project through to completion.

Section 3. Master Design Guidelines. The MARC may, from time to time, publish and promulgate additional or revised Master Design Guidelines and Subdivision Design Guidelines, and such design guidelines shall be explanatory and illustrative of the general intent of the proposed development of the Properties and are intended as a guide to assist the MARC in reviewing plans and specifications. The Master Architectural Review Committee shall have the right, power and authority to establish and prescribe architectural restrictions and guidelines pertaining to items and topics such as (but not necessarily limited to):

- a. A site plan showing the "footprint" of the building, location of all existing trees (indicate size and type) and proposed improvements, including but not limited to, structures, patios, driveways, parking areas and structures, fences and walls.
- b. Exterior elevations of all proposed buildings and structures.
- c. A description and samples of exterior materials, colors, textures and shapes of all buildings and structures.
- d. Landscape plans, which shall include walkways, fences, walls, details, elevation changes, irrigation and watering systems, vegetation and ground cover (indicating size, spacing and quantity), and the protection and preservation of trees and other existing and introduced vegetation.
- e. Utility connections, including routing of electrical, gas, water, sanitary sewer, telephone cables and pre-wired CATV facilities.
- f. Exterior illumination and location.
- g. Dimensional floor plan of all enclosed spaces and any garages or parking facilities (particularly where the garages face the street).
- h. Smoke detector locations.
- i. Mailbox location and design.
- j. Drainage solutions.
- k. Such other matters as may be required by the then applicable zoning and building codes of the City of McKinney.
- l. The items described within Section 2 above and any other data or information requested or deemed reasonably necessary by the Master Architectural Review Committee.

 *
 * PRIOR TO ACQUIRING ANY INTEREST IN A LOT, EACH *
 * PROSPECTIVE PURCHASER, TRANSFEREE, MORTGAGEE AND *
 * OWNER OF ANY LOT IN THE SUBDIVISION IS STRONGLY *
 * ENCOURAGED TO CONTACT THE DECLARANT OR THE ASSOCI- *
 * TION OR THE MARC TO OBTAIN AND REVIEW THE MOST *
 * RECENT MASTER DESIGN GUIDELINES AND SUBDIVISION *
 * DESIGN GUIDELINES WHICH WILL CONTROL THE *
 * DEVELOPMENT, CONSTRUCTION AND USE OF THE LOT. *
 *

Section 4. Preliminary and Final Plan Submissions. The Master Architectural Review Committee is authorized and empowered to and shall consider, review and comment on preliminary plans submitted in duplicate on an informal basis to assist Owners, developers, homebuilders and prospective purchasers of the Lots in complying with these Covenants and to assist in the completion of any feasibility studies undertaken by such persons or entities. [The MARC shall have the right, however, to prescribe reasonable limitations concerning the time, effort and expense likely to be involved in handling such matters on an informal basis]. If the preliminary plans and specifications are approved by the MARC, the Owner or the Owner's designated representative will be so advised by letter. If found not to be in compliance with these Covenants, the Owner or the Owner's designated representative will be so advised by letter containing a reasonable statement and explanation of items found not to comply with these Covenants. If the MARC fails to approve or disapprove such plans and specifications within thirty (30) days after the actual date on which the submission is received, approval of the matters submitted shall be presumed. Comments on and approvals of preliminary plans and specifications shall be binding upon the Master Architectural Review Committee provided that conforming final plans and specifications are submitted within ninety (90) days of such preliminary comments or approvals.

Final plans, specifications and surveys shall be submitted in duplicate to the Committee for approval or disapproval. The Committee is authorized to request the submission of samples of proposed construction materials. At such time as the plans, specifications and surveys meet the approval of the MARC, one complete set of plans, specifications and surveys will be retained by the MARC and the other complete set will be marked "Approved" and returned to the Lot Owner or his designated representative. If found not to be in compliance with these Covenants, one set of such plans, specifications and surveys shall be returned marked "Disapproved," accompanied by a reasonable statement and explanation of items found not to comply with these Covenants. Any modification or change to the approved set of plans, specifications and surveys must again be submitted to the MARC for its inspection and approval. The MARC's approval or disapproval, as required herein, shall be in writing. If the MARC fails to approve or disapprove such plans, specifications and surveys within thirty (30) days after the actual date on which the submission is received, then the MARC approval shall be presumed.

The MARC may from time to time publish and promulgate architectural standards bulletins and/or lot information sheets which shall be fair and reasonable and shall carry forward the spirit and intention of these Covenants. Such bulletins and lot information sheets shall supplement these Covenants and are incorporated herein by reference. EACH OWNER SHALL SEEK AND OBTAIN AND BECOME THOROUGHLY FAMILIAR WITH

ANY AND ALL ARCHITECTURAL STANDARDS BULLETINS AND LOT INFORMATION SHEETS PRIOR TO ACQUISITION OF, AND CONSTRUCTION ON, ANY LOT WITHIN THE SUBDIVISION.

Section 5. Village Architectural Review Committee. The Board shall establish, select and appoint, not later than that point in time when eighty-five percent (85%) of the Dwelling Units within each Village are occupied, a Village Architectural Review Committee ("VARC") composed of at least three (3) individual Owners of Lots within such Village, each generally familiar with residential design matters and aesthetic considerations. In the event of the death, incapacity, or resignation of any member of the VARC, the Board shall have full authority to designate and appoint a successor. The MARC and the Board may delegate to the VARC, and the VARC shall then have within its jurisdiction, the right, power and authority to review and approve (or disapprove, as the case may be) any alteration, change, modification, remodeling, restoration, addition or renovation to any building, structure, fence, wall or improvement of any kind or nature (jointly and severally referred to as an "alteration"). No alteration shall be erected, placed or permitted on any Lot until all plans and specifications, a plot plan and one or more surveys have been submitted to and approved in writing by the VARC, or a majority of its members, as to:

- (i) the matters outlined in Article VIII, Sections 2 and 3 above;
- (ii) the Master Design Guidelines and the Subdivision Design Guidelines and any applicable bulletins or lot information sheets; and
- (iii) the remaining terms and conditions of these Covenants.

The Article VIII, Section 4 provisions concerning preliminary and final plan submissions shall likewise apply to the VARC. The VARC is also authorized to request, receive and transmit cost data to the Board which would enable the Association to carry out its duties as prescribed by Article V, Section 3.

The MARC will at all times have exclusive jurisdiction over new construction on previously unimproved Lots. The MARC will initially have exclusive jurisdiction over an alteration. The VARC (if, as and when created and delegated authority) will have limited jurisdiction to review and approve or disapprove (as the case may be) any alteration of an existing dwelling which was theretofore substantially completed in accordance with final plans and specifications previously approved by the MARC.

 *
 * BEFORE SERIOUSLY UNDERTAKING ANY ALTERATION, EACH OWNER *
 * AND MORTGAGEE OF ANY LOT IN THE SUBDIVISION IS STRONGLY *
 * ENCOURAGED TO CONTACT THE MARC OR VARC TO OBTAIN AND *
 * REVIEW THE MOST RECENT MASTER AND SUBDIVISION DESIGN *
 * GUIDELINES AND TO DISCUSS THE ALTERATION PROPOSAL. *
 *

Section 6. General. The following declarations within this Section apply to the MARC and to the VARC. Each Committee shall be entitled, at any time and from time to time, to associate or employ a staff and to seek and obtain professional advice and counsel (including but not limited to architects, attorneys, designers, engineers and landscape technicians) in connection with the performance of its duties with all reasonable costs and expenses related thereto paid for or reimbursed by the Association. The Association may, in turn, reasonably recoup some or all of these expenses from the applicants seeking review and approval of plans and specifications.

The Declarant and/or the Association and/or the MARC and/or the VARC may require any Owner to restore such Owner's improvements or alteration to the condition existing prior to the construction thereof (including, without limitation, the demolition and removal of any unapproved improvement) if such improvements or alterations were commenced or constructed in violation of this Article. In addition, the Declarant and/or the Association and/or the MARC and/or the VARC may, but has no obligation to do so, cause such restoration, demolition and removal and levy the amount of the cost thereof as a special individual assessment against the Lot upon which such improvements or alterations were commenced or constructed. A material violation of these Covenants shall be deemed to have occurred if no prior express written approval of the MARC or the VARC (as the case may be) has been obtained where it was originally required, even if hindsight reveals that the actual plans and specifications would have been approved by the MARC or the VARC (as the case may be) had they been properly and timely submitted.

Neither Declarant, nor the Association, nor the Committee(s), nor the Board nor the officers, directors, managers, members, employees and agents of any of them, shall be liable in damages to anyone submitting plans and specifications to any of them for approval, or to any Owner of property affected by these restrictions by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications. No approval of plans and specifications and no publication of any Master or Subdivision Design Guidelines, architectural bulletins or lot information sheets shall be construed as representing or implying that such plans, specifications,

3092 522

guidelines, bulletins or sheets will, if followed, result in properly designed improvements and/or improvements built in a good and workmanlike manner. Every person or entity who submits plans or specifications, and every Owner of each and every Lot, agrees that he will not bring any action or suit against Declarant, the Association, the Committee(s), the Board, or the officers, directors, managers, members, employees and agents of any of them, to recover any such damages and hereby releases, remises and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given.

After reasonable notice to the Owner (and any applicable Resident), any member or agent of the Committee may from time to time at any reasonable hour or hours enter and inspect any property subject to the jurisdiction of said Committee to confirm improvement or maintenance or alteration in compliance with the provisions hereof. No improvements or addition or change or alteration thereof shall be constructed, erected, placed, altered or maintained on any Lot which is in violation of any of the laws or ordinances of the City of McKinney, Texas or any other applicable governmental laws, rules or regulations. However, Declarant, the Association, the Committee and their respective officers, directors, managers, agents and employees shall have no obligation to enforce or to report the violation of any such law, ordinance, rule or regulation.

The Committee shall have the power to grant variances, waivers, tolerances or modifications of the standards set forth within the Covenants under circumstances and conditions deemed reasonable, appropriate and prudent by the Committee. Matters of "quality", "adequacy" and "propriety" are to be considered by each Committee generally from an aesthetic standpoint, rather than from an engineering standpoint. Plans and specifications are not reviewed or approved for engineering or structural design or technical quality of materials, and by approving such plans and specifications neither the Committee, nor the members thereof, nor the Association assumes liability or responsibility therefor, nor for any defect in any structure constructed from such plans and specifications.

ARTICLE IX

USE OF LOTS IN THE SUBDIVISION; PROTECTIVE COVENANTS

The Subdivision (and each Lot situated therein) shall be constructed, developed, occupied and used as follows:

Section 1. Residential Lots. All Lots within the Subdivision shall be used, known and described as residential Lots, unless otherwise indicated on the Subdivision plat. Lots shall not be further subdivided and, except for the powers and privileges herein reserved by the Declarant, the boundaries between lots shall not be relocated without the prior express written consent of the MARC. No building or structure shall be erected, altered, placed or permitted to remain on any residential Lot other than one (1) single-family dwelling and, if any, its customary and usual accessory structures (unless otherwise prohibited herein). No building or structure intended for or adapted to business or commercial purposes or Commercial Use shall be erected, placed, permitted or maintained on such premises, or any part hereof, save and except those related to development, construction and sales purposes of a bona-fide homebuilder, the Declarant or the Association. No Owner, Resident or Member shall conduct, transmit, permit or allow any type or kind of home business or home profession or hobby on any Lot or within any Dwelling Unit which would: (i) attract automobile, vehicular or pedestrian traffic to the Lot; (ii) involve lights, sounds, smells, visual effects, pollution and the like which would adversely affect the peace and tranquillity of any one or more of the Residents within the Village. The restrictions on use herein contained shall be cumulative of, and in addition to, such restrictions on usage as may from time to time be applicable under and pursuant to the statutes, rules, regulations and ordinances of the City of McKinney, Texas or any other governmental authority having jurisdiction over the Subdivision.

Section 2. Minimum Floor Space; Alarms. Each one (1) story dwelling and each one-and-one half (1½) and two (2) story dwelling constructed on any Lot shall contain such minimum square feet of air-conditioned floor area (exclusive of all porches, garages or breezeways attached to the main dwelling) as may be specified by the Subdivision Design Guidelines and/or the MARC for the first and/or second stories and/or the total. The Subdivision Design Guidelines and/or the MARC may require that the construction plans and specifications for each residential dwelling include provisions for the installation and equipment of first-class fire and burglar alarms, smoke detectors and such other safety and security devices which, from time to time, become technologically feasible for residential use as may be further described and defined by the Master Architectural Review Committee.

Section 3. Garages; Parking. Each single-family residential dwelling erected on any Lot shall provide garage space for a minimum of two (2) conventional automobiles, unless otherwise specifically approved by the MARC. Each Owner, Member and Resident shall use their respective best efforts to park and store their automobiles within the garage. All garage doors shall be closed at all times when not in use. Carports are not encouraged but may be permitted under limited rigid circumstances if, as and when, in the absolute opinion of the

Master Architectural Review Committee, the exterior surface and appearance will substantially compare with a garage and if absolutely no storage of items, which would otherwise be visible, will occur thereunder. Any and all proposed garage or carport plans and specifications must be submitted to the Master Architectural Review Committee for review and approval. Each Owner, Resident and Member shall use their respective best efforts to refrain from:

- (a) habitually parking any automobile or vehicle on any Lot outside of an approved garage area between any Dwelling Unit and the abutting front street or between any Dwelling Unit and an abutting side street; and
- (b) performing, permitting or allowing repair or maintenance work to any automobile or other vehicle outside the garage and visible to the abutting street(s).

Under no circumstances or conditions shall any automobile or other vehicle be parked on a non-paved portion of any Lot.

Section 4. Setback Requirements. Setback requirements are described within the Master Design Guidelines and the Subdivision Design Guidelines. The Master Architectural Review Committee may establish additional setback lines (for fences, walls and for buildings) from the front property line of each Lot at varying distances; the mixture of various front setbacks may satisfy requirements of the City of McKinney and reflect a high degree of architectural style and design. In order to allow flexibility for: (i) implementation of state-of-the-art construction designs, and (ii) any consolidation of two (2) or more Lots to accommodate the construction of a lesser number of dwellings thereon, the Master Architectural Review Committee shall also have the authority to develop and refine rear and side yard setback requirements. Within the setback areas for each Lot and subject to the construction or installation of any other items otherwise permitted, a non-exclusive surface easement and right-of-way is reserved for the Association in order to properly facilitate and carry out its duties and responsibilities under this Declaration.

Section 5. Height Limitations; Elevations. No building or structure on any Lot shall exceed the height limit specified by the Subdivision Design Guidelines or the MARC. In order to create a desired architectural appearance and mix of one (1) and two (2) story structure heights the Master Architectural Review Committee may prescribe inter-related height and setback requirements. The Master Architectural Review Committee shall have the power and authority to further develop and refine guidelines and interpretations concerning the height concepts and limitations envisioned herein.

Section 6. Fences; Signs. No fence, wall or hedge (which serves as a barrier) shall be erected, placed or altered on any Lot nearer to

any street than the minimum building setback line as established by the Subdivision Design Guidelines or the Master Architectural Review Committee. All exterior mechanical or service equipment must be enclosed within fences, walls or landscaping so as not to be visible from the immediate residential street. No fence, wall or hedge shall be erected, placed or altered on any residential Lot without the approval of the Master Architectural Review Committee. No sign or signs shall be displayed to the public view on any residential Lot, except:

(a) any builder, during the applicable initial construction and sales period, may utilize one (1) professional sign [of not more than six (6) square feet in size] per Lot for advertising and sales purposes;

(b) thereafter, a dignified "For Sale" or "For Lease" sign [of not more than six (6) square feet in size] may be utilized by the Owner of the respective residential Lot for the applicable sale or lease situation; and

(c) development-related signs owned or erected by the Declarant shall be permitted.

The Declarant and/or the MARC shall have the right and privilege to develop and implement uniform signage specifications and requirements applicable throughout the Subdivision

Section 7. Easements; Utilities. Easements for the installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded subdivision plat. Utility service may be installed along or near the front and/or side and/or rear Lot lines and each Lot Owner shall have the task and responsibility of determining the specific location of all such utilities. Except as may be otherwise permitted by the MARC (e.g. fencing, flatwork, landscaping, etc.), no Owner shall erect, construct or permit any obstructions or permanent improvements of any type or kind to exist within any easement area, nor shall anything be done or permitted within an easement area which would restrict or adversely affect drainage. Electrical (and possibly other utility) easements are likely to be located at, near or along the rear lot line(s), and each Lot Owner assumes full, complete and exclusive liability and responsibility for all cost and expense related to damage, repair, relocation and restoration of such improvements or fence. Except as to special street lighting or other aerial facilities which may be required by the City of McKinney or which may be required by the franchise of any utility company or which may be installed by the Declarant pursuant to its development plan, no aerial utility facilities of any type (except meters, risers, service pedestals and other surface installations necessary to maintain or operate appropriate underground facilities) shall be erected or installed on the Subdivision whether upon individual Lots, easements,

streets or rights-of-way of any type, either by the utility company or any other person or entity, including, but not limited to, any person owning or acquiring any part of the Subdivision, and all utility service facilities (including, but not limited to, water, sewer, gas, electricity and telephone) shall be buried underground unless otherwise required by a public utility. All utility meters, equipment, air conditioning compressors and similar items must be visually screened and located in areas designated by the Master Architectural Review Committee. The Association or the Master Architectural Review Committee shall have the right and privilege to designate the underground location of any CATV-related cable. Pursuant to requirements by utility company(ies) providing service to the Properties, the following provisions and covenants are to run with the land within the Subdivision with the same force and effect as all other Covenants herein and as if such provisions and covenants had originally been recited within each deed to each Lot executed and delivered by Declarant:

"(a) Electric service of the type known as 120/240 volt, single phase, 3 wire, 60 cycle, alternating current has been made available to the Lot hereby conveyed by means of underground facilities, at a cost in excess of the cost of service provided by the usual and standard overhead facilities, and each Owner acknowledges for himself, his heirs, executors, administrators, successors and assigns, that electric service of any character other than that hereinabove described will not be available except at added cost to such Owner and in accordance with the rules and regulations for electric service of the subject electric utility company; and

(b) Since electric service is to be furnished to each of the Lots solely by underground facilities, each Owner agrees for himself, his heirs, executors, administrators, successors and assigns, that he will, at his own expense, install and maintain the necessary underground facilities to connect the Owner's installation with the service wires of the subject electric utility company and security system at the point of delivery of electric energy."

Each Owner shall assume full and complete responsibility for all costs and expenses arising out of or related to the repair, replacement or restoration of any utility equipment damaged or destroyed as a result of the negligence or mischief of any Resident of the Owner. Each Owner agrees to provide, at the sole cost and expense of each Owner, such land and equipment and apparatus as are necessary and appropriate to install and maintain additional lighting and security-related measures which becomes technologically provident in the future.

Section 8. Temporary Structures and Vehicles. No temporary structure of any kind shall be erected or placed upon any Lot. Temporary structures shall include, but not be limited to, any garage, servant's house or other improvement erected more than one hundred twenty (120) days prior to the completion of the main portion of the single-family dwelling. However, upon receiving the prior, express written approval of the Master Architectural Review Committee, Declarant or any bona-fide homebuilder may maintain temporary sales or construction offices, provided such sales or construction offices are removed within sixty (60) days after completion of sales or construction, as the case may be.

Any truck (over 3/4 ton and excluding conventional pickups), bus, boat, boat trailer, trailer, mobile home, golf cart, motorcycle, recreational vehicle, campmobile, camper and any vehicle other than a conventional automobile shall, if brought within the Subdivision by or on behalf of any Owner, Member or Resident, be stored, placed or parked within the enclosed garage on the appropriate Lot unless otherwise directed by the Master Architectural Review Committee. The Declarant and/or the Association may, at its option, provide and designate (and charge for and collect a reasonable user fee as approved by the Board), at one or more locations within the Properties, a surface facility for the storage of any vehicle mentioned above which cannot be stored properly within a garage; if, as and when such facility is designated, then each Owner, Member and Resident agrees to cooperate in appropriately using such facility.

Section 9. Site Maintenance, Garbage and Trash Collection. Lot Owners are responsible to keep construction sites free of rubbish on a daily basis and streets (to the crown) scraped clear of any mud accumulation. Lot Owners will not be allowed to store any excavation of soil on streets or adjacent sites. Soil runoff due to rain or irrigation will be removed promptly from streets and sidewalks by the Lot Owner.

All garbage shall be kept in plastic bags or other containers required (and meeting the specifications of) by the City of McKinney. Each Owner, Member and Resident shall observe and comply with any and all regulations or requirements promulgated by the Association and/or the City of McKinney in connection with the storage and removal of trash and garbage, particularly where the collection point is in front of the residential Dwelling Units.

No residential Lot, or any portion of the Common Properties or any public right-of-way area, shall be used or maintained as a dumping ground for rubbish, trash or garbage. No Owner, Member or Resident shall dump grass clippings, landscape debris, garbage or trash of any kind on another Lot. Each Owner is responsible for the appearance and condition of such Owner's Lot. If more than five (5) days after prior written notice an Owner shall fail to: (1) control weeds, grass

and/or other unsightly growth; (ii) remove trash, rubble, building and construction debris; or (iii) exercise reasonable care or conduct to prevent or remedy an unclean, untidy or unsightly condition, then Declarant or the Association shall have the authority and right to go onto said lot for the purpose of mowing and cleaning said Lot and shall have the authority and right to assess and collect from the Owner of said Lot a reasonable charge for mowing or cleaning said Lot on each respective occasion of such mowing or cleaning. The assessments, together with such interest thereon and costs of collection thereof, shall be a charge on the land and shall be a continuing Payment and Performance Lien upon each Lot against which each such assessment is made. Each such assessment, together with interest thereon and costs of collection thereof, shall also be the continuing personal obligation of the person who was the Owner of such Lot at the time when the assessment occurred.

Section 10. Offensive Activities; Pets. No noxious or offensive activity or pollution affecting sight/sound/smell, as determined by the MARC or VARC, shall be conducted or permitted on any portion of the Properties. No direct sales activities (excluding, however, activities of the Declarant and bona-fide homebuilders and community activities specifically approved by the Board), garage sales, yard sales, patio sales, flea markets, bazaars, sample sales, promotional dinner parties or similar activities shall be conducted on any portion of the Subdivision.

Any noise or odor emitted by, and any discharge or waste from, any animal (including without limitation dogs and cats) which can be seen, heard or smelled outside the perimeter of the subject Owner's (or Member's or Resident's) Lot shall be deemed noxious and offensive and is therefore prohibited. No animals, livestock or poultry of any kind shall be raised, bred or kept on any residential Lot, except that not more than two (2) dogs, cats or other household pets may be kept, provided that they are not kept, bred or maintained for commercial purposes and they are not noxious, offensive, vicious (e.g. pit bull terriers shall not be permitted within the Properties) or dangerous. Any outside pen, cage, kennel, shelter, concrete pet pad, run, track or other building, structure or device directly or indirectly related to animals which can be seen, heard or smelled by anyone other than the subject Lot Owner must be approved by the Master Architectural Review Committee in its sole and absolute discretion. Each and every dog, cat or other household pet, if not kept and confined within an enclosed non-visible portion of the Owner's/Resident's/Member's Lot, must be leashed and accompanied by its corresponding Owner/Resident/Member, particularly when traveling beyond the perimeter of the Owner's/Resident's/Member's Lot, and such Owner/Resident/Member shall promptly clean and remove the discharge and waste of any pet.

Section 11. Landscaping; Maintenance. Construction of each and every residential dwelling within the Properties shall include the

installation and placement of appropriate landscaping. Each Owner, Member and Resident of any Lot shall jointly and severally have the duty and responsibility, at their sole cost and expense, to keep and maintain the Lot, and all improvements therein and thereon, in a well maintained, safe, clean and attractive condition at all times. Such maintenance shall include (without limitation):

- the proper seeding, consistent watering and mowing of all lawns;
- the pruning and cutting of all trees and shrubbery;
- prompt removal of all litter, trash, refuse and waste;
- watering of all landscape;
- keeping exterior lighting and mechanical facilities in working order;
- keeping lawn and garden areas alive, free of weeds and attractive;
- keeping driveways in good repair and condition;
- promptly repairing any exterior damage;
- complying with all governmental health and police requirements.

all in a manner and with such frequency as is consistent with aesthetics, safety and good property management. The Association, and its agents, during normal business hours, shall have the right (after 5 days written notice to the Owner of any Lot involved, setting forth the specific violation or breach of this covenant and the action required to be taken, and if at the end of such time reasonable steps to accomplish such action have not been taken by the Owner), to enter on the subject premises (without any liability whatsoever for damages for wrongful entry, trespass or otherwise to any person or entity) and to take the action(s) specified in the notice to remedy or abate said violation(s) or breach(es). The cost of such remedy or abatement will be paid to the Association upon demand and if not paid within thirty (30) days thereof, shall become a lien upon the Lot affected. The Association, or its agent, shall further have the right (upon like notice and conditions), to trim or prune, at the expense of the Owner, any hedge, tree or any other planting that, in the written opinion of the Association, by reason of its location on the Lot, or the height, or the manner in which it is permitted to grow, is detrimental to the adjoining Lots, is dangerous or is unattractive in appearance. The lien provided under this section will constitute a lien retained against such property with the same force and effect as the Payment and Performance Lien for assessment set forth in these Covenants.

Section 12. Exterior Surfaces. All roofs shall be constructed of wood shingle, wood shake, slate, tile, metal, composition, built-up roof or other materials approved by the Master Architectural Review Committee taking into account harmony, conformity, color, appearance, quality and similar considerations. The exterior surface of all residential dwellings shall be constructed of glass, brick, stone or

other materials approved by the Master Architectural Review Committee. The Master Architectural Review Committee is specifically authorized to require a continuous, uniform surface with respect to all improvements which directly face a perimeter common green area or adjoin any Greenway Frontage. Installation of all types of exterior items and surfaces such as address numbers or external ornamentation, outdoor illumination, lights, mail chutes, exterior paint or stain and the like shall be subject to the prior approval of the Master Architectural Review Committee. All antennae (including, without limitation, radio or television transmitting or receiving antennae and satellite dishes) shall be installed within the residential dwelling so that no exterior antennas or satellite dishes are visible. Each Owner shall keep and maintain the quality and appearance of all exterior surfaces, particularly those areas covered by an approved paint or stain, in good repair, condition and appearance.

ARTICLE X

EASEMENTS

Section 1. Utility Easements. Non-exclusive easements for installation, maintenance, repair and removal of utilities and drainage facilities over, under and across a five foot (5') wide perimeter of each lot are reserved by Declarant for itself, the Association, and all utility and CATV companies and their respective successors and assigns, serving the Subdivision and no Improvement or Structure shall be constructed or placed thereon without the express prior written consent of the MARC. Full rights of ingress and egress shall be had by Declarant, the Association, and all utility and CATV companies serving the Subdivision, and their respective successors and assigns, at all times over the Subdivision for the installation, operation, maintenance, repair or removal of any utility together with the right to remove any obstruction (excluding, however, any driveway, fence or other Improvement or Structure which has been theretofore specifically approved by the MARC) that may be placed in such easement that would constitute interference with the use of such easement, or with the use, maintenance, operation or installation of such utility.

Section 2. Sign Easements. The Association shall have the right, privilege, duty and responsibility to reasonably maintain and care for any and all signs, monuments, landscaping and the like installed or placed on any "sign easement area" depicted within the Summer Point Phase I Subdivision Plat(s).

Section 3. Ingress, Egress and Maintenance by the Association. Full rights of ingress and egress shall be had by the Association at all times over and upon the setback and sign easement areas applicable for each Lot for the carrying out by the Association of its functions,

duties and obligations hereunder; provided, however, that any such entry by the Association upon any Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be repaired by the Association at the expense of the Association's maintenance fund.

ARTICLE XI.

RIGHT OF FIRST REFUSAL; REGISTRATION

Section 1. Right of First Refusal. THE PROVISIONS OF THIS SECTION ONLY APPLY TO UNIMPROVED LOTS AND DO NOT APPLY WHATSOEVER TO ANY LOT ON WHICH THERE IS A COMPLETED RESIDENTIAL DWELLING OR AN INSTITUTIONAL MORTGAGE BY AN ELIGIBLE MORTGAGEE OR ELIGIBLE INSURER. In order that the Declarant and the MARC may more effectively and carefully guide, control, coordinate and monitor the sophisticated and first-class construction of residential dwellings within the Subdivision, prior to the commencement and completion (as determined by the MARC) of a residential dwelling and its appurtenant landscaping on a Lot, no Lot Owner (excluding the Declarant) may sell, transfer, lease, rent, devise, give, assign or in any other manner dispose of a fee or undivided fee interest in such Lot without first offering such fee interest to the Declarant, or otherwise obtaining the express written approval of the Declarant, in the manner hereinafter provided:

(a) Any Lot Owner intending or proposing to sell, transfer, lease, rent, devise, give, assign or in any other manner dispose of a fee or undivided fee interest in a Lot (any and all such manners of disposition being referred to or considered hereinafter for convenience as "sale" or "sell") shall give written notice to the Declarant of such intention or proposal together with the terms and conditions of the sale and the name and address of the intended or proposed purchaser and such other information as the Declarant may reasonably require in connection with such transaction. The issuance of such notice to the Declarant shall constitute a warranty and representation by such Lot Owner that the proposal and purchaser are bona fide in all respects;

(b) Declarant shall, upon receipt of the notice described above, have the exclusive right and option, exercisable at any time during a period of thirty (30) days from the receipt of said notice, to purchase or acquire the subject Lot at the same price and on the same terms and conditions as set forth in the notice; and

(c) If Declarant does not elect to exercise its first refusal option right hereunder, the Lot Owner shall be so notified in writing and shall be free to proceed with the sale of the Lot upon the terms and conditions, and with the same purchaser, as set forth in the

notice theretofore given to the Declarant. However, the contractual arrangements with the third-party purchaser must be made strictly upon the terms and conditions and with the person or entity described in the notice theretofore given to Declarant, and any proposed arrangement with a different person or entity or upon changed terms and conditions shall be subject to the same first refusal option right and the same notice requirements set forth above.

FROM AND AFTER THE DATE OF COMPLETION (AS DETERMINED BY THE MARC) OF A RESIDENTIAL DWELLING AND ITS APPURTENANT LANDSCAPING ON EACH LOT, SUCH LOT, AND THE OWNER THEREOF, SHALL NO LONGER BE AFFECTED BY THE FOREGOING FIRST REFUSAL RIGHT. ANY PERSON OR ENTITY HAVING A BONA FIDE INTEREST IN ANY LOT IS ENCOURAGED TO SEEK AND OBTAIN A CERTIFICATE FROM THE MARC VERIFYING THE STATUS OF COMPLETION OF A DWELLING ON A SUBJECT LOT OR, ALTERNATIVELY, A CERTIFICATE FROM THE DECLARANT AND/OR ASSOCIATION CONCERNING THE FIRST REFUSAL RIGHT PROVIDED FOR HEREIN. A REASONABLE CHARGE FOR EXECUTING AND DELIVERING ANY CERTIFICATES MAY BE CHARGED AND COLLECTED BY THE MARC AND/OR THE ASSOCIATION.

Section 2. Registration with the Association. In order that the Declarant and the Association can properly acquaint every Lot purchaser and every Owner, Resident and Member with these Covenants and the day-to-day matters within the Association's jurisdiction, no acquisition of any Lot within the Subdivision shall become effective until and unless:

(a) the then-existing "Closing Information Package" and homeowner handbooks have been properly executed by the Association, Declarant and the Purchaser/Transferee; and

(b) all directives by, and all obligations to, the Association and the Declarant have been properly and timely satisfied.

Each and every Owner, Member and Resident shall have an affirmative duty and obligation to originally provide, and thereafter revise and update, within fifteen (15) days after a material change has occurred, various items of information to the Association such as: (a) the full name and address of each Owner, Member and Resident; (b) the full name of each individual family member who resides within the residential dwelling of the Lot Owner; (c) the business address, occupation and telephone numbers of each Resident; (d) the description and license plate number of each automobile owned or used by a Resident and brought within the Properties; (e) the name, address and telephone numbers of other local individuals who can be contacted (in the event the Resident cannot be located) in case of an emergency; and (f) such other information as may be reasonably requested from time to time by the Association. In the event any Owner, Member or Resident fails, neglects or refuses to so provide, revise and update such information, then the Association may, but is not required to, use whatever means it deems reasonable and appropriate to obtain such

information and the offending Owner, Member and Resident shall become automatically jointly and severally liable to promptly reimburse the Association for all reasonable costs and expenses incurred in so doing.

ARTICLE XII.

RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

The provisions within this Article are for the primary benefit of:

(a) the owners and holders of Institutional Mortgages which are required to satisfy the applicable requirements of FHA, VA, FNMA, FLMC and other similar governmental, quasi-governmental and nationally recognized public and/or private sources of end financing (such mortgagees sometimes collectively referred to herein as "Eligible Mortgagees" and their mortgages referred to as "Eligible Mortgages"); and

(b) the insurers, guarantors, participants and subsidizers of the Eligible Mortgages, sometimes collectively referred to herein as the "Eligible Insurers."

To the extent applicable, necessary or proper, the provisions of this Article XII apply not only to this Master Declaration but also to the Articles of Incorporation and By-Laws of the Association. This Article is supplemental to, and not in substitution of, any other provisions of this Master Declaration, the Articles of Incorporation and By-Laws, but in the event of ambiguity or conflict, this Article shall control.

Section 1. Notices of Action. An Eligible Mortgagee or Eligible Insurer who provides written request to the Association (such request to state the name and address of such holder, insurer or guarantor and a reasonable description of the Dwelling Unit covered by the Eligible Mortgage) will be entitled to receive timely written notice of:

(a) any proposed termination of the Association;

(b) any condemnation loss or any casualty loss which affects a material portion of the Subdivision or which materially affects any Dwelling Unit on which there is an Eligible Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer, as applicable;

(c) any delinquency in the payment of assessments or charges owed by an Owner of a Dwelling Unit subject to the Eligible Mortgage

of such Eligible Mortgagee or Eligible Insurer, where such delinquency has continued for a period of sixty (60) days;

(d) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or

(e) any proposed action which would require the consent of the Eligible Mortgagees as required hereinbelow.

Section 2. Joinder to Documents. In addition to the provisions set forth within Article XIII, Eligible Mortgagees who have requested the Association to notify them concerning any proposed action that requires the consent of a specified percentage of Eligible Mortgagees also have the right to join in the decision making about certain amendments to this Master Declaration. Amendments of a material nature (as defined below) must be agreed to by: (i) at least sixty-seven percent (67%) of the Dwelling Unit Owners; and (ii) the Declarant (during the Development Period) or the Board of Directors of the Association (after conclusion of the Development Period); and (iii) Eligible Mortgagees representing at least fifty-one percent (51%) of the Dwelling Units that are subject to Eligible Mortgages. A substantive change to any of the following would be considered as material:

- voting rights;
- assessments, assessment liens, or subordination of assessment liens;
- reserves for maintenance, repair, and replacement of Common Properties;
- responsibility for maintenance and repairs;
- boundaries of any Lot covered by an Eligible Mortgage;
- convertibility of Dwelling Units into Common Properties or vice versa;
- expansion or contraction of the Subdivision, or the addition, annexation, or withdrawal of the property to or from the Subdivision;
- insurance or fidelity bonds;
- leasing of Dwelling Units;
- imposition of any restrictions on a Dwelling Unit Owner's right to sell or transfer his or her Dwelling Unit;

- a decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgagee;
- restoration or repair (after a hazard damage or partial condemnation) in a manner other than that specified herein;
- any action to terminate the legal status of the Subdivision after substantial destruction or condemnation occurs; or
- any provisions that expressly benefit Eligible Mortgagees or Eligible Insurers.

Additions or amendments such as the correction of a technical error or the clarification of a statement shall not be considered or construed as being "material."

If and when the Dwelling Unit Owners are considering termination of the coverage of this Master Declaration over the Subdivision for reasons other than substantial destruction or condemnation, the Eligible Mortgagees representing at least sixty-seven percent (67%) of the mortgaged Dwelling Units in the Subdivision must agree.

Section 3. Special FHLMC Provision. So long as required by The Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the other Sections of this Article. Unless two-thirds (2/3) of the Eligible Mortgagees or Owners give their consent, and subject to the condition that any proposed action of the Association purportedly covered by the following requirements must be material and adverse, the Association shall not:

- (a) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Properties which the Association owns, directly or indirectly (but the granting of easements for public utilities or for other public purposes consistent with the intended use of the Development shall not be deemed a transfer);
- (b) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;
- (c) by act or omission charge, waive or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Dwelling Units and of the Common Properties;
- (d) assign any future income of the Association, including its right to receive assessments;

(e) fail to maintain fire and extended coverage insurance on assets owned by the Association, as required by this Declaration; or

(f) use hazard insurance proceeds for any Common Properties losses for other than the repair, replacement or reconstruction of such properties.

The provisions of this Section 3 shall not be construed to reduce the percentage vote that must be obtained from Eligible Mortgagees or Owners when a larger percentage vote is otherwise required for any of the actions described in this Section.

Eligible Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Properties and may pay overdue premiums on casualty insurance policies, or secure new casualty insurance coverage upon the lapse of a policy, for the Common Properties, and Eligible Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

Section 4. Approval of Amendments. The failure of an Eligible Mortgagee or Eligible Insurer to respond within thirty (30) days to any written request of the Association for approval of an addition or amendment shall constitute an implied written approval of the addition or amendment.

Section 5. Inspection of Books. The Association shall have current copies of the Master Declaration, Articles of Incorporation, Bylaws, rules and regulations, books, records and financial statements available for inspection by Dwelling Unit Owners and by Eligible Mortgagees and Eligible Insurers during normal business hours or under other reasonable circumstances.

Section 6. Financial Statements. The Association shall provide any Eligible Mortgagee or Eligible Insurer which submits a written request with a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement must be audited by an independent certified public accountant, at the expense of the Association, if any Eligible Mortgagee or Eligible Insurer submits a written request for it.

Section 7. Enforcement. The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors and may be enforced by any of them by any available means, at law, or in equity.

Section 8. Attendance at Meetings. Any authorized representative(s) of an Eligible Mortgagee or Eligible Insurer may attend and address any meeting of the Association which an Owner may attend.

Section 9. Annexation. With respect to any annexation of additional lands within the Development Plan to the scheme of this Master Declaration, the following additional provisions shall apply:

- the legal method of expansion shall be generally in accordance with Article II hereinabove;
- the potential annexable property is legally described within the Planning Areas;
- the time limit within which any expansion will take place is the Development Period;
- prescribing assessments and/or granting voting rights to the annexed properties shall be generally in accordance with Articles III and V herein;
- all improvements intended for future phases will be substantially completed prior to annexation and will be consistent with the initial improvements in terms of quality of construction; and
- the annexation document(s) that will be recorded will likely be a Master Declaration similar to this document.

Section 10. Working Capital Fund. To satisfy existing requirements of Eligible Mortgagees and Eligible Insurers and better insure that the Association will have the funds to meet unforeseen expenditures or to purchase additional equipment or services, Declarant and the Association shall establish a working capital fund at least equal to two month's, or one-sixth (1/6), of the Annual Assessment for each Lot. Any amounts paid into this fund should not be considered as advance payments of regular assessments. Each Owner's share of the working capital fund should be collected at the time the sale of the Lot is closed and then should be transferred to the Association for deposit to a segregated fund. Within sixty (60) days after closing has been held for the first Lot, the Declarant should pay each unsold Lot's share of the working capital fund to the Association. Declarant should then reimburse itself for this payment from the funds collected at closing when the unsold Lots are sold.

ARTICLE XIII.

GENERAL PROVISIONS

Section 1. Power of Attorney. Each and every Owner, Member and Resident hereby makes, constitutes and appoints Declarant as his/her true and lawful attorney-in-fact, coupled with an interest and

irrevocable, for him/her and in his/her name, place and stead and for his/her use and benefit, to do the following:

(a) to exercise, do or perform any act, right, power, duty or obligation whatsoever in connection with, arising out of, or relating to any matter whatsoever involving this Declaration and the Properties;

(b) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the terms within this Declaration, or any part hereof, with such clause(s), recital(s), covenant(s), agreement(s) and restriction(s) as Declarant shall deem necessary, proper and expedient under the circumstances and conditions as may be then existing; and

(c) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the subdivision plat(s) of the Properties, or any part thereof, with any easements and rights-of-way to be therein contained as the Declarant shall deem necessary, proper and expedient under the conditions as may then be existing.

The rights, powers and authority of said attorney-in-fact to exercise any and all of the rights and powers herein granted shall commence and be in full force upon recordation of this Declaration in the Collin County Clerk's Office and shall remain in full force and effect thereafter until conclusion of the Development Period.

Section 2. Further Development. During the Development Period, each and every Owner, Resident and Member waives, relinquishes and shall not directly or indirectly exercise any and all rights, powers or abilities, and the Association shall not devote or expend any monies or personnel, regarding the following: to contest, object, challenge, dispute, obstruct, hinder or in any manner disagree with the proposed or actual development (including, without limitation, zoning or rezoning efforts or processes pertaining to residential, apartments, shopping centers, commercial, office buildings or retail uses) of any real property owned by the Declarant or by the affiliates, assignees or successors of the Declarant within the Properties which is generally consistent with the Development Plan and the Planning Areas.

Section 3. Duration. The Covenants of this Declaration shall run with and bind the land subject to this Declaration, and shall inure to the benefit of and be enforceable by the Association and/or the Owner and Resident of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for an original fifty (50) year term expiring on the fiftieth (50th) anniversary of the date of recordation of this Declaration, after which time these Covenants shall be automatically extended for

successive periods of ten (10) years unless an instrument is signed by the Owners of at least fifty-one percent (51%) of all Lots within this Subdivision and all the Subdivisions and recorded in the Deed Records of Collin County, Texas, which contains and sets forth an agreement to abolish these Covenants; provided, however, no such agreement [where approved by less than seventy-five percent (75%) of the Owners of all Lots within this Subdivision and all of the Subdivisions] to abolish shall be effective unless made and recorded one (1) year in advance of the effective date of such abolishment.

Section 4. Amendments. The Covenants set forth herein are expressly subject to change, modification and/or deletion by means of amendment at any time and from time to time as provided herein. Notwithstanding Section 3 of this Article, these Covenants may be amended and/or changed in part as follows:

(a) During the Development Period, and in response to any governmental or quasi-governmental suggestion, guideline, checklist, requisite or requirement, particularly with respect to those entities or agencies directly or indirectly involved in, or having an impact on, mortgage financing, mortgage insurance and/or reinsurance, the Declarant shall have the complete and unfettered right and privilege to amend, change, revise, modify or delete portions of these Covenants, and each and every Owner, Member and Resident specifically and affirmatively authorizes and empowers the Declarant, utilizing the attorney-in-fact status set forth in Section 1 above, to undertake, complete and consummate any and all such amendments, changes, revisions, modifications or deletions as Declarant (in its sole and absolute discretion) shall deem reasonable and appropriate;

(b) During the Development Period the Declarant may otherwise amend or change these Covenants by exercising its powers under Article XIII, Section 1 hereinabove or with the direct consent of at least fifty-one percent (51%) of the Owners of Lots within the Subdivision; and

(c) From and after conclusion of the Development Period these Covenants may be amended or changed upon the express written consent of the Board and at least fifty-one percent (51%) of the Owners of Lots within the Subdivision.

Any and all amendments shall be recorded in the Office of the County Clerk of Collin County, Texas.

Section 5. Enforcement. Each Owner of each Lot shall be deemed, and held responsible and liable for the acts, conduct and omission of each and every Resident, Member, guest and invitee affiliated with such Lot, and such liability and responsibility of each Owner shall be joint and several with their Resident(s), Member(s), guests and

invitees. The Payment and Performance Lien shall extend to, cover and secure the proper payment and performance by each and every Resident, Member, guest and invitee affiliated with each Owner. Each Owner may, upon appropriate application to and approval by the Association, impose greater or additional restraints and restrictions on the "good standing" qualifications of the Residents and Members of such Owner's Lot. Unless otherwise prohibited or modified by law, all parents shall be liable for any and all personal injuries and property damage proximately caused by the conduct of their children (under the age of 18 years) within the Properties. Enforcement of these Covenants may be initiated by any proceeding at law or in equity against any person or persons violating or attempting to violate them, whether the relief sought is an injunction or recovery of damages, or both, or enforcement of any lien created by these Covenants; but failure by the Association or any Owner to enforce any Covenant herein contained shall in no event be deemed a waiver of the right to do so thereafter. The City of McKinney, Texas is specifically authorized (but not obligated) to enforce these Covenants. With respect to any litigation hereunder, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, from the non-prevailing party.

Section 6. Validity. Violation of or failure to comply with these Covenants shall not affect the validity of any mortgage, bona fide lien or other similar security instrument which may then be existing on any Lot. Invalidation of any one or more of these Covenants, or any portions thereof, by a judgment or court order shall not affect any of the other provisions or covenants herein contained, which shall remain in full force and effect. In the event any portion of these Covenants conflicts with mandatory provisions of any ordinance or regulation promulgated by the City of McKinney (including, without limitation, the Zoning Ordinance), then such municipal requirement shall control.

Section 7. Proposals of Declarant. The proposals of the Declarant, as set forth in various provision hereinabove, to develop additional parcels of property for residential purposes and/or develop the Planning Areas and/or expand the Common Properties (not only geographically but also in terms of the types of amenities available for use) and items of a related nature are mere proposals and expressions of the existing good faith intentions and plans of the Declarant and shall not be deemed or construed as promises, solicitations, inducements, contractual commitments or material representations by the Declarant upon which any person or entity can or should rely. Nothing contained in or inferable from this Declaration shall ever be deemed to impose upon any other land owned or to be owned by the Declarant, or any related entity, any covenants, restrictions, easements or liens or to create any servitudes, negative reciprocal easements or other interests in any such land in favor of any person or entity other than the Declarant.

Section 8. Service Mark. Declarant is the prior and exclusive owner and proprietor of a registered service mark for:



STONEBRIDGE RANCH

(referred to as the "Service Mark"). Unless and until a written license agreement has been sought and obtained from Declarant (and in this connection Declarant may withhold consent in its sole and absolute discretion), no person or entity may at any time and/or for any reason whatsoever use, depict, draw, demonstrate, reproduce, infringe, copy or resemble, directly or indirectly, the Service Mark.

Section 9. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration. Words of any gender used herein shall be held and construed to include any other gender, and words in the singular shall be held to include the plural and vice versa, unless the context requires otherwise. Examples, illustrations, scenarios and hypothetical situations mentioned herein shall not constitute an exclusive, exhaustive or limiting list of what can or cannot be done.

Section 10. Notices to Resident/Member/Owner. Any notice required to be given to any Resident, Member or Owner under the provisions of this Declaration shall be deemed to have been properly delivered when: (i) deposited in the United States Mail, postage prepaid, addressed to the last known address of the person who appears as the Resident, Member or Owner on the records of the Association at the time of such mailing; or when (ii) delivered by hand or by messenger to the last known address of such person within the Properties; or when (iii) posted on the Association's bulletin board for at least thirty (30) consecutive calendar days.

Section 11. Notices to Mortgagees. The holder(s) of a mortgage may be furnished with written notification from the Association of any default by the respective mortgagor/Member/Owner in the performance of such mortgagor's/Member's/Owner's obligation(s) as established by this Declaration, provided that the Association has been theretofore furnished, in writing, with the correct name and address of such mortgage holder(s) and a request to receive such notification and a reasonable supply of self-addressed, stamped envelopes.

Section 12. Disputes. Matters of dispute or disagreement between Owners, Residents or Members with respect to interpretation or application of the provisions (excluding Article VIII architectural

matters and issues concerning "substantial completion") of this Declaration or the Association Bylaws, shall be determined by the Board of Directors. Matters pertaining to Article VIII architectural matters and issues concerning "substantial completion" shall be determined by the Master Architectural Review Committee. These respective determinations (absent arbitrary and capricious conduct or gross negligence) shall be final and binding upon all Owners, Residents and Members.

Section 13. Country Clubs. No Owner, Member or Resident shall have any rights in and to the private country clubs (and the amenities contained therein) situated within Stonebridge Ranch, including without limitation the entry upon or use of the facilities, unless pursuant to a private contractual membership agreement or otherwise under such terms and conditions and requirements which may be established by the owner/operator of the country club(s) from time to time. Neither the Declarant, the Association, the owner(s) and/or operator(s) of the country club(s), the members of the country clubs, the golf course architect(s) and/or engineer(s), nor the employees, representatives, guests, invitees, agents, heirs, successors and assigns of same, shall ever be liable to any Owner, Member, Resident, or their guests, invitees, servants, agents, employees or representatives, for any personal injury or property damage resulting from activity emanating from any country club, including, but not limited to, errant golf balls.

By virtue of taking title to a Lot or occupancy of a Dwelling Unit, each Owner, Member and Resident agrees to:

(a) assume the risk of injury or damage to property or persons resulting from activity emanating from the country clubs;

(b) obtain such policies of insurance as may be necessary to insure such Owner, Member, Resident, his guests, invitees, servants, agents, employees or representatives, from injury or damage to property or person resulting from activity emanating from the country clubs;

(c) release the Declarant, Association, the owner(s) and operator(s) of the country clubs, the members of the country clubs, the golf course architect(s) and engineer(s), and the employees, representatives, guests, invitees, agents, heirs, successors and assigns of same, from any liability for any personal injury or property damage resulting from activity emanating from the country clubs, including without limitation liability arising from the negligence of such released parties.

* * * * *

Witness the hand of an authorized representative of Declarant on the acknowledgment date noted below.

3092 543

DECLARANT: RANCH DEVELOPMENT COMPANY

Address:
c/o RCS Investments, Inc.
5956 Sherry Lane, Suite 800
Dallas, Texas 75225
(214) 739-1414

By: [Signature]
Richard C. Strauss

Its: Manager for and on behalf of
Ranch Development Company

THE STATE OF TEXAS

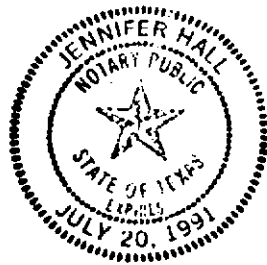
COUNTY OF Dallas

§ REPRESENTATIVE ACKNOWLEDGEMENT
§
§

This instrument was acknowledged before me on the 12th day of July, 1989 by Richard C. Strauss, the Manager of RANCH DEVELOPMENT COMPANY, a Delaware corporation, on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 12th day of July, 1989.

[S E A L]



Jennifer Hall
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

Jennifer Hall
[Print or Type Name of Notary]

My Commission Expires:

7/20/91

3092 544

EXHIBIT "A"

An attachment to the Master Declaration of
Covenants, Conditions, Restrictions,
Easements, Charges and Liens
on and for
Summer Point
(Phase I)

Lot(s)

Block

1
33, 34, 35
2 through 9
1 through 16

A
A
A
B

according to the "Summer Point-Phase I" final plat of a 5.812± acre tract of land [situated in the George McGarrah Survey, Abstract No. 573] filed and recorded in Cabinet G, Drawer 578 of the Map and Plat Records of Collin County, Texas.

17RPG/A

3092 545

Please return to:

Wayne R. Reynolds
Vice President
Republic Property Group, Inc.
5956 Sherry Lane, Suite 930
Dallas, TX 75225

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

FILED FOR RECORD 17th DAY OF July A.D. 19 89 at 1:13 P. M.
DULY RECORDED 18th DAY OF July A.D. 19 89.
BY: Shetha Roberts HELEN STARNES, County Clerk
DEPUTY. Collin County, Texas

3169 274

59551

VILLAGE
DECLARATION
of
COVENANTS, CONDITIONS AND RESTRICTIONS
on and for
SUMMER POINT
(Phase I)
at

NOV 17 11 21 AM '03

[Signature]



STONEBRIDGE RANCH

* * * * *

Scrivener's Note to Collin County Clerk
and to all
Abstracters and Title Examiners:

This instrument specifically refers to, and constitutes a covenant running with, the residential lots within that certain 5.812± acre tract situated within the George McGarran Survey, Abstract No. 573 of Collin County, Texas which has been formally subdivided in accordance with a certain subdivision plat entitled

"Summer Point
(Phase I)"

and filed and recorded in Cabinet G, Drawer 578 of the Map and Plat Records of Collin County, Texas, to which reference is hereby made for all purposes.

The name and address of the business entity which owns the subject land, and which is the Declarant herein, is:

RANCH DEVELOPMENT COMPANY
c/o RCS Investments, Inc.
5956 Sherry Lane, Suite 800
Dallas, Texas 75225
(214) 739-1414

This VILLAGE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made and effective as of the 24th day of October, 19 , by RANCH DEVELOPMENT COMPANY (sometimes referred to herein as the "Declarant"):

PREAMBLE

Declarant is the owner and developer of certain residential Lots within a 5.812± acre tract of land now commonly known and described as the SUMMER POINT (Phase I) Subdivision (which lots are more particularly described within Exhibit "A" attached hereto). Declarant previously prepared and filed (Clerk's File #35440 on 7-17-89) and recorded in Volume 3092, Pages 479-545 of the Public Real Estate Records of Collin County, Texas an instrument entitled:

Master
Declaration
of
Covenants, Conditions, Restrictions,
Easements, Charges and Liens
on and for
Summer Point
(Phase I)
at
Stonebridge Ranch

to which reference is hereby made for all purposes and it is sometimes referred to herein as the "Master Association". This instant Village Declaration is intended to establish a type of sub-association as envisioned by the Master Declaration (particularly as mentioned on pages 10 and 15 of the Master Declaration text).

Declarant proposes to establish and implement highly sophisticated plans for residential living, recreation, aesthetic and quality-of-life considerations. The purposes of this Village Declaration are to: create and implement a system for the care and maintenance of landscape within the Common Properties and the front yards of the residential Lots. Declarant desires to impose these restrictions on the Summer Point (Phase I) Subdivision property now and yet retain reasonable flexibility to respond to changing or unforeseen circumstances so as to guide, control and maintain the first-class quality and distinction of the Summer Point Village project.

The Summer Point Village Homeowners Association, Inc. (the "Association") will be chartered as a non-profit Texas corporation to assist in the ownership, management, use and care of certain common areas within Summer Point and to assist in the administration and enforcement of the covenants, conditions, restrictions, easements, charges and liens set forth with this Declaration.

DECLARATION

The Declarant hereby declares that the Summer Point (Phase I) Subdivision residential lots described within Exhibit "A" attached hereto, and such phases or additions thereto as may hereafter be made pursuant to Article II hereof, is and shall be owned, held, mortgaged, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens (sometimes collectively referred to hereinafter as "the Subdivision Covenants") hereinafter set forth. To better assure the proper operation and functioning of the Association and to promote the quality of life within Summer Point Village, the Declarant further declares that:

```

*****
*
* ACQUISITION OF ANY LOT WITHIN SUMMER POINT VILLAGE *
* SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS: *
*
* (A) THE "CLOSING INFORMATION PACKAGE" AND RELATED *
* DOCUMENTS HAVE BEEN PROPERLY EXECUTED BY THE *
* ASSOCIATION, DECLARANT AND THE PURCHASER/TRANSFeree; *
* AND *
*
* (B) ALL DIRECTIVES BY, AND ALL OBLIGATIONS TO, THE *
* ASSOCIATION AND THE DECLARANT HAVE BEEN PROPERLY *
* AND TIMELY SATISFIED. *
*
*****

```

ARTICLE I.

CONCEPTS AND DEFINITIONS

The following words, when used in this Declaration or in any amended or supplementary Declaration (unless the context shall otherwise clearly indicate or prohibit), shall have the following respective concepts and meanings:

"Amended Declaration" shall mean and refer to each and every instrument recorded in the Public Real Estate Records of Collin County, Texas which amends, supplements, modifies, clarifies or restates some or all of the terms and provisions of this Declaration.

"Annual Assessment" shall have the meaning specified in Article V below.

"Articles" shall mean and refer to the Articles of Incorporation (and all amendments thereto and restatements thereof) of the Association on file in the Office of the Secretary of State of the State of Texas, Austin, Texas.

"Assessable Property" shall mean and refer to each and every lot, parcel, tract, area, condominium apartment, unit and space within the Properties which: (i) the Declarant has subjected to and imposed upon a set of restrictive covenants calling for, inter alia, the payment of an Annual Assessment to the Association; (ii) may have been or will be given a separately identifiable tax or parcel number by the Central Appraisal District of Collin County ("CADCC") or a similar governmental agency; (iii) is not designated an "open space" or otherwise a portion of the Common Properties.

"Association" shall mean and refer to the SUMMER POINT VILLAGE HOMEOWNERS ASSOCIATION, INC., a non-profit Texas corporation which will have the power, duty and responsibility of maintaining and administering certain portions of the Properties and Common Properties, administering and enforcing these Covenants and otherwise maintaining and enhancing the quality of life within Summer Point Village.

"Board" shall mean and refer to the Board of Directors of the Association.

"Bylaws" shall mean and refer to the Bylaws of the Association, as adopted and amended from time to time in accordance with the provisions of the Texas Non-Profit Corporation Act and this Declaration.

"Common Properties" shall mean and refer to any and all areas of land within Summer Point Village, not otherwise owned or controlled by the Master Association, which are known, described or designated as common green, common areas, parks, recreational easements, lakes, ponds, dams, perimeter fences and columns, monuments and directional signs, landscape easements, greenbelts, and the like including without limitation those shown on any recorded subdivision plat of portions of the Properties as well as those not shown on a recorded subdivision plat but which are intended for or devoted to the common use and enjoyment of the Members of the Association, together with any and all improvements that are now or that may hereafter be constructed thereon. The Common Properties shall include (without limitation) Lot 9A in Block A, the island in Cades Cove and the landscape buffer at the end of Rancho Vista Drive. [However, the Common Properties shall not include the two (2) separate and privately owned golf and country clubs geographically situated within the center of Stonebridge Ranch nor shall it include any common property owned or controlled by the Master Association under the Master Declaration. For example, Lots 1A and 35A in Block A and Lot 16B in Block B are to be owned and controlled by the Master Association.] The Declarant reserves the right to use, during the Development Period, portions of the Common

Properties for business matters directly and indirectly related to Summer Point Village.

Declarant shall convey record title to some or all of the Common Properties to the Association if, as and when deemed appropriate by Declarant or as may be required by governmental officials, and Declarant shall at all times have and retain the right to effect minor redesigns or minor reconfigurations of the Common Properties (particularly along the golf courses and lake/pond edges) and to execute any open space declarations applicable to the Common Properties which may be permitted in order to reduce property taxes, and to take whatever steps may be appropriate to lawfully avoid or minimize the imposition of federal and state ad valorem and/or income taxes.

"Covenants" shall mean and refer to all covenants, conditions, restrictions, easements, charges and liens set forth within this Declaration.

"Declarant" shall mean and refer to Ranch Development Company and any or all successor(s) and assign(s) of Ranch Development Company with respect to the voluntary disposition of all (or substantially all) of the assets and/or stock of Ranch Development Company and/or the voluntary disposition of all (or substantially all) of the right, title and interest of Ranch Development Company in and to the Properties. Ranch Development Company shall be and hereby is authorized to designate DARLING HOMES, INC. as the successor Declarant. However, no other person or entity merely purchasing one or more Lots from Ranch Development Company in the ordinary course of business shall be considered a "Declarant".

"Declaration" shall mean and refer to this particular instrument entitled "Village Declaration of Covenants, Conditions and Restrictions on and for Summer Point (Phase I)", together with any and all amendments or supplements hereto.

"Deed" shall mean and refer to any deed, assignment, testamentary bequest, muniment of title or other instrument, or intestate inheritance and succession, conveying or transferring fee simple title or a leasehold interest or another legally recognized estate in a Lot.

"Development Period" shall mean a period commencing on the date of the recording of this Declaration in the public real estate records of Collin County, Texas and continuing thereafter until and ending the earlier to occur of: (i) substantial completion of all development within Summer Point Village, as determined by the Declarant; or (ii) the tenth (10th) anniversary of the date of recordation of this Declaration in the public real estate records of Collin County, Texas.

"Dwelling Unit" shall mean and refer to any building or portion of a building situated upon the Properties which is designed and intended for use and occupancy as a residence by a single person, a couple, a family or a permitted family size group of persons.

"Easement Area" shall mean and refer to those areas which may be covered by an easement specified in Article VI below.

"Eligible Insurers" is defined in Article VII below.

"Eligible Mortgagees" is defined in Article VII below.

"Exempt Property" shall mean and refer to the following portions of the Properties: (i) all land and Improvements owned by the United States of America, the State of Texas, Collin County or any instrumentality, political subdivision or agency of any such governmental entity acting in a governmental (rather than a proprietary) capacity; (ii) all land and Improvements owned (including legal and beneficial ownership, whether now or in the future) by the Association or the Master Association or constituting a portion of the Common Properties; (iii) all land and Improvements which are not only exempt from the payment of ad valorem real property taxes by Collin County, the McKinney Independent School District, the Frisco Independent School District and the State of Texas, but also are exempt from the payment of any assessments hereunder as expressly determined by written resolution of the Declarant and/or the Association; and (iv) such other land(s) and/or Improvement(s) and/or Lot(s) which are specifically exempted from the payment of annual Assessments in accordance with a special resolution of the Board.

"Fiscal Year" shall mean each twelve (12) month period commencing on January 1 and ending on the following December 31, unless the Board shall otherwise select an alternative twelve month period.

"Front Yard" shall mean and refer to: (i) as to interior lots, the front yard area of the residence between the street (on the one hand) and the dwelling exterior and fence (on the other hand); and (ii) as to corner lots, the front yard area of the residence between the street (on the one hand) and the dwelling exterior and fence (on the other hand), and that portion of the side yard area exposed to the street, between the street (on the one hand) and the dwelling exterior and fence (on the other hand), but excluding patios, courtyards and fenced areas, unless otherwise defined by the Association.

"Greenway Frontage" shall mean and refer to golf courses, parks, common green space, recreational facilities (including lakes, hike and bike trails and the like) which are adjacent to rear or side yard Lot lines and/or clearly visible from public streets, sidewalks and rights-of-way.

"Institutional Mortgage" shall mean and refer to any bona-fide mortgage, lien or security interest held by a bank, trust company, insurance company, savings and loan association or other recognized lending institution, or by an institutional or governmental purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or their successors, or guaranteed or subsidized by the FHA and/or VA.

"Lot" shall mean and refer to each separately identifiable portion of the Assessable Property, including any condominium unit, which is platted, filed and recorded in the office of the County Clerk of Collin County, Texas and which is assessed by any one or more of the Taxing Authorities and which is not intended to be an "open space" or a portion of the Common Properties.

"Master Association" shall mean and refer to the Stonebridge Ranch Community Association, Inc., an existing non-profit Texas corporation identified and discussed within the Master Declaration.

"Master Declaration" shall mean and refer to the Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens on and for Summer Point at Stonebridge Ranch as recorded in Volume 3092, Pages 479-545, Deed Records of Collin County, Texas.

"Member" shall mean and refer to each Owner who is properly registered, and in good standing, with the Association.

"Owner" shall mean and refer to the holder(s) of record title to the fee simple interest of any Lot whether or not such holder(s) actually reside(s) on any part of the Lot.

"Payment and Performance Lien" shall mean and refer to the lien described within Sections 8 and 9 of Article V hereinbelow.

"Phase" shall mean and refer to each and every portion of the Village which is the specific subject of a subdivision plat.

"Properties" shall mean and refer to: (i) the land described within Exhibit "A" attached hereto; and (ii) other land within the Summer Point Village project within the Stonebridge Ranch development.

"Resident" shall mean and refer to each person (not otherwise an Owner or Member) authorized by the Owner to reside within the Owner's Dwelling Unit.

"Subdivision" shall mean and refer to the Summer Point (Phase I) subdivision, a subdivision phase of certain land as described within Exhibit "A" attached hereto, in accordance with the map and plat thereof filed of record in the Map and Plat Records of Collin County, Texas, as well as any and all revisions, modifications, corrections or clarifications thereto.

"Subdivisions" shall mean and refer to the Subdivision as well as all other subdivisions within the Summer Point Village.

"Trustee" shall mean and refer to Darling Homes, Inc., a Texas corporation, and its successors and assigns.

"Village" shall mean and refer to the Summer Point Village community arising out of the development, construction, use and

occupancy of all Phases of Subdivision plats bearing the same common name.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION

Section 1. Existing Property. The residential Lots which are, and shall be, held, transferred, sold, conveyed and occupied subject to this Declaration within the Summer Point (Phase I) Subdivision and Village are more particularly described within Exhibit "A" attached hereto and incorporated herein by reference for all purposes.

Section 2. Additions to Existing Property. Additional land(s) within Stonebridge Ranch may become subject to this Declaration, or the general scheme envisioned by this Declaration, as follows:

(a) The Declarant may (without the joinder and consent of any person or entity but provided such land area is within the original boundaries of Stonebridge Ranch) add or annex additional real property to the scheme of this Declaration within the next twenty-five (25) years by filing of record an appropriate enabling declaration, generally similar to this Declaration, which may extend the scheme of the Covenants to such property. Provided further however, such other declaration(s) may contain such complementary additions and modifications of these Covenants as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with the concept and purpose of this Declaration.

(b) In the event any person or entity other than the Declarant desires to add or annex additional Assessable Property and/or Common Property to the scheme of this Declaration, such annexation proposal must have the express approval of the Board.

No land parcels outside the original perimeter of Stonebridge Ranch may be annexed without the consent of at least two-thirds (2/3) of the Owners (excluding the Declarant).

Any additions made pursuant to this Section 2, when made, shall automatically extend the jurisdiction, functions, duties and membership of the Association to the properties added and correspondingly subject the properties added to the covenants of the enabling declaration. Upon any merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law or by lawful articles or agreement of merger, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law or by lawful articles or

agreement of merger, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Covenants established by this Declaration, together with the covenants and restrictions established upon any other properties, as one scheme.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Each and every Owner of each and every Lot within a Subdivision or Village which is subjected to these, or substantially similar, Covenants shall automatically be, and must at all times remain, a Member of the Association.

Section 2. Voting Rights. There shall be one (1) class of voting Members: the Owner(s) (in good standing with the Association) of each Lot shall be entitled to one (1) vote per Lot. Where more than one (1) Owner owns and holds a record fee interest in a Lot such Owner(s) may divide and cast portions of the one (1) vote as they decide, but in no event shall any one (1) Lot yield more than one (1) vote.

Any Owner shall not be in "good standing" if such person or entity is: (a) in violation of any portion of these Covenants, or any rule or regulation promulgated by the Board; (b) delinquent in the full, complete and timely payment of any Annual Assessment, special assessment, or any other fee, charge or fine which is levied, payable or collectible pursuant to the provisions of these Covenants, the Bylaws or any rule or regulation promulgated by the Board.

The Board may make such rules and regulations, consistent with the terms of this Declaration and the Bylaws, as it deems advisable, for: any meeting of Members; proof of membership in the Association; the status of good standing; evidence of right to vote; the appointment and duties of examiners and inspectors of votes; the procedures for actual voting in person or by proxy; registration of Owner(s) for voting purposes; and such other matters concerning the conduct of meetings and voting as the Board shall deem fit.

Section 3. Board of Directors. The affairs of the Association shall be managed initially by a board of three (3) individuals. However, beginning with the fifth (5th) annual meeting of the Members of the Association and continuing thereafter the Board shall be expanded to consist of five (5) individual Directors.

The Directors need not be Members of the Association. Directors shall be elected for two year terms of office and shall serve until their respective successors are elected and qualified. Any vacancy which occurs in the Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Board by the affirmative vote of a majority of the remaining Directors. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he or she was elected to fill.

ARTICLE IV

RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES

Section 1. Easement. Subject to the provisions of Sections 2 through 6 of this Article, each and every Owner in good standing with the Association shall have a non-exclusive right and easement of enjoyment in and to all Common Properties, and such easement shall be appurtenant to and shall pass with every Lot, provided the conveyance and transfer is accomplished in accordance with this Declaration.

Section 2. Extent of Owners' Easements. The rights and easements of use, recreation and enjoyment created hereby shall be subject to the following:

(a) The right of the Declarant or Association to prescribe reasonable regulations and policies governing and related to the use, operation and maintenance of the Common Properties;

(b) Liens or mortgages placed against all or any portion of the Common Properties with respect to monies borrowed by the Declarant to develop and improve the Properties or Common Properties or by the Association to improve or maintain the Common Properties;

(c) The right of the Association to enter into and execute contracts with any party (including, without limitation, the Declarant, the Master Association or their respective corporate affiliates) for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Association and/or this Declaration;

(d) The right of the Declarant or the Association to take such steps as are reasonably necessary to protect the Common Properties against foreclosure;

(e) The right of the Declarant or the Association to suspend the voting rights of any Member and to suspend the right of any Member to

use or enjoy any of the Common Properties for any period during which any assessment (including without limitation "fines") against a Lot resided upon by such Member remains unpaid, or during which non-compliance with this Declaration exists, and otherwise for any period deemed reasonable by the Association for an infraction of the then-existing rules and regulations;

(f) The right of the Declarant and/or the Association to dedicate or transfer all or any part of the Common Properties to any municipal corporation, public agency, governmental authority, or utility for such purposes and upon such conditions as may be agreed to by the Declarant and the Board; and

(g) The right of the Declarant and/or the Association to grant permits, licenses and easements over the Common Properties for utilities, roads and other purposes deemed necessary by the Board.

Section 3. Restricted Actions by Members. No Member shall permit anything to be done on or in the Common Properties which would violate any applicable public law or zoning ordinance or which would result in the cancellation of or the increase of premiums for any insurance carried by the Association, or which would be in violation of any law or any rule or regulation promulgated by the Board.

Section 4. Damage to the Common Properties. Each Owner shall be liable to the Association for any damage to any portion of the Common Properties caused by the negligence or willful misconduct of the Owner or his family and guests.

Section 5. Rules of the Board. All Owners shall abide by any rules and regulations adopted by the Board. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner determined to have violated said rules and regulations shall be liable to the Association for all damages and costs, including reasonable attorneys' fees.

Section 6. Use of Common Properties. The Board shall have the power and authority to prescribe rules and regulations which extend to and cover matters such as (but not limited to) smoking, the possession and consumption of alcoholic beverages, loud and obnoxious noises and behavior, dress and attire and the supervision by attending adults of children. No person or entity (excluding the Declarant) shall use any portion of the Common Properties to:

- (a) solicit, promote or conduct business, religious, political or propaganda matters;
- (b) distribute handbills, newsletters, flyers, circulars or other printed materials,

without the prior written consent of the Association (which consent may be withheld in its sole and absolute discretion).

ARTICLE V.

COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned by it within the Subdivision, hereby covenants and agrees, and each subsequent Owner of any Lot, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such Deed or other conveyance, shall be deemed to covenant and agree (and such covenant and agreement shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot so as to have affected the purchase price) to pay to the Association (or to an independent entity or agency which may be designated by the Association to receive such monies):

- (1) regular Annual Assessments;
- (2) special group assessments for capital improvements or unusual or emergency matters, such assessments to be fixed, established and collected from time to time as hereinafter provided;
- (3) special individual assessments levied against individual Owners to reimburse the Association for extra or unusual costs incurred for items such as (but not limited to): maintenance and repairs to portions of the Properties caused by the willful or negligent acts of the individual Owner, Member or Resident; the remedy, cure or minimizing of problems caused by, or as a result of, violations of these Covenants by an Owner, Member or Resident; and
- (4) individual assessments and fines levied against an individual Owner, Member or Resident for violations of rules and regulations pertaining to the Association and/or the Common Properties.

The regular, special group, special individual and individual assessments, together with such late charges, interest and costs of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien upon each Lot against which each such assessment is made and shall also be the continuing personal obligation of the then-existing Owner, Member and Resident of such Lot at the time when the assessment fell due. Each Owner of each Lot shall be directly liable and responsible to the Association for the acts, conduct and omission of each and every Member and Resident associated with the Dwelling Unit(s) on such Owner's Lot.

Section 2. Purposes of Assessments. The assessments levied by the Association shall be used for the purposes of promoting the comfort, health, recreation, safety, convenience, welfare and quality of life of the residents of the Properties (including without limitation Front Yard maintenance) and otherwise for the improvement and maintenance of greenbelt easements, walkways, common green, hike and bike trails, ponds, lakes, recreational areas and other properties, services and facilities devoted and related to the use and enjoyment of the Common Properties and operation of the Association.

Section 3. Basis and Amount of Annual Assessments. The basis and concept of determining, revising and collecting the Annual Assessment shall be a uniform "per Lot" charge, regardless of the size of the Lot (as well as whether the Lot is a "corner lot" or not) and the value of any improvements thereon. For the first Fiscal Year the Annual Assessment shall be \$828.00 per Lot. The amount of the assessment in subsequent fiscal years may be adjusted by the Association as in its judgment may be necessary.

Section 4. Special Group Assessments. In addition to the regular Annual Assessment authorized by Section 3 hereof, the Association may levy in any Fiscal Year a special assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Common Properties, including any necessary fixtures and personal property related thereto or for any unusual or emergency purpose(s) (including without limitation those matters arising out of litigation and/or judgments); provided that any such assessment shall have the affirmative approval of at least three-fourths of the individuals comprising the Board.

Section 5. Rate of Assessments. Both regular and special group assessments must be fixed at a uniform rate for each and all Lots.

Section 6. Date of Commencement of Assessments; Due Dates. The Annual Assessment shall be due and payable in two (2) equal semi-annual installments, on the 1st and on the 180th day of each Fiscal Year and shall, if not automatically paid within thirty (30) consecutive calendar days thereafter, automatically become delinquent. The Board shall use reasonable efforts to provide each Owner with an invoice statement of the appropriate amount due, but any failure to provide such a notice shall not relieve any Owner of the obligation established by the preceding sentence. The Board may (but is not required to), however, prescribe time-price differential payment schedules which would permit the collection of an amount greater than the Annual Assessment on a quarterly or monthly basis provided that the creditworthiness of the Owner was acceptable to the Board and the inconvenience to the staff of the Association for additional invoicing and collection efforts was minimized or eliminated. The Board may further prescribe: (a) procedures for collecting advance regular Annual Assessments from new Owners out of "closing transactions"; and

(b) different procedures for collecting assessments from Owners who have had a recent history of being untimely in the payment(s) of assessments.

Section 7. Duties of the Board of Directors with Respect to Assessments.

(a) In the event of a revision to the amount or rate of the Annual Assessment, or establishment of a special group assessment, the Board shall fix the amount of the assessment against each Lot, and the applicable due date(s) for each assessment, at least sixty (60) days in advance of such date or period and shall, at that time, prepare a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association;

(b) Written notice of the applicable assessment shall be actually or constructively furnished to every Owner subject thereto in accordance with the procedures then determined by the Board as being reasonable and economical; and

(c) The Board shall, upon reasonable demand, furnish to any Owner originally liable for said assessment, a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid. A reasonable charge may be made by the Board for the issuance of such certificate.

Section 8. Effect of Non-Payment of Assessment; the Personal Obligation of the Owner; the Lien; and Remedies of Association.

(a) Effective as of, and from and after the filing and recordation of this Declaration, there shall exist a self-executing and continuing contract Payment and Performance Lien and equitable charge on each Lot to secure the full and timely payment of each and all assessments and all other charges and monetary amounts and performance obligations due hereunder. Such lien shall be at all times superior to any claim of homestead by or in any Owner. If any assessment, charge or fine or any part thereof is not paid on the date(s) when due, then the unpaid amount of such assessment, charge or fine shall (after the passage of any stated grace period) be considered delinquent and shall, together with any late charge and interest thereon at the highest lawful rate of interest per annum and costs of collection thereof, become a continuing debt secured by the self-executing Payment and Performance Lien on the Lot of the non-paying Owner which shall bind such Lot in the hands of the Owner and Owner's heirs, executors, administrators, devisees, personal representatives, successors and assigns. The Association shall have the right to reject partial payments of an unpaid assessment or other monetary obligation and demand the full payment thereof. The personal obligation of the then-existing Owner to pay such assessment, however,

shall remain the Owner's personal obligation and shall not pass to Owner's successors in title unless expressly assumed by them. However, the lien for unpaid assessments shall be unaffected by any sale or assignment of a Lot and shall continue in full force and effect. No Owner may waive or otherwise escape liability for any assessment provided herein by non-use of the Common Properties or abandonment of the Lot. No diminution or abatement of assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the Association, or for inconvenience or discomfort arising from the making of improvements or repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such assessments being a separate and independent covenant on the part of each Owner;

(b) The Association may also give written notification to the holder(s) of any mortgage on the Lot of the non-paying Owner of such Owner's default in paying any assessment, charge or fine, particularly where the Association has theretofore been furnished in writing with the correct name and address of the holder(s) of such mortgage, a reasonable supply of self-addressed postage prepaid envelopes, and a written request to receive such notification;

(c) If any assessment, charge or fine or part thereof is not paid when due, the Association shall have the right and option to impose a late charge (but only to the extent permitted by applicable law) to cover the additional administrative costs involved in handling the account and/or to reflect any time-price differential assessment schedule adopted by the Association. The unpaid amount of any such delinquent assessment, charge or fine shall bear interest from and after the date when due at the highest lawful rate of interest per annum until fully paid. If applicable state law provides or requires an alternate ceiling under Vernon's Annotated Texas Civil Statutes Article 5069-1.04, then that ceiling shall be the indicated rate ceiling. The Association may, at its election, retain the services of an attorney to review, monitor and/or collect unpaid assessments, charges, fines and delinquent accounts, and there shall also be added to the amount of any unpaid assessment, charge, fine or any delinquent account any and all attorneys' fees and other costs of collection incurred by the Association;

(d) The Association may, at its discretion but subject to all applicable debt collection statutes: (i) prepare and file a lien affidavit in the public records of Collin County, Texas which specifically identifies the unpaid assessments, charges or fines; and (ii) publish and post, within one or more locations within the Properties, a list of those individuals or entities who are delinquent and, if applicable, their suspended use and enjoyment of the Common Properties

until and unless the delinquency has been cured to the reasonable satisfaction of the Association. Each Owner consents to these procedures and authorizes the Board to undertake such measures for the general benefit of the Association;

(e) All agreements between any Owner and the Association and/or Declarant, whether now existing or hereafter arising and whether written or oral and whether implied or otherwise, are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to the Association and/or Declarant or for the payment or performance of any covenant or obligation contained herein or in any other document exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof or of such other document at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Association and/or Declarant should ever receive an amount deemed interest by applicable law which shall exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the actual base assessment amount or principal amount owing hereunder and other indebtedness of the Owner to the Association and/or Declarant and not to the payment of interest of if such excessive interest exceeds the unpaid balance of the actual Annual Assessment hereof and such other indebtedness, the excess shall be refunded to Owner. All sums paid or agreed to be paid by any Owner for the use, forbearance or detention of any indebtedness to the Association and/or Declarant shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the interest charged, collected or received on account of such indebtedness is never more than the maximum amount permitted by applicable law. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between any Owner and the Association and/or Declarant.

Section 9. Power of Sale. The lien described within the preceding Section is and shall be a contract Payment and Performance Lien. Each Owner, for the purpose of better securing each and all monetary obligations described within these Covenants, and in consideration of the benefits received and to be received by virtue of the ownership of real estate within Summer Point Village, has granted, sold and conveyed and by these covenants does grant, sell and convey unto the Trustee, such Owner's Lot. To have and to hold such Lot, together with the rights, privileges and appurtenances thereto belonging unto the said Trustee, and to its substitutes or successors, forever. And each Owner does hereby bind himself and/or herself, their heirs, executors, administrators and assigns to warrant and forever defend the Lot unto the said Trustee, its substitutes or successors and

assigns, forever, against the claim, or claims of all persons claiming or to claim the same or any part thereof.

This conveyance is made in trust to secure payment of each and all assessments and other obligations prescribed by these Covenants to and for the benefit of the Association as the Beneficiary. In the event of default in the payment of any obligation hereby secured, in accordance with the terms thereof, then and in such event, Beneficiary may elect to declare the entire indebtedness hereby secured with all interest accrued thereon and all other sums hereby secured due and payable (subject, however, to the notice and cure provisions set forth in Section 51.002 of the Texas Property Code), and in the event of default in the payment of said indebtedness when due or declared due, it shall thereupon, or at any time thereafter, be the duty of the Trustee, or its successor or substitute as hereinafter provided, at the request of Beneficiary (which request is hereby conclusively presumed), to enforce this trust; and after advertising the time, place and terms of the sale of the Lot then subject to the lien hereof, and mailing and filing notices as required by Section 51.002, Texas Property Code, as then amended, and otherwise complying with all applicable laws, the Trustee shall sell the Lot, then subject to the lien hereof, at public auction in accordance with such notices on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P.M., to the highest bidder for cash, selling all of the Lot as an entirety or in such parcels as the Trustee acting may elect, and make due conveyance to the Purchaser or Purchasers, with general warranty binding upon the Owner, his heirs and assigns; and out of the money arising from such sale, the Trustee acting shall pay first, all the expenses of advertising the sale and making the conveyance, including a reasonable commission to itself, which commission shall be due and owing in addition to the attorney's fees provided for, and then to Beneficiary the full amount of principal, interest, attorney's fees and other charges due and unpaid on said indebtedness secured hereby, rendering the balance of the sales price, if any, to the Owner, his heirs or assigns and/or to any other lienholders (if so required by applicable law); and the recitals in the conveyance to the Purchaser or Purchasers shall be full and conclusive evidence of the truth of the matters therein stated, and all prerequisites to said sale shall be presumed to have been performed, and such sale and conveyance shall be conclusive against the Owner, his heirs and assigns.

It is agreed that in the event a foreclosure hereunder should be commenced by the Trustee, or its substitute or successor, Beneficiary may at any time before the sale of said property direct the said Trustee to abandon the sale, and may then institute suit for the collection of said indebtedness, and for the foreclosure of this contract Payment and Performance Lien; it is further agreed that if Beneficiary should institute a suit for the collection thereof, and for a foreclosure of this contract lien, that it may at any time

before the entry of a final judgment in said suit dismiss the same, and require the Trustee, its substitute or successor to sell the Lot in accordance with the provisions of this section. Beneficiary, if it is the highest bidder, shall have the right to purchase at any sale of the Lot, and to have the amount for which such Lot is sold credited on the debt then owing. Beneficiary in any event is hereby authorized to appoint a substitute trustee, or a successor trustee, to act instead of the Trustee named herein without other formality than the designation in writing of a substitute or successor trustee; and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness hereby secured has been paid in full, or until said Lot is sold hereunder, and each substitute and successor trustee shall succeed to all of the rights and powers of the original trustee named herein. In the event any sale is made of the Lot, or any portion thereof, under the terms of this section, the Owner, his heirs and assigns, shall forthwith upon the making of such sale surrender and deliver possession of the property so sold to the Purchaser at such sale, and in the event of his failure to do so he shall thereupon from and after the making of such sale be and continue as tenants at will of such Purchaser, and in the event of his failure to surrender possession of said property upon demand, the Purchaser, his heirs or assigns, shall be entitled to institute and maintain an action for forcible detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such property, or any part thereof, is situated. The foreclosure of the continuing contract lien on any one or more occasions shall not remove, replace, impair or extinguish the same continuing lien from securing all obligations arising from and after the date of foreclosure.

Section 10. Rights of the Master Association. In the event that the Association, its successors or assigns, shall fail or refuse to adequately maintain the appearance and condition of the Common Properties and/or the Properties which it is obligated to maintain hereunder, the Master Association shall have the right (but not the obligation) and may assume the duty of performing all such maintenance obligations of the Association at any time, upon giving written notice to the Owners or at any time after the expiration of ten (10) days after receipt by the Association, its successors or assigns, of written notice specifying in detail the nature and extent of the failure to maintain without such failure being remedied, whichever notice shall be deemed appropriate by the Master Association. Upon assuming such maintenance obligations, the Master Association may levy an assessment upon each Lot on a pro rata basis for the cost of such maintenance, notwithstanding any other provisions contained in this Declaration, which assessment shall constitute a lien upon the Lot against which each assessment is made. During the period the Master Association has a right and assumes the obligation to maintain and care for the Common Properties and/or Properties, the Association shall have no obligation or authority with respect to such

maintenance. The right and authority of the Master Association to maintain the Common Properties and/or Properties shall cease and terminate when the Association, its successors or assigns, shall present to the Master Association reasonable evidence of its willingness and ability to resume maintenance of the Common Properties and/or Properties. In the event the Master Association assumes the duty of performing the maintenance obligations of the Association as provided herein, then the Master Association, its agents, representatives and employees shall have the right of access to and over the Common Properties and/or Properties for the purpose of maintaining, improving and preserving the same; and in no event, and under no circumstances shall the Master Association be liable to the Association or any Owner, resident or member, or their respective heirs, executors, administrators, devisees, personal representatives, successors and assigns for negligent acts or construction relating in any manner to maintaining, improving and preserving the Common Properties and/or Properties, or to any Owner, resident, member, the Association or any other person for failure to perform such maintenance.

Section 11. Rights of City of McKinney. In the event that the Association, its successors or assigns, and the Master Association shall fail or refuse to adequately maintain the appearance and condition of the Common Properties and/or Properties which the Association is obligated to maintain hereunder, the City of McKinney, Texas shall have the right and may assume the duty of performing all such maintenance obligations of the Association at any time, upon giving written notice to the Owners or at any time after the expiration of ten (10) days after receipt by the Association, its successors or assigns, of written notice specifying in detail the nature and extent of the failure to maintain without such failure being remedied, whichever notice shall be deemed appropriate by the City of McKinney. Upon assuming such maintenance obligations, the City of McKinney may levy an assessment upon each Lot on a pro rata basis for the cost of such maintenance, notwithstanding any other provisions contained in this Declaration, which assessment shall constitute a lien upon the Lot against which each assessment is made. During the period the City of McKinney has a right and assumes the obligation to maintain and care for the Common Properties and/or Properties, the Association shall have no obligation or authority with respect to such maintenance. The right and authority of the City of McKinney to maintain the Common Properties and/or Properties shall cease and terminate when the Association, its successors or assigns, shall present to the City of McKinney reasonable evidence of its willingness and ability to resume maintenance of the Common Properties and/or Properties. In the event the City of McKinney assumes the duty of performing the maintenance obligations of the Association as provided herein, then the City of McKinney, its agents, representatives and employees shall have right of access to and over the Common Properties and/or Properties for the purpose of maintaining, improving and preserving the same; and in no

event, and under no circumstances, shall the City of McKinney be liable to the Association or any Owner, Resident or Member, or their respective heirs, executors, administrators, devisees, personal representatives, successors and assigns for negligent acts or construction relating in any manner to maintaining, improving and preserving the Common Properties and/or Properties, or to any Owner, Resident, Member, the Association or any other person for failure to perform such maintenance.

Section 11. Subordination of the Lien to Mortgages. The lien securing the payment of the assessments and other obligations provided for herein shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Lot whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, except for:

- (a) bona-fide first mortgage or deed of trust liens for purchase money and/or home improvement purposes placed upon a Lot, including without limitation Institutional Mortgages and Eligible Mortgages, in which event the Association's lien shall automatically become subordinate and inferior to such first lien;
- (b) liens for taxes or other public charges as are by applicable law made superior to the Association's lien; and
- (c) such other liens about which the Board may, in the exercise of its reasonable discretion, elect to voluntarily subordinate the Association's lien;

provided however, such subordination shall apply only to: (i) the assessments which have been due and payable prior to the foreclosure sale (whether public or private) of such Lot pursuant to the terms and conditions of any such first mortgage or deed of trust or tax lien; (ii) the permitted lien on the Lot alone and not on or to any easement appurtenant for use and enjoyment of the Common Properties. Such sale shall not relieve such Lot from liability for the amount of any assessment thereafter becoming due nor from the lien of any such subsequent assessment. Such subordination shall not apply where the first mortgage or deed of trust or tax lien is used as a device, scheme or artifice to evade the obligation to pay assessments and/or to hinder the Association in performing its functions hereunder.

Section 12. Exempt Property. The following property otherwise subject to this Declaration shall be exempted from any assessments, charge and lien created herein:

- (a) All properties dedicated to and accepted by a local public or governmental authority;

- (b) Common Properties; and
- (c) Exempt Property.

ARTICLE VI.

FRONT YARD MAINTENANCE; EASEMENTS

Section 1. Front Yard Maintenance. The Board, for the benefit of the Owners, shall provide and pay for (out of the assessment fund[s] established within this Declaration) maintenance of the Front Yard of each Lot, in accordance with the Board's determinations and specifications which may be revised from time to time and at any time.

Section 2. Ingress, Egress and Maintenance by the Association. Full rights of ingress and egress shall be had by the Association at all times over and upon each Lot for the carrying out by the Association of its functions, duties and obligations hereunder; provided, however, that any such entry by the Association upon any Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be repaired by the Association at the expense of the Association's maintenance fund.

ARTICLE VII.

RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

The provisions within this Article are for the primary benefit of:

(a) the owners and holders of Institutional Mortgages which are required to satisfy the applicable requirements of FHA, VA, FNMA, FLMC and other similar governmental, quasi-governmental and nationally recognized public and/or private sources of end financing (such mortgagees sometimes collectively referred to herein as "Eligible Mortgagees" and their mortgages referred to as "Eligible Mortgages"); and

(b) the insurers, guarantors, participants and subsidizers of the Eligible Mortgages, sometimes collectively referred to herein as the "Eligible Insurers."

To the extent applicable, necessary or proper, the provisions of this Article VII apply not only to this Declaration but also to the Articles of Incorporation and By-Laws of the Association. This Article is supplemental to, and not in substitution of, any other provisions of this Declaration, the Articles of Incorporation and By-Laws, but in the event of ambiguity or conflict, this Article shall control.

Section 1. Notices of Action. An Eligible Mortgagee or Eligible Insurer who provides written request to the Association (such request to state the name and address of such holder, insurer or guarantor and a reasonable description of the Dwelling Unit covered by the Eligible Mortgage) will be entitled to receive timely written notice of:

- (a) any proposed termination of the Association;
- (b) any condemnation loss or any casualty loss which affects a material portion of the Subdivision or which materially affects any Dwelling Unit on which there is an Eligible Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer, as applicable;
- (c) any delinquency in the payment of assessments or charges owed by an Owner of a Dwelling Unit subject to the Eligible Mortgage of such Eligible Mortgagee or Eligible Insurer, where such delinquency has continued for a period of sixty (60) days;
- (d) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or
- (e) any proposed action which would require the consent of the Eligible Mortgagees as required hereinbelow.

Section 2. Joinder to Documents. In addition to the provisions set forth within Article VIII, Eligible Mortgagees who have requested the Association to notify them concerning any proposed action that requires the consent of a specified percentage of Eligible Mortgagees also have the right to join in the decision making about certain amendments to this Declaration. Amendments of a material nature (as defined below) must be agreed to by: (i) at least sixty-seven percent (67%) of the Dwelling Unit Owners; and (ii) the Declarant or the Board of Directors of the Association; and (iii) Eligible Mortgagees representing at least fifty-one percent (51%) of the Dwelling Units that are subject to Eligible Mortgages. A substantive change to any of the following would be considered as material:

- voting rights;
- assessments, assessment liens, or subordination of assessment liens;
- reserves for maintenance, repair, and replacement of Common Properties;
- responsibility for maintenance and repairs;
- boundaries of any Lot covered by an Eligible Mortgage;

- convertibility of Dwelling Units into Common Properties or vice versa;
- expansion or contraction of the Subdivision, or the addition, annexation, or withdrawal of the property to or from the Subdivision;
- insurance or fidelity bonds;
- leasing of Dwelling Units;
- imposition of any restrictions on a Dwelling Unit Owner's right to sell or transfer his or her Dwelling Unit;
- a decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgagee;
- any action to terminate the legal status of the Subdivision after substantial destruction or condemnation occurs; or
- any provisions that expressly benefit Eligible Mortgagees or Eligible Insurers.

Additions or amendments such as the correction of a technical error or the clarification of a statement shall not be considered or construed as being "material."

If and when the Dwelling Unit Owners are considering termination of the coverage of this Declaration over the Subdivision for reasons other than substantial destruction or condemnation, the Eligible Mortgagees representing at least sixty-seven percent (67%) of the mortgaged Dwelling Units in the Subdivision must agree.

Section 3. Special FHLMC Provision. So long as required by The Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the other Sections of this Article. Unless two-thirds (2/3) of the Eligible Mortgagees or Owners give their consent, and subject to the condition that any proposed action of the Association purportedly covered by the following requirements must be material and adverse, the Association shall not:

(a) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Properties which the Association owns, directly or indirectly (but the granting of easements for public utilities or for other public purposes consistent with the intended use of the development shall not be deemed a transfer);

(b) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;

(c) by act or omission charge, waive or abandon any scheme of regulations or enforcement thereof pertaining to the exterior appearance and maintenance of Dwelling Units and of the Common Properties;

(d) assign any future income of the Association, including its right to receive assessments;

(e) fail to maintain fire and extended coverage insurance on assets owned by the Association, if required by this Declaration; or

(f) use hazard insurance proceeds for any Common Properties losses for other than the repair, replacement or reconstruction of such properties.

The provisions of this Section 3 shall not be construed to reduce the percentage vote that must be obtained from Eligible Mortgagees or Owners when a larger percentage vote is otherwise required for any of the actions described in this Section.

Eligible Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Properties and may pay overdue premiums on casualty insurance policies, or secure new casualty insurance coverage upon the lapse of a policy, for the Common Properties, and Eligible Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

Section 4. Approval of Amendments. The failure of an Eligible Mortgagee or Eligible Insurer to respond within thirty (30) days to any written request of the Association for approval of an addition or amendment shall constitute an implied written approval of the addition or amendment.

Section 5. Inspection of Books. The Association shall have current copies of the Declaration, Articles of Incorporation, Bylaws, rules and regulations, books, records and financial statements available for inspection by Dwelling Unit Owners and by Eligible Mortgagees and Eligible Insurers during normal business hours or under other reasonable circumstances.

Section 6. Financial Statements. The Association shall provide any Eligible Mortgagee or Eligible Insurer which submits a written request with a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement must be audited by an independent certified public accountant, at the expense of the Association, if any Eligible Mortgagee or Eligible Insurer submits a written request for it.

Section 7. Enforcement. The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors and may be enforced by any of them by any available means, at law, or in equity.

Section 8. Attendance at Meetings. Any authorized representative(s) of an Eligible Mortgagee or Eligible Insurer may attend and address any meeting of the Association which an Owner may attend.

ARTICLE VIII.

GENERAL PROVISIONS

Section 1. Power of Attorney. Each and every Owner and Member hereby makes, constitutes and appoints Declarant as his/her true and lawful attorney-in-fact, coupled with an interest and irrevocable, for him/her and in his/her name, place and stead and for his/her use and benefit, to do the following:

(a) to exercise, do or perform any act, right, power, duty or obligation whatsoever in connection with, arising out of, or relating to any matter whatsoever involving this Declaration and the Properties;

(b) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the terms within this Declaration, or any part hereof, with such clause(s), recital(s), covenant(s), agreement(s) and restriction(s) as Declarant shall deem necessary, proper and expedient under the circumstances and conditions as may be then existing; and

(c) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the subdivision plat(s) of the Properties, or any part thereof, with any easements and rights-of-way to be therein contained as the Declarant shall deem necessary, proper and expedient under the conditions as may then be existing.

The rights, powers and authority of said attorney-in-fact to exercise any and all of the rights and powers herein granted shall commence and be in full force upon recordation of this Declaration in the Collin County Clerk's Office and shall remain in full force and effect thereafter until conclusion of the Development Period.

Section 2. Further Development. During the Development Period, each and every Owner, Resident and Member waives, relinquishes and shall not directly or indirectly exercise any and all rights, powers or abilities, and the Association shall not devote or expend any monies or personnel, regarding the following: to contest, object,

challenge, dispute, obstruct, hinder or in any manner disagree with the proposed or actual development (including, without limitation, zoning or rezoning efforts or processes) of any real property owned by the Declarant or by the affiliates, assignees or successors of the Declarant within the Properties.

Section 3. Duration. The Covenants of this Declaration shall run with and bind the Land subject to this Declaration, and shall inure to the benefit of and be enforceable by the Association and/or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for an original fifty (50) year term expiring on the fiftieth (50th) anniversary of the date of recordation of this Declaration, after which time these Covenants shall be automatically extended for successive periods of ten (10) years unless an instrument is signed by the Owners of at least fifty-one percent (51%) of all Lots within this Subdivision and all the Subdivisions and recorded in the Deed Records of Collin County, Texas, which contains and sets forth an agreement to abolish these Covenants; provided, however, no such agreement [where approved by less than seventy-five percent (75%) of the Owners of all Lots within this Subdivision and all of the Subdivisions] to abolish shall be effective unless made and recorded one (1) year in advance of the effective date of such abolishment.

Section 4. Amendments. The Covenants set forth herein are expressly subject to change, modification and/or deletion by means of amendment at any time and from time to time as provided herein. Notwithstanding Section 3 of this Article, these Covenants may be amended and/or changed in part as follows:

(a) During the Development Period, and in response to any governmental or quasi-governmental suggestion, guideline, checklist, requisite or requirement, particularly with respect to those entities or agencies directly or indirectly involved in, or having an impact on, mortgage financing, mortgage insurance and/or reinsurance, the Declarant shall have the complete and unfettered right and privilege to amend, change, revise, modify or delete portions of these Covenants, and each and every Owner, Member and Resident specifically and affirmatively authorizes and empowers the Declarant, utilizing the attorney-in-fact status set forth in Section 1 above, to undertake, complete and consummate any and all such amendments, changes, revisions, modifications or deletions as Declarant (in its sole and absolute discretion) shall deem reasonable and appropriate;

(b) During the Development Period the Declarant may otherwise amend or change these Covenants by exercising its powers under Article VIII, Section 1 hereinabove or with the direct consent of at least fifty-one percent (51%) of the Owners of Lots within the Subdivision; and

(c) From and after conclusion of the Development Period these Covenants may be amended or changed upon the express written consent of the Board and at least fifty-one percent (51%) of the Owners of Lots within the Subdivision.

Any and all amendments shall be recorded in the Office of the County Clerk of Collin County, Texas.

Section 5. Enforcement. Each Owner of each Lot shall be deemed, and held responsible and liable for the acts, conduct and omission of each and every Resident, Member, guest and invitee affiliated with such Lot, and such liability and responsibility of each Owner shall be joint and several with their Resident(s), Member(s), guests and invitees. The Payment and Performance Lien shall extend to, cover and secure the proper payment and performance by each and every Resident, Member, guest and invitee affiliated with each Owner. Unless otherwise prohibited or modified by law, all parents shall be liable for any and all personal injuries and property damage proximately caused by the conduct of their children (under the age of 18 years) within the Properties. Enforcement of these Covenants may be initiated by any proceeding at law or in equity against any person or persons violating or attempting to violate them, whether the relief sought is an injunction or recovery of damages, or both, or enforcement of any lien created by these Covenants; but failure by the Association or any Owner to enforce any Covenant herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Master Association and the Association and the City of McKinney, Texas are each specifically authorized (but not obligated) to enforce these Covenants. With respect to any litigation hereunder, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, from the non-prevailing party.

Section 6. Validity. Violation of or failure to comply with these Covenants shall not affect the validity of any mortgage, bona fide lien or other similar security instrument which may then be existing on any Lot. Invalidation of any one or more of these Covenants, or any portions thereof, by a judgment or court order shall not affect any of the other provisions or covenants herein contained, which shall remain in full force and effect. In the event any portion of these Covenants conflicts with mandatory provisions of any ordinance or regulation promulgated by the City of McKinney (including, without limitation, the Zoning Ordinance), then such municipal requirement shall control.

Section 7. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration. Words of any gender used herein shall be held and construed to include any other gender, and words in the singular shall be held to include the plural and vice

versa, unless the context requires otherwise. Examples, illustrations, scenarios and hypothetical situations mentioned herein shall not constitute an exclusive, exhaustive or limiting list of what can or cannot be done.

Section 8. Registration with the Association. In order that the Declarant and the Association can properly acquaint every Lot purchaser and every Owner, Resident and Member with these Covenants and the day-to-day matters within the Association's jurisdiction, no acquisition of any Lot within the Subdivision shall become effective until and unless:

(a) the then-existing "Closing Information Package" and homeowner handbooks have been properly executed by the Association, Declarant and the Purchaser/Transferee; and

(b) all directives by, and all obligations to, the Association and the Declarant have been properly and timely satisfied.

Each and every Owner, Member and Resident shall have an affirmative duty and obligation to originally provide, and thereafter revise and update, within fifteen (15) days after a material change has occurred, various items of information to the Association such as: (a) the full name and address of each Owner, Member and Resident; (b) the full name of each individual family member who resides within the residential dwelling of the Lot Owner; (c) the business address, occupation and telephone numbers of each Resident; (d) the description and license plate number of each automobile owned or used by a Resident and brought within the Properties; (e) the name, address and telephone numbers of other local individuals who can be contacted (in the event the Resident cannot be located) in case of an emergency; and (f) such other information as may be reasonably requested from time to time by the Association. In the event any Owner, Member or Resident fails, neglects or refuses to so provide, revise and update such information, then the Association may, but is not required to, use whatever means it deems reasonable and appropriate to obtain such information and the offending Owner, Member and Resident shall become automatically jointly and severally liable to promptly reimburse the Association for all reasonable costs and expenses incurred in so doing.

Section 9. Notices to Resident/Member/Owner. Any notice required to be given to any Resident, Member or Owner under the provisions of this Declaration shall be deemed to have been properly delivered when: (i) deposited in the United States Mail, postage prepaid, addressed to the last known address of the person who appears as the Resident, Member or Owner on the records of the Association at the time of such mailing; or when (ii) delivered by hand or by messenger to the last known address of such person within the Properties; or

3169 302

when (iii) posted on the Association's bulletin board for at least thirty (30) consecutive calendar days.

Section 10. Notices to Mortgagees. The holder(s) of a mortgage may be furnished with written notification from the Association of any default by the respective mortgagor/Member/Owner in the performance of such mortgagor's/Member's/Owner's obligation(s) as established by this Declaration, provided that the Association has been theretofore furnished, in writing, with the correct name and address of such mortgage holder(s) and a request to receive such notification and a reasonable supply of self-addressed, stamped envelopes.

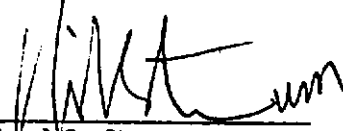
Section 11. Disputes. Matters of dispute or disagreement between Owners, Residents or Members with respect to interpretation or application of the provisions of this Declaration or the Association Bylaws, shall be determined by the Board of Directors. These determinations (absent arbitrary and capricious conduct or gross negligence) shall be final and binding upon all Owners, Residents and Members.

* * * * *

Witness the hand of an authorized representative of Declarant on the acknowledgment date noted below.

DECLARANT: RANCH DEVELOPMENT COMPANY

Address:
c/o RCS Investments, Inc.
5956 Sherry Lane, Suite 800
Dallas, Texas 75225
(214) 739-1414

By: 
Richard C. Strauss

Its: Manager for and on behalf of
Ranch Development Company

3169 303

THE STATE OF TEXAS

COUNTY OF Dallas

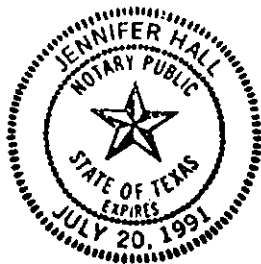
§
§
§

REPRESENTATIVE ACKNOWLEDGEMENT

This instrument was acknowledged before me on the 24th day of October, 1989 by Erhard C. Struss, the Manager of RANCH DEVELOPMENT COMPANY, a Delaware corporation, on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 24th day of October, 1989.

[SEAL]



Jennifer Hall
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

[Print or Type Name of Notary]

My Commission Expires:

3169 - 304

EXHIBIT "A"

An attachment to the Village Declaration of
Covenants, Conditions and Restrictions
on and for
Summer Point
(Phase I)

Lot(s)

Block

1
2 through 9
33, 34, 35
1 through 16

A
A
A
B

according to the "Summer Point-Phase I" final plat of a 5.812± acre tract of land [situated in the George McGarrah Survey, Abstract No. 573] filed and recorded in Cabinet G, Drawer 578 of the Map and Plat Records of Collin County, Texas.

20RPG/A
10/18/89

3169 305

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

After recordation, please return to:

J. Christopher Bird
BIRD & RENEKER
5910 North Central Expressway
Suite 1100
Dallas, Texas 75206

FILED FOR RECORD 17th DAY OF Dec A.D. 19 89 . at 2:05 P.
DULY RECORDED 17th DAY OF Dec A.D. 19 89 .
BY: Hetha Roberts HELEN STARNES, County Clerk
DEPUTY. Collin County, Texas

MASTER
DECLARATION
of
COVENANTS, CONDITIONS, RESTRICTIONS,
EASEMENTS, CHARGES AND LIENS
on and for
SUMMER POINT PHASE II
at
STONEBRIDGE RANCH
SB

Scrivener's Note to Collin County Clerk
and to all
Abstracters and Title Examiners:

This instrument specifically refers to, and constitutes a covenant running with, the residential Lots within that certain 7.33+ acre tract situated within the George McGarran Survey, Abstract No. 573 of Collin County, Texas and described on Exhibit "A-2" hereto, which will be formally subdivided in accordance with a certain subdivision plat entitled

"Summer Point Phase II"

approved by the City of McKinney on January 8, 1991 and to be filed and recorded in the Map and Plat Records of Collin County, Texas, to which reference is hereby made for all purposes.

The name and address of the business entity which owns the subject land, and which is the Declarant herein, is:

RANCH DEVELOPMENT COMPANY
c/o Federal Deposit Insurance Corporation
5080 Spectrum Drive, Suite 1000E
Dallas, Texas 75248
Attn: Frank Campagna

TABLE OF CONTENTS

	<u>Page</u>
Preamble.....	1
Declaration.....	2
ARTICLE I - CONCEPTS AND DEFINITIONS.....	2
ARTICLE II - PROPERTY SUBJECT TO THIS DECLARATION	
Section 1. Existing Property.....	9
Section 2. Additions to Existing Property.....	9
Section 3. Platting.....	10
ARTICLE III - MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION	
Section 1. Membership.....	10
Section 2. Voting Rights.....	10
Section 3. Board of Directors.....	11
Section 4. Notice and Voting Procedures.....	12
ARTICLE IV - RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES	
Section 1. Easement.....	12
Section 2. Extent of Members' Easements.....	12
Section 3. Restricted Actions by Members.....	14
Section 4. Damage to the Common Properties.....	14
Section 5. Rules of the Board.....	14
Section 6. Use of Common Properties.....	14
Section 7. User Fees and Charges.....	14
Section 8. Encroachments.....	15
ARTICLE V - COVENANTS FOR ASSESSMENTS	
Section 1. Creation of the Lien and Personal Obligation of Assessments.....	15
Section 2. Purposes of Assessments.....	16
Section 3. Basis and Amount of Annual Assessments.....	16
Section 4. Special Group Assessments.....	17
Section 5. Rate of Assessments.....	18
Section 6. Date of Commencement of Assessments; Due Dates.....	18
Section 7. Duties of the Board of Directors with Respect to Assessments.....	18
Section 8. Effect of Non-Payment of Assessment; the Personal Obligation of the Owner; the Lien; and Remedies of Association.....	19
Section 9. Power of Sale.....	20

Section 10.	Rights of City of McKinney.....	22
Section 11.	Subordination of the Lien to Mortgages.....	23
Section 12.	Exempt Property.....	23
ARTICLE VI - GENERAL POWERS AND DUTIES OF THE BOARD OF DIRECTORS OF THE ASSOCIATION		
Section 1.	Powers and Duties.....	24
Section 2.	Board Powers.....	26
Section 3.	Maintenance Contracts.....	26
Section 4.	Liability Limitations.....	26
Section 5.	Reserve Funds.....	27
ARTICLE VII - INSURANCE; REPAIR; RESTORATION; SECURITY ARRANGEMENTS		
Section 1.	Right to Purchase Insurance.....	27
Section 2.	Insurance and Condemnation Proceeds.....	27
Section 3.	Insufficient Proceeds.....	27
Section 4.	Security Arrangements.....	28
ARTICLE VIII - ARCHITECTURAL REVIEW		
Section 1.	Master Architectural Review Committee.....	28
Section 2.	MARC Jurisdiction.....	29
Section 3.	Master Design Guidelines.....	30
Section 4.	Preliminary and Final Plan Submissions.....	31
Section 5.	Village Architectural Review Committee.....	32
Section 6.	General.....	33
ARTICLE IX - USE OF LOTS IN THE SUBDIVISION; PROTECTIVE COVENANTS		
Section 1.	Residential Lots.....	34
Section 2.	Minimum Floor Space; Alarms.....	35
Section 3.	Garages; Parking.....	35
Section 4.	Setback Requirements.....	35
Section 5.	Height Limitations; Elevations.....	36
Section 6.	Fences; Signs.....	36
Section 7.	Easements; Utilities.....	36
Section 8.	Temporary Structures and Vehicles.....	38
Section 9.	Site Maintenance, Garbage and Trash Collection.....	38
Section 10.	Offensive Activities; Pets.....	39
Section 11.	Landscaping; Maintenance.....	39
Section 12.	Exterior Surfaces.....	40
ARTICLE X - EASEMENTS		
Section 1.	Utility Easements.....	41
Section 2.	Sign Easements.....	41
Section 3.	Ingress, Egress and Maintenance by the Association.....	41

ARTICLE XI - RIGHT OF FIRST REFUSAL; REGISTRATION

Section 1.	Right of First Refusal.....	41
Section 2.	Registration with the Association.....	42

ARTICLE XII - RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

Section 1.	Notices of Action.....	43
Section 2.	Joinder to Documents.....	44
Section 3.	Special FHLMC Provision.....	45
Section 4.	Approval of Amendments.....	46
Section 5.	Inspection of Books.....	46
Section 6.	Financial Statements.....	46
Section 7.	Enforcement.....	46
Section 8.	Attendance at Meetings.....	46
Section 9.	Annexation.....	46
Section 10.	Working Capital Fund.....	47

ARTICLE XIII - GENERAL PROVISIONS

Section 1.	Power of Attorney.....	47
Section 2.	Further Development.....	48
Section 3.	Duration.....	48
Section 4.	Amendments.....	48
Section 5.	Enforcement.....	49
Section 6.	Validity.....	49
Section 7.	Proposals of Declarant.....	49
Section 8.	Service Mark.....	50
Section 9.	Headings.....	50
Section 10.	Notices to Resident/Member/Owner.....	50
Section 11.	Notices to Mortgagees.....	50
Section 12.	Disputes.....	51
Section 13.	Country Clubs.....	51

EXHIBIT "A-1".....	53
EXHIBIT "A-2".....	54

This MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS, CHARGES AND LIENS is made and effective as of the 25th day of March, 1991, by RANCH DEVELOPMENT COMPANY, a Delaware corporation (sometimes referred to herein as the "Declarant").

PREAMBLE

Declarant is the owner of a 7.33+ acre tract of land described on Exhibit "A-2" attached hereto which will be divided into certain residential Lots to be commonly known and described as Phase II of the Summer Point Subdivision (which lots are more particularly described within Exhibit "A-1" attached hereto). The Summer Point Subdivision is a residential portion of a master planned mixed-use community now commonly known as "STONEBRIDGE RANCH" which is a 6230+ acre tract of land formerly known as the "Flying M Ranch". The Flying M Ranch was acquired by the Declarant's predecessor (Gibraltar Savings Association) in 1985 and was annexed into the City of McKinney, Texas in 1986 by virtue of McKinney City Ordinance No. 1620, and was zoned by the City of McKinney as a Planned Development ("PD") in accordance with McKinney Ordinance No. 1621. The Declarant estimates that development of the Stonebridge Ranch project will occur within the next 25+ years and will encompass. (i) the zoning uses permitting: at least three (3) categories of single-family detached residences; attached and/or detached single-family and multiple-family residences; high density townhouse, multiple-family and condominium residences; office; retail; commercial, industrial and light manufacturing; and other uses permitted by the Zoning Ordinance; and (ii) up to the maximum number of dwelling units permitted by the Zoning Ordinance.

Declarant desires to take advantage of the presently-existing unique geographical features of the Stonebridge Ranch property and the Summer Point Phase II Subdivision property and proposes to establish and implement highly sophisticated plans for residential living, recreation, aesthetic and quality-of-life considerations. The purposes of this Master Declaration are to: protect the Declarant and the Owners against the improper development and use of Lots within the Properties; assure compatibility of design of improvements within the Subdivision; secure and preserve sufficient setbacks and space between buildings so as to create an aesthetically pleasing environment; provide for landscaping and the maintenance thereof; and in general to encourage construction of attractive, high quality, permanent improvements that will promote the general welfare of the Declarant and the Owners. In view of the various unusual and uncommon features of Declarant's long-range plans, Declarant desires to impose these restrictions on the Summer Point Phase II Subdivision property now and yet retain reasonable flexibility to respond to changing or unforeseen circumstances so as to guide, control and maintain the first-class quality and distinction of the Stonebridge Ranch project. The restrictive covenants hereinbelow will also comply with the requirements of Zoning Ordinance No. 1621 of the City of McKinney, Texas and those of the utility companies providing service to Stonebridge Ranch to better ensure the care and maintenance of the common areas and amenities within Stonebridge Ranch and to preserve the best interests of the Declarant and of the owners and residents of Stonebridge Ranch after completion of all development and construction therein.

The Stonebridge Ranch Community Association, Inc. (the "Association") has been chartered as a non-profit Texas corporation to assist in the ownership, management, use and care of the various common areas within Stonebridge Ranch and to assist in the administration and enforcement of the covenants, conditions, restrictions, easements, charges and liens set forth with this Declaration.

DECLARATION

The Declarant hereby declares that the Summer Point Phase II Subdivision residential lots described within Exhibit "A" attached hereto, and such phases or additions thereto as may hereafter be made pursuant to Article II hereof, is and shall be owned, held, mortgaged, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens (sometimes collectively referred to hereinafter as "the Covenants") hereinafter set forth. To better assure the proper operation and functioning of the Association and to promote the quality of life within Stonebridge Ranch, the Declarant further declares that:

```

* * * * *
*
* ACQUISITION OF ANY LOT WITHIN STONEBRIDGE RANCH SHALL
* NOT BECOME EFFECTIVE UNTIL AND UNLESS:
*
* (A) THE "CLOSING INFORMATION PACKAGE" AND RELATED
* DOCUMENTS HAVE BEEN PROPERLY EXECUTED BY THE
* ASSOCIATION, DECLARANT AND THE PURCHASER/TRANSFEEE,
* AND
*
* (B) ALL DIRECTIVES BY, AND ALL OBLIGATIONS TO, THE
* ASSOCIATION AND THE DECLARANT HAVE BEEN PROPERLY
* AND TIMELY SATISFIED.
*
* * * * *

```

ARTICLE I.

CONCEPTS AND DEFINITIONS

The following words, when used in this Declaration or in any amended or supplementary Declaration (unless the context shall otherwise clearly indicate or prohibit), shall have the following respective concepts and meanings:

"Amended Declaration" shall mean and refer to each and every instrument recorded in the Public Real Estate Records of Collin County, Texas which amends, supplements, modifies, clarifies or restates some or all of the terms and provisions of this Declaration.

"Annual Assessment" shall have the meaning specified in Article V, Section 3 below.

"Articles" shall mean and refer to the Articles of Incorporation (and all amendments thereto and restatements thereof) of the Association on file in the Office of the Secretary of State of the State of Texas, Austin, Texas.

"Assessable Property" shall mean and refer to each and every lot, parcel, tract, area, condominium apartment, unit and space within the entire Properties which: (i) the Declarant has subjected to and imposed upon a set of restrictive covenants calling for, inter alia, the payment of an Annual Assessment to the Association; (ii) may have been or will be given a separately identifiable tax or parcel number by the Central Appraisal District of Collin County ("CADCC") or a similar governmental agency; (iii) is not designated an "open space" or otherwise a portion of the Common Properties. The Declarant proposes to cause each residential Lot within the Properties to constitute an Assessable Property. However, the Declarant reserves the right and discretion to include or exclude each non-residential Lot from the concept of "Assessable Property" and/or to prescribe a different assessment and/or valuation scheme(s) for any non-residential Lot which is subjected to covenants which require the payment of assessments to the Association.

"Assessed Valuation" shall mean the then-existing highest and most recent valuation placed on a Lot and the permanent improvements thereon (and the easements appurtenant thereto) by the CADCC and/or the Taxing Authorities and/or the Board, but, if the provisions of Article V, Section 3 herein are unsatisfactory to the Board, the Board may adopt an alternative method of assessment which will provide a sufficient cash flow to meet the obligations of the Association.

"Association" shall mean and refer to the STONEBRIDGE RANCH COMMUNITY ASSOCIATION, INC., an existing non-profit Texas corporation which has the power, duty and responsibility of maintaining and administering certain portions of the Properties and all of the Common Properties, administering and enforcing the Covenants and otherwise maintaining and enhancing the quality of life within Stonebridge Ranch.

"Board" shall mean and refer to the Board of Directors of the Association.

"Bylaws" shall mean and refer to the Bylaws of the Association, as adopted and amended from time to time in accordance with the provisions of the Texas Non-Profit Corporation Act and this Declaration.

"Central Appraisal District of Collin County" ("CADCC") shall mean and refer to the governmental and/or quasi-governmental agency established in accordance with Texas Property Tax Code Section 6.01 et seq. (and its successor and assigns as such law may be amended from time to time) or other similar statute which has, as one of its purposes and functions, the establishment of an assessed valuation and/or fair market value for various lots, parcels and tracts of land in Collin County, Texas.

"Commercial Use" shall mean and refer to those uses permitted by the Zoning Ordinance for the conduct of a trade, business or enterprise, such as (but not necessarily limited to) office, retail, business, shopping and other commonly understood commercial activities.

"Common Properties" shall mean and refer to any and all areas of land within the Properties which are known, described or designated as common green, common areas, parks, recreational easements, lakes, ponds, dams, perimeter fences and columns, off-site monuments and directional signs, landscape easements, greenbelts, swimming pool(s), interfaith centers, beach and tennis club(s), open spaces, paths and trails, playing fields, amphitheaters, community halls, sports pavilions and the like including without limitation those shown on any recorded subdivision plat of portions of the Properties as well as those not shown on a recorded subdivision plat but which are intended for or devoted to the common use and enjoyment of the Members of the Association, together with any and all improvements that are now or that may hereafter be constructed thereon. [However, the Common Properties shall not include the two (2) separate and privately owned golf and country clubs geographically situated within the center of Stonebridge Ranch nor shall it include any specifically identified area within any Village which is limited to the use and enjoyment of the Owners, Members and Residents within such Village]. There may be "private" green areas, parks, lakes, ponds, dams, fences and columns, off-site monuments and signs, swimming pools, interfaith centers, beach areas and tennis clubs, open spaces and paths and trails within the Properties which are not a portion of the Common Properties. The Declarant reserves the right to use, during the Development Period, portions of the Common Properties (e.g. a sales information center) for business matters directly and indirectly related to STONEBRIDGE RANCH. The concept of Common Properties will also include: (i) any and all public right-of-way lands for which the City of McKinney has required that the Declarant and/or the Association expend private, non-reimbursable time and monies to care for and maintain, such as but not limited to: street medians, street underpasses, streetscape, hike and bike trails, park areas and quasi-governmental service facilities; and (ii) any and all facilities provided by the Declarant and/or the Association to or for the benefit of the local police, fire and similar governmental departments for which no reimbursement via public funds is requested or anticipated. One or more portions of the Common Properties may from time to time be reasonably limited to private functions, and conversely, one or more portions of otherwise private property may be utilized for Association functions and activities. Declarant shall convey record title to some or all of the Common Properties to the Association if, as and when deemed appropriate by Declarant or as may be required by governmental officials, and Declarant shall at all times have and retain the right to effect minor redesigns or minor reconfigurations of the Common Properties (particularly along the golf courses and lake/pond edges) and to execute any open space declarations applicable to the Common Properties which may be permitted in order to reduce property taxes, and to take whatever steps may be appropriate to lawfully avoid or minimize the imposition of federal and state ad valorem and/or income taxes.

"Consumer Price Index" ("CPI") shall mean and refer to the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers (Dallas-Fort Worth Area; Base: 1967 = 100). In the event the

compilation and/or publication of the CPI shall be substantially revised, transferred to any other governmental department or bureau or agency or shall be discontinued, then the index (or a substitute procedure which reasonably reflects and monitors fluctuations in consumer prices) most nearly the same as the CPI shall be used to make the calculations envisioned herein, or in the event no such alternative index exists or a dispute arises concerning the selection of such alternative index, the Board shall have the final right and power to select and/or formulate such an alternate index.

"Covenants" shall mean and refer to all covenants, conditions, restrictions, easements, charges and liens set forth within this Declaration.

"Declarant" shall mean and refer to Ranch Development Company and any or all successor(s) and assign(s) of Ranch Development Company with respect to the voluntary disposition of all (or substantially all) of the assets and/or stock of Ranch Development Company and/or the voluntary disposition of all (or substantially all) of the right, title and interest of Ranch Development Company in and to the Properties. However, no person or entity merely purchasing one or more Lots from Ranch Development Company in the ordinary course of business shall be considered a "Declarant".

"Declaration" shall mean and refer to this particular instrument entitled "Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens on and for Summer Point Phase II", together with any and all amendments or supplements hereto.

"Deed" shall mean and refer to any deed, assignment, testamentary bequest, muniment of title or other instrument, or intestate inheritance and succession, conveying or transferring fee simple title or a leasehold interest or another legally recognized estate in a Lot.

"Development Period" shall mean a period commencing on the date of the recording of this Declaration in the public real estate records of Collin County, Texas and continuing thereafter until and ending the earlier to occur of. (i) substantial completion of all development within the Properties, as determined by the Declarant; or (ii) the twenty-fifth (25th) anniversary of the date of recordation of this Declaration in the public real estate records of Collin County, Texas.

"Development Plan" shall generally mean and refer to the development plan for the Properties as set forth within the Zoning Ordinance and within the "Development Agreement between the City of McKinney, Texas and Gibraltar Savings Association for the Flying "M" Ranch Plan Development", dated January 21, 1986, and as such document(s) may from time to time be amended.

"Dwelling Unit" shall mean and refer to any building or portion of a building situated upon the Properties which is designed and intended for use and occupancy as a residence by a single person, a couple, a family or a permitted family size group of persons.

"Easement Area" shall mean and refer to those areas which may be covered by an easement specified in Sections 4 and 7 of Article IX and in Article X below.

"Eligible Insurers" is defined in Article XII below.

"Eligible Mortgages" is defined in Article XII below.

"Exempt Property" shall mean and refer to the following portions of the Properties. (i) all land and Improvements owned by the United States of America, the State of Texas, Collin County or any instrumentality, political subdivision or agency of any such governmental entity acting in a governmental (rather than a proprietary) capacity; (ii) all land and Improvements owned (including legal and beneficial ownership, whether now or in the future) by the Association or constituting a portion of the Common Properties; (iii) all land and Improvements which are not only exempt from the payment of ad valorem real property taxes by Collin County, the McKinney Independent School District, the Frisco Independent School District and the State of Texas, but also are exempt from the payment of any assessments hereunder as expressly determined by written resolution of the Declarant and/or the Association; and (iv) such other land(s) and/or Improvement(s) and/or Lot(s) which are specifically exempted from the payment of annual Assessments in accordance with a special resolution of the Board.

"Fiscal Year" shall mean each twelve (12) month period commencing on June 1 and ending on the following May 31, unless the Board shall otherwise select an alternative twelve month period.

"Greenway Frontage" shall mean and refer to golf courses, parks, schools, community facilities, common green space, recreational facilities (including lakes, hike and bike trails and the like) which are adjacent to rear or side yard Lot lines and/or clearly visible from public streets, sidewalks and rights-of-way.

"Improvement" shall mean any physical change to raw land or to an existing structure which alters the physical appearance, characteristics or properties of the land or structure, including but not limited to adding or removing square footage area space to or from a structure, painting or repainting a structure, or in any way altering the size, shape or physical appearance of any land or structure.

"Institutional Mortgage" shall mean and refer to any bona-fide mortgage, lien or security interest held by a bank, trust company, insurance company, savings and loan association or other recognized lending institution, or by an institutional or governmental purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or their successors, or guaranteed or subsidized by the FHA and/or VA.

"Lot" shall mean and refer to each separately identifiable portion of the Assessable Property, including any condominium unit, which is platted, filed and recorded in the office of the County Clerk of Collin County, Texas and which is assessed by any one or more of the Taxing Authorities and which is not intended to be an "open space" or a portion of the Common Properties.

"Master Architectural Review Committee" (sometimes referred to herein as the "MARC") shall mean and refer to that particular committee which is described and explained within Article VIII below.

"Master Design Guidelines" shall mean and refer to those particular standards, restrictions, guidelines, recommendations and specifications applicable to most of the aspects of construction, placement, location, alteration, maintenance and design of any improvements to or within the Properties, and all amendments, bulletins, modifications, supplements and interpretations thereof.

"Member" shall mean and refer to each Resident who is in good standing with the Association and who has filed a proper statement of residency with the Association and who has complied with all directives and requirements of the Association. Each and every Owner shall and must take such affirmative steps as are necessary to become and remain a Member of, and in good standing in, the Association. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a Member of the Association.

"Owner" shall mean and refer to the holder(s) of record title to the fee simple interest of any Lot whether or not such holder(s) actually reside(s) on any part of the Lot.

"Payment and Performance Lien" shall mean and refer to the lien described within Sections 8 and 9 of Article V hereinbelow.

"Phase" shall mean and refer to each and every portion of a Village which is the specific subject of a subdivision plat. As an example, Wellington Point and Meadow Ridge are two separate Villages, each of which will be subdivided and platted in two or more phases in accordance with subdivision plats bearing their respective name and phase numbers.

"Planning Area" shall mean and refer to the twelve (12) separately numbered and identified land areas appearing within sketches of Stonebridge Ranch which are attached to the Development Plan and the Zoning Ordinance.

"Properties" shall mean and refer to: (i) the land described within Exhibits "A-1" and "A-2" attached hereto; and (ii) other land within the Stonebridge Ranch development.

"Resident" shall mean and refer to:

(a) each owner of:

- (i) the fee simple title to any Lot within the Properties;
- (ii) any share, membership or other interest in any cooperative or other entity organized and operated for the purpose of making residential dwelling units available to its shareholders, members or other beneficiaries which share, membership or other interest entitles the owner thereof to possession of any residential Dwelling Unit within the Properties, excluding, however, those persons or entities having an interest merely as security for the performance of an obligation; and

- (b) each person residing on any part of the Assessable Property who is a bona-fide lessee pursuant to a legally cognizable lease agreement with an Owner; and
- (c) each individual lawfully domiciled in a Dwelling Unit other than an Owner or bona-fide lessee.

"Structure" shall mean and refer to: (i) any thing or device, other than trees, shrubbery (less than two feet high if in the form of a hedge) and landscaping (the placement of which upon any Lot shall not adversely affect the appearance of such Lot) including but not limited to any building, garage, porch, shed, greenhouse or bathhouse, cabana, coop or cage, covered or uncovered patio, swimming pool, play apparatus, clothesline, fence, curbing, paving, wall or hedge more than two feet in height, signboard or other temporary or permanent living quarters or any temporary or permanent Improvement to any Lot; (ii) any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel from, upon or across any Lot; and (iii) any enclosure or receptacle for the concealment, collection and/or disposition of refuse; (iv) any change in the grade of any Lot of more than three (3) inches from that existing at the time of initial approval by the Master Architectural Review Committee.

"Subdivision" shall mean and refer to Summer Point Phase II subdivision, a subdivision of certain land as described within Exhibits "A-1" and "A-2" attached hereto, in accordance with the map and plat thereof filed of record in the Map and Plat Records of Collin County, Texas, as well as any and all revisions, modifications, corrections or clarifications thereto.

"Subdivisions" shall mean and refer to the Subdivision as well as all other phases of Summer Point and other subdivisions within the Stonebridge Ranch development which are intended to be a portion of the Properties. As an example, each and all of the Phases of Briar Ridge, Meadow Ridge, Quail Creek, Wellington Point, Spring Hill and Hills Creek are separate and distinct residential Subdivisions within Stonebridge Ranch.

"Subdivision Design Guidelines" shall mean and refer to those particular standards, restrictions, guidelines, recommendations and specifications applicable to all aspects of construction, placement, location, alteration, maintenance and design of any improvements to or within each Subdivision. The Subdivision Design Guidelines may vary between Phases and between Villages.

"Taxing Authorities" shall mean and refer to Collin County, the McKinney Independent School District, the Frisco Independent School District, the City of McKinney and the State of Texas and any and all other governmental entities or agencies which have, or may in the future have, the power and authority to impose and collect ad valorem taxes on real property estates, in accordance with the Texas Constitution and applicable statutes and codes.

"Trustee" shall mean and refer to James P. Cooke, and his substitutes or successors.

"Village" shall mean and refer to each respective community arising out of the development, construction, use and occupancy of all Phases of Subdivision plats bearing the same common name. As an example, Briar Ridge, Meadow Ridge, Quail Creek, Wellington Point and Hills Creek are each designed to be a separate and distinct residential Village within the Properties, even though some of the Villages may be composed of two (2) or more phased Subdivisions. The Declarant reserves the right, power and authority (and such may be assigned or delegated) to create and impose one or more sub-association(s) within one or more Villages (especially those containing townhouse and condominium projects) which may have, as one of their purposes, the responsibility for assuming and discharging one or more of the duties of the Association as to that particular Village.

"Village Architectural Review Committee" (sometimes referred to herein as the "VARC") shall mean and refer to that particular committee which is described and explained within Article VIII, Section 5 below.

"Zoning Ordinance" shall mean and refer to City of McKinney Ordinance No. 1621 and all amendments thereto.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION

Section 1. Existing Property. The property described on Exhibit "A-2" attached hereto is the subject of a plat entitled "Quail Creek Phase V" approved by the City of McKinney on January 8, 1991 and to be filed and recorded in the Map and Plat Records of Collin County, Texas. The residential Lots which are, and shall be, held, transferred, sold, conveyed and occupied subject to this Declaration within the Summer Point Phase II Subdivision and Village are more particularly described within Exhibit "A-1" attached hereto and incorporated herein by reference for all purposes. At such time that the plat is recorded, and in the event of any conflict between the properties described on Exhibit "A-1" and "A-2" hereto, Exhibit "A-1" shall be controlling.

Section 2. Additions to Existing Property. The Existing Property is within the perimeters of what is now known as Stonebridge Ranch. The legal description of the perimeters of Stonebridge Ranch is set forth within City of McKinney Ordinance No. 1620 and a land use plan for Stonebridge Ranch is set forth within City of McKinney Ordinance No. 1621. Additional land(s) within Stonebridge Ranch may become subject to this Declaration, or the general scheme envisioned by this Declaration, as follows:

(a) The Declarant may (without the joinder and consent of any person or entity but provided such land is within the original boundaries of Stonebridge Ranch) add or annex additional real property to the scheme of this Declaration within the next twenty-five (25) years by filing of record an appropriate enabling declaration, generally similar to this Declaration, which may extend the scheme of the Covenants to such property. Provided further however, such other

declaration(s) may contain such complementary additions and modifications of these Covenants as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with the concept and purpose of this Declaration. As an example, the Declarant intends to file separate declarations for each Phase of the Meadow Ridge, Quail Creek, Briar Ridge and Wellington Point Villages which extends the jurisdiction of the Association over the residential lots within each of these Subdivisions, although the respective Village Architectural Review Committees and the Subdivision Design Guidelines may vary, in accordance with the applicable Development Plan and Zoning Ordinance, among each of the Villages (and possibly between or among the Phases and Subdivisions of each Village).

(b) In the event any person or entity other than the Declarant desires to add or annex additional Assessable Property and/or Common Property to the scheme of this Declaration, such annexation proposal must have the express approval of the Board.

No land parcels outside the original perimeter of Stonebridge Ranch may be annexed without the consent of at least two-thirds (2/3) of the Owners (excluding the Declarant).

Any additions made pursuant to this Section 2, when made, shall automatically extend the jurisdiction, functions, duties and membership of the Association to the properties added and correspondingly subject the properties added to the covenants of the enabling declaration. Upon any merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law or by lawful articles or agreement of merger, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law or by lawful articles or agreement of merger, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Covenants established by this Declaration, together with the covenants and restrictions established upon any other properties, as one scheme.

Section 3. Platting. No plat of the property described in the attached Exhibit "A-2" shall be recorded in the Map and Plat Records of Collin County, Texas except for a final plat that (a) has been finally approved by the City of McKinney, and (b) has been approved by Declarant as evidenced by the written certification of Declarant on the face thereof (the "Approved Plat"). No Assessments shall be levied against, and no Association voting rights shall be applicable to, the Summer Point Phase II Subdivision until the Approved Plat has been recorded.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Each and every Owner of each and every Lot within a Subdivision or Village which is subjected to these, or substantially similar,

Covenants shall automatically be, and must at all times remain, a Member of the Association in good standing. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a Member of the Association. During the Development Period, the Association shall have two (2) classes of Members: Class A and Class B. The Class A Members shall include: (a) all Owners (other than the Declarant during the Development Period); and (b) all Residents (not otherwise Owners) who have properly and timely fulfilled all registration and related requirements prescribed by the Association. The Class B Member shall be the Declarant. Upon conclusion of the Development Period, the Class B membership shall terminate and the Declarant shall become a Class A Member.

Section 2. Voting Rights. There shall be two (2) classes of voting Members during the Development Period:

Class A: the Owner(s) of each Lot shall be entitled to one (1) vote per Lot. Where more than one (1) Owner owns and holds a record fee interest in a Lot such Owner(s) may divide and cast portions of the one (1) vote as they decide, but in no event shall any one (1) Lot yield more than one (1) vote.

Class B: The Class B Member shall have no more than three (3) votes for each Lot it owns.

Any Owner, Resident or Member shall not be in "good standing" if such person or entity is: (a) in violation of any portion of these Covenants, the Master and/or Subdivision Design Guidelines, or any rule or regulation promulgated by the Board and/or any portion of the Zoning Ordinance; (b) delinquent in the full, complete and timely payment of any Annual Assessment, special assessment, or any other fee, charge or fine which is levied, payable or collectible pursuant to the provisions of these Covenants, the Bylaws or any rule or regulation promulgated by the Board.

The Board may make such rules and regulations, consistent with the terms of this Declaration and the Bylaws, as it deems advisable, for: any meeting of Members; proof of membership in the Association; the status of good standing; evidence of right to vote; the appointment and duties of examiners and inspectors of votes; the procedures for actual voting in person or by proxy; registration of Members for voting purposes; and such other matters concerning the conduct of meetings and voting as the Board shall deem fit.

Section 3. Board of Directors. The affairs of the Association shall be managed initially by a board of three (3) individuals, each elected by the Class B Member. However, beginning with the fifth annual meeting of the Members of the Association and continuing thereafter through the ninth annual meeting, the Board shall be expanded to consist of five individual Directors, four of whom shall be elected by the Class B Member and one of whom shall be elected by the Class A Members. Beginning with the tenth annual meeting and continuing thereafter through the fifteenth annual meeting, the Board shall still consist of five individual Directors, three of whom shall be elected by the Class B Member and two of whom shall be elected by the Class A Members. Beginning with the sixteenth annual meeting of the Members of the Association and continuing thereafter, the Board shall consist of seven individuals. The Class A Members shall elect three of the Directors through the twenty-fourth annual meeting, then four of the

Directors through the twenty-seventh annual meeting, then five of the Directors through the twenty-ninth annual meeting, then six of the Directors through the thirtieth annual meeting and seven of the Directors thereafter. The Class B Member shall elect the other individual Directors.

The Directors need not be Members of the Association. Directors shall be elected for two (2) year terms of office and shall serve until their respective successors are elected and qualified. Any vacancy which occurs in the Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Board by the affirmative vote of a majority of the remaining Directors representing the same class of Members who elected the Director whose position has become vacant. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he or she was elected to fill.

Unless otherwise prohibited by the Bylaws, the Board shall be entitled to have one or more private workshop meetings and to have one or more public meetings per Fiscal Year. The Board, no later than 30 days prior to the annual meeting of the Members, shall file with the Declarant and distribute to the Members (by whatever means the Board may deem reasonable and economical) a certification of Dwelling Units occupied by Members. The Certification shall be posted in one or more prominent places within the Properties and shall state the number of Dwelling Units occupied by Members, the Directors to be elected by Class A Members, and the Directors to be elected by the Class B Member. The actual election of the directors shall take place in accordance with the Bylaws or, to the extent not inconsistent with the Bylaws, the directives of the then-existing Board.

Section 4. Notice and Voting Procedures. Quorum, notice and voting requirements of and pertaining to the Association may be set forth within the Articles and Bylaws, as either or both may be amended from time to time, and shall be in accordance with permitted Texas law.

ARTICLE IV

RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES

Section 1. Easement. Subject to the provisions of Sections 2 through 7 of this Article, each and every Owner in good standing with the Association shall have a non-exclusive right and easement of enjoyment in and to all Common Properties, and such easement shall be appurtenant to and shall pass with every Lot, provided the conveyance and transfer is accomplished in accordance with this Declaration. All Residents in good standing with the Association shall have a nontransferable, non-exclusive privilege to use and enjoy all Common Properties for so long as they are Members in good standing with the Association.

Section 2. Extent of Members' Easements. The rights and easements of use, recreation and enjoyment created hereby shall be subject to the following:

(a) The right of the Declarant or Association to prescribe reasonable regulations and policies governing, and to charge fees and/or deposits (e.g., key and access card deposits) related to, the use, operation and maintenance of the Common Properties;

(b) Liens or mortgages placed against all or any portion of the Common Properties with respect to monies borrowed by the Declarant to develop and improve the Properties or Common Properties or by the Association to improve or maintain the Common Properties;

(c) The right of the Association to enter into and execute contracts with any party (including, without limitation, the Declarant or its corporate affiliates) for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Association and/or this Declaration;

(d) The right of the Declarant or the Association to take such steps as are reasonably necessary to protect the Common Properties against foreclosure;

(e) The right of the Declarant or the Association to enter into and execute contracts with the owner-operators of any community antenna television system ("CATV") or other similar operations for the purpose of extending cable or utility or security service on, over or under the Common Properties to ultimately provide service to one or more of the Lots;

(f) The right of the Declarant or the Association to suspend the voting rights of any Member and to suspend the right of any Member to use or enjoy any of the Common Properties for any period during which any assessment (including without limitation "fines") against a Lot resided upon by such Member remains unpaid, or during which non-compliance with this Declaration or the Master and/or Subdivision Guidelines exists, and otherwise for any period deemed reasonable by the Association for an infraction of the then-existing rules and regulations;

(g) The right of the Declarant or the Association to delegate one or more of the duties and responsibilities of the Association to any Village sub-association which in turn shall assume and discharge such duties and responsibilities as to that particular Village;

(h) The right of the Declarant and/or the Association to hold and sponsor, whether alone or in conjunction with municipal departments or other non-profit groups and entities, events and activities within the Common Properties which are not necessarily limited only to Owners, Residents and Members, but which may also include selected invitees and/or the general public (for which the Board may, in its discretion, charge a user fee equal to or greater than any fee charged to Owners, Residents and Members), such as (but not necessarily limited to) children's summer recreational events, sports festivals and tournaments, summer camps, day care centers, concerts-in-the-park, wedding receptions, reunions, conferences, picnics, national and/or state holiday commemorations, educational and cultural presentations and other similar events which the Board reasonably believes will be of direct or indirect benefit to the Association and/or an appreciable number of its Members;

(i) The right of the Declarant and/or the Association to dedicate or transfer all or any part of the Common Properties to any municipal corporation, public agency, governmental authority, or utility for such purposes and upon such conditions as may be agreed to by the Declarant and the Board; and

(j) the right of the Declarant and/or the Association to grant permits, licenses and easements over the Common Properties for utilities, roads and other purposes necessary for the proper operation of the Development Plan.

Section 3. Restricted Actions by Members. No Member shall permit anything to be done on or in the Common Properties which would violate any applicable public law or Zoning Ordinance or which would result in the cancellation of or the increase of premiums for any insurance carried by the Association, or which would be in violation of any law or any rule or regulation promulgated by the Board.

Section 4. Damage to the Common Properties. Each Member shall be liable to the Association for any damage to any portion of the Common Properties caused by the negligence or willful misconduct of the Member or his family and guests.

Section 5. Rules of the Board. All Members shall abide by any rules and regulations adopted by the Board. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and a Member determined to have violated said rules and regulations shall be liable to the Association for all damages and costs, including reasonable attorneys fees.

Section 6. Use of Common Properties. The Board shall have the power and authority to prescribe rules and regulations which extend to and cover matters such as (but not limited to) smoking, the possession and consumption of alcoholic beverages, loud and obnoxious noises and behavior, dress and attire and the supervision by attending adults of children. No person or entity (excluding the Declarant) shall use any portion of the Common Properties to:

- (a) solicit, promote or conduct business, religious, political or propaganda matters;
- (b) distribute handbills, newsletters, flyers, circulars or other printed materials.

without the prior written consent of the Association (which consent may be withheld in its sole and absolute discretion). The Association may, on its own motion, permit and allow townhall meetings, voting precincts, community garage sales and bazaars and other reasonable activities to occur on the Common Properties in accordance with rules and regulations deemed reasonable and appropriate by the Association.

Section 7. User Fees and Charges. The Board may levy and collect charges and fees for the operation and maintenance of the Common Properties and services which the Board determines to be necessary for the advancement, benefit and welfare of the Residents. In establishing user fees, the Board may formulate reasonable classifications of users. Such fees must be uniform within each class but need

not be uniform from class to class. If a Resident shall fail to pay a charge or fee when due and payable, said unpaid charge or fee shall be delinquent and upon written notice to said Resident shall become a personal debt of said Resident. Failure of any Resident to pay said fee and charge when due and payable, in addition, shall be a breach of these Covenants and shall result in suspension of said Resident's rights or privileges.

Section 8. Encroachments. If: (a) construction, reconstruction or repair activities which have been approved by the MARC; or (b) shifting, settlement or other movements of any portion of MARC-approved improvements, results either in the Common Properties encroaching on a Lot or Dwelling Unit or in a Lot or Dwelling Unit encroaching on the Common Properties or on another Lot or Dwelling Unit, and unless otherwise directed by the MARC, a valid easement shall then and there exist to permit the encroachment and reasonable and necessary maintenance activities related thereto.

ARTICLE V.

COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned by it within the Subdivision, hereby covenants and agrees, and each subsequent Owner of any Lot, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such Deed or other conveyance, shall be deemed to covenant and agree (and such covenant and agreement shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot so as to have affected the purchase price) to pay to the Association (or to an independent entity or agency which may be designated by the Association to receive such monies).

(1) regular Annual Assessments;

(2) special group assessments for capital improvements or unusual or emergency matters, such assessments to be fixed, established and collected from time to time as hereinafter provided;

(3) special individual assessments levied against individual Owners to reimburse the Association for extra or unusual costs incurred for items such as (but not limited to): maintenance and repairs to portions of the Properties caused by the willful or negligent acts of the individual Owner, Member or Resident; the remedy, cure or minimizing of problems caused by, or as a result of, violations of these Covenants by an Owner, Member or Resident; and

(4) individual assessments and fines levied against an individual Owner, Member or Resident for violations of rules and regulations pertaining to the Association and/or the Common Properties.

The regular, special group, special individual and individual assessments, together with such late charges, interest and costs of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien

upon each Lot against which each such assessment is made and shall also be the continuing personal obligation of the then-existing Owner, Member and Resident of such Lot at the time when the assessment fell due. Each Owner of each Lot shall be directly liable and responsible to the Association for the acts, conduct and omission of each and every Member and Resident associated with the Dwelling Unit(s) on such Owner's Lot.

Section 2. Purposes of Assessments. The assessments levied by the Association shall be used for the purposes of promoting the comfort, health, recreation, safety, convenience, welfare and quality of life of the Residents of the Properties and in supplementing some services and facilities normally provided by or associated with governmental or quasi-governmental entities, and otherwise for the improvement and maintenance of greenbelt easements, walkways, common green, hike and bike trails, ponds, lakes, recreational areas and other properties, services and facilities devoted and related to the use and enjoyment of the Common Properties and operation of the Association, including, but not limited to or for: the payment of taxes on the Common Properties and insurance in connection with the Common Properties; the payment for utilities and the repair, replacement and additions of various items within the Common Properties; paying the cost of labor, equipment (including the expense of leasing any equipment) and materials required for, and management and supervision of, the Common Properties; carrying out the duties of the Board of Directors of the Association as set forth in Articles IV and VI herein; carrying out the other various matters set forth or envisioned herein or in any Amended Declaration related hereto; and for any matter or thing designated by the City of McKinney in connection with any zoning, subdivision, platting, building, development or occupancy requirements. The items and areas described above are not intended to be exhaustive but merely illustrative.

Section 3. Basis and Amount of Annual Assessments. The basis and concept of determining, revising (when appropriate from time to time) and collecting the Annual Assessment parallels the system of ad valorem taxation imposed and administered by the Taxing Authorities and the CADCC. Each Owner, therefore, shall be deemed to covenant and agree with the Association that:

(a) any and all renderings, renditions, valuations, comparables, sales price(s) and other information, calculations and data submitted to or for the benefit of the Taxing Authorities and/or the CADCC shall similarly and contemporaneously be submitted to the Association;

(b) the Association is made, constituted and appointed as each Owner's true and lawful attorney-in-fact, coupled with an irrevocable interest, to apply for, seek and obtain ad valorem tax data, market valuations, assessed valuations and like data kept and maintained by the Taxing Authorities and/or the CADCC and/or multiple listing service records kept and maintained by realtors or appraisers on a systematized basis,

so that the Assessed Valuation can be properly determined. In the event any Owner fails, neglects or refuses to so cooperate with and assist the Association in discharging its responsibility to so determine the Assessed Valuation, then: (1) the Board may levy an individual special assessment against the Owner and the

Owner's Lot equal to the reasonable cost and expense incurred by the Association in otherwise gathering the data; and/or (2) the Board may estimate and prescribe an Assessed Valuation which shall be binding upon the Owner.

To provide funds for the purposes illustrated in Article V, Section 2 above, the Annual Assessment for the Fiscal Year of January 1, 1991 through December 31, 1991 shall be equal to Twelve Cents (\$0.12) for each One Hundred Dollars (\$100.00) of the then current Assessed Valuation of each Lot. For each Fiscal Year from and after January 1, 1992, the Board shall assess against each Lot within the Assessable Property a charge which shall be uniform with respect to all residential Assessable Property equal to a specified number of dollars and/or cents for each One Hundred Dollars (\$100.00) of the then current Assessed Valuation of the Assessable Property. In making each such assessment, the Board shall separately assess each Lot and each such Lot shall be charged with and subjected to a lien for the amount of such separate assessment which shall be deemed the "Annual Assessment" with respect to such Lot. The date of the most recent assessment for each Lot need not be as of the first day of each January and need not be exact and uniform from one Lot to the next, so that the Board may update its records from time to time based on the best information and data available. The amount of the charge-per\$100-of-Assessed Valuation, and the then-existing budget of the Association, shall automatically increase (but not necessarily decrease) from time to time in direct proportion to each and every percentage increase in the CPI unless otherwise specifically waived or modified by the Board.

The Board of Directors may be permitted to increase the maximum Annual Assessment without a vote of the Members, but such an adjustment should not exceed 5 percent of the previous year's maximum Annual Assessment, or the change in the Consumer Price Index, whichever is greater. The annual maximum assessment may not be otherwise increased without the assent of at least two-thirds of each class of Members at a meeting called for that purpose with at least 60 percent of the Lot Owners (or their proxies) present after adequate notice. If 60 percent do not attend, a second meeting may be called with the same notice and the quorum may be reduced to 30 percent.

The Board shall not increase the Annual Assessment except pursuant to this Section and shall not take formal action on or impose a cost of living increase in the Annual Assessment more than once in any Fiscal Year. Any such cost of living increase in the Annual Assessment shall thereafter remain in effect indefinitely; and any increase shall not be deemed to limit the Board's authority to increase the annual assessment in succeeding Fiscal Years provided, however, that any further increases are made in accordance with this Section. Each and every meeting of the Board in which final action on an Annual Assessment or special group assessment is taken shall be open to the Owners.

Section 4. Special Group Assessments. In addition to the regular Annual Assessment authorized by Section 3 hereof, the Association may levy in any Fiscal Year a special assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Common Properties, including any necessary fixtures and personal property related thereto

or for any unusual or emergency purpose(s) (including without limitation those matters arising out of litigation and/or judgments); provided that any such assessment shall have the affirmative approval of at least three-fourths of the individuals comprising the Board.

Section 5. Rate of Assessments. Both regular and special group assessments must be fixed at a uniform rate for all residential Lots owned by Class A Members, unless otherwise approved by at least three-fourths of the individuals comprising the Board. The Board shall have the power and authority to prescribe and fix the rate(s) of regular and special group assessments for any and all Commercial Use Lots subjected to a declaration of covenants and these rate(s) may vary from one Commercial Use Lot to the next Commercial Use Lot, and from the Commercial Use Lots to the residential Lots.

Section 6. Date of Commencement of Assessments; Due Dates. The Annual Assessment shall be due and payable in full in advance on the first day of each Fiscal Year and shall, if not automatically paid within thirty (30) consecutive calendar days thereafter, automatically become delinquent. The Board shall use reasonable efforts to provide each Owner with an invoice statement of the appropriate amount due, but any failure to provide such a notice shall not relieve any Owner of the obligation established by the preceding sentence. The Board may (but is not required to), however, prescribe time-price differential payment schedules which would permit the collection of an amount greater than the Annual Assessment on a semi-annual, quarterly or monthly basis provided that the creditworthiness of the Owner was acceptable to the Board and the inconvenience to the staff of the Association for additional invoicing and collection efforts was minimized or eliminated. The Board may further prescribe: (a) procedures for collecting advance regular Annual Assessments from new Owners, Members or Residents out of "closing transactions"; and (b) different procedures for collecting assessments from Owners who have had a recent history of being untimely in the payment(s) of assessments.

Section 7. Duties of the Board of Directors with Respect to Assessments.

(a) In the event of a revision to the amount or rate of the Annual Assessment, or establishment of a special group assessment, the Board shall fix the amount of the assessment against each Lot, and the applicable due date(s) for each assessment, at least sixty (60) days in advance of such date or period and shall, at that time, prepare a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association;

(b) Written notice of the applicable assessment shall be actually or constructively furnished to every Owner subject thereto in accordance with the procedures then determined by the Board as being reasonable and economical; and

(c) The Board shall, upon reasonable demand, furnish to any Owner originally liable for said assessment, a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid. A reasonable charge may be made by the Board for the issuance of such certificate.

Section 8. Effect of Non-Payment of Assessment; the Personal Obligation of the Owner; the Lien; and Remedies of Association.

(a) Effective as of, and from and after the filing and recordation of this Declaration, there shall exist a self-executing and continuing contract Payment and Performance Lien and equitable charge on each Lot to secure the full and timely payment of each and all assessments and all other charges and monetary amounts and performance obligations due hereunder. Such lien shall be at all times superior to any claim of homestead by or in any Owner. If any assessment, charge or fine or any part thereof is not paid on the date(s) when due, then the unpaid amount of such assessment, charge or fine shall (after the passage of any stated grace period) be considered delinquent and shall, together with any late charge and interest thereon at the highest lawful rate of interest per annum and costs of collection thereof, become a continuing debt secured by the self-executing Payment and Performance Lien on the Lot of the non-paying Owner/Member/Resident which shall bind such Lot in the hands of the Owner and Owner's heirs, executors, administrators, devisees, personal representatives, successors and assigns. The Association shall have the right to reject partial payments of an unpaid assessment or other monetary obligation and demand the full payment thereof. The personal obligation of the then-existing Owner to pay such assessment, however, shall remain the Owner's personal obligation and shall not pass to Owner's successors in title unless expressly assumed by them. However, the lien for unpaid assessments shall be unaffected by any sale or assignment of a Lot and shall continue in full force and effect. No Owner may waive or otherwise escape liability for any assessment provided herein by non-use of the Common Properties or abandonment of the Lot. No diminution or abatement of assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the Association, or for inconvenience or discomfort arising from the making of improvements or repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance or with any order or directive of any municipal or other governmental authority, the obligation to pay such assessments being a separate and independent covenant on the part of each Owner;

(b) The Association may also give written notification to the holder(s) of any mortgage on the Lot of the non-paying Owner of such Owner's default in paying any assessment, charge or fine, particularly where the Association has theretofore been furnished in writing with the correct name and address of the holder(s) of such mortgage, a reasonable supply of self-addressed postage prepaid envelopes, and a written request to receive such notification;

(c) If any assessment, charge or fine or part thereof is not paid when due, the Association shall have the right and option to impose a late charge (but only to the extent permitted by applicable law) to cover the additional administrative costs involved in handling the account and/or to reflect any time-price differential assessment schedule adopted by the Association. The unpaid amount of any such delinquent assessment, charge or fine shall bear interest from and after the date when due at the highest lawful rate of interest per annum until fully paid. If applicable state law provides or requires an alternate ceiling under

Vernon's Annotated Texas Civil Statutes Article 5069-1.04, then that ceiling shall be the indicated rate ceiling. The Association may, at its election, retain the services of an attorney to review, monitor and/or collect unpaid assessments, charges, fines and delinquent accounts, and there shall also be added to the amount of any unpaid assessment, charge, fine or any delinquent account any and all attorneys' fees and other costs of collection incurred by the Association;

(d) The Association may, at its discretion but subject to all applicable debt collection statutes: (i) prepare and file a lien affidavit in the public records of Collin County, Texas which specifically identifies the unpaid assessments, charges or fines; and (ii) publish and post, within one or more locations within the Properties, a list of those individuals or entities who are delinquent and, if applicable, their suspended use and enjoyment of the Common Properties until and unless the delinquency has been cured to the reasonable satisfaction of the Association. Each Owner consents to these procedures and authorizes the Board to undertake such measures for the general benefit of the Association;

(e) All agreements between any Owner and the Association and/or Declarant, whether now existing or hereafter arising and whether written or oral and whether implied or otherwise, are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to the Association and/or Declarant or for the payment or performance of any covenant or obligation contained herein or in any other document exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof or of such other document at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Association and/or Declarant should ever receive an amount deemed interest by applicable law which shall exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the actual base assessment amount or principal amount owing hereunder and other indebtedness of the Owner to the Association and/or Declarant and not to the payment of interest of if such excessive interest exceeds the unpaid balance of the actual Annual Assessment hereof and such other indebtedness, the excess shall be refunded to Owner. All sums paid or agreed to be paid by any Owner for the use, forbearance or detention of any indebtedness to the Association and/or Declarant shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the interest charged, collected or received on account of such indebtedness is never more than the maximum amount permitted by applicable law. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between any Owner and the Association and/or Declarant.

Section 9. Power of Sale. The lien described within the preceding Section is and shall be a contract Payment and Performance Lien. Each Owner, for the purpose of better securing each and all monetary obligations described within these Covenants, and in consideration of the benefits received and to be received by virtue of the ownership of real estate within Stonebridge Ranch, has granted, sold and conveyed and by these covenants does grant, sell and convey unto the Trustee, such Owner's Lot. To have and to hold such Lot, together with the rights,

privileges and appurtenances thereto belonging unto the said Trustee, and to its substitutes or successors, forever. And each Owner does hereby bind himself and/or herself, their heirs, executors, administrators and assigns to warrant and forever defend the Lot unto the said Trustee, its substitutes or successors and assigns, forever, against the claim, or claims of all persons claiming or to claim the same or any part thereof.

This conveyance is made in trust to secure payment of each and all assessments and other obligations prescribed by these Covenants to and for the benefit of the Association as the Beneficiary. In the event of default in the payment of any obligation hereby secured, in accordance with the terms thereof, then and in such event, Beneficiary may elect to declare the entire indebtedness hereby secured with all interest accrued thereon and all other sums hereby secured due and payable (subject, however, to the notice and cure provisions set forth in Section 51.002 of the Texas Property Code), and in the event of default in the payment of said indebtedness when due or declared due, it shall thereupon, or at any time thereafter, be the duty of the Trustee, or its successor or substitute as hereinafter provided, at the request of Beneficiary (which request is hereby conclusively presumed), to enforce this trust; and after advertising the time, place and terms of the sale of the Lot then subject to the lien hereof, and mailing and filing notices as required by Section 51.002, Texas Property Code, as then amended (successor to article 3810, Texas Revised Civil Statutes), and otherwise complying with that statute, the Trustee shall sell the Lot, then subject to the lien hereof, at public auction in accordance with such notices on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P.M., to the highest bidder for cash, selling all of the Lot as an entirety or in such parcels as the Trustee acting may elect, and make due conveyance to the Purchaser or Purchasers, with general warranty binding upon the Owner, his heirs and assigns; and out of the money arising from such sale, the Trustee acting shall pay first, all the expenses of advertising the sale and making the conveyance, including a reasonable commission to itself, which commission shall be due and owing in addition to the attorney's fees provided for, and then to Beneficiary the full amount of principal, interest, attorney's fees and other charges due and unpaid on said indebtedness secured hereby, rendering the balance of the sales price, if any, to the Owner, his heirs or assigns and/or to any other lienholders (if so required by applicable law); and the recitals in the conveyance to the Purchaser or Purchasers shall be full and conclusive evidence of the truth of the matters therein stated, and all prerequisites to said sale shall be presumed to have been performed, and such sale and conveyance shall be conclusive against the Owner, his heirs and assigns.

It is agreed that in the event a foreclosure hereunder should be commenced by the Trustee, or its substitute or successor, Beneficiary may at any time before the sale of said property direct the said Trustee to abandon the sale, and may then institute suit for the collection of said indebtedness, and for the foreclosure of this contract Payment and Performance Lien; it is further agreed that if Beneficiary should institute a suit for the collection thereof, and for a foreclosure of this contract lien, that it may at any time before the entry of a final judgment in said suit dismiss the same, and require the Trustee, its substitute or successor to sell the Lot in accordance with the provisions of this section. Beneficiary, if it is the highest bidder, shall have the right to

purchase at any sale of the Lot, and to have the amount for which such Lot is sold credited on the debt then owing. Beneficiary in any event is hereby authorized to appoint a substitute trustee, or a successor trustee, to act instead of the Trustee named herein without other formality than the designation in writing of a substitute or successor trustee; and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness hereby secured has been paid in full, or until said Lot is sold hereunder, and each substitute and successor trustee shall succeed to all of the rights and powers of the original trustee named herein. In the event any sale is made of the Lot, or any portion thereof, under the terms of this section, the Owner, his heirs and assigns, shall forthwith upon the making of such sale surrender and deliver possession of the property so sold to the Purchaser at such sale, and in the event of his failure to do so he shall thereupon from and after the making of such sale be and continue as tenants at will of such Purchaser, and in the event of his failure to surrender possession of said property upon demand, the Purchaser, his heirs or assigns, shall be entitled to institute and maintain an action for forcible detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such property, or any part thereof, is situated. The foreclosure of the continuing contract lien on any one or more occasions shall not remove, replace, impair or extinguish the same continuing lien from securing all obligations arising from and after the date of foreclosure.

Section 10. Rights of City of McKinney. In the event that the Association, its successors or assigns, shall fail or refuse to adequately maintain the appearance and condition of the Common Properties which it is obligated to maintain hereunder, the City of McKinney, Texas shall have the right and may assume the duty of performing all such maintenance obligations of the Association at any time, upon giving written notice to the Owners or at any time after the expiration of ten (10) days after receipt by the Association, its successors or assigns, of written notice specifying in detail the nature and extent of the failure to maintain without such failure being remedied, whichever notice shall be deemed appropriate by the City of McKinney. Upon assuming such maintenance obligations, the City of McKinney may levy an assessment upon each Lot on a pro rata basis for the cost of such maintenance, notwithstanding any other provisions contained in this Declaration, which assessment shall constitute a lien upon the Lot against which each assessment is made. During the period the City of McKinney has a right and assumes the obligation to maintain and care for the Common Properties, the Association shall have no obligation or authority with respect to such maintenance. The right and authority of the City of McKinney to maintain the Common Properties shall cease and terminate when the Association, its successors or assigns, shall present to the City of McKinney reasonable evidence of its willingness and ability to resume maintenance of the Common Properties. In the event the City of McKinney assumes the duty of performing the maintenance obligations of the Association as provided herein, then the City of McKinney, its agents, representatives and employees shall have right of access to and over the Common Properties for the purpose of maintaining, improving and preserving the same; and in no event, and under no circumstances, shall the City of McKinney be liable to the Association or any Owner, Resident or Member, or their respective heirs, executors, administrators, devisees, personal representatives, successors and assigns for negligent acts or construction relating in any manner to

maintaining, improving and preserving the Common Properties, or to any Owner, Resident, Member, the Association or any other person for failure to perform such maintenance.

Section 11. Subordination of the Lien to Mortgages. The lien securing the payment of the assessments and other obligations provided for herein shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Lot whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, except for:

- (a) bona-fide first mortgage or deed of trust liens for purchase money and/or home improvement purposes placed upon a Lot, including without limitation Institutional Mortgages and Eligible Mortgages, in which event the Association's lien shall automatically become subordinate and inferior to such first lien;
- (b) liens for taxes or other public charges as are by applicable law made superior to the Association's lien; and
- (c) such other liens about which the Board may, in the exercise of its reasonable discretion, elect to voluntarily subordinate the Association's lien;

provided however, such subordination shall apply only to: (i) the assessments which have been due and payable prior to the foreclosure sale (whether public or private) of such Lot pursuant to the terms and conditions of any such first mortgage or deed of trust or tax lien; (ii) the permitted lien on the Lot alone and not on or to any easement appurtenant for use and enjoyment of the Common Properties. Such sale shall not relieve such Lot from liability for the amount of any assessment thereafter becoming due nor from the lien of any such subsequent assessment. Such subordination shall not apply where the first mortgage or deed of trust or tax lien is used as a device, scheme or artifice to evade the obligation to pay assessments and/or to hinder the Association in performing its functions hereunder.

Section 12. Exempt Property. The following property otherwise subject to this Declaration shall be exempted from any assessments, charge and lien created herein:

- (a) All properties dedicated to and accepted by a local public or governmental authority;
- (b) Common Properties; and
- (c) Exempt Property.

ARTICLE VI.

GENERAL POWERS AND DUTIES OF THE
BOARD OF DIRECTORS OF THE ASSOCIATION

Section 1. Powers and Duties. The affairs of the Association shall be conducted by its Board. The Board, for the benefit of the Association, the Properties and the Owners and the Members and Residents, may provide and may pay for, out of the assessment fund(s) provided for in Article V above, one or more of the following:

(a) Care, preservation and maintenance of the Common Properties (including without limitation the proper maintenance of lake water quality and lake shorelines) and the furnishing and upkeep of any desired personal property for use in or on the Common Properties;

(b) Recreational and social programs and activities for the general benefit of the Residents and programs which are designed only for separately identifiable sub-groups of Residents, such as (but not limited to) infants, adolescents, teenagers, students, mothers and senior citizens;

(c) Supplementing (to the extent, if any, deemed necessary, appropriate and affordable by the Board) the police, fire, ambulance, garbage and trash collection and similar services within the Properties traditionally provided by local governmental agencies;

(d) Taxes, insurance and utilities (including, without limitation, electricity, gas, water, sewer and telephone charges) which pertain to the Common Properties;

(e) The services of any person or firm (including the Declarant and any affiliates of the Declarant) to manage the Association or any separate portion thereof, to the extent deemed advisable by the Board, and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager of the Association. The Board is specifically authorized to hire and employ one or more managers, secretarial, clerical, staff and support employees. The Board is specifically authorized to engage personnel (such as ad valorem tax consultants and computer operators) and equipment (such as computers, software and electronic communication and transmission devices), and to purchase and/or rent magnetic tapes and the like from the Taxing Authorities and/or the CADCC, to determine the Assessed Valuation and the administration of the collection of assessments described within the preceding Article V;

(f) Legal and accounting services and all costs and expenses reasonably incurred by the Master and Village Architectural Review Committees; and

(g) Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments which the Board is required to obtain or pay for pursuant to the terms of this Declaration or which in its opinion shall be necessary or proper for the operation or protection of the Association or for the enforcement of this Declaration.

The Board shall have the following additional rights, powers and duties:

(h) To execute all declarations of ownership for tax assessment purposes with regard to any of the Common Properties owned by the Association;

(i) To enter into agreements or contracts with insurance companies, Taxing Authorities, the holders of first mortgage liens on the individual Lots and utility companies with respect to: (i) any taxes on the Common Properties; (ii) monthly escrow and impound payments by a mortgagee regarding the assessment, collection and disbursement process envisioned by Article V hereinabove; (iii) utility installation, consumption and service matters; and (iv) the escrow or impounding of monies sufficient to timely pay the Annual Assessment applicable to any Lot;

(j) To borrow funds (including, without limitation, the borrowing of funds from the Declarant and/or its affiliates) to pay costs of operation, secured by such assets of the Association as deemed appropriate by the lender and the Association;

(k) To enter into contracts, maintain one or more bank accounts and, generally, to have all the powers necessary or incidental to the operation and management of the Association;

(l) To protect or defend the Common Properties from loss or damage by suit or otherwise, to sue or defend in any court on behalf of the Association and to provide adequate reserves for repairs and replacements;

(m) To make reasonable rules and regulations for the operation of the Common Properties and to amend them from time to time and to enter into concession agreements regarding food, beverage, vending and other products and services within the Common Properties;

(n) To prepare an annual operating budget and to make available for review by each Owner at the Association offices within ninety (90) days after the end of each Fiscal Year an annual report;

(o) Pursuant to Article VII herein, to adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property; and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency; and

(p) To enforce the provisions of this Declaration and any rules made hereunder and to enjoin and seek damages from any Owner, Resident or Member for violation of such provisions or rules. The Board is specifically authorized and empowered to establish (and to revise and amend from time to time) a monetary "fines" system which may include component steps such as warning citations, ticketing, due process hearings and appeals and a flat rate or discretionary range or geometric

progression of fine amounts, which, when pronounced, shall constitute a permitted individual Lot Owner assessment secured by the continuing Payment and Performance Lien herein established.

The Association may: (i) borrow monies from the Declarant; (ii) lease equipment from the Declarant; (iii) contract with the Declarant concerning the provision of any personnel, labor, supplies, materials and services, provided such contract terms and conditions are: generally comparable (in terms of price, quality and timeliness) with those that might be otherwise obtained from unrelated third parties; and, as to professional management contracts, terminable by the Association at any time for any reason whatsoever and without penalty upon furnishing at least ninety (90) days advance notice thereof to Declarant. The Board shall not be required to solicit bids from unrelated third parties before entering into any contract with the Declarant and the reasonable judgment and resolution of the Board to enter into any such contract with the Declarant (absent fraud, gross negligence or willful misconduct) shall be final and conclusive and binding upon the Association and all of its Members.

Section 2. Board Powers. The Board shall have the right and obligation to perform the functions of the Board on behalf of the Association. In the event or if for any reason the Board is not deemed authorized to act for and on behalf of the Association and the Members, then the Declarant may exercise its power and authority under Article XIII, Section 1, to act for and on behalf of the Association and the Members, and the Association shall reimburse the Declarant for any and all reasonable expenses incurred in so acting.

Section 3. Maintenance Contracts. The Board, on behalf of the Association, shall have full power and authority to contract with any Owner, Member or Resident (including, without limitation, the Declarant) for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interests of the Association. The Association may also coordinate and/or contract with the owner(s) and/or operator(s) of the private golf courses and country club areas within the Properties concerning landscaping, irrigation, maintenance, plantings and related matters.

Section 4. Liability Limitations. Neither any Resident nor the directors and officers and managers of the Association shall be personally liable for debts contracted for or otherwise incurred by the Association or for any torts committed by or on behalf of the Association or for a tort of another Resident, whether such other Resident was acting on behalf of the Association or otherwise. Neither the Declarant, the Association, its directors, officers, managers, agents or employees shall be liable for any actual, incidental or consequential damages for failure to inspect any premises, improvements or portion thereof or for failure to repair or maintain the same. The Declarant, the Association or any other person, firm or corporation liable to make such repairs or maintenance shall not be liable for any personal injury or other actual, incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portion thereof.

Section 5. Reserve Funds. The Board may establish reserve funds which may be maintained and accounted for separately from other funds maintained for annual operating expenses and may establish separate, irrevocable trust accounts or any other recognized bookkeeping or tax procedures in order to better demonstrate that the amounts deposited therein are capital contributions and not net or taxable income to the Association.

ARTICLE VII.

INSURANCE; REPAIR; RESTORATION; SECURITY ARRANGEMENTS

Section 1. Right to Purchase Insurance. The Association shall have the right and option to purchase, carry and maintain in force insurance covering any or all portions of the Common Properties, any improvements thereon or appurtenant thereto, for the interest of the Association, its Board of Directors, officers, managers, agents and employees, and of all Members of the Association, in such amounts and with such endorsements and coverage as shall be deemed appropriate by the Board and/or as specifically required by the Eligible Mortgagees or Eligible Insurers. Such insurance may include, but need not be limited to:

(a) Insurance against loss or damage by fire and hazards covered by a standard extended coverage endorsement in an amount which shall be equal to the maximum insurable replacement value, excluding foundation and excavation costs;

(b) Comprehensive public liability and property damage insurance on a broad form basis, including coverage of personal liability (if any) of the Board, Owners, Residents and Members with respect to the Common Properties;

(c) Fidelity bonds for all officers and employees of the Association having control over the receipt or disbursement of funds, and

(d) Liability insurance regarding the errors and omissions of directors, officers, managers, employees and representatives of the Association.

Section 2. Insurance and Condemnation Proceeds. The Association shall be the exclusive representative of the Members in any proceedings, negotiations, settlements or agreements concerning insurance or condemnation. The Association and the Members may use the net insurance and condemnation proceeds to repair and replace any damage or destruction of property, real or personal, covered by such insurance or condemnation. Any balance from the proceeds of insurance or condemnation paid to the Association, remaining after satisfactory completion of repair and replacement or after the Board has elected to waive the repair, restoration or replacement, shall be retained by the Association as part of a general reserve fund for repair and replacement of the Common Properties.

Section 3. Insufficient Proceeds. If the insurance or condemnation proceeds are insufficient to repair or replace any loss or damage, the Association may levy a special group assessment as provided for in Article V of this Declaration to cover the deficiency.

Section 4. Security Arrangements. Declarant and/or the Association may assist in the formation of voluntary neighborhood "Crime Watch" programs (and perhaps other similar programs) within one or more of the Villages. Although the Declarant and the Association reasonably believe that the existence and visibility of neighborhood crime watch programs may to some extent discourage the commission of criminal acts (e.g., burglary, theft, etc.) within the Properties, nevertheless neither the Declarant nor the Association warrant or guarantee that: (a) these arrangements are sufficient and adequate to diminish or eliminate the commission of crimes against persons or property; and (b) such acts will not be attempted or actually occur within the Properties. These voluntary arrangements are not designed or intended to replace the conventional police and fire protection and paramedical services available from the City of McKinney and other governmental authorities.

The Association will seek to carry public liability insurance generally covering bodily injury and property damage arising out of negligent acts by employees, members or authorized representatives of the Association. The Declarant and Association will not carry any insurance pertaining to, nor does it assume any liability or responsibility for, the real or personal property of the Owners, Residents and Members (and their respective family members and guests). Each Owner, Resident and Member expressly understands, covenants and agrees with the Declarant and the Association that:

(a) neither Declarant nor the Association has any responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and personal property of each Owner, Resident and Member;

(b) each Owner, Resident and Member shall, from time to time and at various times, consult with reputable insurance industry representatives of each Owner's, Resident's and Member's own selection to select, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of insurance deemed satisfactory to each Owner, Resident and Member covering his or her real and personal property.

ARTICLE VIII

ARCHITECTURAL REVIEW

Section 1. Master Architectural Review Committee. The Master Architectural Review Committee ("MARC") shall be composed of at least three (3) individuals selected and appointed by the Declarant, each generally familiar with residential and community development design matters and knowledgeable about the Declarant's concern for a consistent first class approach to and construction of improvements within Stonebridge Ranch. In the event of the death, incapacity or resignation of any member of the MARC, the Declarant (during the Development Period) shall have full authority to designate and appoint a successor. From and after conclusion of the Development Period, the MARC members shall be appointed, and replaced in the event of death, incapacity or resignation, by the Board.

Section 2. MARC Jurisdiction. No building, structure, fence, wall or improvement of any kind or nature shall be erected, placed or altered on any Lot until all plans and specifications have been submitted to and approved in writing by the MARC, or a majority of its members, as to:

- (i) quality of workmanship and materials, adequacy of site dimensions, adequacy of structural design, proper facing of main elevation with respect to nearby streets, in accordance with this Declaration and/or the Master Design Guidelines and/or the Subdivision Design Guidelines and/or bulletins;
- (ii) minimum finished floor elevation and proposed footprint of the dwelling;
- (iii) conformity and harmony of the external design, color, type and appearance of exterior surfaces and landscaping;
- (iv) drainage solutions;
- (v) the observance of and compliance with applicable setback lines and easement areas and the enhancement of aesthetic views and visual corridors to and from the Common Properties; and
- (vi) the other standards set forth within this Declaration (and any amendments hereto) or as may be set forth within the Master Design Guidelines, the Subdivision Design Guidelines, bulletins promulgated by the MARC, or matters in which the MARC has been vested with the authority to render a final interpretation and decision.

The MARC is authorized and empowered to consider and review any and all aspects of construction, location and landscaping, which may, in the reasonable opinion of the MARC, adversely affect the living enjoyment of one or more Owner(s) or Residents or the general value of the Properties. Also, the MARC is permitted to consider technological advances and changes in design and materials and such comparable or alternative techniques, methods or materials may or may not be permitted, in accordance with the reasonable opinion of the MARC. The MARC is also authorized to request, receive and transmit cost data to the Board which would enable the Association to carry out its duties as prescribed by Article V, Section 3.

The following is a general outline of the steps likely to be involved in the review of plans and specifications:

- (1) Submit preliminary plans and specifications to the MARC;
- (2) Submit final plans and specifications to the MARC;
- (3) Submit plans and specifications to the City of McKinney; and
- (4) Submit copy of building permit to the MARC.

The MARC may require as a condition precedent to any approval of the final plans and specifications, that the applicant obtain and produce an appropriate building permit from the City of McKinney, Texas. The MARC is also authorized to

coordinate with the City of McKinney in connection with the applicant's observance and compliance of the construction standards set forth in this Master Declaration, the Master Design Guidelines, the Subdivision Design Guidelines and any bulletins or lot information sheets promulgated thereunder. However, the mere fact that the City of McKinney issues a building permit with respect to a proposed structure does not automatically mean that the MARC is obliged to unconditionally approve the plans and specifications. Similarly, the MARC's approval of any plans and specifications does not mean that all applicable building requirements of the City of McKinney have been satisfied.

Each and every owner and applicant shall use their respective best efforts to commence construction of all improvements approved by the MARC and the City of McKinney, Texas (and any and all other applicable governmental agencies) within sixty (60) days after obtaining all necessary governmental approvals therefor and thereafter diligently pursue the project through to completion.

Section 3. Master Design Guidelines. The MARC may, from time to time, publish and promulgate additional or revised Master Design Guidelines and Subdivision Design Guidelines, and such design guidelines shall be explanatory and illustrative of the general intent of the proposed development of the Properties and are intended as a guide to assist the MARC in reviewing plans and specifications. The Master Architectural Review Committee shall have the right, power and authority to establish and prescribe architectural restrictions and guidelines pertaining to items and topics such as (but not necessarily limited to):

- a. A site plan showing the "footprint" of the building, location of all existing trees (indicating size and type) and proposed improvements, including but not limited to, structures, patios, driveways, parking areas and structures, fences and walls.
- b. Exterior elevations of all proposed buildings and structures.
- c. A description and samples of exterior materials, colors, textures and shapes of all buildings and structures.
- d. Landscape plans, which shall include walkways, fences, walls, details, elevation changes, irrigation and watering systems, vegetation and ground cover (indicating size, spacing and quantity), and the protection and preservation of trees and other existing and introduced vegetation.
- e. Utility connections, including routing of electrical, gas, water, sanitary sewer, telephone cables and pre-wired CATV facilities.
- f. Exterior illumination and location.
- g. Dimensional floor plan of all enclosed spaces and any garages or parking facilities (particularly where the garages face the street).
- h. Smoke detector locations.
- i. Mailbox location and design.

j. Drainage solutions.

k. Such other matters as may be required by the then applicable zoning and building codes of the City of McKinney.

l. The items described within Section 2 above and any other data or information requested or deemed reasonably necessary by the Master Architectural Review Committee.

 * PRIOR TO ACQUIRING ANY INTEREST IN A LOT, EACH *
 * PROSPECTIVE PURCHASER, TRANSFEREE, MORTGAGEE AND OWNER *
 * OF ANY LOT IN THE SUBDIVISION IS STRONGLY ENCOURAGED TO *
 * CONTACT THE DECLARANT OR THE ASSOCIATION OR THE MARC TO *
 * OBTAIN AND REVIEW THE MOST RECENT MASTER DESIGN GUIDE- *
 * LINES AND SUBDIVISION DESIGN GUIDELINES WHICH WILL CON- *
 * TROL THE DEVELOPMENT, CONSTRUCTION AND USE OF THE LOT. *

Section 4. Preliminary and Final Plan Submissions. The Master Architectural Review Committee is authorized and empowered to and shall consider, review and comment on preliminary plans submitted in duplicate on an informal basis to assist Owners, developers, homebuilders and prospective purchasers of the Lots in complying with these Covenants and to assist in the completion of any feasibility studies undertaken by such persons or entities. [The MARC shall have the right, however, to prescribe reasonable limitations concerning the time, effort and expense likely to be involved in handling such matters on an informal basis]. If the preliminary plans and specifications are approved by the MARC, the Owner or the Owner's designated representative will be so advised by letter. If found not to be in compliance with these Covenants, the Owner or the Owner's designated representative will be so advised by letter containing a reasonable statement and explanation of items found not to comply with these Covenants. If the MARC fails to approve or disapprove such plans and specifications within thirty (30) days after the actual date on which the submission is received, approval of the matters submitted shall be presumed. Comments on and approvals of preliminary plans and specifications shall be binding upon the Master Architectural Review Committee provided that conforming final plans and specifications are submitted within ninety (90) days of such preliminary comments or approvals.

Final plans, specifications and surveys shall be submitted in duplicate to the Committee for approval or disapproval. The Committee is authorized to request the submission of samples of proposed construction materials. At such time as the plans, specifications and surveys meet the approval of the MARC, one complete set of plans, specifications and surveys will be retained by the MARC and the other complete set will be marked "Approved" and returned to the Lot Owner or his designated representative. If found not to be in compliance with these Covenants, one set of such plans, specifications and surveys shall be returned marked "Disapproved," accompanied by a reasonable statement and explanation of items found not to comply with these Covenants. Any modification or change to the

approved set of plans, specifications and surveys must again be submitted to the MARC for its inspection and approval. The MARC's approval or disapproval, as required herein, shall be in writing. If the MARC fails to approve or disapprove such plans, specifications and surveys within thirty (30) days after the actual date on which the submission is received, then the MARC approval shall be presumed.

The MARC may from time to time publish and promulgate architectural standards bulletins and/or lot information sheets which shall be fair and reasonable and shall carry forward the spirit and intention of these Covenants. Such bulletins and lot information sheets shall supplement these Covenants and are incorporated herein by reference. EACH OWNER SHALL SEEK AND OBTAIN AND BECOME THOROUGHLY FAMILIAR WITH ANY AND ALL ARCHITECTURAL STANDARDS BULLETINS AND LOT INFORMATION SHEETS PRIOR TO ACQUISITION OF, AND CONSTRUCTION ON, ANY LOT WITHIN THE SUBDIVISION.

Section 5. Village Architectural Review Committee. The Board shall establish, select and appoint, not later than that point in time when eighty-five percent (85%) of the Dwelling Units within each Village are occupied, a Village Architectural Review Committee ("VARC") composed of at least three (3) individual Owners of Lots within such Village, each generally familiar with residential design matters and aesthetic considerations. In the event of the death, incapacity, or resignation of any member of the VARC, the Board shall have full authority to designate and appoint a successor. The MARC and the Board may delegate to the VARC, and the VARC shall then have within its jurisdiction, the right, power and authority to review and approve (or disapprove, as the case may be) any alteration, change, modification, remodeling, restoration, addition or renovation to any building, structure, fence, wall or improvement of any kind or nature (jointly and severally referred to as an "alteration"). No alteration shall be erected, placed or permitted on any Lot until all plans and specifications, a plot plan and one or more surveys have been submitted to and approved in writing by the VARC, or a majority of its members, as to:

- (i) the matters outlined in Article VIII, Sections 2 and 3 above;
- (ii) the Master Design Guidelines and the Subdivision Design Guidelines and any applicable bulletins or lot information sheets; and
- (iii) the remaining terms and conditions of these Covenants.

The Article VIII, Section 4 provisions concerning preliminary and final plan submissions shall likewise apply to the VARC. The VARC is also authorized to request, receive and transmit cost data to the Board which would enable the Association to carry out its duties as prescribed by Article V, Section 3.

The MARC will at all times have exclusive jurisdiction over new construction on previously unimproved Lots. The MARC will initially have exclusive jurisdiction over an alteration. The VARC (if, as and when created and delegated authority) will have limited jurisdiction to review and approve or disapprove (as the case may be) any alteration of an existing dwelling which was theretofore substantially completed in accordance with final plans and specifications previously approved by the MARC.

 * BEFORE SERIOUSLY UNDERTAKING ANY ALTERATION, EACH OWNER *
 * AND MORTGAGEE OF ANY LOT IN THE SUBDIVISION IS STRONGLY *
 * ENCOURAGED TO CONTACT THE MARC OR VARC TO OBTAIN AND *
 * REVIEW THE MOST RECENT MASTER AND SUBDIVISION DESIGN *
 * GUIDELINES AND TO DISCUSS THE ALTERATION PROPOSAL. *

Section 6. General. The following declarations within this Section apply to the MARC and to the VARC. Each Committee shall be entitled, at any time and from time to time, to associate or employ a staff and to seek and obtain professional advice and counsel (including but not limited to architects, attorneys, designers, engineers and landscape technicians) in connection with the performance of its duties with all reasonable costs and expenses related thereto paid for or reimbursed by the Association. The Association may, in turn, reasonably recoup some or all of these expenses from the applicants seeking review and approval of plans and specifications.

The Declarant and/or the Association and/or the MARC and/or the VARC may require any Owner to restore such Owner's improvements or alteration to the condition existing prior to the construction thereof (including, without limitation, the demolition and removal of any unapproved improvement) if such improvements or alterations were commenced or constructed in violation of this Article. In addition, the Declarant and/or the Association and/or the MARC and/or the VARC may, but has no obligation to do so, cause such restoration, demolition and removal and levy the amount of the cost thereof as a special individual assessment against the Lot upon which such improvements or alterations were commenced or constructed. A material violation of these Covenants shall be deemed to have occurred if no prior express written approval of the MARC or the VARC (as the case may be) has been obtained where it was originally required, even if hindsight reveals that the actual plans and specifications would have been approved by the MARC or the VARC (as the case may be) had they been properly and timely submitted.

Neither Declarant, nor the Association, nor the Committee(s), nor the Board nor the officers, directors, managers, members, employees and agents of any of them, shall be liable in damages to anyone submitting plans and specifications to any of them for approval, or to any Owner of property affected by these restrictions by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications. No approval of plans and specifications and no publication of any Master or Subdivision Design Guidelines, architectural bulletins or lot information sheets shall be construed as representing or implying that such plans, specifications, guidelines, bulletins or sheets will, if followed, result in properly designed improvements and/or improvements built in a good and workmanlike manner. Every person or entity who submits plans or specifications, and every Owner of each and every Lot, agrees that he will not bring any action or suit against Declarant, the Association, the Committee(s), the Board, or the officers, directors, managers, members, employees and agents of any of them, to recover any such damages and hereby releases.

remises and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given.

After reasonable notice to the Owner (and any applicable Resident), any member or agent of the Committee may from time to time at any reasonable hour or hours enter and inspect any property subject to the jurisdiction of said Committee to confirm improvement or maintenance or alteration in compliance with the provisions hereof. No improvements or addition or change or alteration thereof shall be constructed, erected, placed, altered or maintained on any Lot which is in violation of any of the laws or ordinances of the City of McKinney, Texas or any other applicable governmental laws, rules or regulations. However, Declarant, the Association, the Committee and their respective officers, directors, managers, agents and employees shall have no obligation to enforce or to report the violation of any such law, ordinance, rule or regulation.

The Committee shall have the power to grant variances, waivers, tolerances or modifications of the standards set forth within the Covenants under circumstances and conditions deemed reasonable, appropriate and prudent by the Committee. Matters of "quality", "adequacy" and "propriety" are to be considered by each Committee generally from an aesthetic standpoint, rather than from an engineering standpoint. Plans and specifications are not reviewed or approved for engineering or structural design or technical quality of materials, and by approving such plans and specifications neither the Committee, nor the members thereof, nor the Association assumes liability or responsibility therefor, nor for any defect in any structure constructed from such plans and specifications.

ARTICLE IX

USE OF LOTS IN THE SUBDIVISION; PROTECTIVE COVENANTS

The Subdivision (and each Lot situated therein) shall be constructed, developed, occupied and used as follows:

Section 1. Residential Lots. All Lots within the Subdivision shall be used, known and described as residential Lots, unless otherwise indicated on the Subdivision plat. Lots shall not be further subdivided and, except for the powers and privileges herein reserved by the Declarant, the boundaries between Lots shall not be relocated without the prior express written consent of the MARC. No building or structure shall be erected, altered, placed or permitted to remain on any residential Lot other than one (1) single-family dwelling and, if any, its customary and usual accessory structures (unless otherwise prohibited herein). No building or structure intended for or adapted to business or commercial purposes or Commercial Use shall be erected, placed, permitted or maintained on such premises, or any part hereof, save and except those related to development, construction and sales purposes of a bona-fide homebuilder, the Declarant or the Association. No Owner, Resident or Member shall conduct, transmit, permit or allow any type or kind of home business or home profession or hobby on any Lot or within any Dwelling Unit which would: (1) attract automobile, vehicular or

pedestrian traffic to the Lot; (ii) involve lights, sounds, smells, visual effects, pollution and the like which would adversely affect the peace and tranquillity of any one or more of the Residents within the Village. The restrictions on use herein contained shall be cumulative of, and in addition to, such restrictions on usage as may from time to time be applicable under and pursuant to the statutes, rules, regulations and ordinances of the City of McKinney, Texas or any other governmental authority having jurisdiction over the Subdivision.

Section 2. Minimum Floor Space; Alarms. Each one (1) story dwelling and each one-and-one half (1) and two (2) story dwelling constructed on any Lot shall contain such minimum square feet of air-conditioned floor area (exclusive of all porches, garages or breezeways attached to the main dwelling) as may be specified by the Subdivision Design Guidelines and/or the MARC for the first and/or second stories and/or the total. The Subdivision Design Guidelines and/or the MARC may require that the construction plans and specifications for each residential dwelling, include provisions for the installation and equipment of first-class fire and burglar alarms, smoke detectors and such other safety and security devices which, from time to time, become technologically feasible for residential use as may be further described and defined by the Master Architectural Review Committee.

Section 3. Garages; Parking. Each single-family residential dwelling erected on any Lot shall provide garage space for a minimum of two (2) conventional automobiles, unless otherwise specifically approved by the MARC. Each Owner, Member and Resident shall use their respective best efforts to park and store their automobiles within the garage. All garage doors shall be closed at all times when not in use. Carports are not encouraged but may be permitted under limited rigid circumstances if, as and when, in the absolute opinion of the Master Architectural Review Committee, the exterior surface and appearance will substantially compare with a garage and if absolutely no storage of items, which would otherwise be visible, will occur thereunder. Any and all proposed garage or carport plans and specifications must be submitted to the Master Architectural Review Committee for review and approval. Each Owner, Resident and Member shall use their respective best efforts to refrain from:

(a) habitually parking any automobile or vehicle on any Lot outside of an approved garage area between any Dwelling Unit and the abutting front street or between any Dwelling Unit and an abutting side street; and

(b) performing, permitting or allowing repair or maintenance work to any automobile or other vehicle outside the garage and visible to the abutting street(s).

Under no circumstances or conditions shall any automobile or other vehicle be parked on a non-paved portion of any Lot.

Section 4. Setback Requirements. Setback requirements are described within the Master Design Guidelines and the Subdivision Design Guidelines. The Master Architectural Review Committee may establish additional setback lines (for fences, walls and for buildings) from the front property line of each Lot at varying

distances; the mixture of various front setbacks may satisfy requirements of the City of McKinney and reflect a high degree of architectural style and design. In order to allow flexibility for: (i) implementation of state-of-the-art construction designs, and (ii) any consolidation of two (2) or more Lots to accommodate the construction of a lesser number of dwellings thereon, the Master Architectural Review Committee shall also have the authority to develop and refine rear and side yard setback requirements. Within the setback areas for each Lot and subject to the construction or installation of any other items otherwise permitted, a non-exclusive surface easement and right-of-way is reserved for the Association in order to properly facilitate and carry out its duties and responsibilities under this Declaration.

Section 5. Height Limitations; Elevations. No building or structure on any Lot shall exceed the height limit specified by the Subdivision Design Guidelines or the MARC. In order to create a desired architectural appearance and mix of one (1) and two (2) story structure heights the Master Architectural Review Committee may prescribe inter-related height and setback requirements. The Master Architectural Review Committee shall have the power and authority to further develop and refine guidelines and interpretations concerning the height concepts and limitations envisioned herein.

Section 6. Fences; Signs. No fence, wall or hedge (which serves as a barrier) shall be erected, placed or altered on any Lot nearer to any street than the minimum building setback line as established by the Subdivision Design Guidelines or the Master Architectural Review Committee. All exterior mechanical or service equipment must be enclosed within fences, walls or landscaping so as not to be visible from the immediate residential street. No fence, wall or hedge shall be erected, placed or altered on any residential Lot without the approval of the Master Architectural Review Committee. No sign or signs shall be displayed to the public view on any residential Lot, except:

(a) any builder, during the applicable initial construction and sales period, may utilize one (1) professional sign [of not more than six (6) square feet in size] per Lot for advertising and sales purposes;

(b) thereafter, a dignified "For Sale" or "For Lease" sign [of not more than six (6) square feet in size] may be utilized by the Owner of the respective residential Lot for the applicable sale or lease situation; and

(c) development-related signs owned or erected by the Declarant shall be permitted.

The Declarant and/or the MARC shall have the right and privilege to develop and implement uniform signage specifications and requirements applicable throughout the Subdivision.

Section 7. Easements; Utilities. Easements for the installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded subdivision plat. Utility service may be installed along or near the front and/or side and/or rear Lot lines and each Lot Owner shall have the task and responsibility of determining the specific location of all such utilities. Except

as may be otherwise permitted by the MARC (e.g. fencing, flatwork, landscaping, etc.), no Owner shall erect, construct or permit any obstructions or permanent improvements of any type or kind to exist within any easement area, nor shall anything be done or permitted within an easement area which would restrict or adversely affect drainage. Electrical (and possibly other utility) easements are likely to be located at, near or along the rear lot line(s), and each Lot Owner assumes full, complete and exclusive liability and responsibility for all cost and expense related to damage, repair, relocation and restoration of such improvements or fence. Except as to special street lighting or other aerial facilities which may be required by the City of McKinney or which may be required by the franchise of any utility company or which may be installed by the Declarant pursuant to its development plan, no aerial utility facilities of any type (except meters, risers, service pedestals and other surface installations necessary to maintain or operate appropriate underground facilities) shall be erected or installed on the Subdivision whether upon individual Lots, easements, streets or rights-of-way of any type, either by the utility company or any other person or entity, including, but not limited to, any person owning or acquiring any part of the Subdivision, and all utility service facilities (including, but not limited to, water, sewer, gas, electricity and telephone) shall be buried underground unless otherwise required by a public utility. All utility meters, equipment, air conditioning compressors and similar items must be visually screened and located in areas designated by the Master Architectural Review Committee. The Association or the Master Architectural Review Committee shall have the right and privilege to designate the underground location of any CATV-related cable. Pursuant to requirements by utility company(ies) providing service to the Properties, the following provisions and covenants are to run with the land within the Subdivision with the same force and effect as all other Covenants herein and as if such provisions and covenants had originally been recited within each deed to each Lot executed and delivered by Declarant:

"(a) Electric service of the type known as 120/240 volt, single phase, 3 wire, 60 cycle, alternating current has been made available to the Lot hereby conveyed by means of underground facilities, at a cost in excess of the cost of service provided by the usual and standard overhead facilities, and each Owner acknowledges for himself, his heirs, executors, administrators, successors and assigns, that electric service of any character other than that hereinabove described will not be available except at added cost to such Owner and in accordance with the rules and regulations for electric service of the subject electric utility company; and

(b) Since electric service is to be furnished to each of the Lots solely by underground facilities, each Owner agrees for himself, his heirs, executors, administrators, successors and assigns, that he will, at his own expense, install and maintain the necessary underground facilities to connect the Owner's installation with the service wires of the subject electric utility company and security system at the point of delivery of electric energy."

Each Owner shall assume full and complete responsibility for all costs and expenses arising out of or related to the repair, replacement or restoration of any utility equipment damaged or destroyed as a result of the negligence or mischief of any Resident of the Owner.

Each Owner agrees to provide, at the sole cost and expense of each Owner, such land and equipment and apparatus as are necessary and appropriate to install and maintain additional lighting and security-related measures which becomes technologically provident in the future.

Section 8. Temporary Structures and Vehicles. No temporary structure of any kind shall be erected or placed upon any Lot. Temporary structures shall include, but not be limited to, any garage, servant's house or other improvement erected more than one hundred twenty (120) days prior to the completion of the main portion of the single-family dwelling. However, upon receiving the prior, express written approval of the Master Architectural Review Committee, Declarant or any bona-fide homebuilder may maintain temporary sales or construction offices, provided such sales or construction offices are removed within sixty (60) days after completion of sales or construction, as the case may be.

Any truck (over 3/4 ton and excluding conventional pickups), bus, boat, boat trailer, trailer, mobile home, golf cart, motorcycle, recreational vehicle, campmobile, camper and any vehicle other than a conventional automobile shall, if brought within the Subdivision by or on behalf of any Owner, Member or Resident, be stored, placed or parked within the enclosed garage on the appropriate Lot unless otherwise directed by the Master Architectural Review Committee. The Declarant and/or the Association may, at its option, provide and designate (and charge for and collect a reasonable user fee as approved by the Board), at one or more locations within the Properties, a surface facility for the storage of any vehicle mentioned above which cannot be stored properly within a garage; if, as and when such facility is designated, then each Owner, Member and Resident agrees to cooperate in appropriately using such facility.

Section 9. Site Maintenance, Garbage and Trash Collection. Lot Owners are responsible for keeping construction sites free of rubbish on a daily basis and streets (to the crown) scraped clear of any mud accumulation. Lot Owners will not be allowed to store any excavation of soil on streets or adjacent sites. Soil runoff due to rain or irrigation will be removed promptly from streets and sidewalks by the Lot Owner.

All garbage shall be kept in plastic bags or other containers required by (and meeting the specifications of) the City of McKinney. Each Owner, Member and Resident shall observe and comply with any and all regulations or requirements promulgated by the Association and/or the City of McKinney in connection with the storage and removal of trash and garbage, particularly where the collection point is in front of the residential Dwelling Units.

No residential Lot, or any portion of the Common Properties or any public right-of-way area, shall be used or maintained as a dumping ground for rubbish, trash or garbage. No Owner, Member or Resident shall dump grass clippings, landscape debris, garbage, or trash of any kind on another Lot. Each Owner is responsible for the appearance and condition of such Owner's Lot. If more than five (5) days after prior written notice an Owner shall fail to: (i) control weeds, grass and/or other unsightly growth; (ii) remove trash, rubble, building and construction debris; or (iii) exercise reasonable care or conduct to prevent

or remedy an unclean, untidy or unsightly condition, then Declarant or the Association shall have the authority and right to go onto said Lot for the purpose of mowing and cleaning said Lot and shall have the authority and right to assess and collect from the Owner of said Lot a reasonable charge for mowing or cleaning said Lot on each respective occasion of such mowing or cleaning. The assessments, together with such interest thereon and costs of collection thereof, shall be a charge on the land and shall be a continuing Payment and Performance Lien upon each Lot against which each such assessment is made. Each such assessment, together with interest thereon and costs of collection thereof, shall also be the continuing personal obligation of the person who was the Owner of such Lot at the time when the assessment occurred.

Section 10. Offensive Activities; Pets. No noxious or offensive activity or pollution affecting sight/sound/smell, as determined by the MARC or VARC, shall be conducted or permitted on any portion of the Properties. No direct sales activities (excluding, however, activities of the Declarant and bona-fide homebuilders and community activities specifically approved by the Board), garage sales, yard sales, patio sales, flea markets, bazaars, sample sales, promotional dinner parties or similar activities shall be conducted on any portion of the Subdivision.

Any noise or odor emitted by, and any discharge or waste from, any animal (including without limitation dogs and cats) which can be seen, heard or smelled outside the perimeter of the subject Owner's (or Member's or Resident's) Lot shall be deemed noxious and offensive and is therefore prohibited. No animals, livestock or poultry of any kind shall be raised, bred or kept on any residential Lot, except that not more than two (2) dogs, cats or other household pets may be kept, provided that they are not kept, bred or maintained for commercial purposes and they are not noxious, offensive, vicious (e.g. pit bull terriers shall not be permitted within the Properties) or dangerous. Any outside pen, cage, kennel, shelter, concrete pet pad, run, track or other building, structure or device directly or indirectly related to animals which can be seen, heard or smelled by anyone other than the subject Lot Owner must be approved by the Master Architectural Review Committee in its sole and absolute discretion. Each and every dog, cat or other household pet, if not kept and confined within an enclosed non-visible portion of the Owner's/Resident's/Member's Lot, must be leashed and accompanied by its corresponding Owner/Resident/Member, particularly when traveling beyond the perimeter of the Owner's/Resident's/Member's Lot, and such Owner/Resident/Member shall promptly clean and remove the discharge and waste of any pet.

Section 11. Landscaping; Maintenance. Construction of each and every residential dwelling within the Properties shall include the installation and placement of appropriate landscaping. Each Owner, Member and Resident of any Lot shall jointly and severally have the duty and responsibility, at their sole cost and expense, to keep and maintain the Lot, and all improvements therein and thereon, in a well maintained, safe, clean and attractive condition at all times. Such maintenance shall include (without limitation):

- the proper seeding, consistent watering and mowing of all lawns;
- the pruning and cutting of all trees and shrubbery;

- prompt removal of all litter, trash, refuse and waste;
- watering of all landscape;
- keeping exterior lighting and mechanical facilities in working order;
- keeping lawn and garden areas alive, free of weeds and attractive;
- keeping driveways in good repair and condition;
- promptly repairing any exterior damage;
- complying with all governmental health and police requirements,

all in a manner and with such frequency as is consistent with aesthetics, safety and good property management. The Association, and its agents, during normal business hours, shall have the right (after 5 days written notice to the Owner of any Lot involved, setting forth the specific violation or breach of this covenant and the action required to be taken, and if at the end of such time reasonable steps to accomplish such action have not been taken by the Owner), to enter on the subject premises (without any liability whatsoever for damages for wrongful entry, trespass or otherwise to any person or entity) and to take the action(s) specified in the notice to remedy or abate said violation(s) or breach(es). The cost of such remedy or abatement will be paid to the Association upon demand and if not paid within thirty (30) days thereof, shall become a lien upon the Lot affected. The Association, or its agent, shall further have the right (upon like notice and conditions), to trim or prune, at the expense of the Owner, any hedge, tree or any other planting that, in the written opinion of the Association, by reason of its location on the Lot, or the height, or the manner in which it is permitted to grow, is detrimental to the adjoining Lots, is dangerous or is unattractive in appearance. The lien provided under this section will constitute a lien retained against such property with the same force and effect as the Payment and Performance Lien for assessment set forth in these Covenants.

Section 12. Exterior Surfaces. All roofs shall be constructed of wood shingle, wood shake, slate, tile, metal, composition, built-up roof or other materials approved by the Master Architectural Review Committee taking into account harmony, conformity, color, appearance, quality and similar considerations. The exterior surface of all residential dwellings shall be constructed of glass, brick, stone or other materials approved by the Master Architectural Review Committee. The Master Architectural Review Committee is specifically authorized to require a continuous, uniform surface with respect to all improvements which directly face a perimeter common green area or adjoin any Greenway Frontage. Installation of all types of exterior items and surfaces such as address numbers or external ornamentation, outdoor illumination, lights, mail chutes, exterior paint or stain and the like shall be subject to the prior approval of the Master Architectural Review Committee. All antennae (including, without limitation, radio or television transmitting or receiving antennae and satellite dishes) shall be installed within the residential dwelling so that no exterior antennas or satellite dishes are visible. Each Owner shall keep and maintain the quality and appearance of all exterior surfaces, particularly those areas covered by an approved paint or stain, in good repair, condition and appearance.

ARTICLE X

EASEMENTS

Section 1. Utility Easements. Non-exclusive easements for installation, maintenance, repair and removal of utilities and drainage facilities over, under and across a five foot (5') wide perimeter of each Lot are reserved by Declarant for itself, the Association, and all utility and CATV companies and their respective successors and assigns, serving the Subdivision and no Improvement or Structure shall be constructed or placed thereon without the express prior written consent of the MARC. Full rights of ingress and egress shall be had by Declarant, the Association, and all utility and CATV companies serving the Subdivision, and their respective successors and assigns, at all times over the Subdivision for the installation, operation, maintenance, repair or removal of any utility together with the right to remove any obstruction (excluding, however, any driveway, fence or other Improvement or Structure which has been theretofore specifically approved by the MARC) that may be placed in such easement that would constitute interference with the use of such easement, or with the use, maintenance, operation or installation of such utility.

Section 2. Sign Easements. The Association shall have the right, privilege, duty and responsibility to reasonably maintain and care for any and all signs, monuments, landscaping and the like installed or placed on any "sign easement area" depicted within Summer Point Phase II Subdivision Plat(s).

Section 3. Ingress, Egress and Maintenance by the Association. Full rights of ingress and egress shall be had by the Association at all times over and upon the setback and sign easement areas applicable for each Lot for the carrying out by the Association of its functions, duties and obligations hereunder; provided, however, that any such entry by the Association upon any Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be repaired by the Association at the expense of the Association's maintenance fund.

ARTICLE XI.

RIGHT OF FIRST REFUSAL; REGISTRATION

Section 1. Right of First Refusal. THE PROVISIONS OF THIS SECTION ONLY APPLY TO UNIMPROVED LOTS AND DO NOT APPLY WHATSOEVER TO ANY LOT ON WHICH THERE IS A COMPLETED RESIDENTIAL DWELLING OR AN INSTITUTIONAL MORTGAGE BY AN ELIGIBLE MORTGAGEE OR ELIGIBLE INSURER. In order that the Declarant and the MARC may more effectively and carefully guide, control, coordinate and monitor the sophisticated and first-class construction of residential dwellings within the Subdivision, prior to the commencement and completion (as determined by the MARC) of a residential dwelling and its appurtenant landscaping on a Lot, no Lot Owner (excluding the Declarant) may sell, transfer, lease, rent, devise, give, assign or in any other manner dispose of a fee or undivided fee interest in such Lot without first offering such fee interest to the Declarant, or otherwise obtaining the express written approval of the Declarant, in the manner hereinafter provided:

(a) Any Lot Owner intending or proposing to sell, transfer, lease, rent, devise, give, assign or in any other manner dispose of a fee or undivided fee interest in a Lot (any and all such manners of disposition being referred to or considered hereinafter for convenience as "sale" or "sell") shall give written notice to the Declarant of such intention or proposal together with the terms and conditions of the sale and the name and address of the intended or proposed purchaser and such other information as the Declarant may reasonably require in connection with such transaction. The issuance of such notice to the Declarant shall constitute a warranty and representation by such Lot Owner that the proposal and purchaser are bona fide in all respects;

(b) Declarant shall, upon receipt of the notice described above, have the exclusive right and option, exercisable at any time during a period of thirty (30) days from the receipt of said notice, to purchase or acquire the subject Lot at the same price and on the same terms and conditions as set forth in the notice; and

(c) If Declarant does not elect to exercise its first refusal option right hereunder, the Lot Owner shall be so notified in writing and shall be free to proceed with the sale of the Lot upon the terms and conditions, and with the same purchaser, as set forth in the notice theretofore given to the Declarant. However, the contractual arrangements with the third-party purchaser must be made strictly upon the terms and conditions and with the person or entity described in the notice theretofore given to Declarant, and any proposed arrangement with a different person or entity or upon changed terms and conditions shall be subject to the same first refusal option right and the same notice requirements set forth above.

FROM AND AFTER THE DATE OF COMPLETION (AS DETERMINED BY THE MARC) OF A RESIDENTIAL DWELLING AND ITS APPURTENANT LANDSCAPING ON EACH LOT, SUCH LOT, AND THE OWNER THEREOF, SHALL NO LONGER BE AFFECTED BY THE FOREGOING FIRST REFUSAL RIGHT. ANY PERSON OR ENTITY HAVING A BONA FIDE INTEREST IN ANY LOT IS ENCOURAGED TO SEEK AND OBTAIN A CERTIFICATE FROM THE MARC VERIFYING THE STATUS OF COMPLETION OF A DWELLING ON A SUBJECT LOT OR, ALTERNATIVELY, A CERTIFICATE FROM THE DECLARANT AND/OR ASSOCIATION CONCERNING THE FIRST REFUSAL RIGHT PROVIDED FOR HEREIN. A REASONABLE CHARGE FOR EXECUTING AND DELIVERING ANY CERTIFICATES MAY BE CHARGED AND COLLECTED BY THE MARC AND/OR THE ASSOCIATION.

Section 2. Registration with the Association. In order that the Declarant and the Association can properly acquaint every Lot purchaser and every Owner, Resident and Member with these Covenants and the day-to-day matters within the Association's jurisdiction, no acquisition of any Lot within the Subdivision shall become effective until and unless:

(a) the then-existing "Closing Information Package" and homeowner handbooks have been properly executed by the Association, Declarant and the Purchaser/Transferee; and

(b) all directives by, and all obligations to, the Association and the Declarant have been properly and timely satisfied.

Each and every Owner, Member and Resident shall have an affirmative duty and obligation to originally provide, and thereafter revise and update, within fifteen (15) days after a material change has occurred, various items of information to the Association such as: (a) the full name and address of each Owner, Member and Resident; (b) the full name of each individual family member who resides within the residential dwelling of the Lot Owner; (c) the business address, occupation and telephone numbers of each Resident; (d) the description and license plate number of each automobile owned or used by a Resident and brought within the Properties; (e) the name, address and telephone numbers of other local individuals who can be contacted (in the event the Resident cannot be located) in case of an emergency; and (f) such other information as may be reasonably requested from time to time by the Association. In the event any Owner, Member or Resident fails, neglects or refuses to so provide, revise and update such information, then the Association may, but is not required to, use whatever means it deems reasonable and appropriate to obtain such information and the offending Owner, Member and Resident shall become automatically jointly and severally liable to promptly reimburse the Association for all reasonable costs and expenses incurred in so doing.

ARTICLE XII.

RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

The provisions within this Article are for the primary benefit of:

(a) the owners and holders of Institutional Mortgages which are required to satisfy the applicable requirements of FHA, VA, FNMA, FLMC and other similar governmental, quasi-governmental and nationally recognized public and/or private sources of end financing (such mortgagees sometimes collectively referred to herein as "Eligible Mortgagees" and their mortgages referred to as "Eligible Mortgages"); and

(b) the insurers, guarantors, participants and subsidizers of the Eligible Mortgages, sometimes collectively referred to herein as the "Eligible Insurers."

To the extent applicable, necessary or proper, the provisions of this Article XII apply not only to this Master Declaration but also to the Articles of Incorporation and By-Laws of the Association. This Article is supplemental to, and not in substitution of, any other provisions of this Master Declaration, the Articles of Incorporation and By-Laws, but in the event of ambiguity or conflict, this Article shall control.

Section 1. Notices of Action. An Eligible Mortgagee or Eligible Insurer who provides written request to the Association (such request to state the name and address of such holder, insurer or guarantor and a reasonable description of the Dwelling Unit covered by the Eligible Mortgage) will be entitled to receive timely written notice of:

(a) any proposed termination of the Association;

(b) any condemnation loss or any casualty loss which affects a material portion of the Subdivision or which materially affects any Dwelling Unit on which there is an Eligible Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer, as applicable;

(c) any delinquency in the payment of assessments or charges owed by an Owner of a Dwelling Unit subject to the Eligible Mortgage of such Eligible Mortgagee or Eligible Insurer, where such delinquency has continued for a period of sixty (60) days;

(d) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or

(e) any proposed action which would require the consent of the Eligible Mortgagees as required hereinbelow.

Section 2. Joinder to Documents. In addition to the provisions set forth within Article XIII, Eligible Mortgagees who have requested the Association to notify them concerning any proposed action that requires the consent of a specified percentage of Eligible Mortgagees also have the right to join in the decision making about certain amendments to this Master Declaration. Amendments of a material nature (as defined below) must be agreed to by: (i) at least sixty-seven percent (67%) of the Dwelling Unit Owners; and (ii) the Declarant (during the Development Period) or the Board of Directors of the Association (after conclusion of the Development Period); and (iii) Eligible Mortgagees representing at least fifty-one percent (51%) of the Dwelling Units that are subject to Eligible Mortgages. A substantive change to any of the following would be considered as material:

- voting rights;
- assessments, assessment liens, or subordination of assessment liens;
- reserves for maintenance, repair, and replacement of Common Properties;
- responsibility for maintenance and repairs;
- boundaries of any Lot covered by an Eligible Mortgage;
- convertibility of Dwelling Units into Common Properties or vice versa;
- expansion or contraction of the Subdivision, or the addition, annexation, or withdrawal of the property to or from the Subdivision;
- insurance or fidelity bonds;
- leasing of Dwelling Units;
- imposition of any restrictions on a Dwelling Unit Owner's right to sell or transfer his or her Dwelling Unit;

- a decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgagee;
- restoration or repair (after a hazard damage or partial condemnation) in a manner other than that specified herein;
- any action to terminate the legal status of the Subdivision after substantial destruction or condemnation occurs; or
- any provisions that expressly benefit Eligible Mortgagees or Eligible Insurers.

Additions or amendments such as the correction of a technical error or the clarification of a statement shall not be considered or construed as being "material."

If and when the Dwelling Unit Owners are considering termination of the coverage of this Master Declaration over the Subdivision for reasons other than substantial destruction or condemnation, the Eligible Mortgagees representing at least sixty-seven percent (67%) of the mortgaged Dwelling Units in the Subdivision must agree.

Section 3. Special FHLMC Provision. So long as required by The Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the other Sections of this Article. Unless two-thirds (2/3) of the Eligible Mortgagees or Owners give their consent, and subject to the condition that any proposed action of the Association purportedly covered by the following requirements must be material and adverse, the Association shall not:

(a) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Properties which the Association owns, directly or indirectly (but the granting of easements for public utilities or for other public purposes consistent with the intended use of the Development shall not be deemed a transfer);

(b) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;

(c) by act or omission charge, waive or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Dwelling Units and of the Common Properties;

(d) assign any future income of the Association, including its right to receive assessments;

(e) fail to maintain fire and extended coverage insurance on assets owned by the Association, as required by this Declaration; or

(f) use hazard insurance proceeds for any Common Properties losses for other than the repair, replacement or reconstruction of such properties.

The provisions of this Section 3 shall not be construed to reduce the percentage vote that must be obtained from Eligible Mortgagees or Owners when a larger percentage vote is otherwise required for any of the actions described in this Section.

Eligible Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Properties and may pay overdue premiums on casualty insurance policies, or secure new casualty insurance coverage upon the lapse of a policy, for the Common Properties, and Eligible Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

Section 4. Approval of Amendments. The failure of an Eligible Mortgagee or Eligible Insurer to respond within thirty (30) days to any written request of the Association for approval of an addition or amendment shall constitute an implied written approval of the addition or amendment.

Section 5. Inspection of Books. The Association shall have current copies of the Master Declaration, Articles of Incorporation, Bylaws, rules and regulations, books, records and financial statements available for inspection by Dwelling Unit Owners and by Eligible Mortgagees and Eligible Insurers during normal business hours or under other reasonable circumstances.

Section 6. Financial Statements. The Association shall provide any Eligible Mortgagee or Eligible Insurer which submits a written request with a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement must be audited by an independent certified public accountant, at the expense of the Association, if any Eligible Mortgagee or Eligible Insurer submits a written request for it.

Section 7. Enforcement. The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors and may be enforced by any of them by any available means, at law, or in equity.

Section 8. Attendance at Meetings. Any authorized representative(s) of an Eligible Mortgagee or Eligible Insurer may attend and address any meeting of the Association which an Owner may attend.

Section 9. Annexation. With respect to any annexation of additional lands within the Development Plan to the scheme of this Master Declaration, the following additional provisions shall apply:

- the legal method of expansion shall be generally in accordance with Article II hereinabove;
- the potential annexable property is legally described within the Planning Areas;

- the time limit within which any expansion will take place is the Development Period;
- prescribing assessments and/or granting voting rights to the annexed properties shall be generally in accordance with Articles III and V herein;
- all improvements intended for future phases will be substantially completed prior to annexation and will be consistent with the initial improvements in terms of quality of construction; and
- the annexation document(s) that will be recorded will likely be a Master Declaration similar to this document.

Section 10. Working Capital Fund. To satisfy existing requirements of Eligible Mortgagees and eligible Insurers and better insure that the Association will have the funds to meet unforeseen expenditures or to purchase additional equipment or services, Declarant and the Association shall establish a working capital fund at least equal to two month's, or one-sixth (1/6), of the Annual Assessment for each Lot. Any amounts paid into this fund should not be considered as advance payments of regular assessments. Each Owner's share of the working capital fund should be collected at the time the sale of the Lot is closed and then should be transferred to the Association for deposit to a segregated fund. Within sixty (60) days after closing has been held for the first Lot, the Declarant should pay each unsold Lot's share of the working capital fund to the Association. Declarant should then reimburse itself for this payment from the funds collected at closing when the unsold Lots are sold.

ARTICLE XIII.

GENERAL PROVISIONS

Section 1. Power of Attorney. Each and every Owner, Member and Resident hereby makes, constitutes and appoints Declarant as his/her true and lawful attorney-in-fact, coupled with an interest and irrevocable, for him/her and in his/her name, place and stead and for his/her use and benefit, to do the following.

(a) to exercise, do or perform any act, right, power, duty or obligation whatsoever in connection with, arising out of, or relating to any matter whatsoever involving this Declaration and the Properties;

(b) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the terms within this Declaration, or any part hereof, with such clause(s), recital(s), covenant(s), agreement(s) and restriction(s) as Declarant shall deem necessary, proper and expedient under the circumstances and conditions as may be then existing; and

(c) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the subdivision plat(s) of the Properties, or any part thereof, with any easements and rights-of-way to be therein contained as the Declarant shall deem necessary, proper and expedient under the conditions as may then be existing.

The rights, powers and authority of said attorney-in-fact to exercise any and all of the rights and powers herein granted shall commence and be in full force upon recordation of this Declaration in the Collin County Clerk's Office and shall remain in full force and effect thereafter until conclusion of the Development Period.

Section 2. Further Development. During the Development Period, each and every Owner, Resident and Member waives, relinquishes and shall not directly or indirectly exercise any and all rights, powers or abilities, and the Association shall not devote or expend any monies or personnel, regarding the following: to contest, object, challenge, dispute, obstruct, hinder or in any manner disagree with the proposed or actual development (including, without limitation, zoning or rezoning efforts or processes pertaining to residential, apartments, shopping centers, commercial, office buildings or retail uses) of any real property owned by the Declarant or by the affiliates, assignees or successors of the Declarant within the Properties which is generally consistent with the Development Plan and the Planning Areas.

Section 3. Duration. The Covenants of this Declaration shall run with and bind the land subject to this Declaration, and shall inure to the benefit of and be enforceable by the Association and/or the Owner and Resident of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for an original fifty (50) year term expiring on the fiftieth (50th) anniversary of the date of recordation of this Declaration, after which time these Covenants shall be automatically extended for successive periods of ten (10) years unless an instrument is signed by the Owners of at least fifty-one percent (51%) of all Lots within this Subdivision and all the Subdivisions and is recorded in the Deed Records of Collin County, Texas, which contains and sets forth an agreement to abolish these Covenants; provided, however, no such agreement [where approved by less than seventy-five percent (75%) of the Owners of all Lots within this Subdivision and all of the Subdivisions] to abolish shall be effective unless made and recorded one (1) year in advance of the effective date of such abolishment.

Section 4. Amendments. The Covenants set forth herein are expressly subject to change, modification and/or deletion by means of amendment at any time and from time to time as provided herein. Notwithstanding Section 3 of this Article, these Covenants may be amended and/or changed in part as follows:

(a) During the Development Period, and in response to any governmental or quasi-governmental suggestion, guideline, checklist, requisite or requirement, particularly with respect to those entities or agencies directly or indirectly involved in, or having an impact on, mortgage financing, mortgage insurance and/or reinsurance, the Declarant shall have the complete and unfettered right and privilege to amend, change, revise, modify or delete portions of these Covenants, and each and every Owner, Member and Resident specifically and affirmatively authorizes and empowers the Declarant, utilizing the attorney-in-fact status set forth in Section 1 above, to undertake, complete and consummate any and all such amendments, changes, revisions, modifications or deletions as Declarant (in its sole and absolute discretion) shall deem reasonable and appropriate;

(b) During the Development Period the Declarant may otherwise amend or change these Covenants by exercising its powers under Article XIII, Section 1 hereinabove or with the direct consent of at least fifty-one percent (51%) of the Owners of Lots within the Subdivision; and

(c) From and after conclusion of the Development Period these Covenants may be amended or changed upon the express written consent of the Board and at least fifty-one percent (51%) of the Owners of Lots within the Subdivision.

Any and all amendments shall be recorded in the Office of the County Clerk of Collin County, Texas.

Section 5. Enforcement. Each Owner of each Lot shall be deemed, and held responsible and liable for the acts, conduct and omission of each and every Resident, Member, guest and invitee affiliated with such Lot, and such liability and responsibility of each Owner shall be joint and several with their Resident(s), Member(s), guests and invitees. The Payment and Performance Lien shall extend to, cover and secure the proper payment and performance by each and every Resident, Member, guest and invitee affiliated with each Owner. Each Owner may, upon appropriate application to and approval by the Association, impose greater or additional restraints and restrictions on the "good standing" qualifications of the Residents and Members of such Owner's Lot. Unless otherwise prohibited or modified by law, all parents shall be liable for any and all personal injuries and property damage proximately caused by the conduct of their children (under the age of 18 years) within the Properties. Enforcement of these Covenants may be initiated by any proceeding at law or in equity against any person or persons violating or attempting to violate them, whether the relief sought is an injunction or recovery of damages, or both, or enforcement of any lien created by these Covenants; but failure by the Association or any Owner to enforce any Covenant herein contained shall in no event be deemed a waiver of the right to do so thereafter. The City of McKinney, Texas is specifically authorized (but not obligated) to enforce these Covenants. With respect to any litigation hereunder, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, from the non-prevailing party.

Section 6. Validity. Violation of or failure to comply with these Covenants shall not affect the validity of any mortgage, bona fide lien or other similar security instrument which may then be existing on any Lot. Invalidation of any one or more of these Covenants, or any portions thereof, by a judgment or court order shall not affect any of the other provisions or covenants herein contained, which shall remain in full force and effect. In the event any portion of these Covenants conflicts with mandatory provisions of any ordinance or regulation promulgated by the City of McKinney (including, without limitation, the Zoning Ordinance), then such municipal requirement shall control.

Section 7. Proposals of Declarant. The proposals of the Declarant, as set forth in various provision hereinabove, to develop additional parcels of property for residential purposes and/or develop the Planning Areas and/or expand the Common Properties (not only geographically but also in terms of the types of amenities available for use) and items of a related nature are mere proposals and

expressions of the existing good faith intentions and plans of the Declarant and shall not be deemed or construed as promises, solicitations, inducements, contractual commitments or material representations by the Declarant upon which any person or entity can or should rely. Nothing contained in or inferable from this Declaration shall ever be deemed to impose upon any other land owned or to be owned by the Declarant, or any related entity, any covenants, restrictions, easements or liens or to create any servitudes, negative reciprocal easements or other interests in any such land in favor of any person or entity other than the Declarant.

Section 8. Service Mark. Declarant is the prior and exclusive owner and proprietor of a registered service mark for:



STONEBRIDGE RANCH

(referred to as the "Service Mark"). Unless and until a written license agreement has been sought and obtained from Declarant (and in this connection Declarant may withhold consent in its sole and absolute discretion), no person or entity may at any time and/or for any reason whatsoever use, depict, draw, demonstrate, reproduce, infringe, copy or resemble, directly or indirectly, the Service Mark.

Section 9. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration. Words of any gender used herein shall be held and construed to include any other gender, and words in the singular shall be held to include the plural and vice versa, unless the context requires otherwise. Examples, illustrations, scenarios and hypothetical situations mentioned herein shall not constitute an exclusive, exhaustive or limiting list of what can or cannot be done.

Section 10. Notices to Resident/Member/Owner. Any notice required to be given to any Resident, Member or Owner under the provisions of this Declaration shall be deemed to have been properly delivered when: (i) deposited in the United States Mail, postage prepaid, addressed to the last known address of the person who appears as the Resident, Member or Owner on the records of the Association at the time of such mailing; or when (ii) delivered by hand or by messenger to the last known address of such person within the Properties; or when (iii) posted on the Association's bulletin board for at least thirty (30) consecutive calendar days.

Section 11. Notices to Mortgagees. The holder(s) of a mortgage may be furnished with written notification from the Association of any default by the respective mortgagor/Member/Owner in the performance of such mortgagor's/Member's/Owner's obligation(s) as established by this Declaration, provided that the Association has been theretofore furnished, in writing, with the correct name and address of such mortgage holder(s) and a request to receive such notification and a reasonable supply of self-addressed, stamped envelopes.

Section 12. Disputes. Matters of dispute or disagreement between Owners, Residents or Members with respect to interpretation or application of the provisions (excluding Article VIII architectural matters and issues concerning "substantial completion") of this Declaration or the Association Bylaws, shall be determined by the Board of Directors. Matters pertaining to Article VIII architectural matters and issues concerning "substantial completion" shall be determined by the Master Architectural Review Committee. These respective determinations (absent arbitrary and capricious conduct or gross negligence) shall be final and binding upon all Owners, Residents and Members.

Section 13. Country Clubs. No Owner, Member or Resident shall have any rights in and to the private country clubs (and the amenities contained therein) situated within Stonebridge Ranch, including without limitation the entry upon or use of the facilities, unless pursuant to a private contractual membership agreement or otherwise under such terms and conditions and requirements which may be established by the owner/operator of the country club(s) from time to time. Neither the Declarant, the Association, the owner(s) and/or operator(s) of the country club(s), the members of the country clubs, the golf course architect(s) and/or engineer(s), nor the employees, representatives, guests, invitees, agents, heirs, successors and assigns of same, shall ever be liable to any Owner, Member, Resident, or their guests, invitees, servants, agents, employees or representatives, for any personal injury or property damage resulting from activity emanating from any country club, including, but not limited to, errant golf balls.

By virtue of taking title to a Lot or occupancy of a Dwelling Unit, each Owner, Member and Resident agrees to:

(a) assume the risk of injury or damage to property or persons resulting from activity emanating from the country clubs;

(b) obtain such policies of insurance as may be necessary to insure such Owner, Member, Resident, his guests, invitees, servants, agents, employees or representatives, from injury or damage to property or person resulting from activity emanating from the country clubs;

(c) release the Declarant, Association, the owner(s) and operator(s) of the country clubs, the members of the country clubs, the golf course architect(s) and engineer(s), and the employees, representatives, guests, invitees, agents, heirs, successors and assigns of same, from any liability for any personal injury or property damage resulting from activity emanating from the country clubs, including without limitation liability arising from the negligence of such released parties.

* * * * *

Witness the hand of an authorized representative of Declarant on the acknowledgment date noted below.

DECLARANT: RANCH DEVELOPMENT COMPANY,
a Delaware corporation

Address:
c/o Federal Deposit Insurance
Corporation
5080 Spectrum Drive, Suite 1000E
Dallas, Texas 75248
Attn: Frank Campagna
(214) 701-2400

By: [Signature]
Its: President

1588e

THE STATE OF TEXAS §
COUNTY OF Kaufman § REPRESENTATIVE ACKNOWLEDGEMENT

This instrument was acknowledged before me on this 35 day of March, 1991, by Frank C. Campagna the President of RANCH DEVELOPMENT COMPANY, a Delaware corporation, on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 35 day of March, 1991.

[S E A L]



[Signature]
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

[Print or Type Name of Notary]

My Commission Expires:

1588e

EXHIBIT "A-1"

An attachment to the Master Declaration of
Covenants, Conditions, Restrictions,
Easements, Charges and Liens
on and for
Summer Point Phase II

<u>Lot(s)</u>	<u>Block</u>
10 through 32	A
1 through 18	C

according to the "Summer Point Phase II" final plat of a 7.33± acre tract of land [situated in the George McGarran Survey, Abstract No. 573] approved by the City of McKinney on January 8, 1991 and to be filed and recorded in Map and Plat Records of Collin County, Texas.

LAND DESCRIPTION

BEING a tract of land situated in the George McGarran Survey, Abstract No. 573 in the City of McKinney, Collin County, Texas, being a part of the 288.181 acres (known as tract .22 - Parcel 1) as conveyed from Gibraltar Savings Association to Ranch Development Company as recorded in Volume 2969, Page 247 of the Deed Records of Collin County, Texas, and being more particularly described as follows:

COMMENCING at the intersection of the Easterly line of East Ridge Road (a 120' R.O.W.), with the Southerly line of Summer Point Drive (a variable width R.O.W.);

THENCE, South $55^{\circ}39'37''$ East, proceeding along said southerly right-of-way line of Summer Point Drive, a distance of 152.83 feet to an iron rod found at the beginning of a curve to the left, having a central angle of $10^{\circ}18'44''$, and a radius of 325.00 feet, a chord length of 58.42 feet, and a chord bearing of South $60^{\circ}48'59''$ East;

THENCE, along said southerly line of Summer Point Drive (a 50' R.O.W. at this point) with said curve to the left an arc distance of 58.49 feet to a 1/2" iron rod set with cap stamped "Huitt-Zollars" at the most easterly corner of Lot 33 of Block A of Summer Point Phase I, an addition to the City of McKinney as recorded in Cabinet G, Drawer 578 and Amended in Cabinet G, Drawer 742 of the Collin County Plat Records, said iron rod being the Point of Beginning;

THENCE, continuing along said Southerly right-of-way line of Summer Point Drive, the following:

Easterly around a tangent curve to the left, having a central angle of $50^{\circ}15'32''$ and a radius of 325.00 feet, a chord length of 276.03 feet and a chord bearing of North $88^{\circ}53'53''$ East, an arc distance of 285.08 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at the point of compound curvature of a curve to the left having a central angle of $08^{\circ}44'37''$ and a radius of 175.00 feet, a chord length of 26.68 feet and a chord bearing of North $59^{\circ}23'49''$ East;

THENCE, continuing along said southerly right-of-way line with last said curve an arc distance of 26.71 feet to a 1/2" iron rod set with cap stamped "Huitt-Zollars" at the end of said curve;

THENCE, North $55^{\circ}01'30''$ East along said southerly right-of-way line a distance of 17.67 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at a corner clip at the southwest corner of the intersection of Summer Point Drive with Rancho Vista Drive as per said plat of Summer Point Phase I recorded in Cabinet G, Drawer 578, and Amended in Cabinet G, Drawer 742 of the Collin County Plat Records;

THENCE, South $79^{\circ}58'30''$ East along said corner clip a distance of 14.14 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at the southerly end of said Rancho Vista Drive;

THENCE, North $55^{\circ}01'30''$ East along the southerly end of said Rancho Vista Drive a distance of 50.00 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" on the easterly right-of-way line of said Rancho Vista Drive;

THENCE, North $34^{\circ}58'30''$ West along said easterly right-of-way line a distance of 37.46 feet to a 1/2" iron rod set with cap stamped "Huitt-Zollars" at the southwesterly corner of Lot 9A, Block B of said Summer Point Phase I;

THENCE, North $55^{\circ}01'30''$ East along the southerly line of said Lot 9A a distance of 75.42 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at the southeast corner of said Lot 9A, said iron rod being on a southerly line of Tract 2-R, Parcel A of the replat of the East Golf Course, an addition to the City of McKinney, Texas as recorded in Cabinet G, Page 674 of the Plat Records of Collin County Texas;

The next five (5) calls being along said southerly line of the East Golf Course;

- 1) South $30^{\circ}20'13''$ East a distance of 5.25 feet to a 1/2" iron rod set with cap stamped "Huitt-Zollars" at an angle point;
- 2) South $34^{\circ}58'30''$ East a distance of 187.71 feet to a 1/2" iron rod set with cap stamped "Huitt-Zollars" at an angle point;
- 3) South $40^{\circ}32'24''$ East, a distance of 64.74 feet to a 1/2" iron rod set with cap stamped "Huitt-Zollars" at an angle point;
- 4) South $45^{\circ}18'29''$ East, a distance of 36.00 feet to a 1/2" iron rod set with cap stamped "Huitt-Zollars" at an angle point;
- 5) South $46^{\circ}45'05''$ East, a distance of 242.19 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at the most northerly corner of Lot 28, Block A in Spring Hill Phase I, an addition to the City of McKinney, Texas as recorded Cabinet G, Page 590 of the Plat Records of Collin County, Texas;

THENCE, South $55^{\circ}01'30''$ West along the northerly line of Lots 20 thru 28 of said Block A, a distance of 615.11 feet to a PK nail found in retaining wall footing at the northwest corner of said Lot 20;

THENCE, North $49^{\circ}43'36''$ West along the easterly line of Lots 17-18 of said Block A a distance of 79.06 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at the common corner of Lots 16-17 of said Block A;

THENCE, North $35^{\circ}04'50''$ West along the easterly line of Lots 11 thru 16 of said Block A a distance of 360.00 feet to a 1/2" iron rod set with cap stamped "Huitt-Zollars" at the common corner of Lots 9, 10 and 11 of said Block A;

THENCE, North $08^{\circ}55'10''$ East along the easterly line of said Lot 9 a distance of 120.00 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at the common corner of Lot 8 and 9 of Block A;

THENCE, North $26^{\circ}14'07''$ West along the easterly line of said Lot 8 a distance of 90.30 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at an angle point;

THENCE, North $55^{\circ}39'37''$ West continuing along the easterly line of said Lot 8 a distance of 19.00 feet to a 1/2" iron rod found with cap stamped "Huitt-Zollars" at the southeast corner of Lot 33 of Block A of said Summer Point Phase I;

THENCE, North $34^{\circ}20'23''$ East along the easterly line of said Lot 33 a distance

3489 488

of 80.25 feet to the POINT OF BEGINNING and CONTAINING 319,487 square feet or 7.3344 acres of land more or less.

Exhibit "A"2
Page 3 of 3

1360 leg7334

3489 489

When recorded, please return to:

James P. Cooke, Esq.
HOPKINS & SUTTER
1717 Main Street
3700 Bank One Center
Dallas, Texas 75201-4606
(214) 653-2100

3489: 490

MAR 23 PM 4:33

FILED FOR RECORD

me

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

FILED FOR RECORD 26th DAY OF Mar A.D. 19 91
DULY RECORDED 27th DAY OF Mar A.D. 19 91

BY: Bretha Roberts HELEN STARNES, County Clerk
DEPUTY. Collin County, Texas

3751 198

053142

VILLAGE
DECLARATION
of
COVENANTS, CONDITIONS AND RESTRICTIONS
on and for
SUMMER POINT
(Phase II)
at
STONEBRIDGE RANCH

* * * * *

Scrivener's Note to Collin in County Clerk
and to all
Abstracters and Title Examiners:

This instrument specifically refers to, and constitutes a covenant running with, the residential Lots within that certain 7.3344+ acre tract situated within the George McGarran Survey, Abstract No 573 of Collin County, Texas which has been formally subdivided into 41 residential lots in accordance with those certain subdivision plats entitled (i) "Summer Point (Phase II) Lots 1 & 2 Block C" (for 2 lots), recorded in Cabinet H, Drawer 137 of the Map and Plat Records of Collin County, Texas, and (ii) "Summer Point (Phase II) " (for 39 lots) recorded in Cabinet H, Page 164 to which reference is hereby made for all purposes.

The name and address of the business entity which owns the subject land, and which is the Declarant herein, is:

RANCHLINE, LTD.
6900 Virginia Parkway, Suite 214
McKinney, Texas 75070
(214) 542-1612

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

3751 199

This VILLAGE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made and effective as of the 17th day of September, 1991, by RANCHLINE, LTD. (sometimes referred to herein as the "Declarant"):

PREAMBLE

Declarant is the developer of 41 residential Lots within a 7.3344± acre tract of land now commonly known and described as the SUMMER POINT (Phase II) Subdivision (which lots are more particularly described within Exhibit "A" attached hereto). Ranch Development Company previously prepared and recorded in Volume 3489, Page 428 of the Public Real Estate Records of Collin County, Texas an instrument entitled:

Master
Declaration
of
Covenants, Conditions, Restrictions,
Easements, Charges and Liens
on and for
Summer Point
(Phase II)
at
Stonebridge Ranch

to which reference is hereby made for all purposes and it is sometimes referred to herein the "Master Association". This instant Village Declaration is intended to establish a type of sub-association as envisioned by the Master Declaration.

Declarant proposes to establish and implement highly sophisticated plans for residential living, recreation, aesthetic and quality-of-life considerations. The purposes of this Village Declaration are to: create and implement a system for the core and maintenance of landscape within the Common Properties and the front yards of the residential Lots. Declarant desires to impose these restrictions on the Summer Point (Phase II) Subdivision property now and yet retain reasonable flexibility to respond to changing or unforeseen circumstances so as to guide, control and maintain the first-class quality and distinction of the Summer Point Village project.

The Summer Point Village Homeowners Association, Inc. (the "Association") is chartered as a non-profit Texas corporation to assist in the ownership, management, use and care of certain common areas within Summer Point and to assist in the administration and enforcement of the covenants, conditions, restrictions, easements, charges and liens set forth with this Declaration.

Declarant has worked closely with Darling Homes, Inc. concerning Summer Point Village, and has previously conveyed record

3751 200

title to nine (9) particular lots within Summer Point (Phase II) being Lots 10, 15, 16 and 24 in Block A and Lots 1, 2, 7, 13 and 16 in Block C. Darling Homes, Inc. desires that the nine (9) lots it owns within Summer Point (Phase II) be subjected to all of the benefits and burdens of this Village Declaration, and hereby joins, consents and adopts the terms and provisions of this Village Declaration against said nine (9) lots.

DECLARATION

The Declarant hereby declares that the Summer Point (Phase II) Subdivision residential lots described within Exhibit "A" attached hereto, and such phases or additions thereto as may hereafter be made pursuant to Article II hereof, is and shall be owned, held, mortgaged, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens (sometimes collectively referred to hereinafter as "the Subdivision Covenants") hereinafter set forth. To better assure the proper operation and functioning of the Association and to promote the quality of life within Summer Point Village, the Declarant further declares that:

* ACQUISITION OF ANY LOT WITHIN SUMMER POINT VILLAGE *
* SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS: *
* *
* (A) THE "CLOSING INFORMATION PACKAGE" AND RELATED *
* DOCUMENTS HAVE BEEN PROPERLY EXECUTED BY THE *
* ASSOCIATION, DECLARANT AND THE PURCHASER/TRANSFeree; *
* AND *
* *
* (B) ALL DIRECTIVES BY, AND ALL OBLIGATIONS TO, THE *
* ASSOCIATION AND THE DECLARANT HAVE BEEN PROPERLY *
* AND TIMELY SATISFIED. *

ARTICLE I.

CONCEPTS AND DEFINITIONS

The following words, when used in this Declaration or in any amended or supplementary Declaration (unless the context shall otherwise clearly indicate or prohibit), shall have the following respective concepts and meanings:

"Amended Declaration" shall mean and refer to each and every instrument recorded in the Public Real Estate Records of Collin County, Texas which amends, supplements, modifies, clarifies or restates some or all of the terms and provisions of this Declaration.

"Annual Assessment" shall have the meaning specified in Article V below.

"Articles" shall mean and refer to the Articles of Incorporation (and all amendments thereto and restatements thereof) of the Association on file in the Office of the Secretary of State of the State of Texas, Austin, Texas.

"Assessable Property" shall mean and refer to each and every lot, parcel, tract, area, condominium apartment, unit and space within the Properties which: (i) the Declarant has subjected to and imposed upon a set of restrictive covenants calling for, inter alia, the payment of an Annual Assessment to the Association; (ii) may have been or will be given a separately identifiable tax or parcel number by the Central Appraisal District of Collin County ("CADCC") or a similar governmental agency; (iii) is not designated an "open space" or otherwise a portion of the Common Properties.

"Association" shall mean and refer to the SUMMER POINT VILLAGE HOMEOWNERS ASSOCIATION, INC., a non-profit Texas corporation which will have the power, duty and responsibility of maintaining and administering certain portions of the Properties and Common Properties, administering and enforcing these Covenants and otherwise maintaining and enhancing the quality of life within Summer Point Village.

"Board" shall mean and refer to the Board of Directors of the Association.

"Bylaws" shall mean and refer to the Bylaws of the Association, as adopted and amended from time to time in accordance with the provisions of the Texas Non-Profit Corporation Act and this Declaration.

"Common Properties" shall mean and refer to any and all areas of land within Summer Point Village, not otherwise owned or controlled by the Master Association, which are known, described or designated as common green, common areas, parks, recreational easements, lakes, ponds, dams, perimeter fences and columns, monuments and directional signs, landscape easements, greenbelts, and the like including without limitation those shown on any recorded subdivision plat of portions of the Properties as well as those not shown on a recorded subdivision plat but which are intended for or devoted to the common use and enjoyment of the Members of the Association, together with any and all improvements that are now or that may hereafter be constructed thereon. The Common Properties shall include (without limitation) Lots 13-A and 32-A in Block C. [However, the Common Properties shall not include the two (2) separate and privately owned golf and country clubs geographically situated within the center of Stonebridge Ranch nor shall it include any common property owned or controlled by the Master Association under the Master Declaration.] The Declarant reserves the right to use, during the Development Period, portions

of the Common Properties for business matters directly and indirectly related to Summer Point Village.

Declarant shall convey record title to some or all of the Common Properties to the Association if, as and when deemed appropriate by Declarant or as may be required by governmental officials, and Declarant shall at all times have and retain the right to effect minor redesigns or minor reconfigurations of the Common Properties (particularly along the golf courses and lake/pond edges) and to execute any open space declarations applicable to the Common Properties which may be permitted in order to reduce property taxes, and to take whatever steps may be appropriate to lawfully avoid or minimize the imposition of federal and state ad valorem and/or income taxes.

"Covenants" shall mean and refer to all covenants, conditions, restrictions, easements, charges and liens set forth within this Declaration.

"Declarant" shall mean and refer to Ranchline, Ltd. and any or all successor(s) and assign(s) of Ranchline, Ltd. with respect to the voluntary disposition of all (or substantially all) of the assets and/or stock of Ranchline, Ltd. and/or the voluntary disposition of all (or substantially all) of the right, title and interest of Ranchline, Ltd. in and to the Properties. Ranchline, Ltd. shall be and hereby is authorized to designate DARLING HOMES, INC. as the successor Declarant. However, no other person or entity merely purchasing one or more Lots from Ranchline, Ltd. in the ordinary course of business shall be considered a "Declarant".

"Declaration" shall mean and refer to this particular instrument entitled "Village Declaration of Covenants, Conditions and Restrictions on and for Summer Point (Phase II)", together with any and all amendments or supplements hereto.

"Deed" shall mean and refer to any deed, assignment, testamentary bequest, muniment of title or other instrument, or intestate inheritance and succession, conveying or transferring fee simple title or a leasehold interest or another legally recognized estate in a Lot.

"Development Period" shall mean a period commencing on the date of the recording of this Declaration in the public real estate records of Collin County, Texas and continuing thereafter until and ending the earlier to occur of: (i) substantial completion of all development within Summer Point Village, as determined by the Declarant; or (ii) the tenth (10th) anniversary of the date of recordation of this Declaration in the public real estate records of Collin County, Texas.

"Dwelling Unit" shall mean and refer to any building situated upon the Properties which is designed and intended for use and

occupancy as a residence by a single person, a couple, a family or a permitted family size group of persons.

"Easement Area" shall mean and refer to those areas which may be covered by an easement specified in Article VI below.

"Eligible Insurers" is defined in Article VII below.

"Eligible Mortgagees" is defined in Article VII below.

"Exempt property" shall mean and refer to the following portions of the Properties: (i) all land and Improvements owned by the United States of America, the State of Texas, Collin County or any instrumentality, political subdivision or agency of any such governmental entity acting in a governmental (rather than a proprietary) capacity; (ii) all land and Improvements owned (including legal and beneficial ownership, whether now or in the future) by the Association or the Master Association or constituting a portion of the Common Properties; (iii) all land and Improvements which are not only exempt from the payment of ad valorem real property taxes by Collin County, the McKinney Independent School District, the Frisco Independent School District and the State of Texas, but also are exempt from the payment of any assessments hereunder as expressly determined by written resolution of the Declarant and/or the Association; and (iv) such other land(s) and/or Improvement(s) and/or Lot(s) which are specifically exempted from the payment of annual Assessments in accordance with a special resolution of the Board.

"Fiscal Year" shall mean each twelve (12) month period commencing on January 1 and ending on the following December 31, unless the Board shall otherwise select an alternative twelve month period.

"Front Yard" shall mean and refer to: (i) as to interior lots, the front yard area of the residence between the street (on the one hand) and the dwelling exterior and fence (on the other hand); and (ii) as to corner lots, the front yard area of the residence between the street (on the one hand) and the dwelling exterior and fence (on the other hand), and that portion of the side yard area exposed to the street, between the street (on the one hand) and the dwelling exterior and fence (on the other hand), but excluding patios, courtyards and fenced areas, unless otherwise defined by the Association.

"Greenway Frontage" shall mean and refer to golf courses, parks, common green space, recreational facilities (including lakes, hike and bike trails and the like) which are adjacent to rear or side yard Lot lines and/or clearly visible from public streets, sidewalks and rights-of-way.

"Institutional Mortgage" shall mean and refer to any bona-fide mortgage, lien or security interest held by a bank, trust company, insurance company, savings and loan association or other recognized

lending institution, or by an institutional or governmental purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or their successors, or guaranteed or subsidized by the FHA and/or VA.

"Lot" shall mean and refer to each separately identifiable portion of the Assessable Property, including any condominium unit, which is platted, filed and recorded in the office of the County Clerk of Collin County, Texas and which is assessed by any one or more of the Taxing Authorities and which is not intended to be an "open space" or a portion of the Common Properties.

"Master Association" shall mean and refer to the Stonebridge Ranch Community Association, Inc., an existing non-profit Texas corporation identified and discussed within the Master Declaration.

"Master Declaration" shall mean and refer to the Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens on and for Summer Point (Phase II) at Stonebridge Ranch as recorded in Volume 3489, Page 428, Deed Records of Collin County, Texas.

"Member" shall mean and refer to each Owner who is properly registered, and in good standing, with the Association.

"Owner" shall mean and refer to the holder(s) of record title to the fee simple interest of any Lot whether or not such holder(s) actually reside(s) on any part of the Lot.

"Payment and Performance Lien" shall mean and refer to the lien described within Sections 8 and 9 of Article V hereinbelow.

"Phase" shall mean and refer to each and every portion of the Village which is the specific subject of a subdivision plat.

"Properties" shall mean and refer to: (i) the land described within Exhibit "A" attached hereto; and (ii) other land within the Summer Point Village project within the Stonebridge Ranch development.

"Resident" shall mean and refer to each person (not otherwise an Owner or Member) authorized by the Owner to reside within the Owner's Dwelling Unit.

"Subdivision" shall mean and refer to the Summer Point (Phase II) subdivision, a subdivision phase of certain land as described within Exhibit "A" attached hereto, in accordance with the map and plat thereof filed of record in the Map and Plat Records of Collin County, Texas, as well as any and all revisions, modifications, corrections or clarifications thereto.

"Subdivisions" shall mean and refer to the Subdivision as well as all other subdivisions within the Summer Point Village.

"Trustee" shall mean and refer to Darling Homes, Inc., a Texas corporation, and its successors and assigns.

"Village" shall mean and refer to the Summer Point Village community arising out of the development, construction, use and occupancy of all Phases of Subdivision plats bearing the same common name.

ARTICLE II.

PROPERTY SUBJECT TO THIS DECLARATION

Section 1. Existing Property. The residential Lots which are, and shall be, held, transferred, sold, conveyed and occupied subject to this Declaration within the Summer Point (Phase II) Subdivision and Village are more particularly described within Exhibit "A" attached hereto and incorporated herein by reference for all purposes.

Section 2. Additions to Existing Property. Additional land(s) within Stonebridge Ranch may become subject to this Declaration, or the general scheme envisioned by this Declaration, as follows:

(a) The Declarant may (without the joinder and consent of any person or entity but provided such land area is within the original boundaries of Stonebridge Ranch) add or annex additional real property to the scheme of this Declaration within the next twenty-five (25) years by filing of record an appropriate enabling declaration, generally similar to this Declaration, which may extend the scheme of the Covenants to such property. Provided further however, such other declaration(s) may contain such complementary additions and modifications of these Covenants as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with the concept and purpose of this Declaration.

(b) In the event any person or entity other than the Declarant desires to add or annex additional Assessable Property and/or Common Property to the scheme of this Declaration, such annexation proposal must have the express approval of the Board.

No land parcels outside the original perimeter of Stonebridge Ranch may be annexed without the consent of at least two-thirds (2/3) of the Owners (excluding the Declarant).

Any additions made pursuant to this Section 2, when made, shall automatically extend the jurisdiction, functions, duties and membership of the Association to the properties added and

correspondingly subject the properties added to the covenants of the enabling declaration. Upon any merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law or by lawful articles or agreement of merger, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law or by lawful articles or agreement of merger, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Covenants established by this Declaration, together with the covenants and restrictions established upon any other properties, as one scheme.

ARTICLE III.

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Each and every Owner of each and every Lot within a Subdivision or Village which is subjected to these, or substantially similar, Covenants shall automatically be, and must at all times remain, a Member of the Association.

Section 2. Voting Rights. There shall be one (1) class of voting Members: the Owner(s) (in good standing with the Association) of each Lot shall be entitled to one (1) vote per Lot. Where more than one (1) Owner owns and holds a record fee interest in a Lot such Owner(s) may divide and cast portions of the one (1) vote as they decide, but in no event shall any one (1) Lot yield more than one (1) vote.

Any Owner shall not be in "good standing" if such person or entity is: (a) in violation of any portion of these Covenants, or any rule or regulation promulgated by the Board; (b) delinquent in the full, complete and timely payment of any Annual Assessment, special assessment, or any other fee, charge or fine which is levied, payable or collectible pursuant to the provisions of these Covenants, the Bylaws or any rule or regulation promulgated by the Board.

The Board may make such rules and regulations, consistent with the terms of this Declaration and the Bylaws, as it deems advisable, for: any meeting of Members; proof of membership in the Association; the status of good standing; evidence of right to vote; the appointment and duties of examiners and inspectors of votes; the procedures for actual voting in person or by proxy; registration of Owner(s) for voting purposes; and such other matters concerning the conduct of meetings and voting as the Board shall deem fit.

Section 3. Board of Directors. The affairs of the Association shall be managed initially by a board of three (3)

individuals. However, beginning with the fifth (5th) annual meeting of the Members of the Association and continuing thereafter the Board shall be expanded to consist of five (5) individual Directors.

The Directors need not be Members of the Association. Directors shall be elected for two year terms of office and shall serve until their respective successors are elected and qualified. Any vacancy which occurs in the Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Board by the affirmative vote of a majority of the remaining Directors. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he or she was elected to fill.

ARTICLE IV.

RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES

Section 1. Easement. Subject to the provisions of Sections 2 through 6 of this Article, each and every Owner in good standing with the Association shall have a non-exclusive right and easement of enjoyment in and to all Common Properties, and such easement shall be appurtenant to and shall pass with every Lot, provided the conveyance and transfer is accomplished in accordance with this Declaration.

Section 2. Extent of Owners' Easements. The rights and easements of use, recreation and enjoyment created hereby shall be subject to the following:

(a) The right of the Declarant or Association to prescribe reasonable regulations and policies governing and related to the use, operation and maintenance of the Common Properties;

(b) Liens or mortgages placed against all or any portion of the Common Properties with respect to monies borrowed by the Declarant to develop and improve the Properties or Common Properties or by the Association to improve or maintain the Common Properties;

(c) The right of the Association to enter into and execute contracts with any party (including, without limitation, the Declarant, the Master Association or their respective corporate affiliates) for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Association and/or Declaration;

(d) The right of the Declarant or the Association to take such steps as are reasonably necessary to protect the Common Properties against foreclosure;

(e) The right of the Declarant or the Association to suspend the voting rights of any Member and to suspend the right of any Member to use or enjoy any of the Common Properties for any period during which any assessment (including without limitation "fines") against a Lot resided upon by such Member remains unpaid, or during which noncompliance with this Declaration exists, and otherwise for any period deemed reasonable by the Association for an infraction of the then-existing rules and regulations;

(f) The right of the Declarant and/or the Association to dedicate or transfer all or any part of the Common Properties to any municipal corporation, public agency, governmental authority, or utility for such purposes and upon such conditions as may be agreed to by the Declarant and the Board; and

(g) The right of the Declarant and/or the Association to grant permits, licenses and easements over the Common Properties for utilities, roads and other purposes deemed necessary by the Board.

Section 3. Restricted Actions by Members. No Member shall permit anything to be done on or in the Common Properties which would violate any applicable public law or zoning ordinance or which would result in the cancellation of or the Increase of premiums for any insurance carried by the Association, or which would be in violation of any law or any rule or regulation promulgated by the Board.

Section 4. Damage to the Common Properties. Each Owner shall be liable to the Association for any damage to any portion of the Common Properties caused by the negligence or willful misconduct of the Owner or his family and guests.

Section 5. Rules of the Board. All Owners shall abide by any rules and regulations adopted by the Board. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner determined to have violated said rules and regulations shall be liable to the Association for all damages and costs, including reasonable attorneys fees.

Section 6. Use of Common Properties. The Board shall have the power and authority to prescribe rules and regulations which extend to and cover matters such as (but not limited to smoking, the possession and consumption of alcoholic beverages, loud and obnoxious noises and behavior, dress and attire and the supervision by attending adults of children. No person or entity (excluding the Declarant) shall use any portion of the Common Properties to:

3751 209

- (a) solicit, promote or conduct business, religious, political or propaganda matters;
- (b) distribute handbills, newsletters, flyers, circulars or other printed materials,

without the prior written consent of the Association (which consent may be withheld in its sole and absolute discretion).

ARTICLE V.

COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned by it within the Subdivision, hereby covenants and agrees, and each subsequent Owner of any Lot, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such Deed or other conveyance, shall be deemed to covenant and agree (and such covenant and agreement shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot so as to have affected the purchase price) to pay to the Association (or to an independent entity or agency which may be designated by the Association to receive such monies):

- (1) regular Annual Assessments;
- (2) special group assessments for capital improvements or unusual or emergency matters, such assessments to be fixed, established and collected from time to time as hereinafter provided;
- (3) special individual assessments levied against individual Owners to reimburse the Association for extra or unusual costs incurred for items such as (but not limited to): maintenance and repairs to portions of the Properties caused by the willful or negligent acts of the individual Owner, Member or Resident; the remedy, cure or minimizing of problems caused by, or as a result of, violations of these Covenants by an Owner, Member or Resident; and
- (4) individual assessments and fines levied against an individual Owner, Member or Resident for violations of rules and regulations pertaining to the Association and/or the Common Properties.

The regular, special group, special individual and individual assessments, together with such late charges, interest and costs of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien upon each Lot against which each such assessment is made and shall also be the continuing personal obligation of the then-existing Owner, Member and Resident

of such Lot at the time when the assessment fell due. Each Owner of each Lot shall be directly liable and responsible to the Association for the acts, conduct and omission of each and every Member and Resident associated with the Dwelling Unit(s) on such Owner's Lot.

Section 2. Purposes of Assessments. The assessments levied by the Association shall be used for the purposes of promoting the comfort, health, recreation, safety, convenience, welfare and quality of life of the residents of the Properties (including without limitation Front Yard maintenance) and otherwise for the improvement and maintenance of greenbelt easements, walkways, common green, hike and bike trails, ponds, lakes, recreational areas and other properties, services and facilities devoted and related to the use and enjoyment of the Common Properties and operation of the Association.

Section 3. Basis and Amount of Annual Assessments. The basis and concept of determining, revising and collecting the Annual Assessment shall be a uniform "per Lot" charge, regardless of the size of the Lot (as well as whether the Lot is a corner lot" or not) and the value of any improvements thereon. For the first Fiscal Year the Annual Assessment shall be \$828.00 per Lot. The amount of the assessment in subsequent fiscal years may be adjusted by the Association as in its judgment may be necessary.

Section 4. Special Group Assessments. In addition to the regular Annual Assessment authorized by Section 3 hereof, the Association may levy in any Fiscal Year a special assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Common Properties, including any necessary fixtures and personal property related thereto or for any unusual or emergency purpose(s) (including without limitation those matters arising out of litigation and/or judgments); provided that any such assessment shall have the affirmative approval of at least three-fourths of the individuals comprising the Board.

Section 5. Rate of Assessments. Both regular and special group assessments must be fixed at a uniform rate for each and all Lots.

Section 6. Date of Commencement of Assessments; Due Dates. The Annual Assessment shall be due and payable in two (2) equal semi-annual installments, on the 1st and on the 180th day of each Fiscal Year and shall, if not automatically paid within thirty (30) consecutive calendar days thereafter, automatically become delinquent. The Board shall use reasonable efforts to provide each Owner with an invoice statement of the appropriate amount due, but any failure to provide such a notice shall not relieve any Owner of the obligation established by the preceding sentence. The Board may (but is not required to), however, prescribe time-price differential payment schedules which would permit the collection of

an amount greater than the Annual Assessment on a quarterly or monthly basis provided that the creditworthiness of the Owner was acceptable to the Board and the inconvenience to the staff of the Association for additional invoicing and collection efforts was minimized or eliminated. The Board may further prescribe: (a) procedures for collecting advance regular Annual Assessments from new Owners out of "closing transactions"; and

(b) different procedures for collecting assessments from Owners who have had a recent history of being untimely in the payment(s) of assessments.

Section 7. Duties of the Board of Directors with Respect to Assessments.

(a) In the event of a revision to the amount or rate of the Annual Assessment, or establishment of a special group assessment, the Board shall fix the amount of the assessment against each Lot, and the applicable due date(s) for each assessment, at least sixty (60) days in advance of such date or period and shall, at that time, prepare a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association;

(b) Written notice of the applicable assessment shall be actually or constructively furnished to every Owner subject thereto in accordance with the procedures then determined by the Board as being reasonable and economical; and

(c) The Board shall, upon reasonable demand, furnish to any Owner originally liable for said assessment, a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid. A reasonable charge may be made by the Board for the issuance of such certificate.

Section 8. Effect of Non-Payment of Assessment; the Personal Obligation of the Owner; the Lien; and Remedies of Association.

(a) Effective as of, and from and after the filing and recordation of this Declaration, there shall exist a self-executing and continuing contract Payment and Performance Lien and equitable charge on each Lot to secure the full and timely payment of each and all assessments and all other charges and monetary amounts and performance obligations due hereunder. Such lien shall be at all times superior to any claim of homestead by or in any Owner. If any assessment, charge or fine or any part thereof is not paid on the date(s) when due, then the unpaid amount of such assessment, charge or fine shall (after the passage of any stated grace period) be considered delinquent and shall, together with any late charge and interest thereon at the highest lawful rate of interest per annum and costs of collection thereof, become a continuing debt secured by the self-executing Payment and Performance Lien on the

Lot of the non-paying Owner which shall bind such Lot in the hands of the Owner and Owner's heirs, executors, administrators, devisees, personal representatives, successors and assigns. The Association shall have the right to reject partial payments of an unpaid assessment or other monetary obligation and demand the full payment thereof. The personal obligation of the then-existing Owner to pay such assessment, however, shall remain the Owner's personal obligation and shall not pass to Owner's successors in title unless expressly assumed by them. However, the lien for unpaid assessments shall be unaffected by any sale or assignment of a Lot and shall continue in full force and effect. No Owner may waive or otherwise escape liability for any assessment provided herein by non-use of the Common Properties or abandonment of the Lot. No diminution or abatement of assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the Association, or for inconvenience or discomfort arising from the making of improvements or repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such assessments being a separate and independent covenant on the part of each Owner;

(b) The Association may also give written notification to the holder(s) of any mortgage on the Lot of the non-paying Owner of such Owner's default in paying any assessment, charge or fine, particularly where the Association has theretofore been furnished in writing with the correct name and address of the holder(s) of such mortgage, a reasonable supply of self-addressed postage prepaid envelopes, and a written request to receive such notification;

(c) If any assessment, charge or fine or part thereof is not paid when due, the Association shall have the right and option to impose a late charge (but only to the extent permitted by applicable law) to cover the additional administrative costs involved in handling the account and/or to reflect any time-price differential assessment schedule adopted by the Association. The unpaid amount of any such delinquent assessment, charge or fine shall bear interest from and after the date when due at the highest lawful rate of interest per annum until fully paid. If applicable state law provides or requires an alternate ceiling under Vernon's Annotated Texas Civil Statutes Article 5069-1.04, then that ceiling shall be the indicated rate ceiling. The Association may, at its election, retain the services of an attorney to review, monitor and/or collect unpaid assessments, charges, fines and delinquent accounts, and there shall also be added to the amount of any unpaid assessment, charge, fine or any delinquent account any and all attorneys fees and other costs of collection incurred by the Association;

(d) The Association may, at its discretion but subject to all applicable debt collection statutes: (i) prepare and file a lien

affidavit in the public records of Collin County, Texas which specifically identifies the unpaid assessments, charges or fines; and (ii) publish and post, within one or more locations within the Properties, a list of those individuals or entities who are delinquent and, if applicable, their suspended use and enjoyment of the Common Properties until and unless the delinquency has been cured to the reasonable satisfaction of the Association. Each Owner consents to these procedures and authorizes the Board to undertake such measures for the general benefit of the Association;

(e) All agreements between any Owner and the Association and/or Declarant, whether now existing or hereafter arising and whether written or oral and whether implied or otherwise, are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to the Association and/or Declarant or for the payment or performance of any covenant or obligation contained herein or in any other document exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof or of such other document at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Association and/or Declarant should ever receive an amount deemed interest by applicable law which shall exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the actual base assessment amount or principal amount owing hereunder and other indebtedness of the Owner to the Association and/or Declarant and not to the payment of interest of if such excessive interest exceeds the unpaid balance of the actual Annual Assessment hereof and such other indebtedness, the excess shall be refunded to Owner. All sums paid or agreed to be paid by any Owner for the use, forbearance or detention of any indebtedness to the Association and/or Declarant shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the interest charged, collected or received on account of such indebtedness is never more than the maximum amount permitted by applicable law. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between any Owner and the Association and/or Declarant.

Section 9. Power of Sale. The lien described within the preceding Section is and shall be a contract Payment and Performance Lien. Each Owner, for the purpose of better securing each and all monetary obligations described within these Covenants, and in consideration of the benefits received and to be received by virtue of the ownership of real estate within Summer Point Village, has granted, sold and conveyed and by these covenants does grant, sell and convey unto the Trustee, such Owner's Lot. To have and to hold such Lot, together with the rights, privileges and appurtenances thereto belonging unto the said Trustee, and to its substitutes or successors, forever. And each Owner does hereby

3751 214

bind himself and/or herself, their heirs, executors, administrators and assigns to warrant and forever defend the Lot unto the said Trustee, its substitutes or successors and assigns, forever, against the claim, or claims of all persons claiming or to claim the same or any part thereof.

This conveyance is made in trust to secure payment of each and all assessments and other obligations prescribed by these Covenants to and for the benefit of the Association as the Beneficiary. In the event of default in the payment of any obligation hereby secured, in accordance with the terms thereof, then and in such event, Beneficiary may elect to declare the entire indebtedness hereby secured with all interest accrued thereon and all other sums hereby secured due and payable (subject, however, to the notice and cure provisions set forth in Section 51.002 of the Texas Property Code), and in the event of default in the payment of said indebtedness when due or declared due, it shall thereupon, or at any time thereafter, be the duty of the Trustee, or its successor or substitute as hereinafter provided, at the request of Beneficiary (which request is hereby conclusively presumed), to enforce this trust; and after advertising the time, place and terms of the sale of the Lot then subject to the lien hereof, and mailing and filing notices as required by Section 51.002, Texas Property Code, as then amended, and otherwise complying with all applicable laws, the Trustee shall sell the Lot, then subject to the lien hereof, at public auction in accordance with such notices on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P.M., to the highest bidder for cash, selling all of the Lot as an entirety or in such parcels as the Trustee acting may elect, and make due conveyance to the Purchaser or Purchasers, with general warranty binding upon the Owner, his heirs and assigns; and out of the money arising from such sale, the Trustee acting shall pay first, all the expenses of advertising the sale and making the conveyance, including a reasonable commission to itself, which commission shall be due and owing in addition to the attorney's fees provided for, and then to Beneficiary the full amount of principal, interest, attorneys' fees and other charges due and unpaid on said indebtedness secured hereby, rendering the balance of the sales price, if any, to the Owner, his heirs or assigns and/or to any other lienholders (if so required by applicable law); and the recitals in the conveyance to the Purchaser or Purchasers shall be full and conclusive evidence of the truth of the matters therein stated, and all prerequisites to said sale shall be presumed to have been performed, and such sale and conveyance shall be conclusive against the Owner, his heirs and assigns.

It is agreed that in the event a foreclosure hereunder should be commenced by the Trustee, or its substitute or successor, beneficiary may at any time before the sale of said property, direct the said Trustee to abandon the sale, and may then institute suit for the collection of said indebtedness, and for the foreclosure of this contract Payment and Performance Lien; it is further agreed that if Beneficiary should institute a suit for the

collection thereof, and for a foreclosure of this contract lien, that it may at any time before the entry of a final judgment in said suit dismiss the same, and require the Trustee, its substitute or successor to sell the Lot in accordance with the provisions of this section. Beneficiary, if it is the highest bidder, shall have the right to purchase at any sale of the Lot, and to have the amount for which such Lot is sold credited on the debt then owing. Beneficiary in any event is hereby authorized to appoint a substitute trustee, or a successor trustee, to act instead of the Trustee named herein without other formality than the designation in writing of a substitute or successor trustee; and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness hereby secured has been paid in full, or until said Lot is sold hereunder, and each substitute and successor trustee shall succeed to all of the rights and powers of the original trustee named herein. In the event any sale is made of the Lot, or any portion thereof, under the terms of this section, the Owner, his heirs and assigns, shall forthwith upon the making of such sale surrender and deliver possession of the property so sold to the Purchaser at such sale, and in the event of his failure to do so he shall thereupon from and after the making of such sale be and continue as tenants at will of such Purchaser, and in the event of his failure to surrender possession of said property upon demand, the Purchaser, his heirs or assigns, shall be entitled to institute and maintain an action for forcible detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such property, or any part thereof, is situated. The foreclosure of the continuing contract lien on any one or more occasions shall not remove, replace, impair or extinguish the same continuing lien from securing all obligations arising from and after the date of foreclosure.

Section 10. Rights of the Master Association. In the event that the Association, its successors or assigns, shall fail or refuse to adequately maintain the appearance and condition of the Common Properties and/or the Properties which it is obligated to maintain hereunder, the Master Association shall have the right (but not the obligation) and may assume the duty of performing all such maintenance obligations of the Association at an', time, upon giving written notice to the Owners or at any time after the expiration of ten (10) days after receipt by the Association, its successors or assigns, of written notice specifying in detail the nature and extent of the failure to maintain without such failure being remedied, whichever notice shall be deemed appropriate by the Master Association. Upon assuming such maintenance obligations, the Master Association may levy an assessment upon each Lot on a pro rata basis for the cost of such maintenance, notwithstanding any other provisions contained in this Declaration, which assessment shall constitute a lien upon the Lot against which each assessment is made. During the period the Master Association has a right and assumes the obligation to maintain and care for the Common Properties and/or Properties, the Association shall have no obligation or authority with respect to such maintenance. The

right and authority of the Master Association to maintain the Common Properties and/or Properties shall cease and terminate when the Association, its successors or assigns, shall present to the Master Association reasonable evidence of its willingness and ability to resume maintenance of the Common Properties and/or Properties. In the event the Master Association assumes the duty of performing the maintenance obligations of the Association as provided herein, then the Master Association, its agents, representatives and employees shall have the right of access to and over the Common Properties and/or Properties for the purpose of maintaining, improving and preserving the same; and in no event, and under no circumstances shall the Master Association be liable to the Association or any Owner, resident or member, or their respective heirs, executors, administrators, devisees, personal representatives, successors and assigns for negligent acts or construction relating in any manner to maintaining, improving and preserving the Common Properties and/or Properties, or to any Owner, resident, member, the Association or any other person for failure to perform such maintenance.

Section 11. Rights of City of McKinney. In the event that the Association, its successors or assigns, and the Master Association shall fail or refuse to adequately maintain the appearance and condition of the Common Properties and/or Properties which the Association is obligated to maintain hereunder, the City of McKinney, Texas shall have the right and may assume the duty of performing all such maintenance obligations of the Association at any time, upon giving written notice to the Owners or at any time after the expiration of ten (10) days after receipt by the Association, its successors or assigns, of written notice specifying in detail the nature and extent of the failure to maintain without such failure being remedied, whichever notice shall be deemed appropriate by the City of McKinney. Upon assuming such maintenance obligations, the City of McKinney may levy an assessment upon each Lot on a pro rata basis for the cost of such maintenance, notwithstanding any other provisions contained in this Declaration, which assessment shall constitute a lien upon the Lot against which each assessment is made. During the period the City of McKinney has a right and assumes the obligation to maintain and care for the Common Properties and/or Properties, the Association shall have no obligation or authority with respect to such maintenance. The right and authority of the City of McKinney to maintain the Common Properties and/or Properties shall cease and terminate when the Association, its successors or assigns, shall present to the City of McKinney reasonable evidence of its willingness and ability to resume maintenance of the Common Properties and/or Properties. In the event the City of McKinney assumes the duty of performing the maintenance obligations of the Association as provided herein, then the City of McKinney, its agents, representatives and employees shall have right of access to and over the Common Properties and/or Properties for the purpose of maintaining, improving and preserving the same; and in no event, and under no circumstances, shall the City of McKinney be liable to the Association or any Owner, Resident or Member, or their

respective heirs, executors, administrators, devisees, personal representatives, successors and assigns for negligent acts or construction relating in any manner to maintaining, improving and preserving the Common Properties and/or Properties, or to any Owner, Resident, Member, the Association or any other person for failure to perform such maintenance.

Section 11. Subordination of the Lien to Mortgages. The lien securing the payment of the assessments and other obligations provided for herein shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Lot whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, except for:

- (a) bona-fide first mortgage or deed of trust liens for purchase money and/or home improvement purposes placed upon a Lot, including without limitation Institutional Mortgages and Eligible Mortgages, in which event the Association's lien shall automatically become subordinate and inferior to such first lien;
- (b) liens for taxes or other public charges as are by applicable law made superior to the Association's lien; and
- (c) such other liens about which the Board may, in the exercise of its reasonable discretion, elect to voluntarily subordinate the Association's lien;

provided however, such subordination shall apply only to: (i) the assessments which have been due and payable prior to the foreclosure sale (whether public or private) of such Lot pursuant to the terms and conditions of any such first mortgage or deed of trust or tax lien; (ii) the permitted lien on the Lot alone and not on or to any easement appurtenant for use and enjoyment of the Common Properties. Such sale shall not relieve such Lot from liability for the amount of any assessment thereafter becoming due nor from the lien of any such subsequent assessment. Such subordination shall not apply where the first mortgage or deed of trust or tax lien is used as a device, scheme or artifice to evade the obligation to pay assessments and/or to hinder the Association in performing its functions hereunder.

Section 12. Exempt Property. The following property otherwise subject to this Declaration shall be exempted from any assessments, charge and lien created herein:

- (a) All properties dedicated to and accepted by a local public or governmental authority;
- (b) Common Properties; and
- (c) Exempt Property.

ARTICLE VI.

FRONT YARD MAINTENANCE; EASEMENTS

Section 1. Front Yard Maintenance. The Board, for the benefit of the Owners, shall provide and pay for (out of the assessment fund[s] established within this Declaration) maintenance of the Front Yard of each Lot, in accordance with the Board's determinations and specifications which may be revised from time to time and at any time.

Section 2. Ingress, Egress and Maintenance by the Association. Full rights of ingress and egress shall be had by the Association at all times over and upon each Lot for the carrying out by the Association of its functions, duties and obligations hereunder; provided, however, that any such entry by the Association upon any Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be repaired by the Association at the expense of the Association's maintenance fund.

ARTICLE VII.

RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

The provisions within this Article are for the primary benefit of:

(a) the owners and holders of Institutional Mortgages which are required to satisfy the applicable requirements of FHA, VA, FNMA, FLMC and other similar governmental, quasi-governmental and nationally recognized public and/or private sources of end financing (such mortgagees sometimes collectively referred to herein as "Eligible Mortgagees" and their mortgages referred to as "Eligible Mortgages"); and

(b) the insurers, guarantors, participants and subsidizers of the Eligible Mortgages, sometimes collectively referred to herein as the "Eligible Insurers."

To the extent applicable, necessary or proper, the provisions of this Article VII apply not only to this Declaration but also to the Articles of Incorporation and By-Laws of the Association. This Article is supplemental to, and not in substitution of, any other provisions of this Declaration, the Articles of Incorporation and By-Laws, but in the event of ambiguity or conflict, this Article shall control.

Section 1. Notices of Action. An Eligible Mortgagee or Eligible Insurer who provides written request to the Association (such request to state the name and address of such holder, insurer or guarantor and a reasonable description of the Dwelling Unit

3751 219

covered by the Eligible Mortgage) will be entitled to receive timely written notice of:

- (a) any proposed termination of the Association;
- (b) any condemnation loss or any casualty loss which affects a material portion of the Subdivision or which materially affects any Dwelling Unit on which there is an Eligible Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer, as applicable;
- (c) any delinquency in the payment of assessments or charges owed by an Owner of a Dwelling Unit subject to the Eligible Mortgage of such Eligible Mortgagee or Eligible Insurer, where such delinquency has continued for a period of sixty (60) days;
- (d) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or
- (e) any proposed action which would require the consent of the Eligible Mortgagees as required hereinbelow.

Section 2. Joinder to Documents. In addition to the provisions set forth within Article VIII, Eligible Mortgagees who have requested the Association to notify them concerning any proposed action that requires the consent of a specified percentage of Eligible Mortgagees also have the right to join in the decision making about certain amendments to this Declaration. Amendments of a material nature (as defined below) must be agreed to by: (i) at least sixty-seven percent (67%) of the Dwelling Unit Owners; and (ii) the Declarant or the Board of Directors of the Association; and (iii) Eligible Mortgagees representing at least fifty-one percent (51%) of the Dwelling Units that are subject to Eligible Mortgages. A substantive change to any of the following would be considered as material:

- voting rights;
- assessments, assessment liens, or subordination of assessment liens;
- reserves for maintenance, repair, and replacement of Common Properties;
- responsibility for maintenance and repairs;
- boundaries of any Lot covered by an Eligible Mortgage;
- convertibility of Dwelling Units into Common Properties or vice versa;

- expansion or contraction of the Subdivision, or the addition, annexation, or withdrawal of the properties to or from the Subdivision;
- insurance or fidelity bonds;
- leasing of Dwelling Units;
- imposition of any restrictions on a Dwelling Unit Owner's right to sell or transfer his or her Dwelling Unit;
- a decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgagee;
- any action to terminate the legal status of the Subdivision after substantial destruction or condemnation occurs; or
- any provisions that expressly benefit Eligible Mortgagees or Eligible Insurers.

Additions or amendments such as the correction of a technical error or the clarification of a statement shall not be considered or construed as being "material."

If and when the Dwelling Unit Owners are considering termination of the coverage of this Declaration over the Subdivision for reasons other than substantial destruction or condemnation, the Eligible Mortgagees representing at least sixty-seven percent (67%) of the mortgaged Dwelling Units in the Subdivision must agree.

Section 3. Special FHLMC Provision. So long as required by The Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the other Sections of this Article. Unless two-thirds (2/3) of the Eligible Mortgagees or Owners give their consent, and subject to the condition that any proposed action of the Association purportedly covered by the following requirements must be material and adverse, the Association shall not:

(a) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Properties which the Association owns, directly or indirectly (but the granting of easements for public utilities or for other public purposes consistent with the intended use of the development shall not be deemed a transfer);

(b) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;

(c) by act or omission charge, waive or abandon any scheme of regulations or enforcement thereof pertaining to the exterior appearance and maintenance of Dwelling Units and of the Common Properties;

(d) assign any future income of the Association, including its right to receive assessments;

(e) fail to maintain fire and extended coverage insurance on assets owned by the Association, if required by this Declaration; or

(f) use hazard insurance proceeds for any Common Properties losses for other than the repair, replacement or reconstruction of such properties.

The provisions of this Section 3 shall not be construed to reduce the percentage vote that must be obtained from Eligible Mortgagees or Owners when a larger percentage vote is otherwise required for any of the actions described in this Section.

Eligible Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Properties and may pay overdue premiums on casualty insurance policies, or secure new casualty insurance coverage upon the lapse of a policy, for the Common Properties, and Eligible Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

Section 4. Approval of Amendments. The failure of an Eligible Mortgagee or Eligible Insurer to respond within thirty (30) days to any written request of the Association for approval of an addition or amendment shall constitute an implied written approval of the addition or amendment.

Section 5. Inspection of Books. The Association shall have current copies of the Declaration, Articles of Incorporation, Bylaws, rules and regulations, books, records and financial statements available for inspection by Dwelling Unit Owners and by Eligible Mortgagees and Eligible Insurers during normal business hours or under other reasonable circumstances.

Section 6. Financial Statements. The Association shall provide any Eligible Mortgagee or Eligible Insurer which submits a written request with a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement must be audited by an independent certified public accountant, at the expense of the Association, if any Eligible Mortgagee or Eligible Insurer submits a written request for it.

Section 7. Enforcement. The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and

3751 222

their successors and may be enforced by any of them by any available means, at law, or in equity.

Section 8. Attendance at Meetings. Any authorized representative(s) of an Eligible Mortgagee or Eligible Insurer may attend and address any meeting of the Association which an Owner may attend.

ARTICLE VIII.

GENERAL PROVISIONS

Section 1. Power of Attorney. Each and every Owner and Member hereby makes, constitutes and appoints Declarant as his/her true and lawful attorney-in-fact, coupled with an interest and irrevocable, for him/her and in his/her name, place and stead and for his/her use and benefit, to do the following:

(a) to exercise, do or perform any act, right, power, duty or obligation whatsoever in connection with, arising out of, or relating to any matter whatsoever involving this Declaration and the Properties;

(b) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the terms within this Declaration, or any part hereof, with such clause(s), recital(s), covenant(s), agreement(s) and restriction(s) as Declarant shall deem necessary, proper and expedient under the circumstances and conditions as may be then existing; and

(c) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the subdivision plat(s) of the Properties, or any part thereof, with any easements and rights-of-way to be therein contained as the Declarant shall deem necessary, proper and expedient under the conditions as may then be existing.

The rights, powers and authority of said attorney-in-fact to exercise any and all of the rights and powers herein granted shall commence and be in full force upon recordation of this Declaration in the Collin County Clerk's Office and shall remain in full force and effect thereafter until conclusion of the Development period.

Section 2. Further Development. During the Development Period, each and every Owner, Resident and Member waives, relinquishes and shall not directly or indirectly exercise any and all rights, powers or abilities, and the Association shall not devote or expend any monies or personnel, regarding the following: to contest, object, challenge, dispute, obstruct, hinder or in any manner disagree with the proposed or actual development (including, without limitation, zoning or rezoning efforts or processes) of any

real property owned by the Declarant or by the affiliates, assignees or successors of the Declarant within the Properties.

Section 3. Duration. The Covenants of this Declaration shall run with and bind the land subject to this Declaration, and shall inure to the benefit of and be enforceable by the Association and/or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for an original fifty (50) year term expiring on the fiftieth (50th) anniversary of the date of recordation of this Declaration, after which time these Covenants shall be automatically extended for successive periods of ten (10) years unless an instrument is signed by the Owners of at least fifty-one percent (51%) of all Lots within this Subdivision and all the Subdivisions and recorded in the Deed Records of Collin County, Texas, which contains and sets forth an agreement to abolish these Covenants; provided, however, no such agreement [where approved by less than seventy-five percent (75%) of the Owners of all Lots within this Subdivision and all of the Subdivisions] to abolish shall be effective unless made and recorded one (1) year in advance of the effective date of such abolishment.

Section 4. Amendments. The Covenants set forth herein are expressly subject to change, modification and/or deletion by means of amendment at any time and from time to time as provided herein. Notwithstanding Section 3 of this Article, these Covenants may be amended and/or changed in part as follows:

(a) During the Development Period, and in response to any governmental or quasi-governmental suggestion, guideline, checklist, requisite or requirement, particularly with respect to those entities or agencies directly or indirectly involved in, or having an impact on, mortgage financing, mortgage insurance and/or reinsurance, the Declarant shall have the complete and unfettered right and privilege to amend, change, revise, modify or delete portions of these Covenants, and each and every Owner, Member and Resident specifically and affirmatively authorizes and empowers the Declarant, utilizing the attorney-in-fact status set forth in Section 1 above, to undertake, complete and consummate any and all such amendments, changes, revisions, modifications or deletions as Declarant (in its sole and absolute discretion) shall deem reasonable and appropriate;

(b) During the Development Period the Declarant may otherwise amend or change these Covenants by exercising its powers under Article VIII, Section 1 hereinabove or with the direct consent of at least fifty-one percent (51%) of the Owners of Lots within the Subdivision; and

(c) From and after conclusion of the Development Period these Covenants may be amended or changed upon the express written consent of the Board and at least fifty-one percent (51%) of the Owners of Lots within the Subdivision.

3751 224

Any and all amendments shall be recorded in the Office of the County Clerk of Collin County, Texas.

Section 5. Enforcement. Each Owner of each Lot shall be deemed, and held responsible and liable for the acts, conduct and omission of each and every Resident, Member, guest and invitee affiliated with such Lot, and such liability and responsibility of each Owner shall be joint and several with their Resident(s), Member(s), guests and invitees. The Payment and Performance Lien shall extend to, cover and secure the proper payment and performance by each and every Resident, Member, guest and invitee affiliated with each Owner. Unless otherwise prohibited or modified by law, all parents shall be liable for any and all personal injuries and property damage proximately caused by the conduct of their children (under the age of 18 years) within the Properties. Enforcement of these Covenants may be initiated by any proceeding at law or in equity against any person or persons violating or attempting to violate them, whether the relief sought is an injunction or recovery of damages, or both, or enforcement of any lien created by these Covenants; but failure by the Association or any Owner to enforce any Covenant herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Master Association and the Association and the City of McKinney, Texas are each specifically authorized (but not obligated) to enforce these Covenants. With respect to any litigation hereunder, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, from the non-prevailing party.

Section 6. Validity. Violation of or failure to comply with these Covenants shall not affect the validity of any mortgage, bona fide lien or other similar security instrument which may then be existing on any Lot. Invalidation of any one or more of these Covenants, or any portions thereof, by a judgment or court order shall not affect any of the other provisions or covenants herein contained, which shall remain in full force and effect. In the event any portion of these Covenants conflicts with mandatory provisions of any ordinance or regulation promulgated by the City of McKinney (including, without limitation, the Zoning Ordinance), then such municipal requirement shall control.

Section 7. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration. Words of any gender used herein shall be held and construed to include any other gender, and words in the singular shall be held to include the plural and vice versa, unless the context requires otherwise. Examples, illustrations, scenarios and hypothetical situations mentioned herein shall not constitute an exclusive, exhaustive or limiting list of what can or cannot be done.

Section 8. Registration with the Association. In order that the Declarant and the Association can properly acquaint every Lot purchaser and every Owner, Resident and Member with these Covenants

and the day-to-day matters within the Association's jurisdiction, no acquisition of any Lot within the Subdivision shall become effective until and unless:

(a) the then-existing "Closing Information Package" and homeowner handbooks have been properly executed by the Association, Declarant and the Purchaser/Transferee; and

(b) all directives by, and all obligations to, the Association and the Declarant have been properly and timely satisfied.

Each and every Owner, Member and Resident shall have an affirmative duty and obligation to originally provide, and thereafter revise and update, within fifteen (15) days after a material change has occurred, various items of information to the Association such as: (a) the full name and address of each Owner, Member and Resident; (b) the full name of each individual family member who resides within the residential dwelling of the Lot Owner; (c) the business address, occupation and telephone numbers of each Resident; (d) the description and license plate number of each automobile owned or used by a Resident and brought within the Properties; (e) the name, address and telephone numbers of other local individuals who can be contacted (in the event the Resident cannot be located) in case of an emergency and (f) such other information as may be reasonably requested from time to time by the Association. In the event any Owner, Member or Resident fails, neglects or refuses to so provide, revise and update such information, then the Association may, but is not required to, use whatever means it deems reasonable and appropriate to obtain such information and the offending Owner, Member and Resident shall become automatically jointly and severally liable to promptly reimburse the Association for all reasonable costs and expenses incurred in so doing.

Section 9. Notices to Resident/Member/Owner. Any notice required to be given to any Resident, Member or Owner under the provisions of this Declaration shall be deemed to have been properly delivered when: (i) deposited in the United States Mail, postage prepaid, addressed to the last known address of the person who appears as the Resident, Member or Owner on the records of the Association at the time of such mailing; or when (ii) delivered by hand or by messenger to the last known address of such person within the Properties; or when (iii) posted on the Association's bulletin board for at least thirty (30) consecutive calendar days.

Section 10. Notices to Mortgagees. The holder(s) of a mortgage may be furnished with written notification from the Association of any default by the respective mortgagor/Member/Owner in the performance of such mortgagor's/Member's/Owner's obligation(s) as established by this Declaration, provided that the Association has been theretofore furnished, in writing, with the correct name and address of such mortgage holder(s) and a request

3751 226

to receive such notification and a reasonable supply of self-addressed, stamped envelopes.

Section 11. Disputes. Matters of dispute or disagreement between Owners, Residents or Members with respect to interpretation or application of the provisions of this Declaration or the Association Bylaws, shall be determined by the Board of Directors. These determinations (absent arbitrary and capricious conduct or gross negligence) shall be final and binding upon all Owners, Residents and Members.

Witness the hand of an authorized representative of Declarant on the acknowledgment date noted below.

DECLARANT:

RANCHLINE, LTD.

By: Brookline Corp., General Partner

By: 
William D. Darling, President

Address:

6900 Virginia Parkway, Suite 214
McKinney, Texas 75070

Witness joinder, consent and adoption of this Village Declaration to the nine (9) lots owned by Darling Homes, Inc. (as set forth on page 3 above).

DARLING HOMES, INC.

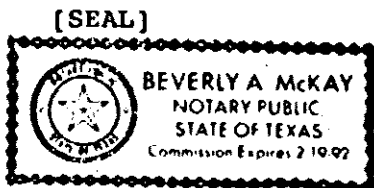
By: 
William D. Darling, President

3751 227

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared William D. Darling, the President of BROOKLINE CORP., general partner of Ranchline, Ltd., known to me to be the person and officer of said corporation whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 17th day of September, 1991.



Beverly A. McKay
Notary Public in and for the
State of Texas

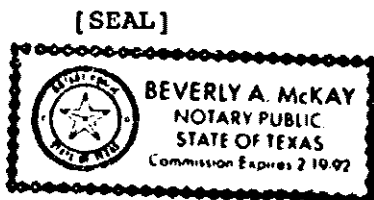
Beverly A. McKay
[Print or Type Name of Notary]

My Commission Expires:
2/19/92

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared William D. Darling, the President of DARLING HOMES, INC., known to me to be the person and officer of said corporation whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 17th day of September, 1991.



Beverly A. McKay
Notary Public in and for the
State of Texas

Beverly A. McKay
[Print or Type Name of Notary]

My Commission Expires:
2/19/92

3751 228

EXHIBIT "A"

An attachment to the Village Declaration of
Covenants, Conditions and Restrictions
on and for
Summer Point
(Phase II)

<u>Lot(s)</u>	<u>Block</u>
10 through 32	A
3 through 18	C

according to the "Summer Point (Phase II)" final plat of a portion of a 7.3344± acre tract of land [situated in the George McGarrah Survey, Abstract No. 573] filed and recorded in Cabinet H, Drawer 164 of the Map and Plat Records of Collin County, Texas, and

<u>Lot(s)</u>	<u>Block</u>
1 and 2	C

according to the "Summer Point (Phase II) Lots 1 and 2 Block C" final plat of a portion of a 7.3344± acre tract of land [situated in the George McGarrah Survey, Abstract No. 573] filed and recorded in Cabinet H, Drawer 137 of the Map and Plat Records of Collin County, Texas

g:\real\1690\2\declare2.cov
1 JWE:tb 091191

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

FILED
91 SEP 24 PM 4:06
CLERK COUNTY COURT
COLLIN COUNTY, TX
BY _____ AM. DEPUTY

-31-

FILED FOR RECORD 24th DAY OF Sept A.D. 1991
DULY RECORDED 25th DAY OF Sept A.D. 1991
BY: Betha Roberts DEPUTY HELEN STARNES, County Clerk
Collin County, Texas