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DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

VILLAS OF MIDDLETON TOWNHOMES

CITY OF PLANO,
COLLIN COUNTY, TEXAS

July 19, 2016

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Return after recording
Essex Association Management, L.P.
1512 Crescent Drive, Suite 112
Carrollton TX 75006

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS FOR
VILLAS OF MIDDLETON TOWNHOMES

THE STATE OF TEXAS §

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF COLLIN §

This Declaration of Covenants, Conditions & Restrictions for Villas of Middleton Townhomes is made by Plano Parkway Investments, L.P., a Texas limited partnership company ("Declarant"), on the date signed below. Declarant owns the real property described in Appendix A of this Declaration, together with the improvements thereon (hereinafter, the "Property").

Declarant desires to establish a general plan of development for the planned community to be known as Villas of Middleton Townhomes. Declarant also desires to provide a reasonable and flexible procedure by which Declarant may expand the Property to include additional real property, and to maintain certain development rights that are essential for the successful completion and marketing of the Property.

Declarant further desires to provide for the preservation, administration, and maintenance of portions of Villas of Middleton Townhomes, and to protect the value, desirability, and attractiveness of The Association. As an integral part of the development plan, Declarant deems it advisable to create a property owners association to perform these functions and activities more fully described in this Declaration and the other Documents described below.

Declarant DECLARES that the Property described in Appendix A, and any additional property made subject to this Declaration by recording one or more amendments of or supplements to this Declaration, will be owned, held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, and easements of this Declaration, including Declarant's representations and reservations in the attached Appendix C. which run with the real property and bind all parties having or acquiring any right, title, or interest in any part of the Property, their heirs, successors, and assigns, and inure to the benefit of each Owner of any part of the Property.

ARTICLE 1
DEFINITIONS

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

1.1. "Applicable Law" means the statutes and public laws and ordinances in effect at the time a provision of the Documents is applied, and pertaining to the subject matter of the Document provision. Statutes and ordinances specifically referenced in the Documents are "Applicable Law" on the date of the Document, and are not intended to apply to the Property if

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they cease to be applicable by operation of law, or if they are replaced or superseded by one or more other statutes or ordinances.

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

1.3. "Area of Common Responsibility" means that portion of the Property and those components of the townhomes for which the Association has maintenance responsibilities, as described with more particularity in Article 5 of this Declaration.

1.4. "Assessment" means any charge levied against a Lot or owner by the Association, pursuant to the Documents or State law, including but not limited to Annual Assessments, Special Assessments, Insurance Assessments, Master Assessments, Individual Assessments, and Deficiency Assessments, as defined in Article 9 of this Declaration.

1.5. "Association" means the association of owners of all Lots in the Property, initially organized as Villas of Middleton Property Owners' Association, a Texas nonprofit corporation, its successors, assigns, or replacements which has jurisdiction over all properties located within the land encumbered under this Declaration, as same may be amended, and serving as the "property owners' association" defined in Section 202.001(2) of the Texas Property Code. The failure of the Association to maintain its corporate charter from time to time does not affect the existence or legitimacy of the Association, which derives its authority from this Declaration and the bylaws.

1.6. "Board" means the board of directors of the Association.

1.7. "City" means the City of Plano, Texas, in which the Property is located.

1.8. "Common Area" means portions of real property and improvements thereon that are owned and/or maintained by the Association, as described in Article 4 below and as referenced in Appendix B of this Declaration.

1.9. "Declarant" means Plano Parkway Investments, L.P., a Texas limited partnership company, which is developing the Property, or any party which acquires any portion of the Property for the purpose of development and which is designated a Successor Declarant by Plano Parkway Investments, L.P., a Texas limited partnership company, or by any such successor and assign, in a recorded document.

1.10. "Declarant Control Period" means that period of time during which Declarant controls the operation and management of the Association, pursuant to Appendix B of this Declaration.

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1.11. "Declaration" means this document, as it may be amended from time to time. In the event this Declaration contains a provision which is contrary to an applicable mandatory provision of the Texas Property Code, the Texas Property Code provision controls.

1.12. "Development Period" means a five (5) year period beginning the date this Declaration is recorded, during which Declarant has certain rights pursuant to Appendix B hereto. The Development Period is for a term of years and does not require that Declarant own land described in Appendix A. Declarant may terminate the Development Period at any time by recording a notice of termination.

1.13. "Documents" means, singly or collectively as the case maybe, this Declaration, the Plat, the bylaws of the Association ("Bylaws"), the Association's certificate of formation, and the rules of the Association, as any of these may be amended from time to time. An appendix, exhibit, schedule, or certification accompanying a Document is a part of that Document. All Documents are to be recorded in every county in which all or a portion of the Property is located. The Documents are Dedicatory Instruments as defined in Texas Property Code Section 202.001(1).

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

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

1.16. "Member" means a member of the Association, each member being an owner of a Lot, unless the context indicates that member means a member of the board or a member of a committee of the Association. In the context of votes and decision-making, each Lot has only one membership, although it may be shared by co-owners of a Lot.

1.17. "Owner" means a holder of recorded fee simple title to a Lot. Declarant is the initial owner of all Lots. Contract sellers and mortgagees who acquire title to a Lot through a deed in lieu of foreclosure or through judicial or nonjudicial foreclosure are owners. Persons or entities having ownership interests merely as security for the performance of an obligation are not owners. Every owner is a member of the Association. A reference in any Document or applicable law to a percentage or share of owners or members means owners of at least that percentage or share of the Lots, unless a different meaning is specified. For example, "a majority of owners" means owners of at least a majority of the Lots.

1.18. "Plat" means all plats, singly and collectively, recorded in the Real Property Records of Collin County, Texas, and pertaining to the real property described in Appendix A of this Declaration, including all dedications, limitations, restrictions, easements, notes, and

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reservations shown on the plat, as it may be amended from time to time. The plat of Villas of Middleton Townhomes was recorded in the Plat Records, Collin County, Texas.

1.19. "Property" means all the land subject to this Declaration and all improvements, easements, rights, and appurtenances to the land. The name of the Property is Villas of Middleton Townhomes. The Property is located on land described in Appendix A to this Declaration, and includes every Lot and any common area thereon.

1.20. "Resident" means an occupant of a townhome, regardless of whether the person owns the Lot.

1.21. "Rules" means rules and regulations of the Association adopted in accordance with the Documents or applicable law. The initial Rules may be adopted by Declarant for the benefit of the Association. Rules and regulations are enforceable the same as the Association's other governing documents and subject to violation notices and fine for non-compliance.

1.22. "Townhome" means the attached single-family dwelling on each individually-owned townhome Lot. "Townhome Building" means the structure containing multiple townhomes.

ARTICLE 2
PROPERTY SUBJECT TO DOCUMENTS

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

2.2. PLANO ORDINANCE. The City of Plano may have ordinances pertaining to planned developments with property owners associations. No amendment of the Documents nor any act or decision of the Association may violate the requirements of the ordinance. The Association should stay informed about the city's requirements.

2.3. ADJACENT LAND USE. Declarant makes no representations of any kind as to current or future uses - actual or permitted - of any land that is adjacent to or near the Property, regardless of what the plat shows as potential uses of adjoining land.

2.4. SUBJECT TO ALL OTHER DOCUMENTS. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by all the Documents which are publicly recorded or which are made available to owners by the Association, expressly including this publicly recorded Declaration.

2.5. PLAT DEDICATIONS, EASEMENTS & RESTRICTIONS. In addition to the easements and restrictions contained in this Declaration, the Property is subject to the dedications, limitations, notes, easements, restrictions, and reservations shown or cited on the plat, which are incorporated herein by reference. Each owner, by accepting an interest in or

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title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by the plat, and further agrees to maintain any easement that crosses his Lot and for which the Association does not have express responsibility.

2.6. STREETS WITHIN PROPERTY. Because streets, alleys, and cul de sacs within the Property (hereafter "streets") are capable of being converted from publicly dedicated to privately owned, and vice versa, this Section addresses both conditions. If the Property has private streets, the streets are part of the common area which is governed by the Association. Public streets are part of the common area only to the extent they are not maintained or regulated by the city or county. To the extent not prohibited by public law, the Association, acting through the board, is specifically authorized to adopt, amend, repeal, and enforce rules, regulations, and procedures for use of the streets - whether public or private - including but not limited to:

a. Identification of vehicles used by owners and residents and their guests.

b. Designation of speed limits and parking or no-parking areas.

c. Limitations or prohibitions on curbside parking.

d. Removal or prohibition of vehicles that violate applicable rules and regulations.

e. Fines for violations of applicable rules and regulations.

ARTICLE 3
PROPERTY EASEMENTS AND RIGHTS

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

3.2. OWNER'S EASEMENT OF ENJOYMENT. Every owner is granted a right and easement of enjoyment over the common areas and to use of improvements therein, subject to other rights and easements contained in the Documents. An owner who does not occupy a Lot delegates this right of enjoyment to the residents of his Lot. Notwithstanding the foregoing, if a portion of the common area, such as a recreational area, is designed for private use, the Association may temporarily reserve the use of such area for certain persons and purposes.

3.3. OWNER'S MAINTENANCE EASEMENT. Every owner is granted an access easement over adjoining Lots, common areas, and Areas of Common Responsibility for the maintenance or reconstruction of his townhome and other improvements on his Lot, provided exercise of the easement does not damage or materially interfere with the use of the adjoining townhome or common area. Requests for entry to an adjoining townhome or common area must be made to the owner of the adjoining townhome, or the Association in the case of common areas, in advance for a time reasonably convenient for the adjoining owner, who may not unreasonably withhold consent. If an owner damages an adjoining townhome, area of common responsibility, or common area in exercising this easement, the owner is obligated to restore the damaged property to its original condition, at his expense, within a reasonable period of time.

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3.4. TOWNHOME EASEMENT. Every owner of a townhome Lot is granted a perpetual easement over, under, and through every other townhome Lot in the same townhome building in which his townhome is located for the limited purpose of installing, maintaining, and replacing wires, cables, conduit, and pipes, that serve his townhome, but only to the extent that use of this easement is reasonable and necessary. In the event of dispute, the board is the arbiter of whether the anticipated use of this easement is reasonable and necessary. Reciprocally, the owner of a townhome that contains wire, cables, conduit, or pipes that serve one or more other townhomes has a duty to refrain from interfering with or damaging those items. This easement and reciprocal responsibility anticipates that the electrical meters for all the townhomes in one building may be grouped at one end of the building. It also anticipates that attic or roofline installations of wiring may be the most cost effective and least unsightly way of accommodating future needs for cable services.

3.5. OWNER'S INGRESS/EGRESS EASEMENT. Every owner is granted a perpetual easement over the Property's streets, as may be reasonably required, for vehicular ingress to and egress from his Lot.

3.6. OWNER'S ENCROACHMENT EASEMENT. Every owner is granted an easement for the existence and continuance of any encroachment by his Lot on any adjoining Lot or common area now existing or which may come into existence hereafter, as a result of construction, repair, shifting, settlement, or movement of any portion of a building, or as a result of condemnation or eminent domain proceedings, so that the encroachment may remain undisturbed so long as the improvement stands.

3.7. RIGHTS OF CITY. The city, including its agents and employees, has the right of immediate access to the common areas at all times if necessary for the welfare or protection of the public, to enforce city ordinances, or for the preservation of public property. If the Association fails to maintain the common areas to a standard acceptable to the city, the city may give the Association a written demand for maintenance. If the Association fails or refuses to perform the maintenance within a reasonable period of time after receiving the city's written demand (at least ninety days), the city may maintain the common areas at the expense of the Association after giving written notice of its intent to do so to the Association. To fund or reimburse the city's cost of maintaining the common areas, the city may levy an assessment against every Lot in the same manner as if the Association levied a special assessment against the Lots. The city may give its notices and demands to any officer, director, or agent of the Association, or alternatively, to each owner of a Lot as shown on the city's tax rolls. The rights of the city under this Section are in addition to other rights and remedies provided by law.

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

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

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a. To inspect the property for compliance with maintenance and architectural standards.

b. To perform maintenance that is permitted or required of the Association by the Documents or by applicable law.

c. To perform maintenance that is permitted or required of the owner by the Documents or by applicable law, if the owner fails or refuses to perform such maintenance.

d. To enforce architectural standards.

e. To enforce use restrictions.

f. The exercise of self-help remedies permitted by the Documents or by applicable law.

g. To enforce any other provision of the Documents.

h. To respond to emergencies.

i. To grant easements to utility providers as may be necessary to install, maintain, and inspect utilities serving any portion of the Property.

j. To perform any and all functions or duties of the Association as permitted or required by the Documents or by applicable law.

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

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

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

3.10. ENTRANCE EASMENTS. The Association is granted a perpetual easement (the "Entrance Easement") over any land that abuts or contains a portion of the formal entrance feature, landscaping and other improvements or features, landscaping or other improvements associated with entrances for the purposes stated herein, regardless of how the Plat shows the entrance, including without limitation, over (1) the land within the right of way and the land

adjacent to the intersection of Plano Parkway and Regan Street and (2) the land within the right of way and the land adjacent to the intersection of Independence Parkway and Hamilton Street (the "Entrance Tracts"). As the initial owner of the Entrance Tracts, Declarant hereby burdens the Entrance Tracts with the Entrance Easement, to which the Entrance Tracts will remain subject even if otherwise removed from the effects of this Declaration. The purpose of the Entrance Easement is to provide for the design, siting, construction or installation, existence, repair, maintenance, improvement and replacement of improvements reasonably related to the entrance to the community. The Owners of the Entrance Tracts will have the continual use and enjoyment of their land for any purpose that does not interfere with or prevent the Association's use of the Entrance Easement. In addition to the Entrance Easement granted herein, the Association has the temporary right, from time to time, to use as much of the surface of an Entrance Tract as may be reasonably necessary, in the Association's sole discretion, for the Association to perform its contemplated work on the Entrance Easement.

3.11 EASEMENT FOR SCREENING FEATURE. The Association is hereby granted a perpetual easement (the "Screening Easement") over each Lot for the purposes stated in this section, regardless of whether or how the Plat shows the easement or improvements thereon. The purpose for the Screening Easement is to provide for the design, siting, construction or installation, existence, repair, maintenance, improvement and replacement of improvements reasonably related to the perimeter landscaping or screening of the community, including without limitation, planter beds, landscaping, plant material, screening walls, fences and/or berms; electrical and water meters and equipment, including light fixtures and sprinkler systems, any of which may or may not be installed at Declarant's sole discretion. The inclusion of this section shall not be construed to create an obligation on a party to install any of the specific items set forth herein.

3.11.1. Any screening feature will be maintained by the Association as a common expense.

3.11.2 In addition to the easement granted herein, the Association has the temporary right, from time to time, to sue as much of the surface of any burdened Lot as may be reasonably necessary for the Association to perform its contemplated work or maintenance on the Screening Easement.

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

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installed, or any security measures undertaken within the Property. Each Owner and Resident acknowledges and agrees that Declarant, the Association, and their respective directors, officers, committees, agents, and employees may not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

3.13. RISK. Each Resident uses all common areas at his own risk. All common areas are unattended and unsupervised. Each Resident is solely responsible for his own safety and that of his guests. The Association disclaims any and all liability or responsibility for injury or death occurring from use of the common areas.

ARTICLE 4
COMMON AREA

4.1. OWNERSHIP. The designation of real property as a common area is determined by the Plat and this Declaration, and not by the ownership of the property. This Declaration contemplates that the Association will eventually hold title to every common area, facility, structure, improvement, system, or other property that are capable of independent ownership by the Association. The Declarant may install, construct, or authorize certain improvements on common areas in connection with the initial development of the Property, and the cost thereof is not a common expense of the Association. The Common Area shall be maintained by Declarant until the date that such Common Area is conveyed to the Association. Thereafter, all costs attributable to common areas, including maintenance, property taxes, Insurance, and enhancements, are automatically the responsibility of the Association, regardless of the nature of title to the common areas, unless this Declaration elsewhere provides for a different allocation for a specific common area.

4.2. ACCEPTANCE. By accepting an interest in or title to a Lot, each owner is deemed (1) to accept the common area of the Property, and any improvement thereon, in its then-existing "as is" condition; (2) to acknowledge the authority of the Association, acting through its board of directors, for all decisions pertaining to the common area; (3) to acknowledge that transfer of a common area's title to the Association by or through the Declarant is a ministerial task that does not require acceptance by the Association; and (4) to acknowledge the continuity of maintenance of the common area, regardless of changes in the Association's board of directors or management.

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

a. All of the Property, save and except the townhome Lots.

b. Any area shown on the plat as common area or an area to be maintained by the Association.

c. The formal entrances to the Property, including (if any) the signage, landscaping, electrical and water installations, planter boxes and fencing related to the entrance,

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d. Any screening walls, fences, or berms along the side of the Property.

e. Any landscape buffers.

f. Landscaping on any street within or adjacent to the Property, to the extent it is not maintained by the city.

g. Any property adjacent to Villas of Middleton Townhomes if the maintenance of same is deemed to be in the best interests of the Association and if not prohibited by the owner or operator of said property.

h. Any modification, replacement, or addition to any of the above-described areas and improvements.

i. Personal property owned by the Association, such as books and records, office equipment, and supplies.

4.4 PERSONAL RESPONSIBILITY. Each Owner, by accepting an interest in or title to a Lot, whether or not it is expressed in the instrument of conveyance, and each Resident acknowledges, understands and agrees to each of the following statements, for himself/herself, the members of the household and or their guests:

a. Each Owner and Resident agrees to comply with published or posted rules and regulations relative to the Common Area.

b. The use and enjoyment of any recreational amenity on the Common Area may involve risk of personal injury, risk of death and risk of damage or loss to personal property.

c. Each person using any Common Area amenity assumes all risks of personal injury, death and loss or damage to personal property resulting from the use and enjoyment of any Common Area.

d. Parents, guardians, hosts, caretakers and supervisors are at all times responsible for the well being and safety of their children and guests in their use of the Common Area. The parent, guardian, host, caretaker and supervisor assume responsibility for having the requisite skill appropriate for the facility being used by their charges.

e. Neither Declarant and/or the Association are providers, insurers or guarantors of personal safety in the Common Area.

f. Neither Declarant and/or the Association, and their respective directors, officers, committees, agents or employees, hve made any representations or warranties, of any nature whatsoever, relating to safety of lack of risk pertaining to the Common Area.

4.5 RELEASE OF LIABILITY. Each Owner and Resident further acknowledges, understands and agrees to each of the following statements for themselves, members of their household, and his or her guests or invitees:

a. Each Owner and Resident grants a release from liability as contained herein as consideration for, and as a condition to, the Owner and Resident's

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use and enjoyment of the Common Area. Each Owner and Resident acknowledges and agrees that the release from liability contained herein is a material inducement to Declarant to sell, convey, or alLot the use of the Lots.

b. Declarant, the Association, and their respective officers, directors, committees, agents, and employees may not be held liable to any person claiming any loss or damage including, without limitation, indirect, special or consequential loss or damage arising from personal injury or death, destruction of property, trespass, loss of enjoyment, or any other wrong or entitlement to remedy based upon, due to, arising from, or otherwise relating to the design, construction, maintenance or use of the Common Area, expressly including every recreational facility and item of equipment used in connection with the Common Area, **INCLUDING, WITHOUT LIMITATION, ANY CLAIM ARISING IN WHOLE OR IN PART FROM THE NEGLIGENCE OF DECLARANT AND/OR THE ASSOCIATION.**

c. The Association hereby indemnifies, defends and holds harmless Declarant against any loss, claim, demand, cost or expense relating to or arising out of the management and operation of the Association, including without limitation, the collection of assessments, the enforcement of Documents and the operation and maintenance of the Common Area. Indemnified expenses include, without limitation, reasonable attorney's fees, whether or not a lawsuit is filed, and costs at all court levels, including expenses incurred by Declarant in establishing the right to be indemnified, defended and held harmless pursuant to this Declaration.

d. Each Owner and Resident understands and agrees that violation of the release agreement by Owner or Resident may result in suspension or termination of the right to use any Common Area by the Owner, Resident, members of their household and or their guests and invitees.

e. Each Owner and Resident agrees to accept any space designated as an open space area "as-is". Declarant does not make any representation and/or warranty regarding the open space areas, including, without limitation, any implied warranties, including warranty for a particular purpose and any warranty of good and workmanlike construction.

ARTICLE 5
LOTS, TOWNHOMES &AREA OF COMMON RESPONSIBILITY

5.1. LOTS. The Property is platted into Lots, the boundaries of which are shown on the Plat, and which may not be obvious on visual inspection of the Property. Portions of the Lots are designated by this Declaration to be Areas of Common Responsibility, and are burdened with easements for the use and benefit of the Association, owners, and residents. Although the Property is platted into individually owned Lots, portions of the Lots are maintained by the Association.

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NOTE: WHILE YOU OWN YOUR LOT AND TOWNHOME, PORTIONS ARE CONTROLLED AND MAINTAINED BY THE ASSOCIATION.

5.2. TOWNHOMES. Each residential Lot is to be improved with a townhome. The owner of a Lot owns every component of the Lot and townhome, including all the structural components and exterior features of the townhome and is responsible for the maintenance of the townhome and Lot except for the Areas of Common Responsibility set forth in this Declaration.

5.3. AREA OF COMMON RESPONSIBILITY. The designation of the Area of Common Responsibility is as follows:

5.3.1. Surface Water Drainage Systems. All aspects are maintained, including collection drains and drain systems.

5.3.2. Front Lawns (if any). All trees, shrubs and lawns are maintained, including irrigation system and replacement of dead plants and vegetation. The foregoing applies only to the area between the front of the townhome and the adjacent public street. Owners are not allowed to individualize the front landscape of their home. Artificial landscape, flowers and vegetation of any kind is prohibited. The Owner should report any landscape related problems to the Association or its Managing Agent immediately.

5.3.3. Areas Relating to Townhomes. All portions of the townhomes marked as an Area of Common Responsibility on Appendix "C".

5.4. ALLOCATION OF INTERESTS. The interests allocated to each Lot are calculated by the following formulas.

5.4.1. Common Expense Liabilities. The percentage or share of liability for common expenses allocated to each Lot is uniform for all Lots, regardless of the value, size, or location of the Lot or townhome.

5.4.2. Votes. The one vote appurtenant to each Lot is uniform and weighted equally with the vote for every other Lot, regardless of any other allocation appurtenant to the Lot.

ARTICLE 6
ARCHITECTURAL COVENANTS AND CONTROL

6.1. PURPOSE. Because the Lots are part of a single, unified community, this Declaration creates rights to regulate the design, use, and appearance of the Lots and common areas in order to preserve and enhance the Property's value and architectural harmony. One purpose of this Article is to promote and ensure the level of taste, design, quality, and harmony by which the Property is developed and maintained. Another purpose is to prevent

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improvements and modifications that may be widely considered to be radical, curious, odd, bizarre, or peculiar in comparison to the existing improvements. A third purpose is to regulate the appearance of every aspect of proposed or existing improvements on a Lot, including but not limited to townhomes, fences, landscaping, retaining walls, yard art, sidewalks and driveways, and further including replacements or modifications of original construction or installation. During the Development Period, a primary purpose of this Article is to reserve and preserve Declarant's right of architectural control.

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

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

6.2.2. Delegation by Declarant. During the Development Period, Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under this Article to (1) an architectural control committee appointed by the board, or (2) a committee comprised or architects, engineers, or other persons who may or may not be members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (2) to veto any decision which Declarant in its sole discretion determines to be inappropriate or inadvisable for any reason.

NOTE: YOU CANNOT INDIVIDUALIZE THE OUTSIDE OF YOUR TOWNHOME.

6.3. ARCHITECTURAL CONTROL BY ASSOCIATION. Unless and until such time as Declarant delegates all or a portion of its reserved rights to the Architectural Control Committee (the "ACC"), or the Development Period is terminated or expires, the Association

has no jurisdiction over architectural matters. On termination or expiration of the Development Period, or earlier if delegated in writing by Declarant, the Association, acting through the ACC will assume jurisdiction over architectural control.

6.3.1. ACC. The ACC will consist of at least 3 but not more than 5 persons appointed by the board, pursuant to the bylaws. Members of the ACC serve at the pleasure of the board and may be removed and replaced at the board's discretion. At the board's option, the board may act as the ACC, in which case all references in the Documents to the ACC are construed to mean the board. Members of the ACC need not be Owners or Residents, and may but need not include architects, engineers, and design professionals whose compensation, if any, may be established from time to time by the board.

6.3.2. Limits on Liability. ***The ACC has sole discretion with respect to taste, design, and all standards specified by this Article.*** The members of the ACC have no liability for the ACC's decisions made in good faith, and which are not arbitrary or capricious. The ACC is not responsible for: (1) errors in or omissions from the plans and specifications submitted to the ACC, (2) supervising construction for the owner's compliance with approved plans and specifications, or (3) the compliance of the owner's plans and specifications with governmental codes and ordinances, state and federal laws.

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

6.5. ARCHITECTURAL APPROVAL. To request architectural approval, an owner must make written application and submit to the Architectural Reviewer two identical sets of plans and specifications showing the nature, kind, shape, color, size, materials, and locations of the work to be performed. In support of the application, the owner may but is not required to submit letters of support or non-opposition from owners of Lots that may be affected by the proposed change. The application must clearly identify any requirement of this Declaration for which a variance is sought. The Architectural Reviewer will return a copy of the application along with one set of plans, if applicable or deemed necessary, and specifications to the applicant marked with the Architectural Reviewer's response, such as "Approved," "Denied," or "More Information Required." The Architectural Reviewer will retain the other set of plans and specifications, together with the application, for the Architectural Reviewer's files.

6.5.1. No Verbal Approval. Verbal approval by an Architectural Reviewer, the Declarant, an Association director or officer, a member of the ACC, or the Association's manager does not constitute architectural approval by the appropriate Architectural Reviewer, which must be in writing.

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6.5.2. Deemed Approval. The Architectural Reviewer shall respond to an application within seven (7) business days. Unless extended by the Architectural Reviewer before the expiration of the seven (7) day review period, the application shall be construed as approved, The Architectural Reviewer has the sole discretion to extend the time for review for one extension period of seven (7) business days.

6.5.3. No Approval Required. Approval is not required for an owner to remodel or repaint the interior of a townhome, provided the work does not impair the structural soundness of the building.

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

6.5.5. Neighbor Input. The Architectural Reviewer may solicit comments on the application, including from owners or residents of townhomes that may be affected by the proposed change, or from which the proposed change may be visible. Whether to solicit comments, from whom to solicit comments, and whether to make the comments available to the applicant is solely at the discretion of the Architectural Reviewer. The Architectural Reviewer is not required to respond to the commenter's in ruling on the application.

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

ARTICLE 7
CONSTRUCTION AND USE RESTRICTIONS

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

7.2. PROHIBITION OF CONSTRUCTION, ALTERATION & IMPROVEMENT. Without the Architectural Reviewer's prior written approval, a person may not commence or continue any construction, alteration, addition, improvement, installation, modification,

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redecoration, or reconstruction of or to the Property, or do anything that affects the appearance, use, or structural integrity of the Property. The Architectural Reviewer has the right but not the duty to evaluate every aspect of construction and property use that may adversely affect the general value or appearance of the Property.

7.3. LIMITS TO RIGHTS. No right granted to an owner by this Article or by any provision of the Documents is absolute. The Documents grant rights with the expectation that the rights will be exercised in ways, places, and times that are customary for the neighborhood. This Article and the Documents as a whole do not try to anticipate and address every creative interpretation of the restrictions. The rights granted by this Article and the Documents are at all times subject to the board's determination that a particular interpretation and exercise of a right is significantly inappropriate, unattractive, or otherwise unsuitable for the neighborhood, and thus constitutes a violation of the Documents. In other words, the exercise of a right or restriction must comply with the spirit of the restriction as well as with the letter of the restriction.

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

a. Use of common areas and Areas of Common Responsibility.

b. Hazardous, illegal, or annoying materials or activities on the Property.

c. The use of Property-wide services provided through the Association.

d. The consumption of utilities billed to the Association.

e. The use, maintenance, and appearance of exteriors of townhomes and Lots.

f. Landscaping and maintenance of yards, an Owner having no right to perform such activities in an Area of Common Responsibility.

g. The occupancy and leasing of townhomes.

h. Animals. Animals must be leashed at all times when outside the Townhome. Owners must pick up after their pets. No animal is allowed in or around the pool.

i. Vehicles. The Declarant and/or the Board reserve the right to limit the number of vehicles any one Owner can park/store on their Lot. On-street parking may also be limited and/or restricted.

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j. Disposition of trash and control of vermin, termites, and pests. Trash containers should be placed so as not to be visible or allowed to become soiled in such a way those noxious odors are a nuisance to other neighboring units.

k. Anything that interferes with maintenance of the Property, operation of the Association, administration of the Documents, or the quality of life for residents.

7.5. ANIMALS. No exotic and/or wild animal, animal, bird, fish, reptile, or insect of any kind may be kept, maintained, raised, or bred anywhere on the Property for a commercial purpose or for food. Customary domesticated household pets may be kept subject to the Rules. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, locations, and behavior of animals at the Property. The board may require or effect the removal of any animal determined to be in violation of this Section or the Rules. Unless the Rules provide otherwise:

7.5.1. Number. No more than two pets (total weight of both pets no greater than one hundred (100) pounds) may be maintained in each townhome. Of the two pets, no more than two may be cats or dogs. Permission to maintain other types or additional numbers of household pets must be obtained in writing from the board. Other pets such as pot bellied pigs, sheep, goats, snakes, bees, or other such exotic or undomesticated animals are prohibited.

7.5.2. Disturbance. Pets must be kept in a manner that does not disturb the peaceful enjoyment of residents of other Lots. No pet may be permitted to bark, howl, whine, screech, or make other loud noises for extended or repeated periods of time. The board is the sole arbiter of what constitutes a disturbance or annoyance.

7.5.3. Indoors/Outdoors. A permitted pet must be maintained inside the townhome, and may not be kept on a patio or in a yard area. No pet is allowed on the common area unless carried or leashed.

7.5.4. Pooper Scooper. Resident is responsible for the removal of his pet's wastes from the Property. Unless the Rules provide otherwise, a Resident must prevent his pet from relieving itself on the common area, the Area of Common Responsibility, or the Lot of another owner.

7.5.5. Liability. An owner is responsible for any property damage, injury, or disturbance caused or inflicted by an animal kept on the Lot. The owner of a Lot on which an animal is kept is deemed to indemnify and to hold harmless the board, the Association, and other owners and residents, from any loss, claim, or liability resulting from any action of the animal or arising by reason of keeping the animal on the Property

UNOFFICIAL

7.6. ANNOYANCE. No Lot or common area may be used in any way that: (1) may reasonably be considered annoying to neighbors; (2) may be calculated to reduce the desirability of the Property as a residential neighborhood; (3) may endanger the health or safety of residents of other Lots; (4) may result in the cancellation of insurance on the Property; or (5) violates any law. The board has the sole authority to determine what constitutes an annoyance.

7.7. APPEARANCE. Both the Lot and the townhome must be maintained in a manner so as not to be unsightly when viewed from the street or neighboring Lots. The Architectural Reviewer is the arbitrator of acceptable appearance standards.

7.8. ACCESSORY SHEDS. Accessory structures and sheds are not allowed on any Lot. This includes but, is not limited to: dog houses, play sets, play houses, gazebos, greenhouse, and trampolines. The Declarant or Board have the sole discretion to determine what shall be considered an accessory structure and/or shed.

7.9. BARBECUE. Exterior fires are prohibited on the Property unless contained in commercial standard grilling device approved by the Board.

7.10. COLOR CHANGES. The colors of buildings, fences, exterior decorative items and all other improvements on a Lot are subject to regulation by the Architectural Reviewer. Because the relative merits of any color are subjective matters of taste and preference, the Architectural Reviewer determines the colors that are acceptable to the Association. A resident may not change or add colors that are visible from the street, a common area, or another Lot without the prior written approval of the Architectural Reviewer.

7.11. YARDS. This Section applies to a townhome yard that is visible from the street. An owner will use and maintain his yard in a neat and attractive manner that is consistent with the neighborhood. If the Architectural Reviewer perceives that the appearance of yards detracts from the overall appearance of the Property, the Architectural Reviewer may limit the colors, numbers, sizes, or types of furnishings, plantings, and other items kept in the yard. A yard may not be used for storage. No artificial plantings, grass, trees or vegetation is allowed.

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

7.13. DECORATION. Residents are prohibited from individualizing and decorating the exteriors of their townhomes. What is appealing and attractive to one person, may be objectionable to another. For that reason, the Association prohibits exterior "decorations" by owners without the prior written approval of the Architectural Reviewer. Examples of exterior

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decorations are windsocks, potted plants, and benches, name signs on tiles, hanging baskets, bird feeders, awnings, window sill birdfeeders, yard gnomes, and clay frogs.

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

7.15. DRIVEWAYS. The driveway portion of a Lot may not be used for any purpose that interferes with its ongoing use as a route of vehicular access to the garage. Without the board's prior approval, a driveway may not be used: (1) for storage purposes, including storage of boats, trailers (of any kind), and inoperable vehicles; or (2) for repair or restoration of vehicles; or (3) driveways may not be stained or painted. Extension of driveways is prohibited without the express written permission of the ACC.

7.16. FIRE SAFETY. No person may use, misuse, cover, disconnect, tamper with, or modify the fire and safety equipment of the Property, including the sprinkler heads and water lines in and above the ceilings of the townhome, or interfere with the maintenance and/or testing of same by persons authorized by the Association or by public officials.

7.17. GARAGES. The garage area of a townhome may not be enclosed or used for any purpose that prohibits the parking of two standard-size operable vehicles therein. Garage doors are to be kept closed at all times except when a vehicle is entering or leaving.

7.18. GUNS. Hunting and shooting are not permitted anywhere on or from the Property.

7.19. LANDSCAPING. No person may perform landscaping, planting, or gardening on the common area or Areas of Common Responsibility, without the board's prior written authorization.

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

Unofficial

7.21. NOISE & ODOR. A resident must exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb or annoy Residents of neighboring townhomes. The rules may limit, discourage, or prohibit noise-producing activities and items in the townhomes and on the Area of Common Responsibility.

NOTE: TOWNHOMES ARE NOT SOUND PROOFED. BE A GOOD NEIGHBOR.

7.22. OCCUPANCY - NUMBERS. The board may adopt Rules regarding the occupancy of townhomes. If the Rules fail to establish occupancy standards, no more than one person per bedroom may occupy a townhome, subject to the exception for familial status. The Association's occupancy standard for residents who qualify for familial status protection under the fair housing laws may not be more restrictive than the minimum (i.e., the fewest people per townhome) permitted by the U. S. Department of Housing and Urban Development. Other than the living area of the townhome, no item or structure on a Lot, such as the garage, may be occupied as a residence at any time by any person.

7.23. OCCUPANCY - TYPES. A person may not occupy a townhome if the person constitutes a direct threat to the health or safety of other persons, or if the person's occupancy would result in substantial physical damage to the property of others. This Section does not and may not be construed to create a duty for the Association or a selling owner to investigate or screen purchasers or prospective purchasers of townhomes. By owning or occupying a townhome, each person acknowledges that Villas of Middleton Townhomes is subject to local, state, and federal fair housing laws and ordinances. Accordingly, this Section may not be used to discriminate against classes or categories of people.

7.24. RESIDENTIAL USE. The use of a townhome is limited exclusively to residential purposes or any other use permitted by this Declaration. This residential restriction does not, however, prohibit a Resident from using a townhome for personal business or professional pursuits provided that: (1) the uses are incidental to the use of the townhome as a residence; (2) the uses conform to applicable governmental ordinances; (3) there is no external evidence of the uses; (4) the uses do not entail visits to the townhome by employees or the public in quantities that materially increase the number of vehicles parked on the street; and (5) the uses do not interfere with Residents' use and enjoyment of neighboring townhomes.

7.25. SIGNS. No signs, including signs advertising the townhomes for sale or lease, or unsightly objects may be erected, placed, or permitted to remain on the Property or to be visible from windows in the townhome without written authorization of the board. If the board authorizes signs, the board's authorization may specify the location, nature, dimensions, number, and time period of any advertising sign. As used in this Section, "sign" includes, without limitation, lettering, images, symbols, pictures, shapes, lights, banners, and any other representation or medium that conveys a message. The Association may affect the immediate removal of any sign or object that violates this Section or which the board deems inconsistent with neighborhood standards without liability for trespass or any other liability connected with the removal. Notwithstanding the foregoing, if public law - such as Texas Property Code Section 202.009 and local ordinances - grants an owner the right to place political signs on the owner's Lot, the Association may not prohibit an owner's exercise of such right. The Association may

Unofficial

adopt and enforce Rules regulating every aspect of political signs on owners' Lots to the extent not prohibited or protected by public law. Unless the Rules or public law provide otherwise (1) a political sign may not be displayed more than 90 days before or 10 days after an election to which the sign relates; (2) a political sign must be ground-mounted; (3) an owner may not display more than one political sign for each candidate or balLot item; and (4) a political sign may not have any of the attributes itemized in Texas Property Code Section 202.009(c), to the extent that statute applies to the Lot.

7.26. STRUCTURAL INTEGRITY. No person may directly or indirectly impair the structural soundness or integrity of a building or another townhome, nor do any work or modification that will impair an easement or real property right.

7.27. TELEVISION. Each Resident of the Property will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, electronic, microwave, cable, or satellite reception on the Property. Antennas, satellite or microwave dishes, and receiving or transmitting towers that are visible from a street or from another Lot are prohibited within the Property, except (1) reception-only antennas or satellite dishes designed to receive television broadcast signals, (2) antennas or satellite dishes that are one meter or less in diameter and designed to receive direct broadcast satellite service (DBS), or (3) antennas or satellite dishes that are one meter or less in diameter or diagonal measurement and designed to receive video programming services via multipoint distribution services (MDS) (collectively, the "Antenna") are permitted if located (a) inside the structure (such as in an attic or garage) so as not to be visible from outside the structure, (b) in a fenced yard, or (c) attached to or mounted on the rear wall of a structure below the eaves. If an owner determines that an Antenna cannot be located in compliance with the above guidelines without precluding reception of an acceptable quality signal, the owner may install the Antenna in the least conspicuous location on the Lot where an acceptable quality signal can be obtained. The Association may adopt reasonable rules for the location, appearance, camouflaging, installation, maintenance, and use of the Antennas to the extent permitted by public law.

7.28. TRASH. Each Resident will endeavor to keep the Property clean and will dispose of all refuse in receptacles designated specifically by the Association or by the City for that purpose. Trash must be placed entirely within the designated receptacle. The board may adopt, amend, and repeal rules regulating the disposal and removal of trash from the Property. If the rules fail to establish hours for curbside trash containers, the container may be in the designated area from dusk on the evening before trash pick-up day until dusk on the day of trash pick-up. ***At all other times, trash containers must be kept inside the garage and may not be visible from a street or another townhome***.

7.29. VARIATIONS. Nothing in this Declaration may be construed to prevent the Architectural Reviewer from (1) establishing standards for one building, type of building, or phase in the Property that are different from the standards for other buildings or phases, or (2) approving a system of controlled individualization of townhome exteriors.

7.30. VEHICLES. All vehicles on the Property, whether owned or operated by the Residents or their families and guests, are subject to this Section and Rules adopted by the board. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on the Property. The board may affect

UNOFFICIAL

the removal of any vehicle in violation of this Section or the Rules without liability to the owner or operator of the vehicle. Towing services, if adopted or used by the Association for the removal of a vehicle in violation of the Association's governing documents or rules and regulations shall be at the sole expense of the vehicle Owner.

7.30.1. Parking in Street. Vehicles that are not prohibited below may park on public streets only if the city allows curbside parking, and in designated parking areas, subject to the continuing right of the Association to adopt reasonable rules if circumstances warrant. Vehicles are not to block driveways or park in such a way to be a nuisance or cause a safety hazard.

7.30.2. Prohibited Vehicles. Without prior written board approval, the following types of vehicles and vehicular equipment - mobile or otherwise - may not be kept, parked, or stored anywhere on the Property - including overnight parking on streets, driveways, and visitor parking spaces - if the vehicle is visible from a street or from another townhome: mobile homes, motor homes, buses, trailers, boats, jet skis, inoperable vehicles, commercial truck cabs, trucks with tonnage over one ton, vehicles which are not customary personal passenger vehicles, and any vehicle which the board deems to be a nuisance, unsightly, or inappropriate. This restriction does not apply to vehicles and equipment temporarily on the Property in connection with the construction or maintenance of a townhome. Vehicles that transport inflammatory or explosive cargo are prohibited from the Property at all times.

7.31. Intentionally Deleted.

7.32. MANDATORY ASSOCIATION NOTICE BY BUILDERS. Builders must post a notice in a prominent place in all model homes and sales offices stating that the Association has been established and membership in the Association is mandatory for all property owners. The notice shall also state that the builder will provide any person upon their request, the Association documents and a five year projection of dues, income, and association expenses.

7.33. FLAGS. Each Owner and Resident of the Villas of Middleton Townhomes has a right to fly the flag on his Lot. The United States flag ("***Old Glory***") and/or the Texas state flag ("***Lone Star Flag***"), and/or an official or replica flag of any branch of the United States armed forces, may be displayed in a respectful manner on each Lot, subject to reasonable standards adopted by the Association for the height, size, illumination, location, and number of flagpoles, all in compliance with section 202.011 of the Texas Property Code. All flag displays must comply with public flag laws, to specifically include, but not limited to Chapter 31 of the Texas Government Code. No other types of flags, pennants, banners, kites, or similar types of displays are permitted on a Lot if the display is visible from a street or common area. Unless the Rules provide otherwise, a flag must be wall-mounted to the first floor facade of the house, and no in-ground flag pole is permitted on a Lot.

ARTICLE 8

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ASSOCIATION AND MEMBERSHIP RIGHTS

8.1. ASSOCIATION. By acquiring an ownership interest in a Lot, a person is automatically a member of Villas of Middleton Townhomes Homeowners Association (the "Association").

8.2. BOARD. Unless the Documents expressly reserve a right, action, or decision to the owners, Declarant, or another party, the board acts in all instances on behalf of the Association. Unless the context indicates otherwise, references in the Documents to the "Association" may be construed to mean "the Association acting through its board of directors."

8.3. THE ASSOCIATION. The duties and powers of the Association are those set forth in the Documents, primarily the Bylaws, together with the general and implied powers of a property owners association and a nonprofit corporation organized under the laws of the State of Texas. Generally, the Association may do any and all things that are lawful and necessary, proper, or desirable in operating for the peace, health, comfort, and general benefit of its members, subject only to the limitations on the exercise of such powers as stated in the Documents. Among its duties, the Association levies and collects assessments, maintains the common areas, and pays the expenses of the Association, such as those described in Section 9.4 below. The Association comes into existence on the earlier of (1) issuance of its corporate charter or (2) the initial levy of assessments against the Lots and owners. The Association will continue to exist at least as long as the Declaration is effective against the Property, regardless of whether its corporate charter lapses from time to time. Notwithstanding the foregoing, the Association may not be dissolved without the prior written consent of the City.

8.4. GOVERNANCE. The Association will be governed by a board of directors elected by the members. Unless the Association's bylaws or articles of incorporation provide otherwise, the board will consist of at least 3 persons elected at the annual meeting of the Association, or at a special meeting called for that purpose. The Association will be administered in accordance with the bylaws. Unless the Documents provide otherwise, any action requiring approval of the members may be approved in writing by owners of at least a majority of all Lots, or at a meeting by owners of at least a majority of the Lots that are represented at the meeting.

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

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contract seller remains liable for all assessments attributable to his Lot until fee title to the Lot is transferred.

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

8.7. VOTING BY CO-OWNERS. The one vote appurtenant to a Lot is not divisible. If only one of the multiple co-owners of a Lot is present at a meeting of the Association, that person may cast the vote allocated to the Lot. If more than one of the co-owners is present, the Lot's one vote may be cast with the co-owners' unanimous agreement. Co-owners are in unanimous agreement if one of the co-owners casts the vote and no other co-owner makes prompt protest to the person presiding over the meeting. Any co-owner of a Lot may vote by ballot or proxy, and may register protest to the casting of a vote by ballot or proxy by the other co-owners. If the person presiding over the meeting or balloting receives evidence that the co-owners disagree on how the one appurtenant vote will be cast, the vote will not be counted.

8.8. BOOKS & RECORDS. The Association will maintain copies of the Documents and the Association's books, records, and financial statements in accordance with Texas Property Code §209.005(m). Books and records of the Association will be made available for inspection and copying pursuant to Article 1396-2.23.B. of the Texas Nonprofit Corporation Act. Any Owner desiring copies of records shall submit a written request to the Association by certified mail that conforms to the requirements of Texas Property Code §209.005. The Association shall respond within ten (10) days from receipt of the notice with dates on which the Owner may inspect, provide requested copies or, if the Association is unable to produce the records within that time frame, provide a date within fifteen (15) days after the response that the records will be made ready for inspection. Inspection shall take place at a mutually agreed time during normal business hours. At that time the Owner must identify the records of which they want copies. Pursuant to Texas Property Code §209.005, if an Open Records request is made, the Association may charge the requestor all reasonable costs of materials, labor, and overhead for compelling, producing, and reproducing the requested information. The Association's charges to an Owner are tied to the rates published in §70.3 of the Texas Administration Code (Title 1, Part 3, Chapter 70), which cannot be exceeded, but which are periodically evaluated and updated by the State of Texas. Notwithstanding anything to the contrary in any writing or communication made by the Association, the Association will not in any event be entitled to receive or collect Open Records charges from an Owner in amounts greater than the maximum charges permitted by applicable law. If from any circumstances whatsoever the Association charges or receives an amount in excess of the maximum charges permitted by law, the excess amount will be reimbursed. In its sole and absolute discretion, the Association may reduce or waive some or all of the charges addressed by this policy on an *ad hoc* basis without waiving the right to charge such fees on future requests. The Association may require advance payment of the estimated charges addressed by this policy. Within 30 business days after delivering the requested information, the Association will provide the Owner with an

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invoice of the actual charges. If the actual costs are less than the prepaid estimated costs, the Association will refund the difference to the owner within thirty (30) business days after sending the invoice. If the actual costs are greater than the prepaid estimated cost, the difference is due and payable to the Association by the Owners within thirty (30) business days after the invoice was sent to the Owner, after which time the Association may add the unpaid amount to the Owner's assessment account.

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

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

8.10.1. Pay Assessments. Each owner will pay assessments properly levied by the Association against the owner or his Lot, and will pay regular assessments without demand or the presentation of a statement by the Association.

8.10.2. Comply. Each owner will comply with the Documents, rules and regulations and any amendments.

8.10.3. Reimburse. Owner will pay for damage to the Property caused by the negligence or willful misconduct of the owner, a Resident of the owner's Lot, or the Owner or Resident's family, guests, employees, contractors, agents, or invitees.

8.10.4. Liability. Each owner is liable to the Association for violations of the Documents by the Owner, a Resident of the Owner's Lot, or the owner or Resident's family, guests, employees, agents, or invitees, and for costs incurred by the Association to obtain compliance, including attorney's fees whether or not suit is filed. Fines shall be implemented for failure to abate a violation.

8.11. HOME RESALES. This Section applies to every sale or conveyance of a Lot or an interest in a Lot by an owner other than Declarant or a builder:

8.11.1. Resale Certificate. An owner intending to sell his home will notify the Association and will request a resale certificate from the Association. **There will be fees associated with the issuance of a resale certificate. Some fees will be payable to the Association and some to its Managing Agent**.

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

8.11.3. Reserve Fund Contribution. At time of transfer, a fee in the amount of Three Hundred and No/100 Dollars ($300.00) will be paid to the Association, to be deposited in the Association's replacement reserve funds. The fee may be paid by the seller or buyer, and will be collected at closing. If the fee is not collected at closing, the buyer remains liable to the Association for the fee until paid. The reserve fund contribution is not refundable and may not be regarded as a prepayment of or credit against regular or special assessments.

8.11.4. Other Transfer-Related Fees. A number of independent fees may be charged in relation to the transfer of title to a Lot, including but not limited to fees for resale certificates, estoppel certificates, copies of Documents, compliance inspections, ownership record changes, and priority processing, provided the fees are customary in amount, kind, and number for the local marketplace. Transfer-related fees are not refundable and may not be regarded as a prepayment of or credit against regular or special assessments. Transfer-related fees may be charged by the Association or by the Association's managing agent, provided there is no duplication of fees. Transfer-related fees charged by or paid to a managing agent are not subject to the Association's assessment lien, and are not payable by the Association. The maximum amount of such transfer related fees shall be Seven Hundred Fifty and/No Dollars ($750.00).

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

ARTICLE 9
COVENANT FOR ASSESSMENTS

9.1. PURPOSE OF ASSESSMENTS. The Association will use assessments for the general purposes of preserving and enhancing the Property, and for the common benefit of owners and residents, including but not limited to maintenance of real and personal property,

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management and operation of the Association, and any expense reasonably related to the purposes for which the Property was developed. If made in good faith, the board's decision with respect to the use of assessments is final.

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

9.3. CONTROL FOR ASSESSMENT INCREASES. This Section of the Declaration may not be amended without the approval of at least fifty-one percent (51%) of Owners of Lots. The Board may increase assessments in an amount not more than twenty-five percent (25%) from the previous year's assessment rate and an increase can only be done once in any fiscal year without the approval of at least fifty-one percent (51%) of Owners. In addition to other rights granted to owners by this Declaration, owners have the following powers and controls over the Association's budget:

9.3.1. Increased Dues. Any increase over twenty-five percent (25%) requires the approval of at least fifty-one percent (51%) of the Owners.

9.3.2. Veto Special Assessment. At least 30 days prior to the effective date of a special assessment, the board will notify an owner of each Lot of the amount of, the budgetary basis for, and the effective date of the special assessment. ***The special assessment will automatically become effective unless owners of at least majority of the Lots disapprove the special assessment by petition or at a meeting of the Association***. See section 9.4.2 for additional information.

9.4. TYPES OF ASSESSMENTS. There are six types of assessments: Regular, Special, Insurance, Master, Individual, and Deficiency.

9.4.1. Regular Assessments. Regular assessments are based on the annual budget. Each Lot is liable for its equal share of the annual budget. If the board does not approve an annual budget or fails to determine new regular assessments for any year, or delays in doing so, owners will continue to pay the regular assessment as last determined. **The regular assessment has been set at $100.00 (one hundred dollars) per month for the 1st year after recording of these documents.** If during the course of a year the board determines that regular assessments are insufficient to cover the estimated common expenses for the remainder of the year, the board may increase regular assessments for the remainder of the fiscal year in an amount not to exceed twenty-five percent

(25%) without Owner vote or approval. Regular assessments are used for common expenses related to the reoccurring, periodic, and anticipated responsibilities of the Association, including but not limited to:

a. Maintenance, repair, and replacement, as necessary, of the common area, including the private streets and alleys.

b. Maintenance, repair, and replacement, as necessary, of the Area of Common Responsibility.

c. Utilities billed to the Association.

d. Services billed to the Association and serving all Lots.

e. Taxes on property owned by the Association and the Association's income taxes.

f. Management, legal, accounting, auditing, and professional fees for services to the Association.

g. Costs of operating the Association, such as telephone, postage, office supplies, printing, meeting expenses, and educational opportunities of benefit to the Association.

h. Premiums and deductibles on insurance policies and bonds required by this Declaration or deemed by the board to be necessary or desirable for the benefit of the Association, including fidelity bonds and directors' and officers' liability insurance.

i. Contributions to the reserve funds.

j. Any other expense which the Association is required by law or the Documents to pay, or which in the opinion of the board is necessary or proper for the operation and maintenance of the Property or for enforcement of the Documents.

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

a. Acquisition of real property, other than the purchase of a Lot at the sale foreclosing the Association's lien against the Lot.

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b. Construction of additional improvements within the Property, but not replacement of original improvements.

c. Any expenditure that may reasonably be expected to significantly increase the Association's responsibility and financial obligation for operations, insurance, maintenance, repairs, or replacement.

9.4.3. Insurance Assessments. The Association's insurance premiums are common expenses that must be included in the Association's annual budget. Nevertheless, the board may levy an Insurance Assessment - separately from the regular assessment - to fund (1) insurance premiums, (2) insurance deductibles, and (3) expenses pertaining to the Fire Riser Closets and the fire sprinkler system for the townhome buildings. If the Association levies an Insurance Assessment, the Association must disclose the Insurance Assessment in resale certificates prepared by the Association.

9.4.4. Master Assessments. If applicable, the Association may serve as a conduit for payment of the owners' assessments to the Master Association. At its sole discretion, the board may include the owners' collective obligation to the Master Association in the Association's annual operating budget to be paid by regular assessment, or as a separate dedicated assessment. If the Association levies a Master Assessment, the Association must disclose the Master Assessment in resale certificates prepared by the Association. If the Association collects money from the owners for the Master Association, the Association is not required to make payment to the Master Association for the account of an owner who is delinquent in payment of assessments to the Association. Money received by the Association from such owner will be applied first to cure the owner's account with the Association. Any surplus may be paid to the Master Association for the owner's account.

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

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

9.5. BASIS & RATE OF ASSESSMENTS. The share of liability for common expenses allocated to each Lot is uniform for all Lots, regardless of a Lot's location or the value and size of the Lot or townhome; subject, however, to the exemption for Declarant provided below and in Appendix B.

9.6. DECLARANT OBLIGATION. Declarant's obligation for and exemption from assessments is described in Appendix B. Unless Appendix B creates an affirmative assessment obligation for Declarant, a Lot that is owned by Declarant during the Development Period is exempt from mandatory assessment by the Association. Declarant has a right to reimbursement for any assessment paid to the Association by Declarant during the Development Period, but only after the Declarant Control Period. This provision may not be construed to prevent Declarant from making a loan or voluntary monetary donation to the Association, provided it is so characterized.

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

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

9.9. RESERVE FUNDS. The Association will establish, maintain, and accumulate reserves for operations and for replacement and repair. The Association must budget for reserves and may fund reserves out of regular assessments.

9.9.1. Replacement & Repair Reserves. The Association will endeavor to maintain replacement and repair reserves at a level that anticipates the scheduled replacement or major repair of components of the common area and Area of Common Responsibility.

9.10. ASSOCIATION'S RIGHT TO BORROW MONEY. The Association is granted the right to borrow money, subject to the consent of owners of at least a majority of Lots and the ability of the Association to repay the borrowed funds from assessments. To assist its ability to borrow, the Association is granted the right to encumber, mortgage, pledge, or deed

Exhibit C

in trust any of its real or personal property, and the right to assign its right to future income, as security for money borrowed or debts incurred, provided that the rights of the lender in the pledged property are subordinate and inferior to the rights of the owners hereunder.

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

ARTICLE 10
ASSESSMENT LIEN

10.1. ASSESSMENT LIEN. Each owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay assessments to the Association. Each assessment is a charge on the Lot and is secured by a continuing lien on the Lot. Each owner, and each prospective owner, is placed on notice that his title may be subject to the continuing lien for assessments attributable to a period prior to the date he purchased his Lot. Owner acknowledges that by virtue of his or her acceptance of a deed thereto, they hereby grant to the Association a contractual lien on such Lot, which may be foreclosed judicially or by Expedited Foreclosure Proceedings, pursuant to the provisions of Section 209.0092 of the Act and Texas Rules of Civil Procedure Rules 735 and 736 (and any successor statutes); and each such Owner hereby expressly grants the Association a power of sale in connection therewith. Expedited Foreclosure Proceedings are not required under this section if the Owner of the Lot to be foreclosed agrees in writing to waive said Expedited Foreclosure Proceedings at the time the foreclosure is sought. A waiver under this section may not be required as a condition of the transfer of title to a Lot.

10.2. SUPERIORITY OF ASSESSMENT LIEN. The assessment lien is superior to all other liens and encumbrances on a Lot, except only for (1) real property taxes and assessments levied by governmental and taxing authorities, (2) a deed of trust or vendor's lien recorded before this Declaration, (3) a recorded deed of trust lien securing a loan for construction of the original townhome, and (4) a first or senior purchase money vendor's lien or deed of trust lien recorded before the date on which the delinquent assessment became due. The assessment lien is subordinate and inferior to a recorded deed of trust lien that secures a first or senior purchase money mortgage, an FHA-insured mortgage, or a VA-guaranteed mortgage.

10.3. EFFECT OF MORTGAGEE'S FORECLOSURE. Foreclosure of a superior lien extinguishes the Association's claim against the Lot for unpaid assessments that became due before the sale, but does not extinguish the Association's claim against the former owner. The purchaser at the foreclosure sale of a superior lien is liable for assessments coming due from

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and after the date of the sale, and for the owner's pro rata share of the pre-foreclosure deficiency as an Association expense.

10.4. PREREQUISITES TO FORECLOSURE. Prior to referring an Owner's account to a collection agent, the Association is shall provide written notice, by certified mail, return receipt requested, that specifies each delinquent amount and the total amount of the payment required to make the account current, describes the options the Owner has to avoid the referral including payment plan options, and provides at least thirty (30) days to cure the delinquency before further action is taken.

10.5. ALTERNATIVE PAYMENT SCHEDULE. Pursuant to Section 209.062 of the Act, the Association hereby adopts reasonable guidelines to establish an alternative payment schedule by which an owner may make partial payments for delinquent regular or special assessments or any other amount owed without incurring additional penalties. The Association hereby adopts the following guidelines with regard to alternative payment schedules for delinquent assessments and other amounts owed by an Owner:

a. Term: The minimum term for a payment agreement shall be three (3) months and the maximum shall be eighteen (18) months from the date of the Owner's request for a payment plan. Subject to such minimum and maximum terms, the Association shall determine the appropriate term of the payment plan in its sole discretion.

b. Form: Any and all alternative payment agreements shall be in writing and signed by the Owner and a duly authorized member of the Board.

c. Additional Monetary Expense: So long as an Owner is not in default under the terms of the payment agreement, the Owner shall not incur additional monetary expenses; however, the Owner shall be responsible for all interest accruing during the term of the payment plan as well as reasonable costs associated with administering the payment plan or interest.

d. Application of Payments: If at the time the Association receives a payment, the Owner is not in default under an alternative payment agreement, the Association shall apply the payment to the Owner's debt in the following order of priority: (a) any delinquent assessment; (b) any current assessment; (c) any attorney's fees or third party collection costs incurred by the Association associated solely with assessments or any other charge that could provide the basis for foreclosure; (d) any attorney's fees incurred by the Association that are not subject to subsection (c); (e) any fines assessed by the Association; and (f) any other amounts owed to the Association.

e. Default: If the Owner defaults under a payment plan agreement, the account may immediately be turned over to the Association's attorney for collection. The Association shall not be required to enter into an alternative payment agreement with an Owner who failed to honor the terms of a previous payment agreement

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during the two (2) years following the Owner's default under the previous alternative payment agreement. At the discretion of the Association, an Owner who failed to honor the terms of a previous payment agreement may be required to waive Expedited Foreclosure Proceedings under Section 209.0092 Texas Property Code as a condition to an additional alternative payment agreement. If, at any time the Association receives a payment from an Owner who is in default of an alternative payment agreement, the Association is not required to apply the payment in the order of priority specified hereinabove.

f. No Waiver. The Association may reduce or waive some or all of the charges addressed by this policy on an *ad hoc* basis without waiving the right to charge such fees on future requests.

10.6. FORECLOSURE OF LIEN. Notice and Opportunity to Cure for Certain Other Lienholders. The Association may not foreclose its assessment lien by Expedited Foreclosure Proceedings or judicially unless it has: provided written notice by certified mail, return receipt requested, of the total amount of the delinquency to any other holder of a lien that is inferior or subordinate to the Association's lien and is evidenced by a deed of trust; and provided the recipient of the notice an opportunity to cure within sixty-one (61) days from the receipt of the notice.

10.7 FORECLOSURE SALE PROHIBITED IN CERTAIN CIRCUMSTANCES. The Association may not foreclose its assessment lien for debts consisting solely of fines or attorneys' fees associated with the fines assessed, or for copy charges under its Open Records Policy, pursuant to § 209.005 of the Texas Property Code.

10.8 ASSESSMENT LIEN FILING. In addition to the right of the Association to enforce charges or assessments levied hereunder, the Association may file a claim of lien against the Lot of the delinquent Owner by recording a Notice of Lien setting forth (a) the amount of the claim of delinquency, (b) the interest thereon, (c) the costs of collection which have accrued thereon, (d) the legal description and street address of the Lot against which the lien is claimed and (e) the name of the Owner. The Notice of Lien shall be recorded in the Official Public Records of Real Property of Collin County, Texas, and is a legal instrument affecting title to a Lot, and shall be prepared by the Association's attorney. When all amounts claimed under the Notice of Lien and all other costs and assessments which may have accrued subsequent to the filing of the Notice of Lien have been fully paid or satisfied, the Association shall execute and record a notice of satisfaction of the delinquent assessment upon payment by the Owner of a reasonable fee as fixed by the Board to cover the preparation and recordation of such instrument.
Attorney's Fees. All attorney's fees, costs, and other amounts collected from an Owner shall be deposited into an account maintained at a financial institution in the name of the Association or its designated agent. Only Board members or the Association's designated agent or employees of said agent may be signatories on the account. On written request from the Owner, the Association shall provide copies of invoices for attorney's fees and other costs relating only to the matter for which the Association seeks reimbursement of fees and costs.

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10.9 NOTICE AFTER FORECLOSURE SALE. After the Association conducts a foreclosure sale of an Owner's Lot, the Association must send to the Owner and to each lienholder of record, not later than the thirtieth (30th) day after the date of the foreclosure sale, a written notice stating the date and time the sale occurred and informing the Owner and each lienholder of record of the right of the Lot owner and lienholder to redeem the property. The notice must be sent by certified mail, return receipt requested, to the Owner's last known mailing address, as reflected in the records of the Association, the address of each holder of a lien on the Lot subject to foreclosure evidenced by the most recent deed of trust filed of record in the real property records of the county in which the property is located, and the address of each transferee or assignee of a deed of trust who has provided notice to the Association of such assignment or transfer. Notice provided by a transferee or assignee to the Association shall be in writing, shall contain the mailing address of the transferee or assignee, and shall be mailed by certified mail, return receipt requested, or United States mail with signature confirmation to the Association according to the mailing address of the Association pursuant to the most recent management certificate filed of record. If a recorded instrument does not include an address for the lienholder, the Association does not have a duty to notify the lienholder as provided by this section. For purposes of this section, the Owner is deemed to have given approval for the Association to notify the lienholder. Not later than the thirtieth (30th) day after the date the Association sends the notice, the Association must record an affidavit in the Real Property Records, stating the date on which the notice was sent and containing a legal description of the Lot. Any person is entitled to rely conclusively on the information contained in the recorded affidavit. The notice requirements of this section also apply to the sale of an Owner's Lot by a sheriff or constable conducted as provided by a judgment obtained by the Association.

10.10. RIGHT OF REDEMPTION AFTER FORECLOSURE. The Owner of a Lot in the Subdivision or a lienholder of record may redeem the property from any purchaser at a sale foreclosing a the Association's assessment lien not later than the one hundred eightieth (180th) day after the date the Association mails written notice of the sale to the Owner and the lienholder under Sections 209.010 and 209.011 of the Texas Property Code. A lienholder of record may not redeem the Lot as provided herein before ninety (90) days after the date the Association mails written notice of the sale to the Lot Owner and the lienholder under the Act, and only if the Lot Owner has not previously redeemed. A person who purchases a Lot at a sale foreclosing the Association's assessment lien may not transfer ownership of the Lot to a person other than a redeeming Lot Owner during the redemption period.

10.11. REMOVAL OF FORECLOSURE AUTHORITY. The right to foreclose the lien on real property for unpaid amounts due to the Association may be removed by a vote of at least sixty-seven percent (67%) of the total votes allocated in the Association. Owners holding at least ten percent (10%) of all voting interests may petition the Association and require a special meeting to be called for the purposes of taking a vote for the purposes of this section. This section is required pursuant to §209.0093 of the Texas Property Code and should this provision be amended or repealed in any form, this section shall be deemed to be automatically amended or repealed in accordance therewith.

ARTICLE 11
EFFECT OF NONPAYMENT OF ASSESSMENTS

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

11.1. INTEREST. Delinquent assessments are subject to interest from the due date until paid, at a rate to be determined by the board from time to time, not to exceed the lesser of eighteen percent (18%)or the maximum permitted by law. If the board fails to establish a rate, the rate is 10 percent per annum.

11.2. LATE FEES. Delinquent assessments are subject to late fees at a rate of $25.00 per month payable to the Association.

11.3. COSTS OF COLLECTION. The owner of a Lot against which assessments are delinquent is liable to the Association or its agent for reimbursement of reasonable costs incurred to collect the delinquent assessments, including attorney's fees and processing fees charged by the managing agent. A managing agent may charge a fee of $15.00 per month for every month an account is delinquent for its efforts in the processing and collection of delinquent accounts. This fee shall be assessed to the Owner's account.

11.4. ACCELERATION. If an owner defaults in paying an assessment that is payable in installments, the Association may accelerate the remaining installments on ten (10) days written notice to the defaulting owner. The entire unpaid balance of the assessment becomes due on the date stated in the notice.

11.5. SUSPENSION OF USE AND VOTE. Upon prior notice, the Association may suspend the right of Owners and Residents to use common areas and common services during the period of delinquency, pursuant to the procedures established in the Bylaws. The Association may not suspend the right to vote appurtenant to the Lot. Suspension does not constitute a waiver or discharge of the owner's obligation to pay assessments. Further procedures for membership voting are located in the Bylaws.

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

11.7. NOTICE TO MORTGAGEE. The Association may notify and communicate with the holder of any lien against a Lot regarding the Owner's default in payment of assessments.

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11.8. FORECLOSURE OF ASSESSMENT LIEN. As provided by this Declaration, the Association may foreclose its lien against the Lot by judicial or nonjudicial means.

11.9. APPLICATION OF PAYMENTS. The board may adopt and amend policies regarding the application of payments. The Association may refuse to accept partial payment, i.e., less than the full amount due and payable. The Association may also refuse to accept payments to which the payer attaches conditions or directions contrary to the board's policy for applying payments. The Association's policy may provide that endorsement and deposit of a payment does not constitute acceptance by the Association, and that acceptance occurs when the Association posts the payment to the Lot's account.

ARTICLE 12
ENFORCING THE DOCUMENTS

12.1. NOTICE AND HEARING. Before the Association may exercise its remedies for a violation of the Documents or damage to the Property, the Association must give an owner written notice and an opportunity for a hearing, according to the requirements and procedures in the Bylaws and in applicable law, such as Chapter 209.007 of the Texas Property Code. Notices are also required before an owner is liable to the Association for certain charges, including reimbursement of attorney's fees incurred by the Association. The notice must describe the violation or property damage that is the basis for the suspension action, charge, or fine and state any amount due the Association from the Owner and inform the Owner that the Owner is entitled to a reasonable period to cure the violation and avoid the fine or suspension (unless the Owner was given notice and a reasonable opportunity to cure a similar violation within the preceding six months), may request a hearing under Section 209.007 of the Act on or before the thirtieth (30th) day after the date the Owner receives the notice, and may have special rights or relief related to the enforcement action under federal law, including the Servicemembers Civil Relief Act (50 U.S.C. app. Section 501 et seq.), if the Owner is serving on active military duty.

12.2. REMEDIES. The remedies provided in this Article for breach of the Documents are cumulative and not exclusive. In addition to other rights and remedies provided by the Documents and by law, the Association has the following right to enforce the Documents, subject to applicable notice and hearing requirements (if any). A minimum of one ten day notice shall be given to each Owner and/or an Owner's tenant when a violation of the documents has been identified:

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

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

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owner's obligations under the Documents. The fine structure unless amended by the Board shall begin with a minimum fine of $50.00 and increase in increments of $50.00 until the violation is abated. The Board may determine a maximum fine amount per violation and fines may, at the Board's sole discretion, be determined on a case by case basis.

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

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

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

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

12.3.1. Right to Hearing. Notwithstanding the foregoing, If the Owner is entitled to an opportunity to cure the violation, the Owner has the right to submit a written request for a hearing to discuss and verify facts and resolve the matter in

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issue before a committee appointed by the Board or before the Board of Directors if a committee is not appointed. If a hearing is to be held before a committee, the notice prescribed by Section 209.006 of the Act must state that the Owner has the right to appeal the committee's decision to the Board by written notice. The Association shall hold a hearing under this section not later than the thirtieth (30th) day after the date the Board receives the Owner's request for a hearing and shall notify the Owner of the date, time, and place of the hearing not later than the tenth (10th) day before the date of the hearing. The Board or the owner may request a postponement, and, if requested, a postponement shall be granted for a period of not more than ten (10) days. Additional postponements may be granted by agreement of the parties. The Owner or the Association may make an audio recording of the meeting. The Association shall hold a hearing under this section not later than the thirtieth (30th) day after the date the Board receives the Owner's request for a hearing and shall notify the Owner of the date, time, and place of the hearing not later than the tenth (10th) day before the date of the hearing. The Board or the Owner may request a postponement, and, if requested, a postponement shall be granted for a period of not more than ten (10) days. Additional postponements may be granted by agreement of the parties. The Owner or the Association may make an audio recording of the meeting and may use alternative dispute resolution services. The Owner's presence is not required to hold a hearing.

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

12.5. RECOVERY OF COSTS. The costs of curing or abating a violation are at the expense of the owner or other person responsible for the violation. If legal assistance is obtained to enforce any provision of the Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Documents or the restraint of violations of the Documents, the prevailing party is entitled to recover from the non-prevailing party all reasonable and necessary costs incurred by it in such action, including reasonable attorneys' fees.

ARTICLE 13
MAINTENANCE AND REPAIR OBLIGATIONS

13.1. OVERVIEW. Generally, the Association maintains the common areas, and the owner maintains his Lot and townhome. If an owner fails to maintain his Lot, the Association may perform the work at the owner's expense. However, this Declaration permits owners to delegate some of their responsibilities to the Association. For example, during one span the owners may want the Association to handle the periodic repainting of exterior trim on all the

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townhomes, which otherwise is the responsibility of each Lot owner. During the next period, the owners may prefer to handle repainting on an individual basis. They have that option under this Declaration's concept of "Areas of Common Responsibility," as described below.

13.2. ASSOCIATION MAINTAINS. The Association's maintenance duties will be discharged when and how the board deems appropriate. The Association maintains, repairs, and replaces, as a common expense, the portions of the Property listed below, regardless of whether the portions are on Lots or common areas.

a. The common areas.

b. The Areas of Common Responsibility, if any.

c. Any real and personal property owned by the Association but which is not a common area, such as a Lot owned by the Association.

d. Any property adjacent to Villas of Middleton Townhomes if maintenance of same is deemed to be in the best interests of the Association and if not prohibited by the owner or operator of said property.

e. Any area, item, easement, or service - the maintenance of which is assigned to the Association by this Declaration or by the plat.

13.3 MAINTENANCE BY CITY OF PLANO. The City or its lawful agents, after due notice to the Association and opportunity to cure, may maintain the common areas, landscape systems and any other features or elements that are required to be maintained by the Association and the Association fails to do so. The City or its lawful agents, after due notice to the Association and opportunity to cure, may also perform the responsibilities of the Association and its board of directors if the Association fails to do so in compliance with any provisions of the agreements, covenants or restrictions of the Association or of any applicable City codes or regulations. All costs incurred by the City in performing said responsibilities as addressed in this paragraph shall be the responsibility of the Association. The City may also avail itself of any other enforcement actions available to the City pursuant to state law or city codes or regulations, with regard to the items addressed in this paragraph. The Association agrees to indemnify and hold the City harmless from any and all costs, expenses, suits, demands, liabilities or damages including attorney fees and costs of suit, incurred or resulting from the City's maintenance of the common areas and/or removal of any landscape systems, features or elements that cease to be maintained by the Association.

13.4. AREA OF COMMON RESPONSIBILITY. The Association, acting through its members only, has the right but not the duty to designate, from time to time, portions of Lots or townhomes as Areas of Common Responsibility to be treated, maintained, repaired, and/or replaced by the Association as a common expense. A designation applies to every Lot having the designated feature. The cost of maintaining components of Lots or townhomes as Areas of Common Responsibility is added to the annual budget and assessed uniformly against all Lots as a regular assessment, unless owners of at least a majority of the Lots decide to assess the costs as individual assessments.

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13.3.1 Change in Designation. The Association may, from time to time, change or eliminate the designation of components of Lots or townhomes as Areas of Common Responsibility. Any such change must be approved by owners of a majority of the townhome Lots, or by owners of two-thirds of the townhome Lots represented at a meeting of the Association called for the purpose of changing the Area of Common Responsibility. Although the Maintenance Responsibility Chart is attached to this Declaration as Appendix "C", it may be amended, restated and published as a separate instrument. The authority for amending it is contained in this Section. Any amended or restated Maintenance Responsibility Chart must be (1) published and distributed to an owner of each Lot, (2) reflected in the Association's annual budget and reserve funds, and (3) recorded in the Real Property Records of Collin County, Texas.

13.3.2 Initial Designation. On the date of this Declaration, the initial designation of components of Lots and townhomes as Areas of Common Responsibility is shown on Appendix "C" of this Declaration.

13.4. OWNER RESPONSIBILITY. Every owner has the following responsibilities and obligations for the maintenance, repair, and replacement of the Property, subject to the architectural control requirements of Article 6 and the use restrictions of Article 7.

13.4.1. Townhome Building Repairs. Unless the Property was designed for diversity and exterior expressions of individuality, all townhomes will be maintained with an eye towards uniformity and architectural harmony. This Section is necessitated by periods during which the Association may be lax about enforcing architectural uniformity, or during periods in which the Area of Common Responsibility is limited.

a. The exterior of each townhome must be maintained and repaired in a manner that is consistent for the entire townhome building.

b. If an owner desires to upgrade a component of the exterior, such as replacing aluminum windows with wood windows, the decision to change a standard component of the townhome building must be approved by the owners of more than half the townhomes in the townhome building, in addition to the Architectural Reviewer. Thereafter, the new building standard will apply to repairs or replacement of the component, as needed, on other townhomes in the building.

c. Unless a change of component has been approved, repairs, replacement, and additions to the exteriors of the townhomes must conform to the original construction. For example, if the building was constructed with bronze colored window frames, replacement windows with white frames may not be used unless white frames have been approved as the new standard for the townhome building. Similarly, the siding on one townhome may not be replaced with

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wood, while another is replaced with vinyl, and a third is replaced with cement fiberboard.

d. Ideally, all the townhome buildings in the Property will have the same architectural requirements, without building-to-building individuality. Nothing in this Section may be construed to prevent the Association from requiring uniform architectural standards for the entire Property. This Section may not be construed as authority for one building to "do its own thing."

13.4.2. Townhome Foundation. Each owner of a townhome Lot is solely responsible for the maintenance and repair of the foundation on his Lot. However, if a licensed structural engineer determines that the failure to repair the foundation under one townhome may adversely affect one or more other townhomes in the building, then the cost of the foundation repair will be divided by the number of townhomes in the building, and the owner of each of those townhomes will pay an equal share. If an owner fails or refuses to pay his share of costs of repair of the foundation, the owner advancing monies has a right to file a claim of lien for the monies advanced in the county's real property records, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an owner to contribution from another owner under this Section is appurtenant to the land and passes to the owner's successors in title.

13.4.3. Townhome Roofs. Each owner of a townhome Lot is solely responsible for the maintenance, repair, and replacement of all components of the roof and roof top patio of his townhome. However, if a roofing professional determines that the failure to repair the structural components of the roof of one townhome may adversely affect one or more other townhomes in the building, then the cost of the structural roof work will be divided by the number of townhomes in the building, and the owner of each townhome will pay an equal share. If an owner fails or refuses to pay his share of costs of repair of the roof, the owner advancing monies has a right to file a claim of lien for the monies advanced in the county's real property records, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an owner to contribution from another owner under this Section is appurtenant to the land and passes to the owner's successors in title.

13.4.4. Townhome Cooperation. Each owner of a townhome will endeavor to cooperate with the owners of the other townhomes in the building to affect the purposes and intent of the two preceding sections on townhome foundations and townhome roofs. If the owners of townhome Lots that share a building cannot cooperate, they may ask the Association to coordinate the required repairs.

13.4.5. Townhome Maintenance. Each owner, at the owner's expense, must maintain all improvements on the Lot, including but not limited to the townhome, fences, sidewalks, and driveways, except any area designated as an Area of Common Responsibility. Maintenance includes preventative

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maintenance, repair as needed, and replacement as needed. Each owner is expected to maintain his Lot's improvements at a level, to a standard, and with an appearance that is commensurate with the neighborhood. Specifically, each owner must repair and replace worn, rotten, deteriorated, and unattractive materials, and must regularly repaint all painted surfaces.

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

13.4.7. Responsible for Damage. An owner is responsible for his own willful or negligent acts and those of his or the resident's family, guests, agents, employees, or contractors when those acts necessitate maintenance, repair, or replacement to the common areas, the Area of Common Responsibility, or the property of another owner.

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

13.6. WARRANTY CLAIMS. If the owner is the beneficiary of a warranty against major structural defects of the Area of Common Responsibility, the owner irrevocably appoints the Association, acting through the board, as his attorney-in-fact to file, negotiate, receive, administer, and distribute the proceeds of any claim against the warranty that pertains to the Area of Common Responsibility.

13.7. CONCRETE. Minor cracks in poured concrete, including foundations, garage floors, sidewalks, driveways, and patio slabs, are inevitable as a result of the natural movement of soil (expansion and contraction), shrinkage during the curing of the concrete, and settling of the building. Such minor cracking is typically an aesthetic consideration without structural significance. The Association is not required to repair non-structural cracks in concrete components of the Area of Common Responsibility.

13.8. SHEETROCK. Notwithstanding anything to the contrary in the Documents, the Association is not responsible for the repair and replacement of sheetrock in any townhome, or for any surface treatments on the sheetrock, regardless of the source of damage and the availability of insurance. This provision is provided for the benefit of the Association and is

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warranted by the difficulty of scheduling interior sheetrock work and the possibility that the owner may not be satisfied with the quality or appearance of spot repairs. If the Association receives insurance proceeds for sheetrock damage to a townhome and chooses to not perform the repairs, the owner of the damaged townhome is entitled to the proceeds in exchange for identification of the damage and a release from future claims for the same damage.

13.9. MOLD. In the era in which this Declaration is written, the public and the insurance industry have a heightened awareness of and sensitivity to anything pertaining to mold. Because many insurance policies do not cover damages related to mold, owners should be proactive in identifying and removing visible surface mold, and in identifying and repairing sources of water leaks in the townhome. To discourage mold in his townhome, each resident should maintain an inside humidity level under sixty percent. For more information about mold, the owner should consult a reliable source, such as the U. S. Environmental Protection Agency.

13.10. PARTY WALLS. A townhome wall located on or near the dividing line between two Lots and intended to benefit both Lots constitutes a Party Wall and, to the extent not inconsistent with the provisions of this Section, is subject to the general rules of law regarding party walls and liability for property damage due to negligence, willful acts, or omissions.

13.10.1. Encroachments & Easement. If the Party Wall is on one Lot or another due to an error in construction, the Party Wall is nevertheless deemed to be on the dividing line for purposes of this Section. Each townhome sharing a Party Wall is subject to an easement for the existence and continuance of any encroachment by the Party Wall as a result of construction, repair, shifting, settlement, or movement in any portion of the Party Wall, so that the encroachment may remain undisturbed as long as the Party Wall stands. Each Lot is subject to a reciprocal easement for the maintenance, repair, replacement, or reconstruction of the Party Wall.

13.10.2. Right to Repair. If the Party Wall is damaged or destroyed from any cause, the owner of either Lot may repair or rebuild the Party Wall to its previous condition, and the owners of both Lots, their successors and assigns, have the right to the full use of the repaired or rebuilt Party Wall.

13.10.3. Maintenance Costs. The owners of the adjoining Lots share equally the costs of repair, reconstruction, or replacement of the Party Wall, subject to the right of one owner to call for larger contribution from the other under any rule of law regarding liability for negligence or willful acts or omissions. If an owner is responsible for damage to or destruction of the Party Wall, that owner will bear the entire cost of repair, reconstruction, or replacement. If an owner fails or refuses to pay his share of costs of repair or replacement of the Party Wall, the owner advancing monies has a right to file a claim of lien for the monies advanced in the county's Real Property Records, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an owner to contribution

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from another owner under this Section is appurtenant to the land and passes to the owner's successors in title.

13.10.4. Alterations. The owner of a Lot sharing a Party Wall may not cut openings in the Party Wall or alter or change the Party Wall in any manner that affects the use, condition, or appearance of the Party Wall to the adjoining town home. Unless both owners reach a mutual decision to the contrary, the Party Wall will always remain in the same location as where initially erected.

ARTICLE 14
INSURANCE

14.1. GENERAL PROVISIONS. All insurance affecting the Property is governed by the provisions of this Article, with which the owners and the board will make every reasonable effort to comply. Insurance policies and bonds obtained and maintained by the owners must be issued by responsible insurance companies authorized to do business in the State of Texas. Each insurance policy maintained by the owner should contain a provision requiring the insurer to give at least 10 days' prior written notice to the board before the policy may be canceled, terminated, materially modified, or allowed to expire, by either the insurer or the insured.

14.2. INSURANCE RATIONALE. A townhome development provides many complex issues and opportunities for insurance. There are valid reasons for having the individual owners should insure their own townhomes. All owners must insure their townhome property to the extent necessary (1) to preserve the appearance of the Property, (2) to maintain the structural integrity of the townhome building and the townhomes therein, (3) to maintain systems that serve multiple townhomes in a townhome building, such as pest control tubing and fire safety sprinklers, and (4) to maintain the perimeter shells of the townhomes. The owner must insure all aspects of his townhome.

14.3. PROPERTY INSURANCE BY OWNER(S). To the extent it is reasonably available; the owners will obtain property insurance for all improvements insurable by the owner. This insurance must be in an amount sufficient to cover the replacement cost of any repair or reconstruction in event of damage or destruction from any insured hazard. In insuring the Property, the owner may be guided by types of policies and coverage's customarily available for similar types of properties. As used in this Article, "Building Standard" refers to the typical townhome for the Property, as originally constructed, and as modified over time by changes in replacement materials and systems that are typical for the market and era.

14.3.1. **TOWNHOME INSURED BY OWNER**. As applicable towards the owner's individual townhome property, each owner will maintain property insurance on the following components of that owner's townhome building to the Building Standard.

a. All structural components of the townhome building, such as foundations, load bearing walls, and roof trusses.

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b. The exterior construction of the townhome building, such as the roof and roof stacks; exterior walls, windows, and doors; and patios, balconies, and decks.

c. The party walls of the townhome building, from unfinished sheetrock on one side of the party wall, to unfinished sheetrock on the other side of the party wall.

d. The structural components of the floor/ceiling assemblies that partition the townhome into levels or floors, including stairs connecting the floors.

e. Partition walls, countertops, cabinets, furr downs, interior doors, and fixtures within the townhome.

f. Finish materials on walls, floors, and ceilings, such as carpet, paint, tile, mirror, and wallpaper.

g. Window treatments, lighting fixtures, tub enclosures, and decorative hardware.

h. Appliances and plumbing fixtures.

i. All utility systems and equipment serving the townhome, including water heaters, air conditioning and heating equipment, electric wiring, ducts, and vents.

Each Owner and Resident is solely responsible for insuring his personal property in his townhome and on the Property, including furnishings and vehicles. The Association strongly recommends that each Owner and Resident purchase and maintain insurance on his personal belongings.

14.4. LIABILITY INSURANCE BY OWNER. Notwithstanding anything to the contrary in this Declaration, to the extent permitted by applicable law, each owner is liable for damage to the Property caused by the owner or by persons for whom the owner is responsible. Each owner is hereby required to obtain and maintain general liability insurance to cover this liability as well as occurrences within his townhome, in amounts sufficient to cover the owner's liability for damage to the property of others in the Property and to the Area of Common Responsibility, whether such damage is caused willfully and intentionally, or by omission or negligence.

14.5. OWNER'S GENERAL RESPONSIBILITY FOR INSURANCE. Each owner, at his expense, will maintain all insurance coverage's required of owners by the Association pursuant to this Article. Each owner will provide the Association with proof or a certificate of insurance on request by the Association from time to time. If an owner fails to maintain required insurance, or to provide the Association with proof of same, the board may obtain insurance on behalf of the owner who will be obligated for the cost as an individual assessment. The board may establish additional minimum insurance requirements, including types and minimum amounts of coverage, to be individually obtained and maintained by

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owners if the insurance is deemed necessary or desirable by the board to reduce potential risks to the Association or other owners. Each Owner and Resident is solely responsible for insuring his townhome and his personal property in his townhome and on his Lot, including furnishings, vehicles, and stored items.

ARTICLE 15
RESERVED

ARTICLE 16
AMENDMENTS

16.1. CONSENTS REQUIRED. As permitted by this Declaration, certain amendments of this Declaration may be executed by Declarant alone, or by the board alone. Amendment of the Maintenance Responsibility Chart, initially recorded as Appendix B of this Declaration, is subject to the terms of Section 13.3. Otherwise, amendments to this Declaration must be approved by owners of at least a majority of the Lots. To the extent any proposed amendment is for the purpose of either amending the provisions of this Declaration or the Associations agreements pertaining to the use, operation, maintenance and/or supervision of any facilities, structures, improvements, systems, common areas, private streets or grounds that are the responsibility of the Association, prior written consent of the City must be obtained.

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

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

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

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16.5. ORDINANCE COMPLIANCE. When amending the Documents, the Association must consider the validity and enforceability of the amendment in light of current public law, including without limitation Frisco's Subdivision Regulation Ordinance.

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

16.7. TERMINATION. Termination of the terms of this Declaration and the status of the Property as a planned unit development are according to the following provisions. In the event of substantially total damage, destruction, or public condemnation of the Property, an amendment to terminate must be approved by owners of at least two-thirds of the Lots. In the event of public condemnation of the entire Property, an amendment to terminate may be executed by the board without a vote of owners. In all other circumstances, an amendment to terminate must be approved by owners of at least eighty percent of the Lots. Any termination of the terms of this declaration and the status of the Villas of Middleton Townhomes as a planned unit development must be approved by written consent of the City.

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

ARTICLE 17
DISPUTE RESOLUTION

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

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

a. Claims arising out of or relating to the interpretation, application, or enforcement of the Documents.

b. Claims relating to the rights and/or duties of Declarant as Declarant under the Documents.

c. Claims relating to the design, construction, or maintenance of the Property.

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

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

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

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

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

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

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

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

17.3. NOTICE. Claimant must notify Respondent in writing of the Claim (the "Notice"), stating plainly and concisely: (1) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim; (2) the basis of the Claim (i.e., the provision of the Documents or other authority out of which the Claim arises); (3) what

Claimant wants Respondent to do or not do to resolve the Claim; and (4) that the Notice is given pursuant to this Section.

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

17.5. MEDIATION. If the parties negotiate but do not resolve the Claim through negotiation within ONE HUNDRED TWENTY (120) days from the date of the Notice (or within such other period as may be agreed on by the parties), Claimant will have thirty additional days within which to submit the Claim to mediation under the auspices of a mediation center or individual mediator on which the parties mutually agree. The mediator must have at least five years of experience serving as a mediator and must have technical knowledge or expertise appropriate to the subject matter of the Claim. If Claimant does not submit the Claim to mediation within the thirty-day period, Claimant is deemed to have waived the Claim, and Respondent is released and discharged from any and all liability to Claimant on account of the Claim.

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

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

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

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

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

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

17.10.2. Suit Against Declarant. Also, the Association may not initiate any judicial or administrative proceeding against Declarant without the approval of owners representing at least 75 percent of the Lots.

17.10.3. Funding Litigation. Except in the case of a temporary restraining order or equivalent emergency equitable relief when circumstances do not provide sufficient time to levy a special assessment, the Association must levy a special assessment to fund the estimated costs of litigation prior to initiating a judicial or administrative proceeding. The Association may not use its annual operating income, reserve funds, or savings to fund litigation, unless the Association's annual budget or a savings account was established and funded from its inception as a litigation reserve fund.

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

ARTICLE 18
GENERAL PROVISIONS

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

18.2. HIGHER AUTHORITY. The Documents are subordinate to federal and state law, and local ordinances. Generally, the terms of the Documents are enforceable to the extent they do not violate or conflict with local, state, or federal law or ordinance.

18.3. NOTICE. All demands or other notices required to be sent to an Owner or Resident by the terms of this Declaration may be sent by ordinary or certified mail, postage prepaid, to the party's last known address as it appears on the records of the Association at the time of mailing. If an owner fails to give the Association an address for mailing notices, all notices may be sent to the owner's Lot, and the owner is deemed to have been given notice whether or not he actually receives it.

18.4. LIBERAL CONSTRUCTION. The terms and provision of each Document are to be liberally construed to give effect to the purposes and Intent of the Document. All doubts regarding a provision, including restrictions on the use or alienability of property, will be resolved in favor of the operation of the Association and its enforcement of the Documents, regardless which party seeks enforcement.

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

18.6. CAPTIONS. In all Documents, the captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer. Boxed notices are inserted to alert the reader to certain provisions and are not to be construed as defining or modifying the text.

18.7. APPENDIXES. The following appendixes are attached to this Declaration and incorporated herein by reference:

A - Description of Subject Land
B - Declarant Representations & Reservations
C - Maintenance Responsibility chart

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

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18.9. NOT A CONDOMINIUM. This Declaration does not and is not intended to create a condominium within the meaning of the Texas Condominium Act.

18.10. GOVERNING LAW. This Declaration shall be construed and governed under the laws of the State of Texas.

18.11. DURATION. Unless terminated or amended by owners as permitted herein, the provisions of this Declaration run with and bind the Property, and will remain in effect initially for 25 years from the date this Declaration is recorded, and shall automatically renew without any action from the Association for successive ten (10) year periods to the extent permitted by law.

SIGNED on this 19 day of July, 2016

DECLARANT:

Plano Parkway Investments, L.P.,
a Texas limited partnership company,

By: _____
a Texas limited liability company,
Its general partner

By: MANAGING GENERAL PARTNER
Name: ABID ABEDI,

THE STATE OF TEXAS §
COUNTY OF COLLIN §

This instrument was acknowledged before me on this 19 day of July, 2016 by Abid Abedi, General Partner of Plano Parkway Investments, L.P., a Texas limited partnership company behalf of said entity.

_____
Notary Public, State of Texas

KERRY LEE PRISOCK
Notary Public
STATE OF TEXAS
My Comm Exp. October 8, 2017

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EXHIBIT 'A'

Being Lot 2, Block 1 of MAINSTREET SNP, LOT 2, BLOCK 1, an Addition to the City of Plano, Collin County, Texas, according to the Plat thereof recorded in Volume 2013, Page 534, Map Records, Collin County, Texas.

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Filed and Recorded
Official Public Records
Stacey Kemp, County Clerk
Collin County, TEXAS
01/25/2016 11:19:57 AM
$66.00 CJAMAL
20160125000083490

Page 5 4 of 64 KP

APPENDIX "B"

DECLARANT REPRESENTATIONS & RESERVATIONS

B.1. GENERAL PROVISIONS.

B.1.1. Introduction. Declarant intends the Declaration to be perpetual and understands that provisions pertaining to the initial development, construction, marketing, and control of the Property will become obsolete when Declarant's role is complete. As a courtesy to future users of the Declaration, who may be frustrated by then-obsolete terms, Declarant is compiling the Declarant-related provisions in this Appendix.

B.1.2. General Reservation & Construction. Notwithstanding other provisions of the Documents to the contrary, nothing contained therein may be construed to, nor may any mortgagee, other Owner, or the Association, prevent or interfere with the rights contained in this Appendix which Declarant hereby reserves exclusively unto itself and its successors and assigns. In case of conflict between this Appendix and any other Document, this Appendix controls. This Appendix may not be amended without the prior written consent of Declarant. To the extent any proposed amendment is for the purpose of either amending the provisions of this Declaration or the Association's Agreements pertaining to the use, operation, maintenance and/or supervision of any facilities, structures, improvements, systems, common areas, private streets or grounds that are the responsibility of the Association, prior written consent of the City may be required. The terms and provisions of this Appendix must be construed liberally to give effect to Declarant's intent to protect Declarant's interests in the Property.

B.1.3. Purpose of Development and Declarant Control Periods. This Appendix gives Declarant certain rights during the Development Period and the Declarant Control Period to ensure a complete and orderly build out and sellout of the Property, which is ultimately for the benefit and protection of owners and mortgagees. Declarant may not use its control of the Association and the Property for an advantage over the owners by way of retention of any residual rights or interests in the Association or through the creation of any contractual agreements which the Association may not terminate without cause with ninety days' notice.

B.1.4. Definitions. As used in this Appendix and elsewhere in the Documents, the following words and phrases, when capitalized, have the following specified meanings:

a. **"Builder"** means a person or entity which purchases, or contracts to purchase, a Lot from Declarant or from a Builder for the purpose of constructing a townhome for resale or under contract to an owner other than Declarant. As used in this Declaration, Builder does not refer to Declarant or to any home building or home marketing company that is an affiliate of Declarant.

b. **"Declarant Control Period"** means that period of time during which Declarant controls the operation of this Association. The duration of the Declarant Control Period will be from the date this Declaration is recorded for a maximum period not to exceed the earlier of:

(1) Ten years from date this Declaration is recorded.

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(2) Four months after title to eighty five percent of the Lots that may be created in the Property has been conveyed to owners other than Builders.

B.1.5. Builders. Declarant, through its affiliates, intends to construct townhomes on the Lots in connection with the sale of the Lots. However, Declarant may, without notice, sell some or all of the Lots to one or more Builders to improve the Lots with townhomes to be sold and occupied.

B.2. DECLARANT CONTROL PERIOD RESERVATIONS. Declarant reserves the following powers, rights, and duties during the Declarant Control Period:

B.2.1. Officers & Directors. During the Declarant Control Period, the Board may consist of three persons. During the Declarant Control Period, Declarant may appoint, remove, and replace any officer or director of the Association, none of whom need be members or Owners, and each of whom is indemnified by the Association as a "Leader."

B.2.2. Weighted Votes. During the Declarant Control Period, the vote appurtenant to each Lot owned by Declarant is weighted ten times that of the vote appurtenant to a Lot owned by another owner. In other words, during the Declarant Control Period, Declarant may cast the equivalent of ten votes for each Lot owned by Declarant on any issue before the Association. On termination of the Declarant Control Period and thereafter, the vote appurtenant to Declarant's Lots is weighted uniformly with all other votes.

B.2.3. Budget Funding. During the Declarant Control Period only, Declarant is responsible for the difference between the Association's operating expenses and the regular received from owners other than Declarant, and will provide any additional funds necessary to pay actual cash outlays of the Association. On termination of the Declarant Control Period, Declarant will cease being responsible for the difference between the Association's operating expenses and the assessments received from owners other than Declarant and may, at its sole discretion consider deficit funding a loan to and liability upon the Association and may require reimbursement for said deficit funding. At the Declarant's sole discretion, funds from reserve accounts may be required to be used prior to Declarant funding for the purpose of maintenance or repairs.

B.2.4. Declarant Assessments. During the Declarant Control Period, any real property owned by Declarant is not subject to assessment by the Association.

B.2.5. Builder Obligations. During the Declarant Control Period only, Declarant has the right but not the duty (1) to reduce or waive the assessment obligation of a Builder, and (2) to exempt a Builder from any or all liabilities for transfer-related fees charged by the Association or its manager, provided the agreement is in writing. Absent such an exemption, any Builder who owns a Lot is liable for all assessments and other fees charged by the Association in the same manner as any owner.

B.2.6. Commencement of Assessments. During the initial development of the Property, Declarant may elect to postpone the Association's initial levy of regular assessments until a certain number of Lots are sold. During the Declarant Control Period, Declarant will determine when the Association first levies regular assessments against the Lots. Prior to the first levy, Declarant will be responsible for all operating expenses of the Association.

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B.2.7. Expenses of Declarant. Expenses related to the completion and marketing of the Property will be paid by Declarant and are not expenses of the Association.

B.2.8. Budget Control. **During the Declarant Control Period, the right of owners to veto assessment increases or special assessments is not effective and may not be exercised**.

B.2.9. Organizational Meeting. Within one hundred twenty days after the end of the Declarant Control Period, or sooner at the Declarant's option, Declarant will call an organizational meeting of the members of the Association for the purpose of electing, by vote of the Owners, directors to the board. Written notice of the organizational meeting must be given to an Owner of each Lot at least ten days before the meeting. For the organizational meeting, owners of ten percent (10%) of the Lots constitute a quorum. The directors elected at the organizational meeting will serve until the next annual meeting of the Association or a special meeting of the Association called for the purpose of electing directors, at which time the staggering of terms will begin. At this transition meeting, the Declarant will transfer control over all utilities related to the Common Areas owned by the Association and Declarant will provide information to the Association, if not already done so, relating to the total costs to date related to the operation and maintenance of the Common Areas.

B.3. DEVELOPMENT PERIOD RESERVATIONS. Declarant reserves the following easements and rights, exercisable at Declarant's sole discretion, at any time during the Development Period:

B.3.1. Changes in Development Plan. Declarant may modify the initial development plan to respond to perceived or actual changes and opportunities in the marketplace. Subject to approval by (1) a governmental entity, if applicable, and (2) the owner of the land or Lots to which the change would directly apply (if other than Declarant), Declarant may (a) change the sizes, dimensions, and configurations of Lots and streets; (b) change the minimum townhome size; (c) change the building setback requirements; and (d) eliminate or modify any other feature of the Property.

B.3.2. Builder Limitations. Declarant may require its approval (which may not be unreasonably withheld) of all documents and materials used by a Builder in connection with the development and sale of Lots, including without limitation promotional materials; deed restrictions; forms for deeds, Lot sales, and Lot closings. Without Declarant's prior written approval, a Builder may not use a sales office or model in the Property to market homes, Lots, or other products located outside the Property.

B.3.3. Architectural Control. During the Development Period, Declarant has the absolute right to serve as the Architectural Reviewer pursuant to Article 6. Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under Article 6 and this Appendix to (1) an architectural control committee appointed by the board, or (2) a committee comprised of architects, engineers, or other persons who may or may not be members of the Association. Any such delegation is at all times subject to the unilateral rights of Declarant (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (2) to veto any decision which Declarant in its sole discretion determines to be inappropriate or inadvisable for any reason. Declarant also has the unilateral

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right to exercise architectural control over vacant Lots in the Property. Neither the Association, the board of directors, nor a committee appointed by the Association or board (no matter how the committee is named) may involve itself with the approval of new homes and related improvements on vacant Lots.

B.3.4. Amendment. During the Development Period, Declarant may amend this Declaration and the other Documents, without consent of other owners or mortgagee, for any purpose, including without limitation the following purposes:

a. To create Lots, easements, and common areas within the Property.

b. To modify the designation of the area of common responsibility.

c. To subdivide, combine, or reconfigure Lots.

d. To convert Lots into common areas.

e. To modify the construction and use restrictions of Article 7 of this Declaration.

f. To merge the Association with another property owners association.

g. To comply with the requirements of an underwriting lender.

h. To resolve conflicts, clarify ambiguities, and to correct misstatements, errors, or omissions in the Documents.

i. To enable any reputable title insurance company to issue title insurance coverage on the Lots.

j. To enable an institutional or governmental lender to make or purchase mortgage loans on the Lots.

k. To change the name or entity of Declarant.

l. To change the name of the addition in which the Property is located.

m. To change the name of the Association.

n. For any other purpose, provided the amendment has no material adverse effect on any right of any Owner.

B.3.5. Completion. During the Development Period, Declarant has (1) the right to complete or make improvements indicated on the plat; (2) the right to sell or lease any Lot owned by Declarant; and (3) an easement and right to erect, construct, and maintain on and in the common area, Area of Common Responsibility, and Lots owned or leased by Declarant whatever Declarant determines to be necessary or advisable in connection with the construction, completion, management, maintenance, leasing, and marketing of the Property, including, without limitation, parking areas, temporary buildings, temporary fencing, portable toilets, storage areas, dumpsters, trailers, and commercial vehicles of every type.

B.3.6. Easement to Inspect & Right to Correct. During the Development Period, Declarant reserves for itself the right, but not the duty, to inspect, monitor, test, redesign, correct, and relocate any structure, improvement or condition that may exist on any portion of

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the Property, including the Lots, and a perpetual nonexclusive easement of access throughout the Property to the extent reasonably necessary to exercise this right. Declarant will promptly repair, at its sole expense, any damage resulting from the exercise of this right. By way of illustration but not limitation, relocation of a screening wall located on a Lot may be warranted by a change of circumstance, imprecise siting of the original wall, or desire to comply more fully with public codes and ordinances. This Section may not be construed to create a duty for Declarant or the Association.

B.3.7. Promotion. During the Development Period, Declarant reserves for itself an easement and right to place or install signs, banners, flags, display lighting, potted plants, exterior decorative items, seasonal decorations, temporary window treatments, and seasonal landscaping on the Property, including items and locations that are prohibited to other Owners and residents, for purposes of promoting, identifying, and marketing the Property and/or Declarant's homes, Lots, developments, or other products located outside the Property. Declarant reserves an easement and right to maintain, relocate, replace, or remove the same from time to time within the Property. Declarant also reserves the right to sponsor marketing events – such as open houses, MLS tours, and broker's parties – at the Property to promote the sale of Lots. During the Development Period, Declarant also reserves (1) the right to permit Builders to place signs and promotional materials on the Property and (2) the right to exempt Builders from the sign restriction in this Declaration.

B.3.8. Offices. During the Development Period, Declarant reserves for itself the right to use townhomes owned or leased by Declarant as models, storage areas, and offices for the marketing, management, maintenance, customer service, construction, and leasing of the Property and/or Declarant's developments or other products located outside the Property. Also, Declarant reserves for itself the easement and right to make structural changes and alterations on and to Lots and townhomes used by Declarant as models, storage areas, and offices, as may be necessary to adapt them to the uses permitted herein.

B.3.9. Access. During the Development Period, Declarant has an easement and right of ingress and egress in and through the Property for purposes of constructing, maintaining, managing, and marketing the Property and the Additional Land, and for discharging Declarant's obligations under this Declaration. Declarant also has the right to provide a reasonable means of access for the home buying public through any existing or future gate that restricts vehicular access to the Property in connection with the active marketing of Lots and homes by Declarant or Builders, including the right to require that the gate be kept open during certain hours and/or on certain days. This provision may not be construed as an obligation or intent to gate the Property.

B.3.10 Utility Easements. During the Development Period, Declarant may grant permits, licenses, and easements over, in, on, under, and through the Property for utilities, roads, and other purposes necessary for the proper development and operation of the Property. Declarant reserves the right to make changes in and additions to the easements on any Lot, as shown on the plat, to more efficiently or economically install utilities or other improvements. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, television, cable, internet service, and security. To exercise this right as to land that is not a common area or not owned by Declarant, Declarant must have the prior written consent of the land owner.

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B.3.11. Assessments. For the duration of the Development Period, any Lot owned by Declarant is not subject to mandatory assessment by the Association until the date Declarant transfers title to an owner other than Declarant. If Declarant owns a Lot on the expiration or termination of the Development Period, from that day forward Declarant is liable for assessments on each Lot owned by Declarant in the same manner as any owner.

B.3.12. Land Transfers. During the Development Period, any transfer of an interest in the Property to or from Declarant is not subject to any transfer-related provision in the Documents, including without limitation on an obligation for transfer or resale certificate fees, and the transfer-related provisions of Article 8 of this Declaration. The application of this provision includes without limitation Declarant's Lot take-downs, Declarant's sale of Lots to Builders, and Declarant's sale of Lots to homebuyers.

B.4. COMMON AREAS. Declarant will convey title to the common areas, including any and all facilities, structures, improvements and systems of the common areas owned by Declarant, to the Association by one or more deeds – with or without warranty. Any initial common area improvements will be installed, constructed, or authorized by Declarant, the cost of which is not a common expense of the Association. At the time of conveyance to the Association, the common areas will be free to encumbrance except for the property taxes accruing for the year of conveyance. Declarant's conveyance of title is a ministerial task that does not require and is not subject to acceptance by the Association or the Owners. The transfer of control of the Association at the end of the Declarant Control Period is not a transfer of common areas requiring inspection, evaluation, acceptance, or approval of common area improvements by the Owners.

B.5. WORKING CAPITAL FUND. Declarant may (but is not required to) establish a working capital fund for the Association by requiring purchasers of Lots to make a one-time contribution to this fund, subject to the following conditions:

a. The amount of the contribution to this fund will be $300.00 and will be collected on the closing of the sale of the Lot to an owner other than Declarant, a Successor Declarant, or a Declarant-affiliate.

b. A builder who buys Lots from Declarant is not exempt from the purchaser's obligation. If the Builder's contribution is waived by the Declarant temporarily and not collected at time of closing on the Lot purchased from Declarant, for any reason or no reason, the Builder guarantees that the contribution will be paid when Builder closes the sale of the Lot to another owner.

c. Subject to the foregoing builder provision, if a Lot's contribution is not collected from the Owner at closing, neither Declarant nor the Owner of the Lot is thereafter liable for the contribution. Declarant acknowledges that this condition may create an inequity among the Owners, but deems it a necessary response to the diversification of marketing and closing Lot sales.

d. Contributions to the fund are not advance payments of regular assessments and are not refundable to the contributor by the Association or by Declarant. This may not be construed to prevent a selling Owner from negotiating reimbursement of the contribution from a purchaser.

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e. Declarant will transfer the balance of the working capital fund to the Association on or before termination of the Declarant Control Period. Declarant may not use the fund to defray Declarant's expenses related to construction costs.

B.6. SUCCESSOR DECLARANT. Declarant may designate one or more Successor Declarants for specified designated purposes and/or for specified portions of the Property, or for all purposes and all of the Property. To be effective, the designation must be in writing, signed and acknowledged by Declarant and Successor Declarant, and recorded in the Real Property Records of Collin County, Texas. Declarant (or Successor Declarant) may subject the designation of Successor Declarant to limitations and reservations. Unless the designation of Successor Declarant provides otherwise, a Successor Declarant has the rights of Declarant under this Section and may designate further Successor Declarants.

[End of Appendix B]

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APPENDIX "C"
MAINTENANCE RESPONSIBILITY CHART

"all aspects" includes maintenance, repair and replacement, as needed

Component of Property	Area of Common Responsibility	Owner Responsibility
Roofs	None	All aspects
Roof-mounted attachments	None	All aspects
Exterior vertical walls of buildings, other exterior features of buildings not specifically listed in chart	Outermost materials only, such as siding, stucco and brick, and any coatings or surface treatments on the material, such as paint or sealant	All other aspects, including wall cavities and insulation
Building foundations, patio slabs and A/C slabs	None	All aspects, including tolerance for minor cracks that are inevitable results of the natural movement of soil (expansion and contraction), shrinkage during the curing of the concrete and settling of the building
Concrete driveways and sidewalks	All structural aspects	Routine cleaning and tolerance for minor cracks that are inevitable results of the natural expansion and contraction of soil, shrinkage during the curing of the concrete and settling of the building
Retaining walls	All aspects	None
Displays of street numbers on exterior doors or building surfaces	All aspects	None
Gutters and downspouts	All aspects	None
Grounds – outside the fenced yards (if any).	All aspects	None
Yard irrigation system (sprinkler)	All aspects	None
Exterior light fixtures on buildings	None	All aspects

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Component of Property	Area of Common Responsibility	Owner Responsibility
Garages	None	All aspects. Includes routine interior cleaning, interior wall and ceiling materials, garage door, pedestrian door, automatic garage door opener, remote controls, interior light fixture, and interior electrical outlets.
Insulation and weather-stripping	None	All aspects
Chimneys and fireplaces	None	All aspects
Fences and gates around private townhome yards (if any)	None	All aspects
Townhome interiors, including improvements, fixtures, partition walls and floors within townhome	None	All aspects
Sheetrock in townhomes (walls and ceilings) and treatments on walls	None	All aspects
Improvements and grounds in private patio/yards	None	All aspects
Exterior doors of townhomes	None	All aspects of the garage door, and all aspects of other doors, including paint, door frame, door, glass panes, hardware, locks, peep-holes, thresholds, weather stripping and doorbells
Windows	Periodic exterior caulking in connection with exterior painting	All other aspects, including window frames, window sill flashings, window seals and sealants, screens, window locks, glass panes, glazing, interior caulking
Water, sewer, electrical lines and systems	None for lines and systems serving the Lots	All aspects of lines and systems serving the Lot
Heating and cooling systems and water heaters	None	All aspects
Intrusion alarms on doors/windows, smoke/heat detectors, monitoring equipment	None	All aspects

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Component of Property	Area of Common Responsibility	Owner Responsibility
Cable for television or Internet	Standards for location and appearance of cable and/or conduit	All other aspects
Television antennas and satellite dishes	Standards for location and appearance of exterior-mounted devices	All other aspects

Note 1: The components listed in the first column are applicable only if they exist, and may not be construed to create a requirement to have such a component.

Note 2: If the Owner is responsible for a component of the building that is shared with one or more other townhomes in the building, such as roof trusses and the foundation, the responsibility is shared by the owners of all the townhomes in the building. If the owners of the townhomes in the building cannot agree on an equitable division of the costs based on the circumstances, the division will be equal among the townhomes although one townhome may be more affected than the others. If the owners of the townhomes cannot agree on any aspect of maintenance that requires their joint participation, the matter will be decided by a 3-person ad hoc committee appointed by the board.

Note 3: If an Owner fails or refuses to perform necessary maintenance, repair, or replacement, the Association may perform the work after giving required notices to the Owner.

Note 4: This Maintenance Responsibility Chart may be revised by the Declarant or Association, with the approval of owners representing at least a majority of the townhomes in the Property. A revised Chart must be recorded in the Real Property Records of Collin County, Texas. The Declarant may revise at any time during Declarant status period.

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Filed and Recorded
Official Public Records
Stacey Kemp, County Clerk
Collin County, TEXAS
12/07/2016 04:35:22 PM
$278.00 CJAMAL
20161207001662660