2000- 0132145

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ENVELOPE
ATTACHED

FIRST AMENDED AND RESTATED MASTER DECLARATION

OF

COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

STONEBRIDGE RANCH

Riddle & Williams, P.C.
1050 Turtle Creek Center
3811 Turtle Creek Boulevard
Dallas, Texas 75219

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Exhibit "D"- Illustration of Retaining Wall Easement

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FIRST AMENDED AND RESTATED MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR STONEBRIDGE RANCH

STATE OF TEXAS §
§ **KNOW ALL MEN BY THESE PRESENTS:**
COUNTY OF COLLIN §

THIS FIRST AMENDED AND RESTATED MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR STONEBRIDGE RANCH (this "Declaration") is made and effective as of the 30th day of November, 2000, by WESTERRA STONEBRIDGE, L.P., a Texas limited partnership (sometimes referred to herein as the "Declarant"), as attorney-in-fact for the Members of the STONEBRIDGE RANCH COMMUNITY ASSOCIATION, INC., a Texas corporation (sometimes referred to herein as the "Association"):

WITNESSETH:

WHEREAS, Gibraltar Savings Association and Ranch Development Company, as successor to Gibraltar Savings Association, prepared and filed of record a series of substantially similar documents entitled "Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens", which documents and certain amendments thereto were recorded in the Public Real Estate Records of Collin County, Texas, as follows:

	Original			Amendment	
Subdivision	Volume	Page		Volume	Page
Hills Creek Phase I	2775	203		3114	732
Briar Ridge Phase I	2775	269		3077	325
Meadow Ridge Phase I	2775	335		3114	665
Wellington Point Phase I	2775	00		3340	855
			and	3114	597
Quail Creek Phase I	2779	001		3007	257
Hills Creek Phase II	2987	929			
Summer Point Phase I	3092	479			
Briar Ridge Phase II	3114	800			
Meadow Ridge Phase II	3120	927			
Quail Creek Phase II	3121	001			
Spring Hill Phase I	3121	068			
Quail Creek Phase III	3201	128			
Quail Creek Phase IV	3338	20			
Quail Creek Phase V	3489	365			
Summer Point Phase II	3489	428			

(such documents, as amended, are hereinafter collectively referred to as the "Original Declarations"); and

WHEREAS, the Original Declarations were amended in certain respects and consolidated into a single instrument entitled the "Consolidated and Amended Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens for Stonebridge Ranch", which instrument was recorded on October 29, 1992, as Instrument No. 92-0076613 in the Public Real Estate Records of Collin County, Texas, as amended and supplemented from time to time (hereinafter the "Master Declaration"); and

WHEREAS, the Master Declaration was amended and supplemented by an instrument entitled "Supplement to the Consolidated and Amended Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens for Stonebridge Ranch", which instrument was recorded on September 14, 1995, as Instrument No. 95-0068313 in the Public Real Estate Records of Collin County, Texas (the "First Supplement"); and

WHEREAS, the Master Declaration was also amended and supplemented by an instrument entitled "Supplement to the Consolidated and Amended Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens for Stonebridge Ranch", which instrument was recorded on January 4, 1996, as Instrument No. 96-0001219 in the Public Real Estate Records of Collin County, Texas (the "Second Supplement"); and

WHEREAS, the Master Declaration was also amended and supplemented by an instrument entitled "Third Supplement to the Consolidated and Amended Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens for Stonebridge Ranch", which instrument was recorded on September 23, 1997, as Instrument No. 97-0079857 in the Public Real Estate Records of Collin County, Texas (the "Third Supplement"); and

WHEREAS, the Master Declaration was also amended and supplemented by an instrument entitled "Supplement to the Consolidated and Amended Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens for Stonebridge Ranch", which instrument was recorded on September 27, 1997, as Instrument No. 97-0079857 in the Public Real Estate Records of Collin County, Texas (the "Fourth Supplement"); and

WHEREAS, pursuant to the terms of Article XIII, Section 4.B. of the Master Declaration, the Declarant, as attorney-in-fact for and on behalf of each Owner, may amend or change the covenants described therein at any time prior to December 31, 2014, and may impose additional covenants and restrictions on such property, subject to any approval rights of Eligible Mortgagees; and

WHEREAS, the Declarant desires to amend and restate the Master Declaration and has received the requisite consent and approval of the Eligible Mortgagees, if any, all in accordance with the provisions of the Master Declaration.

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NOW, THEREFORE, the Declarant hereby declares that the Master Declaration, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement and the Fourth Supplement (collectively, the "Master Declaration"), is hereby replaced and superceded by this Declaration, and from and after the recording of this instrument in the Deed Records of Collin County, Texas, the tracts of land described within Exhibit "A" attached hereto, and such phases or additions thereto as may hereafter be made subject to the terms hereof and pursuant to Article II hereof, is and shall be held, sold, used and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of and which shall run with the real property subjected to this Declaration. This Declaration shall be binding on all parties having any right, title or interest in the described Properties or any part thereof, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof.

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:

Section 1.1 "Affiliate"shall mean a partner, director, subsidiary, shareholder, officer, employee, agent, co-venturer, executor, personal representative, trustee, attorney or a Person or entity which (either directly or indirectly through one or more intermediaries), controls, is in common control with or is controlled by, another Person or entity and any Person or entity that is a director, trustee, officer, employee, agent, partner, shareholder, subsidiary or attorney of any of the foregoing. For the purposes of this definition, the term "control" means (a) legal or beneficial ownership of 10% or more of the voting interests of an entity, or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person or entity, whether through the ownership of voting securities, by contract or otherwise.

Section 1.2 "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.

Section 1.3 "Annual Assessment" shall have the meaning specified in Section 5.3.

Section 1.4 "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.

Section 1.5 "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) 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; and (ii) is not an Exempt Property, as defined herein.

Section 1.6 "Assessed Valuation" shall mean the 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 as of a cut-off date established by the Board, or the sale price of the Lot upon the first sale thereof after completion of a Dwelling Unit thereon, whichever is higher, but, if the provisions of Section 5.3 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.

Section 1.7 "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.

Section 1.8 "Board" shall mean and refer to the Board of Directors of the Association.

Section 1.9 "Builder" shall mean and refer to any Person who purchases one or more Lots for the purpose of constructing Improvements thereon for later sale to consumers, or who purchases one or more Phases for further subdivision, development, or resale in the ordinary course of such Person's business.

Section 1.10 "Bylaws" shall mean and refer to the Bylaws of the Association, attached hereto as Exhibit "C" and incorporated by reference, as they may be amended from time to time.

Section 1.11 "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.

Section 1.12 "Commercial Association" shall mean and refer to Stonebridge Ranch Commercial Association, Inc., a Texas non-profit corporation serving as the mandatory membership owners association having jurisdiction over the commercial properties within the Stonebridge Ranch development.

Section 1.13 "Commercial Declaration" shall mean and refer to that Declaration of Covenants, Conditions and Restrictions for Stonebridge Ranch Commercial Properties which is filed under Instrument No. 95-0030577 of the Deed Records of Collin County, Texas, and is applicable to the commercial properties within the Stonebridge Ranch development and provide for the administration of such commercial properties and enforcement of the terms of such declaration by the Commercial Association.

Section 1.14 "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.

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Section 1.15 "Common Properties" shall mean and refer to any and all areas of land within the Properties and personal property owned, leased or otherwise held by the Association for the common use and enjoyment of the Owners and Residents, including easements and licenses, together with any and all improvements that are now or that may hereafter be constructed thereon. (However, the Common Properties shall not include (i) the two (2) separate and privately owned golf and country clubs geographically situated near the center of Stonebridge Ranch, (ii) the daily fee golf course and related facilities proposed to be developed and operated on certain real property located within and adjacent to the Properties as shown on the Development Plan, and (iii) any specifically identified area within any Village which is limited to the use and enjoyment of the Owners, Members and Residents within such Village. 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 development of 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.

Section 1.16 "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: 1982-1984 = 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.

Section 1.17 "Covenants" shall mean and refer to all covenants, conditions, restrictions, easements, charges and liens set forth within this Declaration.

Section 1.18 "Declarant" shall mean and refer to Westerra Stonebridge, L.P., a Texas limited partnership, and any successor(s) and assign(s) who take title to all or a portion of the Properties for purposes of development and/or resale in the ordinary course of business and are named the Declarant hereunder in a recorded instrument executed by the immediately preceding Declarant. However, no Person or entity merely purchasing one or more Lots from the Declarant in the ordinary course of the Declarant's business shall be considered a "Declarant".

Section 1.19 "Declaration" shall mean and refer to this particular instrument entitled "First Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for Stonebridge Ranch," together with any and all amendments or supplements thereto.

Section 1.20 "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.

Section 1.21 "Development Period" shall mean a period commencing on the date of the recording of the Master 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-second (22nd) anniversary of the date of recordation of the Master Declaration in the public real estate records of Collin County, Texas.

Section 1.22 "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, as such document(s) may from time to time be amended. Inclusion of property on the Development Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the omission of property from the Development Plan bar its later annexation as provided in Article II.

Section 1.23 "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.

Section 1.24 "Easement Area" shall mean and refer to those areas which may be covered by an easement specified in Sections 9.5 and 9.8 of Article IX and in Article X.

Section 1.25 "Eligible Insurers" is defined in Article XII.

Section 1.26 "Eligible Mortgagees" is defined in Article XI.

Section 1.27 "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 or the Association; and (iii) 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.

Section 1.28 "Existing Property" shall mean the residential Lots and Common Properties which are more particularly described on Exhibit "A" attached hereto and incorporated herein by reference for all purposes.

Section 1.29 "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 (12) month period.

Section 1.30 "Governing Documents" shall mean this Declaration, the Bylaws, the Articles, any rules and regulations promulgated thereunder, the Master Design Guidelines, all Subdivision Design Guidelines and all architectural bulletins.

Section 1.31 "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.

Section 1.32 "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 a structure, 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.

Section 1.33 "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.

Section 1.34 "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 an Exempt Property. The term shall include the land which is part of the Lot, as well as any improvements thereon.

Section 1.35 "Master Architectural Review Committee" or "MARC" shall mean and refer to that particular committee which is described and explained within Article VIII.

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Section 1.36 "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.

Section 1.37 "Member" shall mean and refer to each Person subject to membership in the Association pursuant to Article III.

Section 1.38 "Modifications Committee" or "MC" shall mean and refer to that particular committee which is described and explained within Article VII.

Section 1.39 "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, and excluding in all cases any party holding an interest merely as security for the performance of an obligation.

Section 1.40 "Payment and Performance Lien" shall mean and refer to the lien described within Sections 5.8 and 5.9.

Section 1.41 "Person" shall mean and refer to a natural person, a corporation, a partnership, a trustee, a limited liability company, or any other legal entity.

Section 1.42 "Phase" shall mean and refer to each and every portion of a Village which is the specific subject of a subdivision plat filed of record in the Map and Plat Records of Collin County, Texas, as it may be revised from time to time. 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.

Section 1.43 "Planning Area" shall mean and refer to the ten (10) separately numbered and identified land areas appearing within sketches of Stonebridge Ranch which are attached to the Development Plan and the Zoning Ordinance.

Section 1.44 "Private Amenity(ies)" shall mean certain real property and related improvements and facilities thereon located adjacent to, in the vicinity of, or within the Properties, which are privately or publically owned and operated by Persons other than the Association for recreational and related purposes, or a club membership basis or otherwise, and shall include, without limitation, the golf courses, both daily fee and private, and the country clubs and all related facilities.

Section 1.45 "Properties" shall mean and refer to: (i) the land described within Exhibit "A" attached hereto: and (ii) such additional property as is hereafter made subject to this Declaration pursuant to Section 2.2.

Section 1.46 "Resident" shall mean and refer to any Person who inhabits a Dwelling Unit, either permanently or temporarily, and may include, without limitation, an Owner or a lessee and their respective families, guests, invitees, servants or employees.

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Section 1.47 "Reviewing Body" shall mean and refer to either the MARC or the MC, as is appropriate under the circumstances.

Section 1.48 "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 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.

Section 1.49 "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 Phase. The Subdivision Design Guidelines may vary between Phases and between Villages.

Section 1.50 "Supplementary Declaration" shall mean and refer to an amendment or supplement to this Declaration filed in the Public Real Estate Records of Collin County, Texas, which subjects additional property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the real property described therein.

Section 1.51 "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.

Section 1.52 "Village" shall mean and refer to each respective community arising out of the development, construction, use and occupancy of all Phases of plats bearing the same subdivision 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 Phases. 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.

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Section 1.53 "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 2.1. Existing Property. The residential Lots which are, and shall be, held, transferred, sold, conveyed and occupied subject to this Declaration are more particularly described within Exhibit "A" attached hereto and incorporated herein by reference for all purposes.

Section 2.2 Additional Property. Additional real property may be made subject to this Declaration as follows:

A. At any time prior to December 31, 2014, the Declarant may (but shall not be required to) subject to this Declaration all or any portion of the real property within the perimeter boundaries of Stonebridge Ranch, as described in City of McKinney Ordinance No. 1620 and the land use plan for Stonebridge Ranch set forth in City of McKinney Ordinance No. 1621, or any property within a one-mile radius of the perimeter boundaries of such land, by filing one or more Supplementary Declarations describing the real property to be subjected. The addition of such property shall not require the consent of any Person or entity (other than the owner of the subject property, if not the Declarant). The Declarant may transfer or assign this right by a written instrument signed by Declarant and recorded in the public real estate records of Collin County, Texas.

B. Except as set forth in the preceding paragraph, no Person or entity other than the Declarant shall subject additional property to this Declaration, nor shall any property outside the perimeter boundaries of Stonebridge Ranch (as described in City of McKinney Ordinance Nos. 1620 and 1621) be subjected to his Declaration except upon approval of the Board and with the consent of the Declarant (so long as Declarant owns property subject to this Declaration or subject to annexation in accordance with Section 2.2.A of this Article) and at least two-thirds (2/3) of the Owners (excluding the Declarant). Any such annexation shall be effective upon filing for record of a Supplementary Declaration describing the property to be subjected and signed by the President and Secretary of the Association and by the owner(s) of such property.

C. Any additions made pursuant to this Section 2.2, 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 this Declaration.

D. Nothing in this Declaration shall be construed to require Declarant or any successor to subject additional property to this Declaration or to develop any of the property located within the Development Plan in any manner whatsoever. The proposals of the Declarant, as set forth in various provisions of this Declaration, to develop additional parcels of property for residential purposes and/or develop the Planning Areas and/or expand the Common Properties (not only geographical, 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

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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.

E. 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.

Section 2.3. Effect of Merger. 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 2.4. Withdrawal of Property. The Declarant reserves the right to amend this Declaration so long as it has a right to annex additional property pursuant to this Article II, without prior notice and without the consent of any Person or entity other than the owner of the property (if not the Declarant), for the purpose of removing property from the coverage of this Declaration, to the extent originally included in error or as a result of any changes in the Declarant's plans for the Properties, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Properties.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 3.1. Membership. Each and every Owner shall automatically be, and must at all times remain, a Member of the Association. During the Development Period, the Association shall have two (2) classes of Members as follows: Class A Members shall be all Owners, other than the Class B member, if any. The sole Class B Member shall be the Declarant. Upon conclusion of the Development Period, the Class B membership shall terminate and the Class B Member shall thereafter hold Class A membership for each Lot so owned by the Class B Member.

Section 3.2. Voting Rights. Members shall be entitled to vote as follows:

Class A: Each Class A Member shall be entitled to one (1) vote for each Lot owned by such Member. Where more than one (1) Owner owns and holds a record fee interest in a Lot, the vote for such Lot shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing; provided, there shall be no fractional voting and the Board may suspend the voting rights of any Member who is not in good standing. A Member shall not be in "good standing" if such Member is: (a) in violation of any portion of the Governing Documents and/or any portion of the Zoning Ordinance; or (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 the Governing Documents. In no event shall any one (1) Lot yield more than one (1) vote. If more than one Person attempts to exercise the vote for any Lot, neither shall be recognized and the vote for such Lot shall be suspended.

Class B: The Class B Member shall have three (3) votes for each Lot it owns.

Section 3.3 Rulemaking Authority Regarding Meetings and Voting. The Board may make such rules and regulations, consistent with the terms of this Declaration and the Bylaws, as it deems advisable with regard to membership meetings and voting, including, without limitation, rules regarding: (i) any meeting of Members; (ii) proof of membership in the Association; (iii) the status of good standing; (iv) evidence of right to vote; (v) the appointment and duties of examiners and inspectors of votes; (vi) the procedures for actual voting in person or by proxy; (vii) registration of Members for voting purposes; and (viii) such other matters concerning the conduct of meetings and voting as the Board shall deem necessary or advisable.

Section 3.4 Board of Directors. The affairs of the Association are managed by a board of five individuals, three of whom are elected by the Class B Member and two of whom are elected by the Class A Members. However, at the 2003 annual meeting of the Members of the Association through the 2014 annual meeting, the number of Board members shall be increased to seven individual Directors, four of whom shall be elected by the Class B Member and three of whom shall be elected by the Class A Members. Thereafter, Class A Members shall elect all seven of the Directors.

The Directors need not be Members of the Association. Directors elected by the Class A Members shall be elected for two year terms of office and shall serve until their respective successors are elected and qualified. No more than one Member and/or Resident from each Village may serve on the Board at any given time, except with respect to Directors appointed by the Class B Member. In the event two or more Members and/or Residents from the same Village are nominated for election to the Board, only the candidate receiving the highest number of votes from among those candidates shall be eligible to serve on the Board. 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. Notwithstanding the above, Directors elected by the Class B Member shall serve, and may be removed and replaced, only at the discretion of the Class B Member acting in its sole discretion.

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 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.

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Section 3.5. 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 Texas law.

ARTICLE IV
RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES

Section 4.1 Common Properties. Subject to the provisions of Sections 4.1 through 4.8, inclusive, of this Article, each and every Owner and Resident and their respective family, guests, and invitees, 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 the title to every Lot.

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, including rules limiting the number of guests who may use the Common Properties and imposing fines for infractions of such regulations.

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 other 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 (as set forth in Section 3.2) and to suspend the right of any Owner or Resident to use or enjoy any of the Common Properties for any period during which any assessment (including, without limitation, "fines") against such Owner's or Resident's Lot remains unpaid, or during which non-compliance with the Governing Documents exists, and otherwise for any period deemed reasonable by the Association for an infraction of the Governing Documents.

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.

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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 or Residents, 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 or Residents), 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.

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.

K. The Governing Documents.

L. The right of the Declarant and/or the Association to impose reasonable membership requirements and charge reasonable membership admission or other fees for the use of any recreational facility situated upon the Common Properties.

M. The right of the Declarant and/or the Association to permit use of any recreational facilities situated upon the Common Properties by Persons other than Owners, their families, lessees and guests upon payment of use fees established by the Board.

N. The right of the Declarant or the Association to enter into agreements with neighboring landowners, including the Commercial Association, for the sharing of the costs to maintain, insure or improve land or improvements which benefits the Association.

O. The right of the Declarant and/or the Association to deny or prohibit the use of any recreational facilities situated upon the Common Properties by Persons other than the Owners, their families, lessees and guests, upon such terms and conditions as may be established by the Board from time to time.

An Owner who leases his or her Lot shall be deemed to have assigned all such rights and easements to the lessee of such Lot for the period of the lease.

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Section 4.2 Residents Bound. Each Owner of each Lot shall be deemed and held directly responsible and liable for the acts, conduct and omission of each and every Resident, guest and invitee affiliated with such Lot, and such liability and responsibility of each Owner shall be joint and several with their Resident(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, guest and invitee affiliated with each Owner.

Section 4.3. Restricted Actions. No Owner or Resident 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 4.4 Damage to the Common Properties. Each Owner and Resident 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 Resident or their family, guests or invitees.

Section 4.5. Rules of the Board. The Board may make and enforce reasonable rules and regulations governing the use of the Properties 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, which rules and regulations shall be consistent with the rights and duties established by this Declaration. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner or Resident determined to have violated said rules and regulations shall be liable to the Association for all damages and costs, including reasonable attorneys' fees.

Section 4.6. 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 Owners and 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 an Owner 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 Owner shall become a personal debt of said Owner. Failure of any Owner 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 Owner's and such Owner's Resident's rights or privileges.

Section 4.7 Use of Recreational Facilities. Each Owner acknowledges that certain recreational facilities including, but not limited to, swimming pools, beach club and related facilities, playgrounds, sports fields and courts, bike and hike trails, tennis facilities, skate parks, BMX bike tracks, are or may be provided within the Common Properties for the use and enjoyment of the Owners and Residents, and their respective families, tenants, and invitees. Inclusion of a recreational facility in this Section 4.7 shall not, under any circumstances, obligate the Declarant or the Association to provide such facility, nor shall the omission of any type of recreational facility from this Section 4.7 prevent the Declarant or the Association from providing such facility at a later time. Each Owner hereby acknowledges that there are risks associated with the use of any such

recreational facilities and that ALL USERS OF SUCH FACILITIES ARE SOLELY RESPONSIBLE FOR SUCH RISK. Each Owner, by accepting a deed to a Lot, acknowledges that he or she has not relied upon the representations of Declarant or the Association with respect to the safety of any recreational facilities or other Common Properties within the Properties.

The Association may, but shall not be obligated to, contract with, employ or otherwise provide, from time to time, a lifeguard or other monitoring personnel to be present at any recreational facility within the Properties. Each Owner acknowledges that the presence of such personnel shall not create a duty on the part of Declarant or the Association to provide for, insure or guarantee the safety of any user of the facility. Each Owner acknowledges that the presence of such monitoring personnel shall not in any way after the risks assumed by each Owner, his or her family members, tenants, other occupants of Owner's Lot and guests of any such Persons, which risks shall continue to be assumed by the user of the recreational facility.

Section 4.8 Construction Activities. All Owners are hereby placed on notice that Declarant, any Affiliate of Declarant and/or its agents, contractors, subcontractors, licensees and other designees, successors or assignees, may be, from time to time, conducting excavation, construction and other activities within or in proximity to the Properties. By the acceptance of a deed or other conveyance or Mortgage, leasehold, license, easement or other interest, and by using any portion of the Properties, each Owner automatically acknowledges, stipulates and agrees (a) that none of the aforesaid activities shall be deemed nuisances or noxious or offensive activities, under any applicable covenants or at law generally, (b) not to enter upon, or allow their children or other Persons under their control or direction to enter upon (regardless of whether such entry is trespass or otherwise) any property within or in proximity to any portion of the Properties where such activities are being conducted (even if not being actively conducted at the time of entry, such as at night or otherwise during non-working hours), (c) Declarant, any Affiliate of Declarant and all of their agents, contractors, subcontractors, licensees and other designees, successors and assignees, shall not be liable but, rather, shall be held harmless, for any and all losses and damages (compensatory, consequential, punitive or otherwise), injuries or deaths arising from or relating to the aforesaid activities, and (d) any purchase or use of any portion of the Properties has been and will be made with full knowledge of the foregoing.

ARTICLE V
COVENANTS FOR ASSESSMENTS

Section 5.1. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned by it, hereby covenants and agrees, and each 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):

A. regular Annual Assessments;

B. 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;

C. 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 or a Resident of his Lot; the remedy, cure or minimizing of problems caused by, or as a result of, violations of these Covenants by an Owner or Resident of his Lot; and

D. individual assessments and fines levied against an individual Owner for violations of rules and regulations by the Owner or a Resident of his Lot 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 of such Lot at the time when the assessment fell due.

Section 5.2. Purposes of Assessments. The assessments levied by the Association shall be used for the purposes of promoting the comfort, recreation, convenience, welfare and quality of life of the Owners and 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 hereof; carrying out the other various matters set forth or envisioned herein or in any Supplementary 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 5.3. Basis and Amount of Annual Assessments.

A. Appraised Value Lots. The basis and concept of determining, revising (when appropriate from time to time) and collecting the Annual Assessment on Lots within the Assessable Properties and described on Exhibit "B-1" (the "Appraised Value Lots") parallels the system of ad valorem

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taxation imposed and administered by the Taxing Authorities and the CADCC. Each Owner of an Appraised Value Lot, including the Class B Member, therefore, shall be deemed to covenant and agree with the Association that, as to each Lot so owned by such Owner:

(1) 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;

(2) the Association is made, constituted and appointed as such 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: (i) 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 (ii) the Board may estimate and prescribe an Assessed Valuation which shall be binding upon the Owner and his Lot.

To provide funds for the purposes illustrated in Section 5.2 above, the Board shall assess against each Appraised Value Lot a charge which shall be uniform with respect to all such Lots and which shall be equal to a specified number of dollars and/or cents, as determined by the Board, for each One Hundred Dollars ($100.00) of the Assessed Valuation of the Lot (the "Assessment Rate"). The Assessment Rate for the 2000 Fiscal Year shall be ($0.1861) per One Hundred Dollars ($100.00) of Assessed Valuation, and such Assessment Rate may be increased, in the sole discretion of the Board, in any subsequent Fiscal Years so long as the cumulative increases in the Assessment Rate after 2000 do not exceed five percent (5%) per year or the cumulative increases in the Consumer Price Index since January 1, 2000, whichever is greater. 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.

B. Fixed Rate Lots. The Annual Assessment to be levied on each Lot within the Assessable Properties described on Exhibit "B-2" or subjected to this Declaration after the date of recording of this Declaration (the "Fixed Rate Lots") shall not be based upon the Assessed Valuation but shall be equal for all such Lots. The amount of such Annual Assessment for the 2000 Fiscal Year shall be Five Hundred Six and 56/100 Dollars ($506.56) per Fixed Rate Lot. Such Annual Assessment may be increased, in the discretion of the Board, in any subsequent Fiscal Years, provided it does not exceed the Maximum Annual Assessment determined as set forth in Section 5.3C. Each Owner of a Fixed Rate Lot, including the Class B Member, by acceptance of a deed to any such Lot Property, acknowledges that such method of determining assessments is reasonable in light of the membership privileges and benefits received from the Association and is the least burdensome means of determining Annual Assessments on the Fixed Rate Lots, and agrees to pay such assessments notwithstanding that they may exceed the Annual Assessment payable by Owners of Appraised Value Lots.

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C. Maximum Annual Assessment. The maximum Annual Assessment to be levied on any Lot within the Properties shall be $506.56 for the 2000 Fiscal Year and shall automatically increase for each subsequent Fiscal Year by five percent (5%) or the percentage increase in the Consumer Price Index during the previous Fiscal Year, whichever is greater. The maximum Annual 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 sixty percent (60%)of the Lot Owners (or their proxies) present after adequate notice. If sixty percent (60%)do not attend, a second meeting may be called with the same notice and the quorum may be reduced to thirty percent (30%). In the event that the Annual Assessment against any Lot within the Existing Property, computed as described in Paragraph A of this Section, would otherwise exceed the maximum Annual Assessment allowed hereunder, then the Annual Assessment against such Lot shall be reduced to equal the maximum Annual Assessment permitted hereunder.

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 5.4 Special Group Assessments. In addition to the regular Annual Assessment authorized by Section 5.3, 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). Special Group Assessments shall be levied equally on all residential Lots within the Assessable Property.

Section 5.5. 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 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 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 5.6. 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 5.7. Effect of Nonpayment 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 each of the Master Declarations and any Supplementary Declarations hereafter filed, there has existed and shall continue to 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 levied by the Association against any Lot or the Owner or a Resident 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 an owner to pay such assessment or other monetary obligations, however, shall remain such Owner's personal obligation and shall not pass to the 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 for 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 give written notification to the holder(s) of any mortgage on the Lot of a non-paying Owner of such Owner's default in paying any assessment, charge or fine, and shall be obligated to do, so if 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 may bear interest, in the Board's discretion, from and after the date when due until fully paid at a rate determined by the Board, but not to exceed the highest lawful rate of interest per annum. 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 prepare and file a document in the public records of Collin County, Texas which specifically identifies the unpaid assessments, charges or fines and that the fact that a lien exists to secure the repayment thereof. However, failure to execute and record any such document shall not, to any extent, affect the validity, enforceability or priority of the lien. 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 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 or 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

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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 5.8. Power of Sale. The lien described within the preceding Section is and shall be a contract Payment and Performance Lien and may be foreclosed through judicial or, to the extent allowed by law, non-judicial foreclosure proceedings in accordance with Tex. Prop. Code Ann. Section 51.002 (Vernon 1984), as it may be amended, in like manner of any deed of trust on real property. Each Owner hereby grants to the Association, whether or not it is expressed in the deed or other instrument conveying such Lot to the Owner, a power of sale to be exercised in accordance with Tex. Prop.Code Ann. Section 51.002 (Vernon 1984), as it may be amended.

Section 5.9. 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 5.10. Subordination of the Lien to Mortgagees. 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 5.11. 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, a contribution shall be made by or on behalf of the first Owner of a Lot (other than the Declarant or a Builder) to the working capital of the Association in an amount equal to one-sixth (1/6) of the Annual Assessment per Lot for that year as determined by the Board. This amount shall be in addition to, not in lieu of, the Annual Assessment levied on the Lot and shall not be considered an advance payment of any portion thereof. This amount may be used in covering operating expenses and other expenses incurred by the Association pursuant to the terms of this Declaration and the By-Laws. Within sixty (60) days after termination of the Class B Membership, and in accordance with the requirements of the Federal National Mortgage Association, Declarant shall pay the share of the working capital fund applicable to each unsold Lot to the Association. Declarant should then reimburse itself for this payment from the funds collected at closing when the unsold Lots are sold.

Section 5.12. 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 official;

B. Common Properties; and

C. Exempt Property.

ARTICLE VI
GENERAL POWERS AND DUTIES OF THE BOARD

Section 6.1. 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 Residents, may provide and may pay for, out of the assessment fund(s) provided for in Article V, 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), other real property located outside the Common Properties the maintenance of which benefits the Association, 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 Owners and Residents and programs which are designed only for separately identifiable sub-groups of Owners or Residents, such as (but not limited to) infants, adolescents, teenagers, students, mothers and senior citizens;

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

D. The services of any Person (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;

E. Legal and accounting services and all costs and expenses reasonably incurred by the Master Architectural Review Committees; and

F. 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.

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

G. To execute all declarations of ownership for tax assessment purposes with regard to any of the Common Properties owned by he Association;

H. 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 (v) the escrow or impounding of monies sufficient to timely pay the Annual Assessment applicable to any Lot;

I. To borrow funds secured by such assets of the Association as deemed appropriate by the lender and the Board;

J. 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;

K. 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;

L. 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;

M. 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;

N. Pursuant to Article VII, 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

O. To enforce the provisions of the Governing Documents and to enjoin and seek damages from any Owner or Resident for violation of any such provisions. 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, and escalated fines for repeat offenders, which, when pronounced, shall constitute a permitted individual Lot Owner assessment secured by the continuing Payment and Performance Lien herein established.

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The Association may:(i) lease equipment from the Declarant; (ii) 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 6.2. Board Powers. The Board shall have the right and obligation to perform the functions of the Board on behalf of the Association without a vote of the membership unless otherwise provided by the Governing Documents. In the event or if for any reason the Board is deemed not authorized to act for and on behalf of the Association and the Members, then the Declarant may exercise its power and authority under Section 14.1, 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 6.3. Maintenance Contracts. The Board shall have full power and authority to contract with any Owner 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 Commercial Association and/or the owner(s) and/or operator(s) of any Private Amenity concerning landscaping, irrigation, maintenance, plantings and related matters, including cost-sharing arrangements.

Section 6.4. Liability Limitations. Neither any Owner or 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 Owner or Resident, whether such other Owner or 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 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 6.5. 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.

Section 6.6 Patrol Services. The Association may, but shall not be obligated to, maintain or support or contract for the provision of patrol services within the Properties. To the extent that such services are provided, such services are provided solely for the purpose of monitoring activities or conditions affecting the Common Properties, and are not for the purpose of monitoring conditions or activities affecting Lots. Neither the Association, the original Declarant nor any successor Declarant, shall in any way be considered insurers or guarantors of safety within the Properties, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate patrol services or of ineffectiveness of any such measures undertaken. No representation or warranty is made that any fire protection system, burglar alarm system or other monitoring system or measure cannot be compromised or circumvented, nor that any such system or measure undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges and understands, and covenants to inform its tenants and Residents, that the Association, its Board of Directors and committees, Declarant, and any successor Declarant, are not insurers of safety and that each Person using the Properties assumes all risks of personal injury, death and loss or damage to property, including Dwelling Units and the contents of Dwelling Units, resulting from acts of third parties.

Section 6.7 Communication Systems. The Board shall have full power and authority to enter into one or more franchise or similar type agreements affecting the Properties with one or more communications companies for the provision of intranet and/or internet service communication systems, and the Board shall have the right and power in such agreement or agreements to grant to such company or companies the uninterrupted right to install and maintain communications equipment and appurtenances within any public utility easements or rights-of-way located upon the Properties now or in the future, and the Board does hereby reserve unto the Association, its successors and assigns, the sole and exclusive right in perpetuity to obtain and retain all fees, income, revenue and other things of value paid or to be paid by such companies pursuant to any such agreements between the Association and such communication companies.

ARTICLE VII
INSURANCE; REPAIR; RESTORATION

Section 7.1. 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, 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 7.2. 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 7.3. 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 7.4 Individual Insurance. 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 or Residents (and their respective family members and guests). Each Owner and Resident 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 or Resident;

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

Section 7.5. Liability Insurance. The Board may, but shall not be obligated to, require an Owner or Builder to obtain a comprehensive general liability policy prior to the commencement of construction or modification of any improvement for which plans and specifications must be submitted to the Reviewing Body for approval under this Declaration. Such policy, if required, shall have a combined single limit of not less than One Hundred Thousand Dollars ($100,000.00) covering all losses, damages and claims arising out of the original contractor's or Builder's use of, activities on and/or ownership of the Lot, including property damage, bodily injury and death. Such policy, if required, shall also name the original contractor or Builder, as applicable, as the insured party and the Association as an additional insured. In addition, the original contractor or Builder

shall obtain, if required by the Board, worker's compensation insurance, if and to the extent required by law; employer's liability insurance; automobile liability insurance covering all motor vehicles owned, hired or used in connection with the original contractor's or Builder's construction activities in the Properties; and builder's risk insurance covering the original contractor's or Builder's activities in the Properties, all in such amounts as are reasonable to the Association.

A certificate evidencing insurance required to be maintained pursuant to this Section 7.5 shall be provided to the Association prior to the commencement of any construction or modification of an improvement on a Lot, and such insurance shall be maintained in effect so long as the original contractor and/or Builder is engaging in any construction on any Lot within the Properties.

ARTICLE VIII
ARCHITECTURAL REVIEW

Section 8.1. General. Except as provided in this Article VIII, no building, structure, fence, wall or improvement of any kind or nature shall be erected, placed or altered on any Lot, nor shall any staking, clearing, excavation, grading and other site work, exterior modifications of existing improvements, and planting or removal of landscaping materials shall take place except in compliance with this Article VIII, this Declaration, the Master Design Guidelines, the applicable Subdivision Guidelines and architectural bulletins promulgated by the MARC, and until all plans and specifications have been submitted to and approved in writing by the Reviewing Body.

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

For purposes of this Article, Reviewing Body shall mean and refer to either the MARC or the MC, as is appropriate under the circumstances.

Section 8.2. Master Architectural Review Committee. The Master Architectural Review Committee ("MARC") shall be composed of at least three (3) but not more than five (5) individuals selected and appointed by the Declarant (during the Development Period), 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. The members of the MARC may, but need not, include architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Board. 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.

The MARC shall have exclusive and absolute authority to administer and enforce architectural controls and to review and act upon all applications for original construction on previously unimproved Lots.

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From and after conclusion of the Development Period, or earlier if determined in writing by the Declarant, the MARC shall become the province of the Association, and the Board may, at its option, either appoint the members of the MARC, who shall thereafter serve and may be removed in the Board's discretion, or combine the MARC and the MC (as hereinafter defined) into a single architectural review committee which shall assume all powers and responsibilities of both committees under this Declaration.

Section 8.3. Modifications Committee. The Modifications Committee ("MC") shall be composed of at least three (3) but not more than seven (7) individual Owners of Lots, each generally familiar with residential design matters and aesthetic considerations. The Declarant may establish the terms of members of the MC and shall have full authority to appoint successors and to remove and replace such members in its discretion. The members of the MC may, but need not, include architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Declarant. In the event of the death, incapacity, or resignation of any member of the MC, the Declarant shall have full authority to designate and appoint a successor. **The MC shall have limited jurisdiction to review and approve or disapprove (as the case may be) any proposed Improvement of an existing Dwelling Unit or additions, modifications, or alterations to existing structures and landscaping on a Lot.**

From and after conclusion of the Development Period, or earlier if determined in writing by the Declarant, the MC shall become the province of the Association, and the Board may, at its option, either appoint the members of the MC, who shall thereafter serve and may be removed in the Board's discretion, or combine the MARC and the MC into a single architectural review committee which shall assume all powers and responsibilities of both committees under this Declaration.

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

Section 8.4 Review Standards. In reviewing any application, the Reviewing Body may consider, among other things:

A. quality of workmanship and materials, site dimensions, 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;

B. finished floor elevation and proposed footprint of the dwelling;

C. conformity and harmony of the external design, color, type and appearance of exterior surfaces and landscaping;

D. 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

E. 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 Reviewing Body has been vested with the authority to render a final interpretation and decision.

The Reviewing Body is authorized and empowered (but not obligated) to consider and review any and all aspects of construction, location and landscaping. Also, the Reviewing Body is permitted to consider technological advances and changes in design and materials which may or may not be permitted, in accordance with the reasonable opinion of the Reviewing Body. The Reviewing Body 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 Section 5.3.

The Reviewing Body may require as a condition precedent to any approval of the final plans and specifications, that the applicant pay, in advance, fees established by the Board under this Declaration, and obtain and produce an appropriate building permit from the City of McKinney, Texas. The Reviewing Body 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 Declaration, the Master Design Guidelines, the Subdivision Design Guidelines and any bulletins or lot information sheets promulgated hereunder. 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 Reviewing Body is obliged to unconditionally approve the plans and specifications. Similarly, the Reviewing Body'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 Reviewing Body 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. All projects shall be completed within one (1) year of commencement of construction, unless otherwise approved in writing by the Reviewing Body. Upon written request of an Owner, the Reviewing Body may extend the time period for completion of the project upon such circumstances as the Reviewing Body deems appropriate, in its sole discretion.

Section 8.5. Design Guidelines. The MARC may, from time to time, publish, promulgate and amend additional or revised Master Design Guidelines, Modification Design Guidelines and Subdivision Design Guidelines (collectively the "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 and the MC in reviewing plans and specifications. Any amendments to the Design Guidelines shall be prospective only and shall not apply or require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines; Declarant or the Board, as appropriate, is expressly authorized to amend the Design Guidelines to remove requirements previously imposed or otherwise to make the Design Guidelines more or less restrictive. The Design Guidelines may contain general provisions applicable to all of the Properties, as well as specific provisions which vary from one portion of the Properties to another depending upon location and unique characteristics.

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The Association shall make the Design Guidelines available to Owners and Builders who seek to engage in development or construction within the Properties, and all such Persons shall conduct their activities in accordance with such Design Guidelines. The Master Architectural Review Committee shall have the right, power and authority to establish and prescribe Design 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. Mailbox location and design;

I. The items described within Section 8.2 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 THE LOT IS STRONGLY ENCOURAGED TO CONTACT THE DECLARANT OR THE ASSOCIATION, THE MARC OR THE MC 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 8.6 No Submission Required. Notwithstanding anything contained in this Article VIII to the contrary, plans and specifications for certain improvements specifically identified in the Design Guidelines as not requiring prior approval need not be submitted to or approved in writing by the Reviewing Body prior to an Owner's construction or installation of such improvement on the Owner's Lot; provided, however, that such improvement and the installation thereof strictly conforms to the requirements of this Declaration and the Design Guidelines.

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The Declarant and/or the Association and/or the MARC and/or the MC shall have all the rights of enforcement as set forth in this Declaration against any Owner who installs any improvement which is not in strict conformity with this Declaration and the Design Guidelines.

Section 8.7. Preliminary and Final Plan Submissions. The following is a general outline of the steps likely to be involved in the review of plans and specifications:

A. Submit preliminary plans and specifications to the Reviewing Body;

B. Submit final plans and specifications to the Reviewing Body; and

C. Submit plans and specifications to the City of McKinney.

The Reviewing Body 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, Builders 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. The Reviewing Body 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 Reviewing Body, the Owner or the Owners's designated representative will be so advised in writing. If found not to be in compliance with these Covenants, the Master Design Guidelines and any applicable Subdivision Design Guidelines or architectural bulletins, the Owner or the Owner's designated representative will be so advised in writing containing a reasonable statement and explanation of items found not to comply with these Covenants, the Master Design Guidelines and any applicable Subdivision Design Guidelines. If the Reviewing Body fails to respond within thirty (30) days after the actual date on which a complete (as determined by the Reviewing Body in its sole discretion) submission is received, the applicant may give the Reviewing Body written notice of such failure to respond, stating that, unless the Reviewing Body responds within thirty (30) days of receipt of such notice, approval of the matters submitted shall be presumed. Comments on and approvals of preliminary plans and specifications shall be binding upon the Reviewing Body provided that conforming final plans and specifications are submitted within ninety (90) days of such preliminary comments or approvals. The Reviewing Body may conditionally approve preliminary plans to allow, among other things, the commencement of construction pending final approval.

Final plans, specifications and surveys shall be submitted in duplicate to the Reviewing Body for review and approval or disapproval. The Reviewing Body is authorized to request the submission of samples of proposed construction materials. At such time as the final plans, specifications and surveys meet the approval of the Reviewing Body, one complete set of final plans, specifications and surveys will be retained by the Reviewing Body 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, the Master Design Guidelines and any applicable Subdivision Design Guidelines or architectural bulletins, one set of such final 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, the Master Design Guidelines and any applicable Subdivision Design Guidelines or architectural bulletins. Any modification or change to the approved set of final plans, specifications and surveys must again be submitted to the Reviewing

Body for its inspection and approval. The Reviewing Body's approval or disapproval, as required herein, shall be in writing. If the Reviewing Body fails to approve or disapprove such final plans, specifications and surveys within thirty (30) days after the actual date on which a complete (as determined by the Reviewing Body in its sole discretion) submission is received, the applicant may give the Reviewing Body written notice of such failure to respond, stating that, unless the Reviewing Body responds within thirty (30) days of receipt of such notice, then the Reviewing Body's 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.

Section 8.8. Appeal Process. Within ten (10) days after the Reviewing Body's disapproval of final plans, specifications and surveys, the applicant may make a written request for a hearing before the Reviewing Body to reconsider the application. If the applicant timely requests a hearing under this Section 8.8, the hearing shall be held in executive session of the Reviewing Body, affording the applicant a reasonable opportunity to be heard. The Reviewing Body shall notify the applicant in writing of its decision within ten (10) days after the hearing. If the hearing was held before the MC, the Owner shall have the right to appeal the MC's decision to the MARC. If the hearing was held before the MARC, the Owner shall have the right to appeal the MARC's decision to the Board. To perfect the right to appeal either the MC's or the MARC'S decision, a written notice of appeal must be received by the Board within ten (10) days after the date of the written notice to the Owner of the results of the hearing. Any hearing before the Board shall be held in the same manner as the hearing before the Reviewing Body.

Section 8.9. Fees. The Reviewing Body may establish and charge reasonable fees for the review of applications hereunder and may require that such fees be paid in advance and in full prior to the review of any application (which may include additional fees for the review of resubmissions of any application or for expedited review of any application).

Section 8.10. Assistance. The Reviewing Body 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.

Section 8.11 Construction Deposit. In order to insure an Owner's compliance with this Declaration, the Design Guidelines and the rules and regulations promulgated thereunder, each Owner of a Lot situated immediately adjacent to the Common Properties or the Golf Course, or any

portion thereof, shall pay to the Association a construction deposit, in an amount established by the Board from time to time, upon the Owner's submission of final plans and specifications for the construction or modification of an improvement under this Article. This deposit is in addition to any such deposit required under a separate agreement between an Owner and the Declarant. No such deposit shall be required for the construction or installation of improvements which are exempt from the submission and approval requirements of this Declaration pursuant to Section 8.6 of this Declaration. In the event the Reviewing Body disapproves of the final plans and specifications, the Association shall promptly return the construction deposit to said Owner upon receipt of the Owner's written request to do so. If said plans and specifications are approved, the entire construction deposit shall be held by the Association until construction of the improvement is completed in accordance with the approved plans as determined by the Board in its sole discretion. The Association shall release the construction deposit to the Owner, less any funds expended or reserved by the Association pursuant to this Section, within thirty (30) days of receipt of written notice from the Owner of completion of the improvement.

The Association may, without waiving any other remedy provided by this Declaration or by law, draw upon the construction deposit or withhold the release of the deposit as necessary to cover, among other things (i) the cost or anticipated cost to repair damage to the Common Properties or the Golf Course caused by the Owner, his contractors, subcontractors, agents or employees, (ii) the cost or anticipated cost to perform the care, maintenance or repairs required to be performed by an Owner pursuant to this Declaration and any rules promulgated thereunder, and (iii) the cost or anticipated cost to restore an Owner's Lot to a condition existing prior to the commencement of nonconforming work (including, without limitation, the demolition and removal of any unapproved or nonconforming improvement). If any part of the construction deposit is applied by the Association, the Owner shall, immediately upon demand, deposit with the Association a sum equal to the amount so applied in order to restore the construction deposit to its original amount.

Section 8.12. Enforcement. In addition to any other remedy provided in this Declaration for violations of these Covenants, including the right to fine Owners for violations thereof, the Declarant and/or the Association and/or the MARC and/or the MC may require any Owner to restore such Owner's Improvements to the condition existing prior to the construction thereof (including, without limitation, the demolition and removal of any unapproved Improvement) if such Improvements were commenced or constructed in violation of this Article and/or the approved plans. In addition, the Declarant and/or the Association and/or the MARC and/or the MC 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 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 MC (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 and the MC (as the case may be) had they been properly and timely submitted.

To evidence any violation of this Article or Article IX by any Owner, the Board may file, but is not required to file, in the Deed Records of Collin County, Texas, a notice of violation setting forth (i) the violation, (ii) the name of the Owner and Lot, and (iii) a sufficient legal description of the Lot.

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Such notice shall be signed and acknowledged by an officer or duly authorized agent or attorney of the Association. The cost of preparing and recording such notice may be assessed against the non-conforming Lot and collected as a special individual assessment pursuant to Section 5.1.

Section 8.13. Notice of Violation. To evidence any violation of the Governing Documents by any Owner or Resident, the Board may file, but is not required to file, in the appropriate deed records, a notice of violation setting forth (i) the violation, (ii) the name of the Owner and Lot, and (iii) a sufficient legal description of the Lot. Such notice shall be signed and acknowledged by an officer or duly authorized agent or attorney of the Association. The cost of preparing and recording such notice shall be assessed as a special individual assessment against the Owner who is responsible (or whose Residents are responsible) for violating the foregoing pursuant to Section 5.1.

Section 8.14 Notice of Compliance. In the event that an Owner intends to transfer title to a Lot, the Owner must request the Association to issue a Notice of Compliance representing that the books and records of the Association do not reflect a violation of this Article. The Association is not required to inspect the Lot at any time before or after issuing a Notice of Compliance. This request must be made in writing at least twenty (20) days prior to the date of the proposed transfer. The Association shall, within ten (10) days after receipt of a request, either issue the Notice of Compliance or notify the Owner in writing of the basis for non-issuance. This notice shall include a description of the violation(s) and the action necessary to correct the violation(s). In the event the Association fails to either issue the Notice of Compliance or advise the Owner by written notice of the basis for its non-issuance within the time set forth above, the Owner may give the Association written notice of such failure to respond, stating that, unless the Association responds within three (3) days of receipt of such notice, compliance with this Article shall be deemed to exist. The issuance or deemed issuance of a Notice of Compliance shall estop the Association from taking enforcement action with respect to any violation of this Article reflected in the books and records of the Association at the time of the issuance or deemed issuance of the Notice of Compliance, except as to those violations actually known to the Owner or transferee. In the event an Owner transfers title to a Lot without obtaining a Notice of Compliance, the Person(s) acquiring title shall be responsible for correcting the violation(s) and shall be subject to all the remedies available to the Association to enforce violations of this Article.

In addition to the foregoing, any Owner may request, from time to time, that the Association issue a Notice of Compliance with respect to his or her Lot. The Association shall either grant or deny such request within ten (10) days after receipt of the written request. If the request is granted, the Association shall have ten (10) days from the acceptance of the request to either issue the Notice of Compliance or notify the Owner in writing of the basis for non-issuance. This notice shall include a description of the violation(s) and the action necessary to correct the violation(s). In the event the Association fails to either issue the Notice of Compliance or advise the Owner by written notice of the basis for its non-issuance within the time set forth above, the Owner may give the Association written notice of such failure to respond, stating that, unless the Association responds within three (3) days of receipt of such notice, compliance with this Article shall be deemed to exist. The issuance or deemed issuance of a Notice of Compliance shall estop the Association from taking enforcement action with respect to any violation of this Article reflected in the books and records of the Association and existing at the time of the issuance or deemed issuance of the Notice of Compliance, except as to those violations actually known to the Owner.

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Section 8.15 Limitation of Liability. Neither Declarant, nor the Association, nor the MARC, nor the MC, 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 or improvements which are in compliance with applicable building codes. Every Person 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 MARC, the MC, 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.

Section 8.16 Right to Inspect. After reasonable notice to the Owner (and any applicable Resident), any member or agent of a Reviewing Body may from time to time at any reasonable hour or hours enter and inspect any property subject to the jurisdiction of said Reviewing Body to confirm improvement or maintenance or alteration in compliance with the provisions hereof. No Improvements shall be constructed, erected, placed, altered or maintained on any Lot in a manner 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 MARC, the MC 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.

Section 8.17 Variances. The Reviewing Body shall have the power to grant variances, waivers, tolerances or modifications of the standards set forth within the Covenants and design guidelines under circumstances and conditions deemed reasonable, appropriate and prudent by the Reviewing Body. Matters of "quality", "adequacy" and "propriety" are considered by the Reviewing Body from an aesthetic standpoint, and not 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 MARC, the MC, 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.

Section 8.18 No Waiver of Future Approvals. The Reviewing Body's approval of any plans for any work done or proposed, or in connection with any other matter requiring the approval and consent of such Reviewing Body, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar plans or other matters subsequently or additionally submitted for approval.

Section 8.19 Builder Performance. Neither the Association, the MARC, the MC or the Declarant, nor any Affiliate of Declarant, as hereinafter defined, are a co-venturer, partner, agent, employer, stockholder or affiliate of any kind of or with any Builder, nor is any Builder an agent of Declarant or an Affiliate of Declarant. Therefore, the Association, the MARC, the MC the Declarant and Affiliates of Declarant shall not be responsible for, or guarantors of, performance by any Builder of all or any of its obligations to any Owner pursuant to any contracts for the sale or construction of a Dwelling Unit or Lot or otherwise. Neither the Association, the MARC, the MC or the Declarant nor any Affiliates of Declarant has made, or have made, any warranty or representation with respect to performance by any Builder under any contract or otherwise.

Such Owner acknowledges and agrees that neither the Association, the MARC, the MC or the Declarant nor any Affiliate of Declarant share any liability or obligation to Owner, related to or arising out of any contract with a Builder or otherwise, by reason of any failure by a Builder fully and adequately to perform its obligations to Owner. Owner further acknowledges and agrees that Owner has not, in entering into any contract with a Builder, relied upon any representations, oral or written, of the Association, the MARC, the MC, the Declarant or any Affiliate of Declarant or any salesperson.

ARTICLE IX
USE OF LOTS; PROTECTIVE COVENANTS

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

Section 9.1. Residential Use. All Lots shall be used for residential purposes. No Owner shall conduct, transmit, permit or allow any type or kind of commercial or home business or home profession or hobby on his Lot or within any Dwelling Unit on his Lot which would: (i) attract automobile, vehicular or pedestrian traffic to the Lot; or (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 Lot.

Notwithstanding the above, the leasing of a Lot shall not be considered a business or trade within the meaning of this Section. This Section shall not apply to any activity conducted by the Declarant or a Builder approved by the Declarant with respect to its development and sale of the Properties or its use of any Lots which it owns within the Properties.

Section 9.2 Residential Structures. 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 thereof, save and except those related to development, construction and sales purposes of a Builder, the Declarant or the Association.

Section 9.3. Alarms. 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 9.4. Parking. No vehicle shall be parked within the Properties except on a paved parking surface, driveway or within a garage. No trucks over 3/4 ton (excluding conventional pickups and SUVs), buses, golf carts, motorcycles or vehicles that are primarily used for commercial purposes, other than those temporarily present on business, nor any trailers, may be parked within the Properties other than enclosed garages or other areas concealed from public view. Boats, boat trailers, campers, travel trailers, mobile homes, recreational vehicles and the like, and any vehicles not in operable condition and validly licensed, shall only be permitted to be kept within the Properties if such are kept inside a garage and concealed from public view. Parking on the streets shall be restricted in accordance with the laws, statutes, ordinances and rules of the state and municipal governments applicable to the Properties. However, the Board shall have no obligation to take action to enforce such laws, statutes, ordinances and rules. The Board may adopt reasonable rules and regulations governing the parking and operation of vehicles on the Properties, which rules may include the towing of vehicles parked in violation of this Declaration or the rules and the levying of reasonable fines for such violations.

Section 9.5. Garages; Carports. 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 Reviewing Body. 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 Reviewing Body, 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 Reviewing Body for review and approval. Each Resident shall use their respective best efforts to refrain from performing, permitting or allowing repair or maintenance work to any automobile or other vehicle outside the garage and visible to the abutting street(s).

Section 9.6. 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. 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 Dwelling Units 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 9.7. Height Limitations; Elevations. No 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 9.8. 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. Unless otherwise approved by the Reviewing Body, all exterior mechanical or service equipment adjacent to a Dwelling Unit 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 Reviewing Body. No sign or signs shall be displayed to the public view on any residential Lot, except the following shall be permitted:

A. any builder, during the applicable initial construction and sales period, may utilize two (2) professional signs (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;

C. development-related signs owned or erected by the Declarant; and

D. model home or other signs specifically permitted by the MARC in writing.

The Declarant and/or the MARC shall have the right and privilege to develop and implement uniform signage specifications and requirements applicable throughout the Properties, which specifications may vary from one Phase or Village to another.

Section 9.9 Easements; Utilities. Easements for the installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded subdivision plats of the Properties. Utility service may be installed along or near the front and/or side and/or rear Lot lines and each Owner shall have the task and responsibility of determining the specific location of all such utilities. Except as may be otherwise permitted by the Reviewing Body (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 front, side and 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 franchisee 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 individual Lots, easements, streets or right-of-way of any type, either by the utility company or any other Person, including, but not limited to, any

Person owning or acquiring any part of the Properties, 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 Reviewing Body. 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 Properties with the same force and effect as all other Covenants herein and as if such provisions and covenants had originally been recited within the Deed to each Lot executed and delivered by Declarant:

A. 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 the Owner or any Resident of such Owner's Lot.

Section 9.10. Temporary Structures. No temporary structure of any kind shall be erected or placed upon any Lot. No trailer, mobile, modular or prefabricated home, tent, shack, barn or any other accessory structure shall be placed on any Lot, either temporarily or permanently, unless such structure is completely concealed from public view, and no structure shall be moved upon any Lot from another location, except that Declarant shall have the exclusive right to erect, place and maintain, and to permit Builders and Owners to erect, place and maintain such facilities in and upon the Common Properties as in the Declarant's sole discretion may be necessary or convenient during the Development Period. Such facilities may include, but not necessarily be limited to, a temporary office building, storage area, signs, portable toilet facilities and sales offices.

Section 9.11 Site Maintenance, Garbage and Trash Collection. Owners are responsible to keep construction sites free of rubbish and streets (to the crown) scraped clear of any mud accumulation. Owners will not be allowed to store any excavation of soil on streets or adjacent sites without prior written permission of the MARC. Soil runoff due to rain or irrigation shall be removed promptly from streets and sidewalks by the Owner. The Board may adopt rules regarding the maintenance of construction sites, including the imposition of fines for violations of this Section 9.11.

All garbage shall be kept in plastic bags or other containers required by (and meeting the specifications of) the City of McKinney. Each 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 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 or Resident shall dump grass clippings, landscape debris, garbage or trash of any kind on another Lot or on the Common Properties. 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 9.12. Offensive Activities; Pets. No noxious or offensive activity or pollution affecting sight/sound/smell, as determined by the Board, 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, or similar activities shall be conducted on any portion of the Properties.

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 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 a reasonable number of dogs, cats or other commonly recognized household pets may be kept, provided that they are not kept, bred or maintained for commercial purposes and they are not noxious, offensive or dangerous. Each and every dog must be leashed and accompanied by its owner when traveling beyond the perimeter of a secure enclosure (as hereinafter defined), and such pet owner shall promptly clean and remove the discharge and waste of his or her pet. Any animal determined by the Board in its sole and absolute discretion to be in violation of this Section 9.12 shall be removed from the Properties upon request of the Board. If the owner of such animal fails to honor such request, the Board may, in addition to any other remedy provided in this Declaration, cause the removal of the animal from the Properties.

For purposes of this Section, a pet shall be considered "dangerous" if it (i) makes an unprovoked attack on a Person that causes bodily injury and occurs in a place other than an enclosure in which the pet was being kept and that was reasonably certain to prevent the pet from leaving the enclosure on its own; or (ii) commits unprovoked acts in a place other than an enclosure in which the pet was being kept and that was reasonably certain to prevent the pet from leaving the enclosure on its own and those acts cause a Person to reasonably believe that the pet will attack and cause bodily injury to that Person. For purposes of this Section, a "secure enclosure" means a fenced area or structure that is (i) locked; (ii) capable of preventing the entry of the general public, including children; (iii) capable of preventing the escape or release of a pet; (iv) clearly marked as containing a dangerous pet; and(v) in conformance with the requirements for enclosures established by the local animal control authority.

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 Owner must be approved in writing by the Reviewing Body in its sole and absolute discretion.

Section 9.13. Landscaping; Maintenance. Construction of each and every Dwelling Unit within the Properties shall include the installation and placement of appropriate landscaping. Each Owner shall have the duty and responsibility, at his 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):

A. the proper seeding, consistent watering and mowing of all lawns;

B. the pruning and cutting of all trees and shrubbery;

C. the prompt removal of all litter, trash, refuse and waste;

D. watering of all landscape;

E. keeping exterior lighting and mechanical facilities in working order;

F. keeping lawn and garden areas alive free of weeds and attractive;

G. keeping driveways in good repair and condition;

H. promptly repairing any exterior damage;

I. 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. Owners of Dwelling Units or Lots which abut Stonebridge Lake or any bank or water's edge of any other lake or pond area within the Properties ("Waterfront Lot") shall maintain all landscaping within the Lot including landscaping at or near the bank or water's edge unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to any agreement or easement with local government agencies; provided, there shall be no right to remove trees, shrubs or similar vegetation from the Lot or the bank and water's edge area without prior approval pursuant to Article VIII. The Association, and its agents, during normal business hours, shall have the right (after five (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) 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 shall 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

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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 9.14. Exterior Surfaces. All roofs shall be constructed of treated wood shingle, treated wood shake, slate, tile, metal, composition, built-up roof or other materials approved by the Reviewing Body taking into account harmony, conformity, color, appearance, quality and similar considerations. The exterior surface of all Dwelling Units shall be constructed of glass, clay brick, stone or other materials approved by the Reviewing Body. The Reviewing Body is specifically authorized to require a continuous, uniform surface with respect to all structures 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 Reviewing Body.

Section 9.15. Antennae. No television, radio or other electronic towers, aerials, antennae, satellite dishes or device of any type for the reception or transmission of radio or television broadcast or other means of communication shall hereafter be erected, constructed, placed or permitted to remain on any Lot or upon any improvements thereon, except that this prohibition shall not apply to those antennae specifically covered by 47 C.F.R. Part 1, Subpart S, Section 1.4000 (or any successor provision) promulgated under the Telecommunications Act of 1996, as amended from time to time. Notwithstanding the foregoing, no more than one (1) antennae of each provider of over-the-air video programming signals by TVBS, MMDS or DBS may be installed by an Owner at any one time. The Association shall be empowered to adopt rules governing the type of antennae that are permissible hereunder and establish reasonable, non-discriminatory restrictions relating to safety, location and maintenance of antennae. To the extent that reception of an acceptable signal would not be impaired and the cost of installation would not be unreasonably increased, an antenna permissible pursuant to rules of the Association may only be installed in a side or rear yard location, not visible from the street or neighboring property, and integrated with the dwelling and surrounding landscape. Antennae shall be installed in compliance with all state and local laws and regulations, including zoning, land use and building regulations.

Section 9.16 Solicitation. No Person (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 Board (which consent may be withheld in its sole and absolute discretion). The Board 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 9.17 Subdivision and Time Sharing. No Lot shall be subdivided into two or more Lots, nor shall two or more Lots be combined into a single Lot, nor shall a Lot have its boundary lines changed after a subdivision plat including such Lot has been approved and recorded except with the prior written approval of the Board. Declarant, however, hereby expressly reserves the right to subdivide, change the boundary line of and re-plat any Lot(s) owned by Declarant. Upon the recording of any re-plat of one or more Lots, the total number of Lots shown on the re-plat shall be the number of Lots subject to assessment under this Declaration.

No Lot shall be made subject to any type of timesharing, fraction-sharing or similar program whereby the right to exclusive use of the Lot rotates among members of the program on a fixed or floating time schedule over a period of years.

Section 9.18 Wetlands, Lakes and Other Water Bodies. All wetlands, lakes, ponds and streams within the Properties, if any, shall be aesthetic amenities only and no other use thereof, including, without limitation, fishing, skiing, swimming, boating, playing or use of personal flotation devices, shall be permitted without the prior approval of the Board. The Association shall not be responsible for any loss, damage or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds or streams within the Properties. No docks, piers or other structures shall be constructed on or over any body of water within the Properties, except such as may be constructed by the Declarant or the Association.

Section 9.19 Playground and Recreational Equipment. No jungle gyms, swing sets, basketball hoops and backboards, similar playground equipment, tennis courts or such other recreational equipment shall be erected or installed on any Lot without prior written approval in accordance with Article VIII. Any playground or other play areas or equipment furnished by the Association or erected within the Properties shall be used at the risk of the user. The Association shall not be held liable to any Person for any claim, damage or injury occurring thereon or related to use thereof.

Section 9.20 Single Family Occupancy. No Lot shall be occupied by more than a single family. For purposes of this restriction, a single family shall be defined as any number of individuals related by blood, adoption or marriage living with not more than two individuals who are not so related as a single household unit, or no more than three individuals who are not so related living together as a single household unit, and the household employees of either such household unit; provided, however, that nothing herein shall be interpreted to restrict the ability of one or more adults meeting the definition of a single-family from residing with any number of individuals under the age of eighteen (18) over whom such individuals have legal authority.

ARTICLE X
EASEMENTS

Section 10.1. 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 Properties and no Improvement or Structure shall be constructed or placed thereon without the express prior written consent of the Reviewing Body. Full rights of ingress and egress shall be had by Declarant, the Association, and

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all utility and CATV companies serving the Properties, and their respective successors and assigns, at all times over the Properties 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 Reviewing Body 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 10.2 Encroachments. If: (a) construction, reconstruction or repair activities which have been approved by the Reviewing Body; or (b) shifting, settlement or other movements of any portion of Reviewing Body-approved improvements; or (c) construction, reconstruction or repair activities by the Declarant during the Development Period, 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 Reviewing Body, a valid easement shall then and there exist to permit the encroachment and reasonable and necessary maintenance activities related thereto.

Section 10.3. Sign Easement 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 recorded plats for any portion of the Properties.

Section 10.4. 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 Associations's maintenance fund. Full maintenance easement rights of ingress and egress shall be had by the Association at all times over and upon the ten foot(10') setback from the rear property line of each Waterfront 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 Waterfront Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be reasonably repaired by the Association at the expense of the Association's maintenance fund.

Section 10.5 Easements for Lakes and Pond Maintenance and Flood Water. The Declarant reserves for itself and its successors, assigns and designees the nonexclusive right and easement, but not the obligation, to enter upon the lakes, ponds, streams and wetlands located within the Common Properties to (i) install, keep, maintain and replace pumps and related equipment; (ii) construct, maintain and repair any bulkhead, levee, wall, dam or other structure retaining water, and (iii) remove trash and other debris therefrom and fulfill their maintenance responsibilities, if any, as provided in this Declaration. The Declarant may elect, in its sole discretion, to transfer from time to time its rights and easements provided in this Section to the Association as to some or all of such lakes, ponds, streams and wetlands by one or more written instruments; provided, however, that such rights shall be transferred to the Association at such time as the Declarant shall cease to own any property subject to the Declaration. The Declarant, the Association and their designees shall have an access easement over and across any of the Properties abutting or containing any portion of any of the lakes, ponds, streams or wetlands to the extent reasonably necessary to exercise their rights under this Section.

There is further reserved herein for the benefit of Declarant, the Association and their designees, a perpetual, non-exclusive right and easement of access and encroachment over the Common Properties and Lots (but not the Dwelling Units thereon) adjacent to or within fifty (50) feet of lake beds, ponds and streams within the Properties, in order to (i) temporarily flood and back water upon and maintain water over such portions of the Properties, (ii) fill, drain, dredge, deepen, clean, fertilize, dye and generally maintain the lakes, ponds, streams and wetlands within the Common Properties, (iii) maintain and landscape the slopes and banks pertaining to such lakes, ponds, streams and wetlands and (iv) enter upon and across such portions of the Properties for the purpose of exercising its rights under this Section. All Persons entitled to exercise these easements shall use reasonable care in, and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage from flooding due to heavy rainfall or other natural disasters.

The Declarant's and/or the Association's easement rights reserved or granted herein shall at all times be subject to the easement rights and the maintenance obligations of the City of McKinney with respect to the lakes, ponds, streams and wetlands located within the Common Properties. Nothing herein shall be construed to impose an obligation upon the Declarant or the Association to perform any maintenance of the lakes, ponds, streams and wetlands except as may be expressly assumed in writing.

Section 10.6 Easements to Serve Additional Property. The Declarant and its duly authorized agents, representatives and employees, as well as its successors, assigns, licensees and mortgagees, shall have and hereby reserve an easement over the Common Properties for the purposes of enjoyment, use, access and development of any property subject to annexation under Section 2.2 of this Declaration, whether or not such additional property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Properties for construction of roads and for connecting and installing utilities on the additional property. Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Properties as a result of vehicular traffic and construction activities connected with development of the additional property. Declarant further agrees that if the easement is exercised for permanent access to the additional property and such additional property or any portion thereof is not made subject to this Declaration, the Declarant, its successors or assigns, shall enter into a reasonable agreement with the Association to share the cost of maintenance of any access roadway serving the additional property.

Section 10.7 Right of Entry. The Association shall have the right, but not the obligation, to enter upon any Lot (excluding the Dwelling Units) for emergency, security and safety reasons, and to inspect for the purpose of ensuring compliance with the Governing Documents. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter upon a Lot (excluding the Dwelling Units) to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Board, but shall not authorize entry into any dwelling without permission of the Owner except by emergency personnel acting in their official capacities. The easement granted hereunder shall not create an obligation or duty on the part of Declarant or the Association to provide for the safety or security within the Properties.

Section 10.8 Public Easement. There is hereby reserved to the benefit of Declarant, the Association and their designees, a perpetual, non-exclusive right and easement of public ingress and egress over any public bicycle and pedestrian pathways and trails. This easement shall not imply any right of public use of the Common Properties or improvements thereon.

Section 10.9 Retaining Wall/Fence Easements.

A. Definitions. For purposes of this Section 10.9, capitalized terms not previously defined in Article I of this Declaration shall have the meanings set forth below:

(a) "Retaining Wall" shall be a wall structure running generally parallel to the Common Boundary, with its face on the Common Boundary for the purpose of supporting and benefitting the Lot upon which it is constructed (see illustration attached hereto as Exhibit "D").

(b) "Common Boundary" shall be the lot line, as shown on a subdivision plat, forming the common boundary line between any two adjoining Lots.

(c) "Dominant Estate" shall mean, as between two adjoining Lots, the Lot containing the Retaining Wall, with the face of the Retaining Wall being on the Common Boundary. (In the illustrated attached hereto as Exhibit "D" the Dominant Estate is the Lot on the right.)

(d) "Servient Estate" shall mean, as between two adjoining Lots, the Lot which does not contain the Retaining Wall. (In the illustration attached here as Exhibit "D" the Servient Estate is the Lot on the left.)

(e) "Retaining Wall Easement Area" shall mean a four foot (4') area on the Servient Estate which lies between the Common Boundary and a line generally parallel to the Common Boundary, as shown in the illustration attached hereto as Exhibit "D".

B. Use of Retaining Wall Easement Area. A perpetual non-exclusive easement on, over and across the Retaining Wall Easement Area of the adjoining Servient Estate is hereby granted to each Dominant Estate for ingress and egress by the Owner and Residents of the Dominant Estate and their invitees, for construction, reconstruction and maintenance of the Retaining Wall serving the Dominant Estate, subject to the restrictions set forth in this Declaration and approval of the Reviewing Body.

Nothing shall be done or permitted within the Retaining Wall Easement Area which would constitute a threat or hazard to the health and safety of the Residents of either the Servient Estate or the Dominant Estate, nor shall anything be done or permitted within the Retaining Wall Easement Area which defaces the Retaining Wall or the landscaping on either the Servient Estate or the Dominant Estate, or which adversely affects the integrity, structure or strength of the Dwelling Unit on either the Servient Estate or Dominant Estate.

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The uses permitted within each Retaining Wall Easement Area by virtue of this Section shall be non-exclusive because same may be subject to utility, access and drainage easements, as well as any minor encroachments. In addition, the permitted uses of the Retaining Wall Easement Area are subject to any easements granted elsewhere in this Declaration.

C. Rights of Entry. The Owner of each Dominant Estate (and the authorized agents, representatives, contractors, etc., of such Owner) shall have a reasonable and temporary right of entry, access, ingress, egress and regress upon the Retaining Wall Easement Area reasonably necessary to perform and complete, in a prompt, efficient and good and workmanlike manner, any construction or other work (whether original, remodeling or repair) which has been theretofore approved by the Reviewing Body.

The Reviewing Body is specifically authorized to promulgate ad hoc rules and guidelines pertaining to any particular construction or repair work likely to require the exercise of the right of entry described above so that the respective best interests of the adjoining Residents are, to the extent reasonably possible, harmonized and preserved.

D. Maintenance of Retaining Wall Easement Area; Damage and Destruction.

(a) Notwithstanding anything to the contrary set forth in Section 9.13, the Owner of the Servient Estate shall be responsible for maintaining landscaping, and any other improvements within the Retaining Wall Easement Area, in a neat and attractive condition in accordance with the standards generally prevailing throughout the Community. Any damage to the Servient Estate caused by the Dominant Owner in the exercise of the easement rights granted in this Section shall be reasonably restored at the Dominant Owner's expense to at least the same condition as when the Dominant Owner initially entered the Servient Estate. Any damage to the Dominant Estate caused by the Servient Estate in the performance of maintenance responsibilities under this Section shall be reasonably restored at the Servient Owner's expense to at least the same condition as existed prior to the damage.

(b) Notwithstanding anything to the contrary set forth in Article VII, in the event that a Retaining Wall is damaged or destroyed by casualty, the Owner of the Dominant Estate shall proceed promptly to repair or restore the Retaining Wall in the manner consistent with its original construction, unless otherwise approved pursuant to Article VIII.

E. Party Walls and Party Fences.

(a) General Rules of Law to Apply. Each wall, fence or driveway built as a part of the original construction on the Lots which shall serve and/or separate any two adjoining Lots shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party structure shall be shared equally by the Owners who make use of the party structure.

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(c) Damage and Destruction. If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the party structure may restore it. If other Owners thereafter use the party structure, they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

(d) Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

F. Arbitration. In the event of any dispute, disagreement or controversy between or among any Owners pertaining to either the Retaining Wall or party structures, each party shall appoint one arbitrator. Should any party fail and/or refuse to appoint an arbitrator within ten (10) days after written request by the other party, the requesting party shall appoint an arbitrator for the refusing party. The arbitrators appointed shall appoint one additional arbitrator. The decision by a majority of all three arbitrators shall be binding upon the parties and shall be a condition precedent to any right of legal action that either party may have against the other. The Association and/or the Declarant shall have no responsibility in resolving any disputes between Members concerning a party structure.

ARTICLE XI
PRIVATE AMENITIES

Section 11.1. General. Neither membership in the Association nor ownership or occupancy of a Lot shall confer any ownership interest in or right to use the Private Amenities. Rights to use the Private Amenities will be granted only to such Persons, and on such terms and conditions, as may be determined from time to time by the owner(s) of the Private Amenities. The owner(s) of the Private Amenities shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Private Amenities, including, without limitation, eligibility for and duration of use rights, categories of use and extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the terms of any written agreements with their respective members.

Section 11.2 Conveyance of Private Amenities. All Persons, including all Owners, are hereby advised that no representations or warranties have been or are made by Declarant, the Association, any Builder, or by any Person acting on behalf of any of the foregoing, with regard to the acquisition or assumption of operation of the Private Amenities, and no purported representation or warranty in such regard, either written or oral, shall be effective unless specifically set forth in a written instrument executed by the owner(s) of the Private Amenities. All Persons, including all Owners, are advised that the Private Amenities, the status of the Private Amenities (i.e., public daily fee golf course or private membership golf course) may change at any time by virtue of the conveyance of the Private Amenities to parties other than the current owner(s) of the Private Amenities. Consent of the Association or any Owner shall not be required to effectuate any change in ownership or operation of the Private Amenities, for or without consideration and subject to or free of any mortgage, covenant, lien or other encumbrance.

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Section 11.3. View Impairment. Neither Declarant, the Association nor the owner(s) of the Private Amenities guarantees or represents that any view over and across the Private Amenities from Lots adjacent to the Private Amenities will be preserved without impairment. The owner(s) of the Private Amenities shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in its sole and absolute discretion, to add trees and other landscaping to the Private Amenities from time to time. In addition, the owner(s) of the Private Amenities may, in its sole and absolute discretion, change the location, configuration, size and elevation of the improvements, trees, bunkers, fairways and greens from time to time. Any such additions or changes may diminish or obstruct any view from the Lots and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

Section 11.4. Easements for Private Amenities. The following easements apply only to the Private Amenities: (a) the owner(s) of the Private Amenities, their respective agents, successors and assigns, shall have non-exclusive easements over the Properties as necessary for ingress and egress, utilities and such other purposes as may be reasonably necessary or convenient to the establishment, operation, maintenance, repair and replacement of the Private Amenities. The benefitted parties shall be obligated to use due care in the exercise of such easement rights; (b) every Lot and the Common Properties is burdened with an easement permitting golf balls unintentionally to come upon such areas, and for golfers, at reasonable times and in a reasonable manner, to come upon the Common Properties or the exterior portions of a Lot to retrieve golf balls; provided, however, if any Lot is fenced or walled, the golfer shall seek the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls or the exercise of this easement: Declarant; the owner(s) of the Private Amenities; the Association or its Members (in their capacities as such); any Builder or contractor (in their capacities as such); any officer, director or partner of any of the foregoing, or any officer or director of any partner; (c) any portion of the Properties which is immediately adjacent to the Private Amenities is hereby burdened with a non-exclusive easement in favor of the adjacent Private Amenities for over-spray of water, pesticides and chemicals from the irrigation system serving the Private Amenities; and (d) the owner(s) of the Private Amenities, their respective agents, employees, contractors, successors and assigns, shall have a perpetual non-exclusive easement, to the extent reasonably necessary, over the Properties for the installation, operation, maintenance, repair, replacement, observation and control of the entire irrigation system and equipment serving all or portions of the Private Amenities.

Section 11.5. Assumption of Risk and Indemnification. **Each Owner, by its purchase of a Lot in the vicinity of the Private Amenities, acknowledges the inherent dangers associated with living in proximity to the Private Amenities and hereby expressly assumes the risk of personal injury, property damage or other loss caused by maintenance, operation and general use of the Private Amenities including, without limitation (a) noise from maintenance equipment (it being specifically understood that such maintenance typically takes place around or before sunrise or after sunset); (b) noise caused by golfers; (c) use of pesticides, herbicides and fertilizers; (d) view restrictions caused by maturation of trees and shrubbery; (e) use of effluent in the irrigation of the Private Amenities; (f) reduction in privacy caused by constant golf traffic on the Private Amenities or the removal or pruning of shrubbery or trees on the Private Amenities; (g) errant golf balls and golf clubs; and (h) design of the Private Amenities.**

Each Owner agrees that neither Declarant, any successor Declarant, any Builder, the Association, the owner(s) of the Private Amenities or their successors, successors-in-title or assigns, any entity managing the Private Amenities, any officer, director or partner of any of the foregoing, or any officer or directory of any partner, or any organizer or sponsor of any tournament or special event (collectively, for purposes of this Section 11.5, the "Released Parties") shall be liable to any Owner claiming any loss, injury or damage based upon, due to, arising from, directly or indirectly, or otherwise related to the proximity of such Owner's Lot to the Private Amenities, the management of the Private Amenities, or the exercise of the easement rights set forth in this Article XI, even if such loss, damage or injury is caused in whole or in part by the negligence of any of the Released Parties. Each Owner hereby agrees to indemnify, defend and hold harmless the Released parties from and against any and all such claims as set forth in the preceding sentence by Owner or Owner's lessees, licensees, invitees and employees with respect to tenants of such Owner's Lot for injury, loss or damage, whether known or unknown, foreseen or unforeseen, arising from or resulting from, directly or indirectly, acts or omissions of the Released Parties, even if caused in whole or in part by the negligence of the Released parties. THE FOREGOING RELEASE AND INDEMNITY IS INTENDED TO RELEASE AND INDEMNIFY THE RELEASED PARTIES FROM AND AGAINST THEIR OWN NEGLIGENCE.

Section 11.6 Maintenance of Private Amenity. The maintenance standards of the Greenway Frontage on the Private Amenities are controlled by the owner(s)/operator(s) of the Private Amenity, separate and distinct from the Association. Neither the Association nor the Declarant is responsible for any maintenance standards of the golf courses or country clubs, including but not limited to, the height of fescue and similar grasses.

ARTICLE XII
RIGHT OF FIRST REFUSAL; REGISTRATION

Section 12.1. Applicability. **THE PROVISIONS OF THIS ARTICLE ONLY APPLY TO UNIMPROVED LOTS AND DO NOT APPLY WHATSOEVER TO ANY LOT ON WHICH THERE IS A COMPLETED DWELLING UNIT OR AN INSTITUTIONAL MORTGAGE BY AN ELIGIBLE MORTGAGEE OR ELIGIBLE INSURER.**

Section 12.2 Right of First Refusal to Declarant. 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 Properties, prior to the commencement and completion (as determined by the MARC) of a Dwelling Unit and its appurtenant landscaping on a Lot, no Builder (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 Builder 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 Builder 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 Builder 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 described in the notice theretofore given to Declarant, and any proposed arrangement with a different Person 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 DWELLING UNIT 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 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 UNIT 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 12.3. Registration with the Association. In order that the Declarant and the Association can properly acquaint every Lot purchaser and every Owner and Resident with these Covenants and the day-to-day matters within the Association's jurisdiction, no Person transferring title to a Lot shall be relieved of his obligations as an Owner hereunder until and unless:

A. the transferring Owner has given written notice to the Association of the transfer, including the name(s) and mailing address(es) of the grantee(s), and has delivered copies of the current Declaration, Bylaws and Association rules to the grantee(s); and

B. all monetary obligations to the Association have been satisfied.

Each and every Resident and Owner shall have an affirmative duty and obligation to originally provide, and thereafter revise and update in writing to the Association, 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 and Resident; (b) the full name of each individual

family member who resides within the Dwelling Unit of the Lot Owner; (c) the business address, occupation and telephone numbers of each Owner and Resident; (d) the mailing address of the Owner, if different from the Lot address; (e) the description and license plate number of each automobile owned or used by a Resident and brought within the Properties; (f) 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 (g) such other information as may be reasonably requested from time to time by the Association. In the event any Owner and/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/or Resident shall become automatically jointly and severally liable to promptly reimburse the Association for all reasonable costs and expenses incurred in so doing.

ARTICLE XIII
RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

Section 13.1 General. 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, FHLMC and other similar governmental, quasi-governmental and nationally recognized public and/or private sources of end financing (any such mortgagees who have provided written notice to the Association of their name and address, identifying the Dwelling Unit on which they hold a mortgage, and specifically requesting notice of those matters as to which they are entitled to notice hereunder are 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 XIII 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 the Governing Documents, but in the event of ambiguity or conflict, this Article shall control.

Section 13.2. Notices of Action. An Eligible Mortgagee or Eligible Insurer who provides written request to the Association 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 Properties or which materially affects any Dwelling Unit on which there is an Eligible Mortgage held, insured or guaranteed by such Eligible Mortgages 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; any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or

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 13.3. Joinder to Documents. In addition to the provisions set forth within Section 14.4, 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: (a) at least sixty-seven percent (67%) of the Dwelling Unit Owners; and (b) the Declarant (during the Development Period) or the Board of Directors of the Association (after conclusion of the Development Period); and (c) 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:

A. voting rights;

B. assessments, assessment liens or subordination of assessment liens;

C. reserves for maintenance, repair and replacement of Common Properties;

D. responsibility for maintenance and repairs;

E. boundaries of any Lot covered by an Eligible Mortgage;

F. convertibility of Dwelling Units into Common Properties or vice versa;

G. expansion or contraction of the Properties, or the addition, annexation or withdrawal of the property to or from the Properties;

H. insurance or fidelity bonds;

I. leasing of Dwelling Units;

J. imposition of any restrictions on a Dwelling Unit Owner's right to sell or transfer his or her Dwelling Unit;

K. a decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgagee;

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L. restoration or repair (after a hazard damage or partial condemnation) in a manner other than that specified herein;

M. any action to terminate the legal status of the Properties after substantial destruction or condemnation occurs; or

N. 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 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 Properties must agree.

Section 13.4. 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 Properties 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 13.4 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.

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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 13.5. 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 13.6. Inspection of Books. The Association shall have current copies of this Declaration, the Articles of Incorporation, Bylaws, rules and regulations, books, records and financial statements of the Association available for inspection by Owners and by Eligible Mortgagees and Eligible insurers during normal business hours or under other reasonable circumstances.

Section 13.7. 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 13.8. 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 13.9. Attendance at Meeting. 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 XIV
GENERAL PROVISIONS

Section 14.1. Power of Attorney. Each and every Owner 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

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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 14.2. Further Development. During the Development Period, each and every Owner and Resident 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 re-zoning 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 14.3. 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 the Master 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 and recorded in the public real estate 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) to abolish shall be effective unless made and recorded one (1) year in advance of the effective date of such abolishment.

Section 14.4. 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 14.3, 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, check-list, 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 specifically and affirmatively authorizes and empowers the Declarant, utilizing the attorney-in-fact status set forth in Section 14.1, 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 Section 14.1, subject to any approval rights of Eligible Mortgagees set forth in Section 13.3; 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 Properties.

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

Section 14.5. Enforcement. Enforcement of these Covenants may be initiated by any proceeding at law or in equity by the Association or any Owner 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.

Section 14.6. 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 14.7. 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, except that the Association and the Commercial Association may use this Service Mark in their respective names.

Section 14.8. 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.

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Section 14.9. Notices to Resident/Member/Owner. Any notice required to be given to any Resident or Owner under the provisions of this Declaration shall be deemed to have been properly delivered when: 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, respectively, on the records of the Association at the time of such mailing; or when (b) delivered by hand or by messenger to the last known address of such person within the Properties. Any change in address must be made in writing to the Association by certified mail, return receipt requested, at the principal office of the Association or the managing agent, if any.

Section 14.10. 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/Owner in the performance of such mortgagor/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 14.11. Disputes. Matters of dispute or disagreement between Owners or Residents with respect to interpretation or application of the provisions (excluding Article VIII architectural matters and issues concerning "substantial completion") of this Declaration or the 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 and Residents.

IN WITNESS WHEREOF, the undersigned agent of the Declarant does hereby certify that the foregoing First Amended and Restated Declaration of Covenants, Conditions and Restrictions for Stonebridge Ranch has been duly approved by the Declarant as attorney-in-fact for and on behalf of the Owners and Eligible Mortgagees as of the 30TH day of November, 2000.

DECLARANT: **WESTERRA STONEBRIDGE, L.P.**

By: **WESTERRA MANAGEMENT, L.L.C.**, its authorized representative

By: [signature]

Its: ASSISTANT VICE PRESIDENT

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ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF COLLIN §

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared Kimb. Perry, Asst. Vice President, duly authorized agent of Westerra Management, L.L.C., duly authorized representative of Westerra Stonebridge, L.P.,known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that (s)he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 20th day of November, 2000.

STEPHANIE MACDONALD
MY COMMISSION EXPIRES
October 2, 2001

Stephanie MacDonald
Notary Public in and for
the State of Texas

AFTER RECORDING RETURN TO:
Riddle & Williams, P.C.
3811 Turtle Creek Blvd., Suite 1050
Dallas, Texas 75219

F:\RWBWP\G\PUD.RES\F-Stonebridge.wpd

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EXHIBIT "A"

Property Subject to Declaration

All those tracts of land identified as separately numbered lots on the following final plats filed and recorded in the Map and Plat Records of Collin County, Texas:

Plat Name	Cabinet	Drawer Number
Arbor Glen		
Phase I	**I**	**108, 109**
Phase II	**I**	**686**
Arbor Hollow		
Phase I	**J**	**542**
Autumn Ridge		
Phase I	**H**	**772**
Phase I	**I**	**297**
Phase II	**I**	**437, 438**
	I	**476, 477**
Ballantrae		
Phase I	**I**	**550**
Phase I	**L**	**551, 552, 553**
Phase II	**L**	**547, 548**
Briar Ridge		
Phase I	**G**	**335**
(corrected Phase I)	**G**	**430**
Phase II	**G**	**539**
Bridge Point		
Phase I	**H**	**516**
Canterbury		
Phase I	**L**	**807, 808, 809**
Crimson Ridge		
Phase I	**J**	**329, 330, 331**
Cypress Crossing		
Phase I and II	**L**	**6, 7, 8**
Eagle Creek		
Phase I	**L**	**473, 474**

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EXHIBIT "A"
(cont. page 2 of 6)

Property Subject to Declaration

Plat Name	Cabinet	Drawer Number
Enclave, The		
Phase I	J	871
Falcon Creek		
Phase I	I	284, 285
Phase I	I	395
Phase II	J	160, 161
Phase III	J	786, 787
Phase IV	K	589, 590
Fieldstone Place		
Phase I	L	917, 918, 919
Greenbriar		
Phase I	L	737, 738
Hackberry Ridge		
Phase I	L	114, 115
Phase I	L	425, 426
Phase I	L	668, 669, 670
Hillsborough		
Phase I	L	479, 480, 481
Hills Creek		
Phase I	G	338
Phase II	G	511
Phase II	G	654
Phase II	H	73
Lakepoint		
Phase I	J	76, 77
Live Oak		
Phase I	L	214
Phase II	L	887, 888, 889
Phase III	L	890, 891, 892

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EXHIBIT "A"
(cont. page 3 of 6)

Property Subject to Declaration

Plat Name	Cabinet	Drawer Number
Meadow Ridge		
Phase I	G	336
(corrected Phase I)	G	446, 447
Phase II	G	592
Muirfield Point		
Phase I	L	9, 10
Newport Village		
Phase I	L	734, 735, 736
Pecan Crossing		
Phase I	I	610
Quail Creek		
Phase I	G	352
(corrected Phase I)	G	424
Phase II	G	591
Phase III	G	667
Phase IV	H	79
Phase V	H	226
Phase VI	H	607
Phase VII	H	771
Regent's Park		
Phase I	L	922, 923
Saddlebrook Crossing		
Phase I	J	364, 365, 366
Spring Hill		
Phase I	G	590
Phase II	J	539, 540, 541
Stanford Meadow		
Phase I	L	913, 914
Stone Canyon		
Phase I	L	234

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EXHIBIT "A"
(cont. page 4 of 6)

Property Subject to Declaration

Plat Name	Cabinet	Drawer Number
Stonebridge Estates		
Phase I	I	469, 470
Phase II	M	295, 296
Phase III	M	300, 301
Summer Point		
Phase I	G	578
Phase I	G	742
Phase II	H	164
Timber Crossing		
Phase I	I	128
Tract 166	K	433, 434
Tract 173 (Grand Traditions)	L	384, 385
Tract 301 (Isleworth)	L	556, 557
Tract 324	K	742, 743
Tract 401/408	M	298, 299
Tract 409 (Lakeside Crossing)	L	515, 516
Tract 703 (Fairway Village)	L	810, 811
Tract 705 (Somerset)	L	820, 821
Tract 801	L	816, 817
Tract 802	L	822, 823
Tract 803 (Summer Glen)	L	818, 819
Tract 808 (Fountainview)	L	814, 815

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EXHIBIT "A"
(cont. page 5 of 6)

Property Subject to Declaration

Plat Name	Cabinet	Drawer Number
Tract 904 and 909 (North Portion)	K	635, 636
Tract 909 South (Stone Canyon)	K	633, 634
Tract 910 (Live Oak)	K	349, 350
Waterbury		
Phase I	I	683, 684
Phase I (Amended)	I	780
Phase I (Replat)	J	78
Wellington Point		
Phase I	G	337
Phase I (Replat)	G	644
Phase II	G	678
Replat (I and II)	I	92
Replat (II)	I	93
Phase III	I	348, 349
Wildwood Crossing		
Phase I	J	544, 545, 546
Willow Brook		
Phase I	J	954
Phase II	K	347, 348
Phase III	L	200
Woodhaven		
Phase I	L	872, 873
Woodland Bridge		
Phase I	K	740, 741

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EXHIBIT "A"
(cont. page 6 of 6)

Property Subject to Declaration

All those tracts of land owned, leased or otherwise held by the Association or any association having jurisdiction over a Village as Common Properties for the use and enjoyment of the Owners and Residents, including, without limitation, the following tracts identified as follows in the Deed or Map and Plat Records of Collin County, Texas:

Name	Cabinet/Volume	Drawer Number/Page
Aquatic Center	K	922
Stonebridge Crossing (Open Space)	G	562
Beach & Tennis Club	3063	533
(Correction)	3449	286
The Enclave at Stonebridge Ranch	4214	2698
Nora Haney Park	3063	538
Quail Creek Playground	3063	566
Quail Creek Pond	File No. 106196	
Stonebridge Lake	3063	542
Parcel 166	File No. 99-0062100	

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EXHIBIT "B-1"

Appraised Value Lots

VILLAGE	PHASE(S)
Briar Ridge	I, II
Hills Creek	I, II
Meadow Ridge	I, II
Quail Creek	I, II, III, IV, V
Spring Hill	I
Summer Point	I, II
Wellington Point	I, II

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EXHIBIT "B-2"

Fixed Rate Lots

VILLAGE	PHASE(S)
Arbor Glen	ALL
Arbor Hollow	ALL
Autumn Ridge	ALL
Ballantrae	ALL
Bridge Point	ALL
Cantebury	ALL
Crimson Ridge	ALL
Cypress Crossing	ALL
Eagle Creek	ALL
Enclave, The	ALL
Falcon Creek	ALL
Fieldstone Place	ALL
Hackberry Ridge	ALL
Hillsborough	ALL
Lake Point	ALL
Live Oak	ALL
Marketsquare	ALL
Muirfield Point	ALL
Newport Village	ALL
Pecan Crossing	ALL
Quail Creek	VI, VII
Regent's Park	ALL
Saddlebrook Crossing	ALL
Spring Hill	II
Stanford Meadow	ALL
Stone Canyon	ALL
Stonebridge Estates	ALL
Timber Crossing	ALL
Waterbury	ALL
Wellington Point	III
Wildwood Crossing	ALL
Willow Brook	ALL
Woodhaven	ALL
Woodland Bridge	ALL

Fixed Rate Lots shall also include any Lot subjected to this Declaration after the date of recording of this Declaration.

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EXHIBIT "C" TO THE
FIRST AMENDED AND RESTATED MASTER DECLARATION
FOR
STONEBRIDGE RANCH COMMUNITY ASSOCIATION, INC.

SECOND AMENDED AND RESTATED BYLAWS

OF

STONEBRIDGE RANCH COMMUNITY

ASSOCIATION, INC.

Riddle & Williams, P.C.
Attorneys and Counselors
1050 Turtle Creek Centre
3811 Turtle Creek Boulevard
Dallas, Texas 75219

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SECOND AMENDED AND RESTATED BYLAWS OF STONEBRIDGE RANCH COMMUNITY ASSOCIATION, INC.

Article I
Name, Principal Office and Definitions

Section 1.1. Name. The name of the Association shall be **Stonebridge Ranch Community Association, Inc.** (the "Association").

Section 1.2. Principal Office. The principal office of the Association in the State of Texas shall be located in Collin County. The Association may have such other offices, either within or outside the State of Texas, as the Board may determine or as the affairs of the Association may require.

Section 1.3. Definitions. The words used in these Bylaws shall be given their ordinary, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the First Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for Stonebridge Ranch (said Declaration, as amended, renewed or extended from time to time, is hereinafter sometimes referred to as the "Declaration"), unless the context shall otherwise require.

Article II
Association: Membership, Meetings, Quorum, Voting, Proxies

Section 2.1. Membership. The Association shall have two classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration. The provisions of the Declaration pertaining to membership are specifically incorporated herein by reference.

Section 2.2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate either within the Properties or as convenient thereto as possible and practical.

Section 2.3. Annual Meetings. Regular annual meetings of the membership shall be set by the Board so as to occur within 90 days after the close of the Association's fiscal year on a date and at a time set by the Board.

Section 2.4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of a majority of the Board or upon a petition signed by Members representing at least twenty percent (20%) of the total Class "A" votes of the Association.

Section 2.5. Notice of Meetings. Written or printed notice stating the place, day and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

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