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CANYON FALLS

A Master Planned Community in Denton County, Texas

DEVELOPMENT AREA DECLARATION
[VILLAGE 10A]

Declarant: NASH CANYON FALLS, LLC, a Delaware limited liability company

Cross reference to the following documents, each recorded in the Official Public Records of Denton County, Texas: (i) Canyon Falls Master Covenant, recorded as Document No. 2014-18622 of the Official Public Records of Denton County, Texas, as amended; (ii) Assignment and Assumption of Declarant's Rights, recorded as Document No. 2015-34495 of the Official Public Records of Denton County, Texas; and (iii) Notice of Applicability of Canyon Falls [Village 10A], recorded as Document No. 201618253 of the Official Public Records of Denton County, Texas.

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CANYON FALLS

DEVELOPMENT AREA DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS [VILLAGE 10A]

This Development Area Declaration of Covenants, Conditions and Restrictions for Canyon Falls [Village 10A] (the "**Declaration**") is made by **NASH CANYON FALLS, LLC**, a Delaware limited liability company ("**Declarant**"), and is as follows:

RECITALS

A. By virtue of that certain Assignment of Declarant's Rights, recorded as Document No. 2015-34495, Official Public Records of Denton County, Texas, Declarant presently holds all right, title and interest as Declarant under that certain Canyon Falls Master Covenant, recorded as Document No. 2014-18622 Official Public Records of Denton County, Texas, as amended (the "**Master Covenant**").

B. This Declaration is filed with respect to Lots 1 through 11, Block DDD, Lots 1 through 6 and Lots 8 through 29, Block EEE, and Lots 1 through 7, Block FFF, Canyon Falls [Village 10A], a subdivision located in Denton County, Texas, according to the map or plat recorded in Document No. 2015-333, Official Public Records of Denton County, Texas (collectively, the "**Development Area**"). CalAtlantic Homes of Texas, Inc., a Delaware Corporation, as successor to RH of Texas Limited Partnership, is the owner of the property within the Development Area and executes this Declaration to evidence its consent to subject the property within the Development Area to the terms and provisions of the Declaration.

C. Pursuant to that certain Notice of Applicability of Canyon Falls [Village 10A], recorded as No. 201618253 in the Official Public Records of Denton County, Texas, the Development Area is subject to the terms and provisions of the Master Covenant.

D. The Master Covenant permits Declarant to file Development Area Declarations applicable to specific Development Areas, as those terms are used and defined in the Master Covenant, which shall be in addition to the covenants, conditions, and restrictions of the Master Covenant.

A Development Area is a portion of the Property, as defined in the Master Covenant, which has actually been made subject to the terms and provisions of the Master Covenant and, if applicable, a Development Area Declaration. A Development Area may correspond to one or all of the Lots reflected on a recorded plat. A Development Area Declaration includes specific restrictions which apply to the Development Area. In order to determine what restrictions apply to your Lot, you must consult the terms and provisions of the Master Covenant, the terms and provisions of any Notice of Applicability covering your Lot, the Development Area Declaration which includes the Development Area where your Lot is located, and the Design Guidelines.

E. Declarant intends for this Development Area Declaration to serve as one of the Development Area Declarations permitted under the Master Covenant and desires that the Development Area described and identified in Recital A hereinabove shall constitute one of the Development Areas which is permitted, contemplated and defined under the Master Covenant.

F. Declarant desires to carry out a uniform plan for the improvement and development of the Development Area for the benefit of all present and future owners thereof.

G. Declarant desires to provide a mechanism for the preservation of the Development Area and the Property as a whole and for the maintenance of common areas and, to that end, desires to subject the Development Area to the covenants, conditions, and restrictions set forth in this Development Area Declaration for the benefit of the Development Area, and each owner thereof, which shall be in addition to the covenants, conditions, and restrictions set forth in the Master Covenant.

NOW, THEREFORE, it is hereby declared that: (i) all of the Development Area shall be held, sold, conveyed, and occupied subject to the following covenants, conditions and restrictions which shall run with the Development Area and shall be binding upon all parties having right, title, or interest in or to the Development Area or any part thereof, their heirs, successors, and assigns and shall inure to the benefit of each owner thereof; and (ii) each contract or deed which may hereafter be executed with regard to the Development Area, or any portion thereof, shall conclusively be held to have been executed, delivered, and accepted subject to the following covenants, conditions and restrictions, regardless of whether or not the same are set out in full or by reference in said contract or deed; and (iii) that this Declaration shall supplement and be in addition to the covenants, conditions, and restrictions of the Master Covenant. In the event of a conflict between the terms and provisions of this Development Area Declaration and the Master Covenant, the terms of the Master Covenant will control.

ARTICLE 1

DEFINITIONS

Unless the context specifies or requires otherwise, capitalized terms used but not defined in this Declaration are used and defined as they are used and defined in the Master Covenant. The following words and phrases when used in this Declaration shall have the meanings hereinafter specified:

1.01. "**Architectural Reviewer**" means the person or entity having authority pursuant to the *Article 6* of the Master Covenant to review and approve plans for the construction, placement, modification, alteration or remodeling of any Improvements on any Lot.

1.02. "**Assessment**" or "**Assessments**" means all assessment(s) imposed by the Association under the Master Covenant.

1.03. "**Association**" means the Canyon Falls Master Community, Inc., a Texas non-profit corporation.

1.04. "**Board**" means the Board of Directors, which is the governing body of the Association.

1.05. "**Bylaws**" means the Bylaws of the Association, as amended from time to time.

1.06. "**Declarant**" means **NASH CANYON FALLS, LLC**, a Delaware limited liability company, its successors or assigns; provided that any assignment(s) of the rights of **NASH CANYON FALLS, LLC**, a Delaware limited liability company, as Declarant, must be expressly set forth in writing and recorded in the Official Public Records of Denton County, Texas.

> **The "Declarant" is the party who causes the Development Area to be developed for actual residential use. Declarant enjoys special privileges to help protect its investment in the Property and the Development Area. These special rights are described in the Master Covenant and this Declaration. Many of these rights do not terminate until Declarant either: (i) no longer owns or has an option to acquire all or any portion of the Property; or (ii) voluntarily terminates these rights by a written instrument recorded in the Official Public Records of Denton County, Texas.**

1.07. "**Design Guidelines**" means the standards for design, construction, landscaping, and exterior items placed on any Lot adopted pursuant to *Section 6.06(b)* of the Master Covenant, as supplemented and modified by the Supplemental Design Guidelines.

1.08. "Development" refers to any and all portions of the Property, as defined in the Master Covenant, which are made subject to the terms and conditions of the Master Covenant pursuant to a Notice of Applicability.

1.09. "Development Area" means Lots 1 through 11, Block DDD, Lots 1 through 6 and Lots 8 through 29, Block EEE, and Lots 1 through 7, Block FFF, Canyon Falls [Village 10A], a subdivision located in Denton County, Texas, according to the map or plat recorded in Document No. 2015-333, Official Public Records of Denton County, Texas, subject to such additions thereto and deletions therefrom as may be made pursuant to *Section 7.01* and *Section 7.02* of this Development Area Declaration.

1.10. "Development Area Declaration" means this instrument, as it may be amended from time to time.

1.11. "Homebuilder" means an Owner (other than Declarant) who acquires a Lot for the construction of a home within the Development Area.

1.12. "Improvements" means every structure and all appurtenances of every type, whether temporary or permanent, including but not limited to buildings, outbuildings, sheds, patios, tennis courts, swimming pools, sport courts, garages, driveways, storage buildings, sidewalks, gazebos, signs, fences, gates, screening walls, retaining walls, stairs, decks, landscaping, landscape improvements, poles, mailboxes, antennae, exterior air conditioning equipment or fixtures, exterior lighting fixtures, water softener fixtures or equipment, playground equipment, and poles, pumps, wells, tanks, reservoirs, pipes, lines, meters, antennae, towers, and other facilities used in connection with water, sewer, gas, electric, telephone, regular, satellite or cable television, other utilities, or otherwise.

1.13. "Lot" or "Lots" means one or more of the subdivided lots within the Development Area, other than Master Community Facilities and Special Common Area.

1.14. "Master Community Facilities" means property and facilities that the Association owns or in which it otherwise holds possessory or use rights for the common use or benefit of more than one Lot. The Master Community Facilities also include any property in which the Association holds possessory rights under a lease, license or any easement in favor of the Association. Some Master Community Facilities will be for the common use and enjoyment of the Development Area's residents, *e.g.*, community swimming pools or internal pocket parks, while some portion of the Master Community Facilities may be for the use and enjoyment of the public, *e.g.*, open space, parks, and recreational facilities. Open space, parks, and recreational facilities dedicated to the public may be classified as Master Community Facilities under the Master Covenant to permit the Association to provide maintenance services to such facilities. No portion of any Master Community Facilities dedicated in whole or in part for public use may be designated as Special Common Area. Declarant, from time to time and at any time, may designate Master Community Facilities.

1.15. "**Master Covenant**" means that certain Canyon Falls Master Covenant, recorded as Document No. 2014-18622, Official Public Records of Denton County, Texas, as the same may be further amended from time to time.

1.16. "**Master Restrictions**" means the Master Covenant, this Development Area Declaration, the Notice of Applicability, any Design Guidelines adopted by the Architectural Reviewer pursuant to *Section 6.06(b)* of the Master Covenant, any Rules or Regulations adopted by the Board pursuant to *Section 3.05(a)* of the Master Covenant, the Certificate of Formation, and the Bylaws of the Association.

1.17. "**Model Home**" means a home constructed by a Homebuilder within the Development Area to be used for the non-residential purposes of creating sales offices and allowing the Homebuilder an opportunity to showcase to potential purchasers the appearance of finished home product types which are already built or yet to be built within the Development.

1.18. "**Mortgage**" or "**Mortgages**" means any mortgage(s) or deed(s) of trust securing indebtedness and covering any portion of the Development Area given to secure the payment of a debt.

1.19. "**Mortgagee**" or "**Mortgagees**" means the holder or holders of any Mortgage(s).

1.20. "**Owner**" or "**Owners**" means the person(s), entity or entities, including Declarant, holding all or a portion of the fee simple interest in any Lot, but shall not include the Mortgagee under a Mortgage prior to acquisition of its fee simple interest in such Lot pursuant to foreclosure of the lien of such Mortgage.

1.21. "**Special Common Area**" means any interest in real property or Improvements which is designated by Declarant in a Notice of Applicability filed pursuant to *Section 9.05* of the Master Covenant, in a Development Area Declaration, or in any written instrument executed by Declarant and recorded in the Official Public Records of Denton County, Texas, as common area which benefits one or more, but less than all of the Lots, Owners or Development Areas, and is or will be conveyed to the Association, or otherwise held by Declarant for the benefit of the Owners of property to which such Special Common Area benefits. The Notice of Applicability, Development Area Declaration, or written notice will identify the Lots, Owners or Development Areas benefited by such Special Common Area. By way of illustration and not limitation, Special Common Area might include such things as private roadways or gates, entry features, or landscaped medians which Declarant desires to dedicate for the exclusive use of certain Lots. All costs associated with maintenance, repair, replacement, and insurance of Special Common Area will be assessed as a Special Common Area Assessment against the Owners of the Lots to which the Special Common Area is assigned. No portion of any Master Community Facilities, which is open to the public use, may be designated as Special Common Area.

1.22. "Supplemental Design Guidelines" mean the Supplemental Design Guidelines attached hereto as Exhibit "A" and incorporated herein for all purposes.

ARTICLE 2
GENERAL RESTRICTIONS

All of the Development Area shall be owned, held, encumbered, leased, used, occupied, and enjoyed subject to the following limitations and restrictions:

2.01 Subdividing. No Lot shall be further divided or subdivided, nor may any easements or other interests therein less than the whole be conveyed by the Owner thereof without the prior written approval of the Architectural Reviewer; provided, however, that when Declarant is the Owner thereof, Declarant may further divide and subdivide any Lot and convey any easements or other interests less than the whole, all without the approval of the Architectural Reviewer.

2.02 Hazardous Activities. No activities may be conducted on or within the Development Area and no Improvements constructed on any portion of the Development Area which, in the opinion of the Architectural Reviewer, are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms or fireworks may be discharged upon any portion of the Development Area unless discharged in conjunction with an event approved in advance by the Board and no open fires may be lighted or permitted except within safe and well-designed fireplaces or in contained barbecue units while attended and in use for cooking purposes. No portion of the Development Area may be used for the takeoff, storage, or landing of aircraft (including, without limitation, helicopters) except for medical emergencies.

2.03 Insurance Rates. Nothing shall be done or kept within the Development Area which would increase the rate of casualty or liability insurance or cause the cancellation of any such insurance on the Master Community Facilities, including any Special Common Area, or the Improvements located thereon, without the prior written approval of the Board.

2.04 Mining and Drilling.

(a) There are various persons and entities owning, leasing, exploring for, developing, producing and transporting oil, gas or other minerals on, under or in the vicinity of the Development Area and elsewhere in the Canyon Falls community, and owning, leasing or operating pipelines, drilling facilities, or ancillary drilling operations under or in the vicinity of the Development Area and elsewhere in the Canyon Falls community (collectively, "**Drilling Activities**"). There is and will be traffic, noise, vibration, fumes, dust, emissions, fuels, gases, lubricants, liquids, particulate matter and other matters or conditions resulting from Drilling Activities. By accepting title to a Lot within the Development Area, each Owner will be deemed to have (a) acknowledged, for himself or herself, and for all future Owners and occupants of all

or any portion of such Lot, that such Lot is in the vicinity of Drilling Activities, and (b) waived, excepted and released Declarant, the Association, and each of their predecessors in interest from all claims, causes of action and liabilities of any nature arising out of or in connection with (i) the Drilling Activities, (ii) the proximity of the Development Area, and each Lot therein, to the Drilling Activities, and (iii) inconveniences, annoyances, impacts, conditions and effects resulting therefrom, including, without limitation traffic, noise, vibration, fumes, dust, emissions, fuels, gases, lubricants, liquids, particulate matter and other matters or conditions and interference with sleep, use, occupancy and any other activities at the Lot or within the Canyon Falls community.

(b) Notwithstanding the provisions of *Section 2.04(a)*, no Lot within the Development Area may be used for the purpose of mining, quarrying, drilling, boring, or exploring for or removing oil, gas, or other hydrocarbons, minerals of any kind, rocks, stones, sand, gravel, aggregate, or earth. This provision will not be construed to prevent the excavation of rocks, stones, sand, gravel, aggregate, or earth or the storage of such material for use as fill provided that such activities are conducted in conjunction with the construction of Improvements and/or the development of the Development Area. Furthermore, this provision will not be interpreted to prevent the drilling of water wells approved in advance by the Architectural Reviewer which are required to provide water to all or any portion of the Property or the Development. All water wells must also be approved in advance by any applicable regulatory authority.

2.05 **Noise.** No horns, whistles, bells, or other sound devices (other than security devises used exclusively for security purposes) shall be located, used, or placed on any Lot within the Development Area. No noise or other nuisance shall be permitted to exist or operate upon any Lot within the Development Area so as to be offensive or detrimental to any other portion of the Development Area or to the Canyon Falls community or to its occupants. Noise caused as a result of any construction within the Development Area, or resulting from the use and/or operation of a compressor station or any related equipment within the Development Area, shall not be considered to be a nuisance for purposes of this *Section 2.05*. Without limiting the generality of the foregoing, if any noise or nuisance emanates from any Improvement on any Lot, the Association may (but shall not be obligated to) enter any such Improvement and take such reasonable actions necessary to terminate such noise (including silencing any burglar or break-in alarm). Exterior speakers are only permitted within the rear yard of each Lot and placed in such manner so as to minimize their effect upon any other portion of the Development Area or to its occupants and the operation thereof shall be specifically subject to this Section. The "rear yard" for the purpose of this provision means the yard area in the rear or posterior to the residence constructed on a Lot. In the event of any dispute regarding what portion of a Lot constitutes the "rear yard," the opinion of the Architectural Reviewer will be final, binding, and conclusive.

2.06 Animals - Household Pets. No animals – including pigs, hogs, swine, poultry, fowl, wild animals, horses, cattle, sheep, goats, or any other type of animal not considered to be a domestic household pet within the ordinary meaning and interpretation of such words – may be kept, maintained, or cared for on or within the Development Area. No Owner may keep a dangerous or exotic animal, trained attack dog, or any other animal deemed to be a potential threat to the well-being of people or other animals upon the advice and counsel of the local animal control authorities. No animal may be kept, bred, or maintained for any commercial purpose or for food. No animal will be allowed to make an unreasonable amount of noise, or to become a nuisance, and no animals will be allowed on or within the Development Area other than on the Lot of its Owner unless confined to a leash or otherwise restrained or contained. No animal will be allowed to run at large. No animal may be stabled, maintained, kept, cared for or boarded for hire or remuneration within the Development Area, and no kennels or breeding operation will be allowed. Except as otherwise provided herein, at all times animals shall be kept within fenced or enclosed areas which must be clean, sanitary, and reasonably free of refuse, insects, and waste. All fencing and outdoor enclosed areas constructed hereunder must be: (i) constructed in accordance with materials, plans and specifications in conformance with the terms and provisions of this Declaration and the Design Guidelines and any additional conditions imposed by the Architectural Reviewer; (ii) of reasonable design and construction to adequately fence and/or enclose such animals in accordance with the provisions hereof; and (iii) approved in advance and in writing by the Architectural Reviewer. All pet waste will be removed and appropriately disposed of by the Owner of the pet. All pets must be registered, licensed and inoculated as required by law.

2.07 Rubbish and Debris. No rubbish or debris of any kind may be placed or permitted to accumulate on or within the Development Area, and no odors will be permitted to arise therefrom, so as to render all or any portion of the Development Area unsanitary, unsightly, offensive, or detrimental to any other property or to its occupants. Refuse, garbage, and trash must be kept at all times in covered containers, and such containers must be kept within enclosed structures or appropriately screened from view. Each Owner will contract with an independent disposal service to collect all garbage or other wastes, if such service is not provided by a governmental entity or the Association.

2.08 Maintenance. The Owners of each Lot shall jointly and severally have the duty and responsibility, at their sole cost and expense, to: (i) keep their entire Lot and all Improvements thereon in good condition and repair and in a well-maintained, safe, clean and attractive condition at all times. An Owner's "entire Lot" shall include, without limitation, any portion of such Lot upon which a subdivision perimeter fence has been constructed, or any portion of such Lot between such subdivision perimeter fence and any boundary line of such Lot. The Architectural Reviewer, in its sole discretion, shall determine whether a violation of the maintenance obligations set forth in this *Section 2.08* has occurred. Such maintenance includes, but is not limited to, the following, which shall be performed in a timely manner, as determined by the Architectural Reviewer, in its sole discretion:

(a) prompt removal of all litter, trash, refuse, and wastes;

(b) lawn mowing;

(c) tree and shrub pruning;

(d) watering;

(e) keeping exterior lighting and mechanical facilities in working order;

(f) keeping lawn and garden areas alive, free of weeds, and attractive;

(g) keeping planting beds free from turf grass;

(h) keeping sidewalks and driveways in good repair;

(i) complying with all government, health and police requirements;

(j) repainting of Improvements;

(k) repair of exterior damage, and wear and tear to Improvements; and

(l) clearing brush and undergrowth sufficient to maintain a wildfire defensible space.

2.09 **Antennae**. Except as expressly provided below, no exterior radio or television antennae or aerial or satellite dish or disc, nor any solar energy system, shall be erected, maintained or placed on a Lot without the prior written approval of the Architectural Reviewer; provided, however, that:

(a) An antenna designed to receive direct broadcast services, including direct-to-home satellite services, that is one meter or less in diameter; or

(b) An antenna designed to receive video programming services via multipoint distribution services, including multi-channel multipoint distribution services, instructional television fixed services, and local multipoint distribution services, that is one meter or less in diameter or diagonal measurement; or

(c) An antenna that is designed to receive television broadcast signals;

(collectively, (a) through (c) are referred to herein as the "**Permitted Antennas**") will be permitted, subject to reasonable requirements as to location and screening as may be set forth in rules adopted by the Architectural Reviewer, consistent with Applicable Law, in order to minimize obtrusiveness as viewed from streets and adjacent property. Declarant and/or the

Association will have the right, but not the obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or any portion of the Development.

2.10 Location of Permitted Antennas. A Permitted Antenna may be installed solely on the Owner's Lot and shall not encroach upon any street, Master Community Facilities, Special Common Area, or any other portion of the Development Area. A Permitted Antenna shall be installed in a location on the Lot from which an acceptable quality signal can be obtained and where least visible from the street and the Development Area, other than the Lot. In order of preference, the locations of a Permitted Antenna which will be considered least visible by the Architectural Reviewer are as follows:

(a) attached to the back of the principal single-family residence constructed on the Lot, with no part of the Permitted Antenna any higher than the lowest point of the roofline and screened from view of adjacent Lots and the street; then

(b) attached to the side of the principal single-family residence constructed on the Lot, with no part of the Permitted Antenna any higher than the lowest point of the roofline and screened from view of adjacent Lots and the street.

The Architectural Reviewer may, from time to time, modify, amend, or supplement the rules regarding installation and placement of Permitted Antennas.

Satellite dishes one meter or less in diameter, e.g., DirecTV or Dish satellite dishes, are permitted; HOWEVER, you are required to comply with the Design Guidelines and/or Rules and Regulations regarding installation and placement. The Design Guidelines and/or any additional Rules and Regulations may be modified by the Architectural Reviewer from time to time. Please contact the Architectural Reviewer for the current Design Guidelines and/or Rules regarding installation and placement of any Satellite Dishes or other Permitted Antennas.

2.11 Signs.

(a) Exceptions. No sign of any kind shall be displayed to the public view on any Lot without the prior written approval of the Architectural Reviewer, except for:

(i) signs which are permitted pursuant to the Design Guidelines or Rules adopted by the Architectural Reviewer;

(ii) signs which are part of Declarant's overall marketing or construction plans or activities for the Property and/or Development Area;

(iii) permits as may be required by legal proceedings;

(iv) permits as may be required by any governmental entity;

(v) celebratory or congratulatory signs (e.g., signs announcing the birth of a baby, graduation, etc.) of a customary size and design, provided that any such signs shall in no event be displayed for a period of more than four (4) days; or

(vi) a "no soliciting" sign posted by an Owner or resident near or on the front door to their residence, provided that the sign does not exceed twenty-five (25) square inches;

(b) For Sale Signs. No more than one (1) "For Sale" sign or similar sign advertising a Lot for sale may be placed on a Lot by an Owner or Homebuilder, which sign shall be professionally made and designed, and shall be no more than five (5) square feet in area and thirty-six inches (36") in height. The Architectural Reviewer may adopt standards for the design of marketing signs, and in such event, all "For Sale" signs and other similar signs advertising a Lot for rent or for lease are strictly prohibited.

2.12 Tanks. The Architectural Reviewer must approve any tank used or proposed in connection with a single family residential structure. No elevated tanks or tanks for fuel, oil or LPG of any kind may be erected, placed or permitted on any Lot. All permitted tanks must be screened from view in accordance with a screening plan approved in advance by the Architectural Reviewer. This provision will not apply to a tank used to operate a standard residential gas grill, provided that such tank is no more than twenty (20) pounds in capacity. Underground storage tanks are expressly prohibited.

2.13 Wind Power Facilities. During the Development Period, windmills, wind turbines, and other similar apparatuses may not be erected or constructed by an Owner on any Lot.

2.14 Barbecue Units. Barbecue units are only permitted within the rear yard of each Lot. The "rear yard" for the purpose of this provision means the yard area in the rear or posterior to the residence constructed on a Lot. In the event of any dispute regarding what portion of a Lot constitutes the "rear yard," the opinion of the Architectural Reviewer will be final, binding, and conclusive.

2.15 Clotheslines; Awnings. No clotheslines and no outdoor clothes drying or hanging shall be permitted on or within the Development Area, nor shall anything be hung, painted or displayed on the outside of the windows (or inside, if visible from the outside) or placed on the outside walls or outside surfaces of doors of any residence on any Lot. No awnings, canopies or shutters (except for those heretofore or hereinafter installed by Declarant) shall be affixed or placed upon the exterior walls or roofs of any residence on any Lot, or any

part thereof, nor relocated or extended, without the prior written consent of the Architectural Reviewer.

2.16 Temporary Structures. No tent, shack, or other temporary Improvement shall be placed upon the Development Area without the prior written approval of the Architectural Reviewer; provided, however, that temporary structures necessary for storage of tools and equipment, and for office space for architects, builders, and foremen during actual construction may be maintained with the prior approval of Declarant, approval to include the nature, size, duration, and location of such structure. No shed, outbuilding, or other storage building may be erected on any Lot without the advance written approval of the Architectural Reviewer, which approval may include requirements regarding placement, design, screening, and construction materials.

2.17 Unsightly Articles; Vehicles.

(a) No article deemed to be unsightly by the Architectural Reviewer shall be permitted to remain on any Lot within the Development Area so as to be visible from adjoining property or from public or private thoroughfares. Without limiting the generality of the foregoing, trailers, graders, trucks other than pickups, boats, tractors, campers, wagons, buses, motorcycles, motor scooters, all-terrain vehicles and garden maintenance equipment shall be kept at all times, except when in actual use, in enclosed structures or screened from view and no repair or maintenance work shall be done on any of the foregoing, or on any automobile (other than minor emergency repairs), except in enclosed garages or other structures. Notwithstanding the foregoing provision, all-terrain vehicles, motor scooters, and motorized mini-bikes may not be used on the Development Area or on any road or street within the Development Area. Service areas, storage areas, compost piles and facilities for hanging, drying or airing clothing or household fabrics shall be appropriately screened from view, and no lumber, grass, plant waste, shrub or tree clippings, metals, bulk materials, scrap, refuse or trash shall be kept, stored, or allowed to accumulate on any portion of the Development Area except within enclosed structures or appropriately screened from view. No vehicles (including, without limitation, motorcycles or motor scooters) which are inoperable or do not have a current license tag shall be permitted to remain visible on any Lot or to be parked on any roadway within the Development Area.

(b) Parking of commercial vehicles or equipment, boats and other watercraft, trailers, and stored vehicles in places other than: (i) enclosed garages; or (ii) behind a fence so as to not be visible from any other portion of the Development Area is prohibited; provided, however, construction, service and delivery vehicles may be exempt from this provision for such period of time as is reasonably necessary to provide service or to make a delivery to a residence.

2.18 Mobile Homes, Travel Trailers and Recreational Vehicles. With the exception of trailers used in connection with construction on a Lot, or voting or other trailers operated on a temporary basis by Declarant or the Association, no mobile homes, travel trailers and/or recreational vehicles ("RVs") shall be parked or placed on any Lot or used as a residence, either temporary or permanent, at any time.

2.19 On Street Parking. No vehicle may be permanently parked on any road or street within the Development Area unless in the event of an emergency. "Emergency" for purposes of the foregoing sentence shall mean an event which jeopardizes life or property. "Parked" as used herein shall be defined as a vehicle left unattended, as determined by the Board in its sole discretion.

2.20 Recreational Courts; Tennis Courts; Permanent and Portable Playscapes. No tennis, recreational or sport courts shall be constructed on any Lot unless expressly approved by the Architectural Reviewer. The Architectural Reviewer may prohibit the installation of a tennis, recreational or sport court on any Lot. Playscapes or any similar recreational facilities may not be constructed on any Lot without the advance written approval of the Architectural Reviewer. The Architectural Reviewer may prohibit the installation of playscapes or similar recreational facilities on any Lot. Permanent basketball goals are permitted between the street right-of-way and the front of the residence on a Lot provided the basketball goal is located a minimum of twenty feet (20') from the street curb. The basketball goal backboard must be perpendicular to the street and mounted on a black metal pole permanently installed in the ground. Portable basketball goals are only allowed in the rear of the Lots and shall not be placed, at any time: (i) in or adjacent to any street or right of way located within the subdivision; or (ii) between the street right-of-way and the front of the residence on any Lot. Basketball goals must be properly maintained and painted, with the net in good repair. All basketball goals, whether permanent or portable, must be approved by the Architectural Reviewer prior to being placed on any Lot.

2.21 Compliance with Master Restrictions. Each Owner, his or her family, occupants of a Lot, tenants, and the guests, invitees, and licensees of the preceding shall comply strictly with the provisions of the Master Restrictions as the same may be amended from time to time. Failure to comply with any of the Master Restrictions shall constitute a violation of thereof and may result in a fine against the Owner in accordance with *Section 5.15* of the Master Covenant, and shall give rise to a cause of action to recover sums due for damages or injunctive relief, or both, maintainable by Declarant, the Manager, the Board on behalf of the Association, the Architectural Reviewer, or by an aggrieved Owner. Without limiting any rights or powers of the Association, either the Board or the Architectural Reviewer may (but shall not be obligated to) remedy or attempt to remedy any violation of any of the provisions of Master Restrictions, and the Owner whose violation has been so remedied shall be personally liable to the Association for all costs and expenses of effecting (or attempting to effect) such remedy. If such Owner fails to pay such costs and expenses upon demand by the Association, such costs and

expenses (plus interest from the date of demand until paid at the maximum lawful rate, or if there is no such maximum lawful rate, at the rate of one and one half percent (1½%) per month) shall be assessed against and chargeable to the Owner's Lot(s). Any such amounts assessed and chargeable against a Lot shall be secured by the liens reserved in this Declaration and/or the Master Covenant for Assessments and may be collected by any means provided in this Declaration and/or the Master Covenant for the collection of Assessments, including, but not limited to, foreclosure of such liens against the Owner's Lot(s). **EACH SUCH OWNER SHALL INDEMNIFY AND HOLD HARMLESS THE ASSOCIATION AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION INCURRED OR THAT MAY ARISE BY REASON OF THE ASSOCIATION'S ACTS OR ACTIVITIES UNDER THIS SECTION 2.21 (INCLUDING ANY COSTS, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING OUT OF THE ASSOCIATION'S NEGLIGENCE IN CONNECTION THEREWITH), EXCEPT FOR SUCH COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING BY REASON OF THE ASSOCIATION'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. "GROSS NEGLIGENCE" AS USED HEREIN DOES NOT INCLUDE SIMPLE NEGLIGENCE, CONTRIBUTORY NEGLIGENCE OR SIMILAR NEGLIGENCE SHORT OF ACTUAL GROSS NEGLIGENCE.**

If you fail to comply with the Master Restrictions, including this Declaration, the Master Covenant, the Design Guidelines, and any Rules or policies adopted by the Association, you may be fined or a claim may be pursued against you in court.

2.22 Liability of Owners for Damage to Master Community Facilities; Special Common Area. No Owner shall in any way alter, modify, add to or otherwise perform any work upon the Master Community Facilities or Special Common Area, or any Improvements located or constructed thereon, without the prior written approval of the Architectural Reviewer. Without limitation on the foregoing, no Owner may use or enclose any Master Community Facilities or Special Common Area so as to render such property dedicated and/or reserved for the Owner's exclusive use. Each Owner shall be liable to the Association for any and all damages to: (i) the Master Community Facilities, Special Common Area and any Improvements constructed thereon; or (ii) any Improvements constructed on any Lot, the maintenance of which has been assumed by the Association, which damages were caused by the neglect, misuse or negligence of such Owner or Owner's family, or by any tenant or other occupant of such Owner's Lot, or any guest or invitee of such Owner. The full cost of all repairs of such damage shall be an assessment against such Owner's Lot, secured by a lien against such Owner's Lot and collectable in the same manner as provided for in *Section 5.13* of the Master Covenant.

2.23 No Warranty of Enforceability. Declarant makes no warranty or representation as to the present or future validity or enforceability of any restrictive covenants, terms, or provisions contained in the Declaration. Any Owner acquiring a Lot in reliance on one or more of such restrictive covenants, terms, or provisions shall assume all risks of the validity and enforceability thereof and, by acquiring the Lot, agrees to hold Declarant harmless therefrom.

2.24 Release and Indemnity. EACH OWNER HEREBY RELEASES AND HOLDS HARMLESS THE ASSOCIATION AND DECLARANT AND THEIR OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION INCURRED OR THAT MAY ARISE BY REASON OF SUCH OWNER'S USE OF ANY MASTER COMMUNITY FACILITIES OR SPECIAL COMMON AREA. EACH SUCH OWNER SHALL INDEMNIFY AND HOLD HARMLESS THE ASSOCIATION AND DECLARANT AND THEIR OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION INCURRED OR THAT MAY ARISE BY REASON OF AN OWNER, OR SUCH OWNER'S GUESTS, TENANTS, LICENSEES, EMPLOYEES, SUBCONTRACTORS, USE OF ANY MASTER COMMUNITY FACILITIES OR SPECIAL COMMON AREA (INCLUDING ANY COST, FEES, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING OUT OF THE ASSOCIATION'S OR DECLARANT'S NEGLIGENCE IN CONNECTION THEREWITH), EXCEPT FOR SUCH COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING BY REASON OF THE ASSOCIATION'S OR DECLARANT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. "GROSS NEGLIGENCE" AS USED HEREIN DOES NOT INCLUDE SIMPLE NEGLIGENCE, CONTRIBUTORY NEGLIGENCE OR SIMILAR NEGLIGENCE SHORT OF ACTUAL GROSS NEGLIGENCE.

Neither the Association nor Declarant shall assume any responsibility or liability for any personal injury or property damage which is occasioned by use of any Master Community Facilities or Special Common Area, and in no circumstance shall words or actions by the Association or Declarant constitute an implied or express representation or warranty regarding the fitness or condition of any Master Community Facilities or Special Common Area.

ARTICLE 3
USE AND CONSTRUCTION RESTRICTIONS

3.01 Design Guidelines. Any and all Improvements erected, placed, constructed, painted, altered, modified, or remodeled on or within any portion of the Development Area shall strictly comply with the requirements of the Design Guidelines, unless a variance is obtained pursuant to the Master Covenant. The Design Guidelines are hereby supplemented by the Supplemental Design Guidelines attached hereto as Exhibit "A".

3.02 Approval for Construction. No Improvements shall be constructed upon any Lot without the prior written approval of the Architectural Reviewer.

3.03 Single-Family Residential Use. Except as otherwise provided herein, the Lots shall be used solely for private single family residential purposes and there shall not be constructed or maintained thereon more than one detached single-family residence. No professional, business, or commercial activity to which the general public is invited shall be conducted on any Lot except an Owner or occupant of a residence may conduct business activities within a residence so long as: (i) such activity complies with all the applicable zoning ordinances, if any; (ii) the business activity is conducted without the employment of persons other than the residents of the home; (iii) the existence or operation of the business activity is not apparent or detectable by sight, i.e., no sign may be erected advertising the business on any Lot, sound, or smell from outside the residence; (iv) the business activity conforms to all zoning requirements for the Development Area; (v) the business activity does not involve door-to-door solicitation of residents within the Development Area; (vi) the business does not generate a level of vehicular or pedestrian traffic or a number of vehicles parked within the Development Area which is noticeably greater than that which is typical of residences in which no business activity is being conducted; (vii) the business activity is consistent with the residential character of the Development Area and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Development Area as may be determined in the sole discretion of the Board; and (viii) the business does not require the installation of any machinery other than that customary to normal household operations. The terms "business" and "trade", as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (x) such activity is engaged in full or part-time; (y) such activity in intended to or does generate a profit; or (z) a license is required. Leasing of a residence, as permitted pursuant to *Section 3.10* of this Declaration, shall not be considered a business or trade within the meaning of this subsection. This Section shall not apply to any activity conducted by Declarant or an Owner engaged in the business of constructing homes for resale who acquires a Lot for the purpose of constructing a residence thereon for resale to a third party or to any Lot. This Section shall not apply to any Lot upon which a Model Home has been permitted to be constructed by a Homebuilder until such Lot is no longer intended to be used in such a manner and is conveyed to an Owner pursuant to the terms and provisions contained in *Section 3.04* below.

3.04 Model Homes. Pursuant to *Section 9.02* of the Master Covenant, Declarant has the right to permit the construction of Model Homes by a Homebuilder within the Development Area. The Model Homes are not constructed to conform to the requirements of the Master Restrictions, and require certain alterations thereto, such as but not limited to requirements regarding the construction of garages and/or driveways. This exception is for the benefit of the Homebuilders, allowing the Homebuilders an opportunity to showcase their Model Homes to potential purchasers as well as maintain a sales office within the Property. Once a Model Home is no longer intended to be used for such non-residential purpose, any

Improvements or alterations to such Model Home to bring it into conformance with residential uses must be approved in writing by the Architectural Reviewer prior to the commencement of such improvements or alterations. **NO MODEL HOME SHALL BE CONVEYED TO AN OWNER WITHOUT COMPLYING WITH ALL RESTRICTIONS SET FORTH IN THE MASTER RESTRICTIONS, INCLUDING ANY APPLICABLE DESIGN GUIDELINES.** In any event, the Architectural Reviewer does not intend to approve any plans for Improvements or alterations to any Model Home until the earlier of the following to occur: (i) the termination of the Development Period; or (ii) such time as the Homebuilder seeking to improve or alter its Model Home has conveyed at least seventy-five percent (75%) of the Lots owned by such Homebuilder in the Property to Owners other than another Homebuilder or Declarant. Notwithstanding the above, the Architectural Reviewer is not prohibited from approving, in writing, any such requests.

3.05 **Garages.** All garages shall be approved in advance of construction by the Architectural Reviewer. Garage doors must be either: (i) a wooden carriage-style; or (ii) an architectural metal with distinguishing architectural features similar to those of a wooden carriage-style, as approved by the Architectural Reviewer. The Improvements on each Lot must contain a private, enclosed garage capable of housing at least two (2) automobiles. No carports or other open automobile storage units will be permitted. Except as otherwise permitted in *Section 3.04* above, no garage may be permanently enclosed or otherwise used for habitation. The location, orientation and opening into a garage *(i.e.,* side-entry or front-entry) must be approved in advance by the Architectural Reviewer. The parking of vehicles in the yard of any Lot is not permitted.

3.06 **Fences.** No fence shall be constructed on the Property without the prior written consent of the Architectural Reviewer. The height, materials and location of all fences must be approved in advance by the Architectural Reviewer and all fences must comply with any applicable requirements of the Design Guidelines. The Architectural Reviewer may, in its sole discretion, prohibit the construction of any proposed fence or require that any proposed fence be screened by vegetation or otherwise screened so as not to be visible from other portions of the Property, or specify the location on any Lot of any proposed fence or gates.

3.07 **Sidewalks.** The Owner of each Lot shall construct, at such Owner's sole cost and expense and prior to occupying any Improvement, a sidewalk on such Owner's Lot along and adjacent to the right-of-way which is immediately accessible from the Lot (to the extent required by applicable plat or other governmental regulation), as well as a sidewalk from such sidewalk to the front of the residence constructed on the Lot. All such sidewalks shall include barrier-free ramps at corners. Further, all such sidewalks shall be approved in advance by the Architectural Reviewer and shall be designed and constructed in compliance with any applicable requirements of the Design Guidelines.

3.08 **Building Restrictions.**

(a) Materials. All building materials must be approved in advance by the Architectural Reviewer, and only new building materials shall be used for constructing any Improvements. All projections from a dwelling or other structure, including but not limited to chimney flues, vents, gutters, downspouts, utility boxes, porches, railings and exterior stairways must, unless otherwise approved by the Architectural Reviewer, match the color of the surface from which they project. No highly reflective finishes (other than glass, which may not be mirrored) shall be used on exterior surfaces (other than surfaces of hardware fixtures), including, without limitation, the exterior surfaces of any Improvements. Notwithstanding the foregoing, a standing seam metal roof with a reflective finish is permissible, provided the design, materials and construction of such roof has been approved in advance by the Architectural Reviewer.

(b) Roofing. The color and composition of all roof materials shall be expressly approved in advance by the Architectural Reviewer and shall be in compliance with the provisions of the Design Guidelines. Except as otherwise approved in advance by the Architectural Reviewer, the roof pitch of any roof must be a minimum of 8/12.

(c) Height. The maximum building height shall be subject to the review and approval of the Architectural Reviewer, and will be subject to any applicable provisions in the Design Guidelines.

(d) Additional Provisions. Additional provisions governing the construction of Improvements on Lots may be set forth in the Supplemental Design Guidelines.

3.09 Masonry; Foundation Shielding; Chimneys. All masonry, foundation shielding and chimney requirements shall be set forth in the Supplemental Design Guidelines and must be approved in advance by the Architectural Reviewer.

3.10 Rentals. Nothing in this Declaration shall prevent the rental of any Lot and the Improvements thereon by the Owner thereof for residential purposes; provided that all rentals must be for a term of at least six (6) months and must be pursuant to a written lease. The Owner must provide to its lessee copies of the Master Restrictions. Notice of any lease, together with such additional information as may be required by the Board, will be remitted to the Association by the Owner on or before the expiration of ten (10) days after the effective date of the lease. Notwithstanding the foregoing, no Model Home may be leased for residential purposes pursuant to this Section until such time as the Model Home is no longer intended to be used as a Model Home and the provisions of *Section 3.04* above have been met.

3.11 Driveways. The design, construction materials, and location of: (i) all driveways, and (ii) culverts incorporated into driveways for ditch or drainage crossings, shall be approved by the Architectural Reviewer. Pursuant to the Design Guidelines, the Architectural Reviewer may establish design and materials requirements for all driveways and driveway culverts to insure that they are consistent in appearance throughout the Development Area.

3.12 Compliance with Setbacks. All residences and accessory structures must comply with any applicable setbacks imposed by Plat, zoning, or otherwise by Applicable Law.

3.13 Address Markers. The location, design and materials used for address identification markers on each residence must be approved in advance of installation by the Architectural Reviewer and comply with the requirements of the Design Guidelines.

3.14 HVAC Location; Screening. No air-conditioning apparatus may be installed on the ground in front of a residence or on the roof of any residence. No air-conditioning apparatus, window air-conditioning apparatus or evaporative cooler may be attached to any front wall or front window of a residence or at any other location where it would be visible from any street, any other Lot or any Master Community Facilities or Special Common Area. All HVAC units must be screened with either landscaping, structural screening to match the exterior of the residence or by fencing, and approved by the Architectural Reviewer in advance in compliance with the Design Guidelines.

3.15 Alteration or Removal of Improvements. Any construction, other than normal maintenance, which in any way alters the exterior appearance of any Improvement, or the removal of any Improvement shall be performed only with the prior written approval of the Architectural Reviewer.

3.16 Trash Containers. Except for a consecutive twenty-four (24) hour period beginning at 7:00 p.m. on the evening preceding any designated waste pick-up day and ending at 7:00 p.m. on the designated waste pick-up day, trash containers and recycling bins must be stored in one of the following locations:

(a) Inside the garage of the single-family residence constructed on the Lot; or

(b) Behind the single-family residence constructed on the Lot in such a manner that the trash container and recycling bin is not visible from any street, alley, or adjacent Lot.

The Architectural Reviewer shall have the right to specify additional locations on each Owner's Lot in which trash containers or recycling bins must be stored.

3.17 Drainage; Erosion Control. Each Owner is responsible for complying with all governmental and/or regulatory requirements which may apply with respect to the drainage or detention of storm water within such Owner's Lot. Declarant expressly disclaims any responsibility, representation or warranty with respect to the drainage and/or detention of storm water within any Lot. There shall be no interference with the established drainage patterns over any of the Development Area, including the Lots, except by Declarant, unless adequate provision is made for proper drainage and such provision is approved in advance by the Architectural Reviewer. Plans submitted to the Architectural Reviewer for approval shall

indicate thereon an erosion control plan to be instituted during the construction of any residence on the Lot. Any erosion control plan proposed to be constructed within the Development Area shall comply with the Design Guidelines or shall otherwise be constructed in accordance with any other specifications set forth by the Architectural Reviewer and shall, in any case, be approved in advance by the Architectural Reviewer. In no event, however, shall the Architectural Reviewer be liable in any manner for any deficiencies in drainage control caused by an Owner, and each Owner shall be responsible for ensuring that all erosion control plans are properly designed by an engineer or other licensed professional. The Owner of the Lot shall be obligated to maintain and keep such approved erosion controls in good condition and repair. The erosion controls shall be removed when the residence constructed upon the Lot is capable of occupancy for residential purposes. Specifically, and not by way of limitation, no Improvement, including landscaping, may be installed which impedes the proper drainage of water between Lots.

3.18 Construction Hours and Activities. This Declaration will not be construed or applied so as to unreasonably interfere with or prevent normal construction activities during the construction of Improvements by an Owner (including Declarant or a Homebuilder) upon or within the Development Area and/or the Property. Specifically, no such construction activities will be deemed to constitute a nuisance or a violation of this Declaration by reason of noise, dust, presence of vehicles or construction machinery, posting of signs or similar activities, provided that such construction is pursued to completion with reasonable diligence and conforms to usual construction practices in the area. In the event that construction upon any Lot does not conform to usual practices in the area as determined by the Architectural Reviewer in its sole and reasonable judgment, the Architectural Reviewer will have the authority to seek an injunction to stop such construction. In addition, if during the course of construction upon any Lot there is excessive accumulation of debris of any kind which would render the Lot or any portion thereof unsanitary, unsightly, offensive, or detrimental to it or any other portion of the Development Area and/or Property, then the Architectural Reviewer may contract for or cause such debris to be removed, and the Owner of the Lot will be liable for all reasonable expenses incurred in connection therewith.

3.19 Landscaping. Each Owner shall be required to install landscaping upon such Owner's Lot in accordance with landscaping plans approved in advance of installation by the Architectural Reviewer and the Design Guidelines. Notwithstanding any provision in this Development Area Declaration to the contrary, such landscaping plans must be approved by the Architectural Reviewer prior to occupancy of the single family residential structure located on the Lot to which such landscaping plans relate. All landscaping shown on the landscaping plans and specifications approved by the Architectural Reviewer shall be installed, and all such landscaping shall be completed, on or before the earlier of three (3) months after the landscaping plans have been approved by the Architectural Reviewer, or the date construction is completed on the home, unless approved in advance by the Architectural Reviewer. In addition to any other trees or landscaping required by the Design Guidelines or the

Architectural Reviewer, and unless other landscaping requirements are designated by the Architectural Reviewer, the entire Lot shall be fully landscaped, including sod, with a grass of a type approved in advance by the Architectural Reviewer. The Architectural Reviewer shall be entitled to make recommendations with respect to tree or vegetation disease control, whereupon the Owner or Owners to whom such recommendations are directed shall be obligated to comply with such recommendations, which may include, but not be limited to tree or vegetation removal and replacement.

3.20 Sight Distance at Intersection. No fence, wall, hedge, or planting that obstructs sight lines at elevations between two feet and nine feet above the roadway may be placed or permitted to remain on any corner Lot within the triangular area formed by the street property lines and a line connecting them at a point thirty feet (30') from the intersection of the street lines or, in the case of a rounded property corner, from the intersection of the street property lines as extended. The same sight-line limitations will apply on any Lot within the triangular area formed by the street line, the driveway or alley line and a line connecting them at a point ten feet (10') from the intersection of a street property line with the edge of a driveway or alley pavement. All tree foliage within such distances of intersections must be maintained to meet the sight-line requirements set forth above. Notwithstanding the foregoing or anything in this Development Area Declaration to the contrary, all sight distances required by any applicable governmental authority must be complied with.

3.21 Swimming Pools. Any swimming pool constructed on a Lot must be enclosed with a fence or other enclosure device completely surrounding the swimming pool which, at a minimum, satisfies all applicable governmental requirements. Nothing in this *Section 3.21* is intended or shall be construed to limit or affect an Owner's obligation to comply with any applicable governmental regulations concerning swimming pool enclosure requirements. Above-ground or temporary swimming pools are prohibited.

3.22 Flagpoles; Flags. No more than one (1) flagpole not to exceed two (2) inches in diameter or twenty feet (20') in height may be mounted on each Lot; provided, however, that: (i) only the United States flag, the flag of the State of Texas, an official or replica flag of any branch of the United States armed forces, and (ii) no more than one (1) flag of a sports team or other patriotic theme or symbol shall be permitted. To the fullest extent permitted by law, the Architectural Reviewer shall be entitled to regulate the size and location of flagpoles all flagpoles, the size of a displayed flag, the size, location, and the intensity of any lights used to illuminate a displayed flag. Notwithstanding any provision of this *Section 3.22* to the contrary, Homebuilders may erect free-standing flagpoles and flags of a reasonable size in the Development Area for the marketing and sale of residences within the Property until such time as the Homebuilder no longer owns or is utilizing a Model Home within the Development Area and the requirements of *Section 3.04* have been met.

3.23 Overhead Electric Lines Prohibited. Unless expressly approved by the Architectural Reviewer, electric lines must be built underground along major thoroughfares and residential streets in the Development Area, and may not be erected overhead.

3.24 Retaining Walls. Each Owner who acquires a Lot with the intent of constructing a residence thereon for sale to a third-party (*i.e.*, a Homebuilder) shall be obligated, at its sole cost and expense, to construct any retaining wall which may be required by the Architectural Reviewer to be constructed on such Owner's Lot. Any retaining wall proposed to be constructed within the Development Area shall comply with the Design Guidelines or shall otherwise be constructed in accordance with any other specifications set forth by the Architectural Reviewer and shall, in any case, be approved in advance by the Architectural Reviewer.

3.25 Square Footage. The minimum and maximum square footage for each residence shall be as set forth in the Supplemental Design Guidelines.

3.26 Open Space Areas. The following restrictions apply to those portions of the Master Community Facilities located adjacent to or behind one or more Lots (collectively, "**Open Space Areas**"):

(a) Open Space Areas behind homes are designated as passive activity areas. They may have drainage or water quality purposes, or exist as greenbelts. If they are not fenced, Owners may walk through the areas; however, organized activities such as sports, picnicking, vehicular activity, or other active use is not permitted.

(b) The boundaries of each Lot end at the rear fence or rear property line of such Lot. Owners may not extend their backyard into any Open Space Areas or other portions of the Master Community Facilities. Items such as batting cages, golf putting greens, basketball hoops, fountains, and organized gardens, among other things, are not allowed within any Open Space Areas.

(c) No Owner may store any items within any Open Space Areas.

(d) Piling debris, clippings, trash, leaves, tree limbs, etc. within any Open Space Areas is expressly prohibited.

(e) To the extent that an Owner generates any debris as a result of the Owner's caretaking of their Lot (e.g., debris generated by landscape maintenance), the Owner must take appropriate precautions to ensure that any such debris does not encroach onto any Open Space Areas. In no event may an Owner cause any landscape maintenance to be performed with any Open Space Areas without the prior approval of the Architectural Reviewer.

(f) Sheds or outbuildings to be located adjacent to Open Space Areas may be permitted with the prior approval of the Architectural Reviewer; however, in no event may a shed or outbuilding be constructed so as to be visible from any adjacent roadway.

(g) No portion of any Open Space Areas may be fenced by any Owner, and no gates may be installed in the fence between an Owner's Lot and any Open Space Areas.

3.27 Repetition of Plans and Elevations. A dwelling may not be constructed with the same elevation and floor plan as another dwelling within three (3) Lots. A dwelling may not be constructed with a different elevation but the same floor plan as another dwelling within two (2) Lots.

ARTICLE 4
GENERAL DISCLOSURES AND NOTICES

4.01 Differing Restrictions. Improvements constructed within various portions of the Property may be subject to different restrictions, which different restrictions will be set forth in one or more sets of Design Guidelines to be applicable to other Development Areas or portions of the Property. Accordingly, requirements concerning exterior walls, roofing materials, fencing, landscaping, setbacks and other Improvements may differ among separate Development Areas or portions of the Property.

4.02 Compliance with Applicable Regulations. Ordinances, requirements and regulations imposed by applicable governmental and quasi-governmental authorities are applicable to all Lots. Compliance with the Master Restrictions is not a substitute for compliance with such ordinances, requirements and regulations. Please be advised that the Master Restrictions do not purport to list or describe each restriction that may be applicable to a Lot. Each Owner is advised to review all encumbrances affecting the use and improvement of their Lot prior to submitting plans to the Architectural Reviewer for approval. Furthermore, approval by the Architectural Reviewer should not be construed by the Owner as indicating that any Improvement complies with the terms and provisions of all encumbrances which may affect the Owner's Lot. Certain encumbrances may benefit parties whose interests are not addressed by the Architectural Reviewer.

4.03 Construction Matters. Land development activities and construction activities will occur within and around the Property and such activities will create noise, dust, traffic disruption and general inconvenience to the residents within the Property.

4.04 Safety and Security. Each Owner and occupant of a Lot, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property within the Property. The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to promote or enhance the level of safety or security which each person provides for himself or herself and his or her property. However,

neither the Association nor Declarant shall in any way be considered insurers or guarantors of safety or security within the Property, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

4.05 Warranties and Representations Regarding Improvements. Declarant is not responsible for, nor does it assume or warrant as true, any representation or warranty made by any person who may be associated with the marketing and sale of any residences or other Improvements within the Property. Declarant is not responsible for, nor does it assume or warrant, the quality of construction of any home, building or other Improvements which are not constructed by Declarant. No Owner will be entitled to look to Declarant with respect to any disputed contractual or construction warranty issues which may arise between any Owner and any contractor or contractors constructing a home or building upon such Owner's Lot.

4.06 Undeveloped Areas of the Property. Except for the areas permitted by Declarant, access to, or use of, all areas outside of developed portions of the Property is strictly prohibited.

ARTICLE 5
INSURANCE AND CONDEMNATION

5.01 Insurance. Each Owner shall be required to maintain insurance on the Improvements located upon such Owner's Lot, providing fire and extended coverage and all other coverage in the kinds and amounts commonly required by private institutional mortgage investors for Improvements similar in construction, location and use. Such insurance policies shall be for the full insurable value of the Improvements constructed upon each Lot, shall contain extended coverage and replacement costs endorsements, if reasonably available, and may also contain vandalism and malicious mischief coverage, special form endorsement, a stipulated amount clause and a determinable cash adjustment clause. The Declarant or the Association shall not be required to maintain insurance on the Improvements constructed upon any Lot. The Association may, however, cause to be obtained such insurance as it may deem necessary, including but not limited to such policies of liability and property damage insurance as the Board in its discretion may deem necessary. Insurance premiums for such policies shall be a common expense to be included in the assessments levied by the Association, as the case may be. The acquisition of insurance by the Association shall be without prejudice to the right and obligation of any Owner to obtain additional individual insurance.

5.02 Restoration. In the event of any fire or other casualty, the Owner shall promptly repair, restore and replace any damaged or destroyed structures to their same exterior condition existing prior to the damage or destruction thereof. Such repair, restoration or replacement shall be commenced and completed in a good and workmanlike manner using exterior materials identical to those originally used in the structures damaged or destroyed. To the

extent that the Owner fails to commence such repair, restoration or replacement of substantial or total damage or destruction within thirty (30) days after the occurrence of such damage or destruction, and thereafter prosecute same to completion, or if the Owner does not clean up any debris resulting from any damage within thirty (30) days after the occurrence of such damage, the Association may commence, complete or effect such repair, restoration, replacement or clean-up, and such Owner shall be personally liable to the Association for the cost of such work; provided, however, that if the Owner is prohibited or delayed by law, regulation or administrative or public body or tribunal from commencing such repair, restoration, replacement or clean-up, the rights of the Association under this sentence shall not arise until the expiration of thirty (30) days after such prohibition or delay is removed. If the Owner fails to pay such cost upon demand by the Association, the cost thereof (plus interest from the date of demand until paid at the maximum lawful rate, or if there is no such maximum lawful rate, then at the rate of one and one-half percent (1½%) per month) shall be assessed against and chargeable to the Owner's Lot(s). Any such amounts assessed and chargeable against a Lot shall be secured by the liens reserved in the Master Covenant for Assessments and may be collected by any means provided in the Master Covenant for the collection of Assessments, including, but not limited to, foreclosure of such liens against the Owner's Lot(s). **EACH SUCH OWNER SHALL INDEMNIFY AND HOLD HARMLESS THE ASSOCIATION, AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION INCURRED OR THAT MAY ARISE BY REASON OF THE ASSOCIATION'S ACTS OR ACTIVITIES UNDER THIS *SECTION* 5.02, EXCEPT FOR SUCH COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR COST OF ACTION ARISING BY REASON OF THE ASSOCIATION'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. "GROSS NEGLIGENCE" AS USED HEREIN DOES NOT INCLUDE SIMPLE NEGLIGENCE, CONTRIBUTORY NEGLIGENCE OR SIMILAR NEGLIGENCE SHORT OF ACTUAL GROSS NEGLIGENCE.**

5.03 **Mechanic's and Materialmen's Lien**. Each Owner whose structure is repaired, restored, replaced or cleaned up by the Association pursuant to the rights granted under this *Article 5*, hereby grants to the Association an express mechanic's and materialmen's lien for the reasonable cost of such repair, restoration, or replacement of the damaged or destroyed Improvement to the extent that the cost of such repair, restoration or replacement exceeds any insurance proceeds allocable to such repair, restoration or replacement and delivered to the Association. Upon request by the Board and before the commencement of any reconstruction, repair, restoration or replacement, such Owner shall execute all documents sufficient to effectuate such mechanic's and materialmen's lien in favor of the Association.

ARTICLE 6
MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Lots within the Development Area. The provisions of this Article apply to this Declaration and the Bylaws of the Association.

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

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

(b) Any delinquency in the payment of assessments or charges owed for a Lot subject to the Mortgage of such Eligible Mortgage Holder, where such delinquency has continued for a period of sixty (60) days, or any other violation of this Declaration relating to such Lot or the Owner or occupant which is not cured within sixty (60) days;

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

(d) Any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders.

6.02 **Examination of Books.** The Association shall permit Mortgagees to examine the books and records of the Association during normal business hours.

6.03 **Taxes, Assessments and Charges.** All taxes, assessments and charges that may become liens prior to first lien mortgages under applicable law shall relate only to the individual Lots and not to any other portion of the Development Area.

ARTICLE 7
DEVELOPMENT

7.01 **Addition of Land.** Declarant may, at any time and from time to time, add additional land to the Development Area and, upon the filing of a notice as hereinafter described, such land shall be considered part of the Development Area for purposes of this Declaration, and such land shall be subject to the terms, covenants, conditions, restrictions and obligations set forth in this Declaration, and the rights, privileges, duties and liabilities of the persons subject to this Declaration shall be the same with respect to such added land as with respect to the land originally covered by this Declaration. To add land to the Development Area, Declarant shall be required only to record in the Official Public Records of Denton County, Texas, a Notice of Addition of Land (which notice may be contained within any Notice of Applicability filed pursuant to *Section 9.05* of the Master Covenant) containing the following provisions:

(a) a reference to this Declaration, which will include the recordation information thereof;

(b) a statement that such land shall be considered Development Area for purposes of this Declaration, and that all of the terms, covenants, conditions, restrictions and obligations of this Declaration shall apply to the added land; and

(c) a legal description of the added land.

7.02 **Withdrawal of Land.** Declarant may, at any time and from time to time, reduce or withdraw land from the Development Area and remove and exclude from the burden of this Declaration: (i) any portion of the Development Area which has not been included in a Plat; (ii) any portion of the Development Area included in a Plat if Declarant owns all Lots described in such Plat; and (iii) any portion of the Development Area included in a Plat even if Declarant does not own all Lot(s) described in such Plat, provided that Declarant obtains the written consent of all other Owners of Lot(s) described in such Plat. Upon any such withdrawal and renewal this Declaration and the covenants conditions, restrictions and obligations set forth herein shall no longer apply to the portion of the Development Area withdrawn. To withdraw lands from the Development Area hereunder, Declarant shall be required only to record in the Official Public Records of Denton County, Texas, a Notice of Withdrawal of Land containing the following provisions:

(a) a reference to this Declaration, which will include the recordation information thereof;

(b) a statement that the provisions of this Declaration shall no longer apply to the withdrawn land; and

(c) a legal description of the withdrawn land.

ARTICLE 8
GENERAL PROVISIONS

8.01 Duration. This Declaration and the covenants, conditions, restrictions, easements, charges, and liens set out herein shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association and every Owner, including Declarant, and their respective legal representatives, heirs, successors, and assigns, for a term beginning on the date this Declaration is recorded in the Official Public Records of Denton County, Texas, and continuing through and including January 1, 2072, after which time this Declaration shall be automatically extended for successive periods of ten (10) years unless a change (the word "change" meaning a termination, or change of term or renewal term) is approved by in a resolution adopted by members of the Association, entitled to cast at least sixty-seven percent (67%) of the total number of votes of the Association, voting in person or by proxy at a meeting duly called for such purpose, written notice of which shall be given to all Members at least thirty (30) days in advance and shall set forth the purpose of such meeting; provided, however, that such change shall be effective only upon the recording of a certified copy of such resolution in the Official Public Records of Denton County, Texas. The foregoing sentence shall in no way be interpreted to mean sixty-seven percent (67%) of a quorum as established pursuant to the Bylaws. Notwithstanding any provision in this *Section 8.01* to the contrary, if any provision of this Declaration would be unlawful, void, or voidable by reason of any Texas law restricting the period of time that covenants on land may be enforced, such provision shall expire twenty-one (21) years after the death or the last survivor of the now living, as of the date of the first recording of this document, descendants of Elizabeth II, Queen of England.

8.02 Amendment. This Declaration may be amended or terminated by the recording in the Official Public Records of Denton County, Texas, of an instrument executed and acknowledged by (i) Declarant, acting alone and unilaterally, during the Development Period; or (ii) by the president and secretary of the Association setting forth the amendment and certifying that such amendment has been approved by Declarant (until expiration or termination of the Development Period) and Members entitled to cast at least sixty-seven percent (67%) of the total number of votes entitled to be cast by members of the Association. The foregoing sentence shall in no way be interpreted to mean sixty-seven percent (67%) of a quorum as established pursuant to the Bylaws. No amendment will be effective without the written consent of Declarant, its successors or assigns, during the Development Period. Specifically, and not by way of limitation, Declarant may unilaterally amend this Development Area Declaration: (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on any Lot or Condominium Unit; (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal Home Loan Mortgage Corporation, to make, purchase,

insure or guarantee mortgage loans on Lots and/or Condominium Units; or (iv) to comply with any requirements promulgated by a local, state or governmental agency, including, for example, the Department of Housing and Urban Development.

8.03 Notices. Any notice permitted or required to be given by this Declaration shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered on the third (3rd) day (other than a Saturday, Sunday, or legal holiday) after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the person at the address given by such person in writing to the Secretary of the Association for the purpose of service of notices, or to the residence located on the Lot owned by such person if no address has been given to the Secretary of the Association. Such address may be changed from time to time by notice in writing given by such person to the Secretary of the Association.

8.04 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate the purpose of creating a uniform plan for the development and operation of the Development Area, provided, however, that the provisions of this Declaration shall not be held to impose any restriction, condition or covenant whatsoever on any land owned by Declarant other than the Development Area. This Declaration shall be construed and governed under the laws of the State of Texas.

8.05 Gender. Whenever the context shall so require, all words herein in the male gender shall be deemed to include the female or neuter gender, all singular words shall include the plural, and all plural words shall include the singular.

8.06 Assignment of Declarant. Notwithstanding any provision in this Declaration to the contrary, Declarant may, by written instrument, assign, in whole or in part, any of its privileges, exemptions, rights, and duties under this Declaration to any person or entity and may permit the participation, in whole, in part, exclusively, or non-exclusively, by any other person or entity in any of its privileges, exemptions, rights, and duties hereunder.

8.07 **Enforcement and Nonwaiver.**

(a) Except as otherwise provided herein, any Owner of a Lot, at such Owner's own expense, Declarant and the Association shall have the right to enforce all of the provisions of this Declaration. The Association may initiate, defend or intervene in any action brought to enforce any provision of this Declaration. Such right of enforcement shall include both damages for and injunctive relief against the breach of any provision hereof.

(b) Every act or omission whereby any provision of the Master Restrictions is violated, in whole or in part, is hereby declared to be a nuisance and may be enjoined or abated by any Owner of a Lot (at such Owner's own expense), Declarant or the Association.

(c) Any violation of any federal, state, or local law, ordinance, or regulation pertaining to the ownership, occupancy, or use of any portion of the Development Area is hereby declared to be a violation of this Declaration and subject to all of the enforcement procedures set forth herein.

(d) The failure to enforce any provision of the Master Restrictions at any time shall not constitute a waiver of the right thereafter to enforce any such provision or any other provision of the Master Restrictions.

8.08 **Construction.** The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion hereof shall not affect the validity or enforceability of any other provision. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit, or otherwise affect that which is set forth in any of the paragraphs, sections, or articles hereof.

[SIGNATURE PAGE FOLLOWS]

EXECUTED to be effective as of the date this Declaration has been recorded in the Official Public Records of Denton County, Texas.

DECLARANT:

NASH Canyon Falls, LLC
a Delaware limited liability company

By: Newland Real Estate Group, LLC
a Delaware limited liability company
its Agent

By: _____
Name: Brian Cramer
Title: Assistant Vice President

THE STATE OF TEXAS §
COUNTY OF Dallas §

This instrument was acknowledged before me on this 19th day of February 2016, by Brian Cramer, Assistant Vice President of Newland Real Estate Group, LLC, a Delaware limited liability company, the agent of Nash Canyon Falls, LLC, a Delaware limited liability company, on behalf of said entities.

CHRISTA D. GILBERT
Notary Public, State of Texas
Comm. Expires 06-11-2019
Notary ID 13025700-5

Christa D Gilbert
Notary Public, State of Texas

CONSENT OF LANDOWNER

The undersigned, being the fee title owner of the Development Area, executes this instrument solely for the purpose of evidencing its consent to the terms and provisions hereof.

CalAtlantic Homes of Texas, Inc., a Delaware Corporation, as successor to RH of Texas Limited Partnership

By: **CalAtlantic Homes of Texas, Inc.**, a Delaware Corporation, its general partner

By: _____
Name: Chie E. Boyd
Title: Vice President-Land Development

THE STATE OF TEXAS §

COUNTY OF Dallas §

This instrument was acknowledged before me on this 16th day of February, 2016, by Chie Boyd, VP of Development of Ryland Homes of Texas, Inc., a Texas corporation, general partner of RH of Texas Limited Partnership, a Texas limited partnership, on behalf of said entities.

DUSTIN EGGLESTON
Notary Public, State of Texas
My Commission Expires
October 19, 2019

(seal)

_____
Notary Public, State of Texas

**** Electronically Filed Document ****

Denton County
Juli Luke
County Clerk

Document Number: 2016-18304
Recorded As : ERX-DECLARATION

Recorded On:	**February 22, 2016**
Recorded At:	**08:49:14 am**
Number of Pages:	**37**
Recording Fee:	**$170.00**

Parties:

Direct- NASH CANTON FALLS LLC

Indirect-

Receipt Number:	**1392308**
Processed By:	**Timothy Duvall**

********** THIS PAGE IS PART OF THE INSTRUMENT **********

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

THE STATE OF TEXAS}
COUNTY OF DENTON}

I hereby certify that this instrument was FILED in the File Number sequence on the date/time printed heron, and was duly RECORDED in the Official Records of Denton County, Texas.

Juli Luke

County Clerk
Denton County, Texas

**** Electronically Filed Document ****

Denton County
Cynthia Mitchell
County Clerk

Document Number: 2014-18622
Recorded As : ERX-DECLARATION

Recorded On:	**March 04, 2014**
Recorded At:	**01:25:01 pm**
Number of Pages:	**67**
Recording Fee:	**$290.00**

Parties:

Direct- WS-DCF DEVELOPMENT LLC
Indirect-

Receipt Number:	**1138416**
Processed By:	**Jane Kline**

********** THIS PAGE IS PART OF THE INSTRUMENT **********

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

THE STATE OF TEXAS)
COUNTY OF DENTON)

I hereby certify that this instrument was FILED in the File Number sequence on the date/time printed heron, and was duly RECORDED in the Official Records of Denton County, Texas.

County Clerk
Denton County, Texas

AFTER RECORDING RETURN TO:

JOSHUA D. BERNSTEIN
ARMBRUST & BROWN, PLLC
100 CONGRESS AVE., SUITE 1300
AUSTIN, TEXAS 78701

CANYON FALLS

A Master Planned Community in Denton County, Texas

MASTER COVENANT

Declarant: WS - DCF DEVELOPMENT, LLC, a Delaware limited liability company

NOTE: NO PORTION OF THE PROPERTY DESCRIBED ON EXHIBIT "A" IS SUBJECT TO THE TERMS OF THIS MASTER COVENANT UNLESS A NOTICE OF APPLICABILITY DESCRIBING SUCH PORTION OF THE PROPERTY IS FILED IN THE OFFICIAL PUBLIC RECORDS OF DENTON COUNTY, TEXAS, IN ACCORDANCE WITH SECTION 9.05 HEREOF.

CANYON FALLS
MASTER COVENANT

TABLE OF CONTENTS

CANYON FALLS
MASTER COVENANT

This Canyon Falls Master Covenant (the "**Master Covenant**") is made by **WS - DCF DEVELOPMENT, LLC**, a Delaware limited liability company ("**Declarant**"), and is as follows:

RECITALS:

A. Declarant is the present owner of certain real property located in Denton County, Texas, as more particularly described on Exhibit "A", attached hereto (the "**Property**").

B. Declarant desires to create and carry out a uniform plan for the development, improvement, and sale of the Property.

C. Portions of the Property may be made subject to this Master Covenant upon the filing of one or more Notices of Applicability (as defined below) pursuant to *Section 9.05* below, and once such notices of applicability have been filed pursuant to *Section 9.05*, the portions of the Property described therein will constitute the Development (as defined below) and will be governed by and fully subject to this Master Covenant, and the Development in turn will be comprised of separate Development Areas (as defined below) which will be governed by and subject to separate Development Area Declarations (as defined below) in addition to this Master Covenant.

No portion of the Property is subject to the terms and provisions of this Master Covenant until a Notice of Applicability is filed in the Official Public Records of Denton County, Texas. A Notice of Applicability may only be filed by Declarant. If Declarant is not the owner of any portion of the Property then being made subject to the terms and provisions of the Master Covenant, the owner of the Property must execute the Notice of Applicability evidencing its consent to its recordation.

Property versus Development versus Development Area

"Property"	**Described on Exhibit "A". This is the land that may be made subject to this Master Covenant, from time to time, by the filing of one or more Notices of Applicability.**
"Development"	**This is the portion of the land described on Exhibit "A" that has been made subject to this Master Covenant through the filing of a Notice of Applicability.**
"Development Area"	**This is a portion of the Development. In most circumstances, a Development Area will comprise a separately platted subdivision within the Development.**

D. By the filing of this Master Covenant, Declarant serves notice that upon the further filing of one or more Notices of Applicability pursuant to the requirements of *Section 9.05* below, portions of the Property identified in such notice or notices will be subjected to the terms and provisions of this Master Covenant.

NOW, THEREFORE, it is hereby declared: (i) that those portions of the Property, as and when subjected to this Master Covenant pursuant to *Section 9.05* below, will be held sold, conveyed, and occupied subject to the following covenants, conditions and restrictions which will run with such portions of the Property and will be binding upon all parties having right, title, or interest in or to such portions of the Property or any part thereof, their heirs, successors, and assigns and will inure to the benefit of each owner thereof; and (ii) that each contract or deed conveying those portions of the Property which are subjected to this Master Covenant pursuant to *Section 9.05* will conclusively be held to have been executed, delivered, and accepted subject to the following covenants, conditions and restrictions, regardless of whether or not the same are set out in full or by reference in said contract or deed.

ARTICLE 1
DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used in this Master Covenant will have the meanings hereinafter specified:

"**Approval or Consent**" as used in the Master Restrictions means advance written approval or consent that may be granted or withheld in the sole discretion of the party whose consent or approval is required.

"**Architectural Reviewer**" means the Declarant during the Development Period. Upon expiration or termination of the Development Period, the rights of the Architectural Reviewer will automatically be transferred to the Architectural Control Committee appointed by the Board.

"**Assessment**" or "**Assessments**" means assessments imposed by the Association under this Master Covenant.

"**Assessment Unit**" has the meaning set forth in Section 5.09(b) below.

"**Association**" means Canyon Falls Master Community, Inc., a Texas non-profit corporation, which will be created by Declarant to exercise the authority and assume the powers specified in Article 3 and elsewhere in this Master Covenant.

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

"**Bulk Rate Contract**" or "**Bulk Rate Contracts**" means one or more contracts which are entered into by the Association for the provision of utility services or other services of any kind or nature to the Lots and/or Condominium Units. The services provided under Bulk Rate

Contracts may include, without limitation, cable television services, telecommunications services, internet access services, "broadband" services, security services, trash pick-up services, propane service, natural gas service, lawn maintenance services and any other services of any kind or nature which are considered by the Board to be beneficial. The Board has no obligation to enter into any Bulk Rate Contract for the provision of services to Owners or occupants.

"**Bylaws**" means the Bylaws of the Association as adopted and as amended from time to time.

"**Certificate**" means the Certificate of Formation of the Association, filed in the Office of the Secretary of State of Texas, as the same may be amended from time to time.

"**Commercial Lot**" means a portion of the Development, shown as a subdivided lot on a Plat, other than a Residential Lot, Master Community Facilities, or Special Common Area, that is intended for business or commercial use. Business or commercial use shall include, but not be limited to, all office, retail, wholesale, manufacturing, and service activities, and shall also be deemed to include multi-family, duplex and apartment housing of various densities other than a condominium regime.

"**Condominium Unit**" means an individual unit, including any common element assigned thereto, within a condominium regime, if any, established within the Development.

"**Declarant**" means WS - DCF DEVELOPMENT, LLC, a Delaware limited liability company, its successors or assigns; provided that any assignment(s) of the rights of WS - DCF DEVELOPMENT, LLC, a Delaware limited liability company, as Declarant, must be expressly set forth in writing and recorded in the Official Public Records of Denton County, Texas.

"**Design Guidelines**" means the standards for design, construction, landscaping, and exterior items placed on any Lot or Condominium Unit adopted pursuant to Section 6.06(b) below, as the same may be amended from time to time. The Design Guidelines may consist of multiple written design guidelines applying to specific portions of the Development. Declarant may adopt the initial Design Guidelines applicable to the Development or any Development Area.

"**Development**" refers to any and all portions of the Property that are made subject to this Master Covenant pursuant to Section 9.05 below.

"**Development Area**" means any part of the Development (less than the whole), which Development Areas may be subject to Development Area Declarations in addition to being subject to this Master Covenant.

"**Development Area Association**" as to each Development Area, means any nonprofit corporation organized and established pursuant to a Development Area Declaration. Declarant shall have no obligation to cause a Development Area Association to be formed nor shall Declarant be obligated to include provisions in any Development Area Declaration which

would enable formation of a Development Area Association. Development Area Associations may take the form of a property owners association or condominium owners association.

"**Development Area Declaration**" means, with respect to any Development Area, the separate instrument(s) containing covenants, restrictions, conditions, limitations and/or easements, to which the property within such Development Area is subjected.

"**Development Period**" means the period in which Declarant owns or has the option to acquire all or any portion of the Property.

"**Director**" means a member of the Board of Directors of the Association.

"**Homebuilder**" means an Owner (other than the Declarant) who acquires a Lot and intends to construct thereon one or more single-family residences or Condominium Units for resale to a third party.

"**Improvement**" means every structure and all appurtenances of every type and kind, whether temporary or permanent in nature, including, but not limited to, buildings, outbuildings, storage sheds, patios, tennis courts, sport courts, recreational facilities, swimming pools, putting greens, garages, driveways, parking areas and/or facilities, storage buildings, sidewalks, fences, gates, screening walls, retaining walls, stairs, patios, decks, walkways, landscaping, mailboxes, poles, signs, antennae, exterior air conditioning equipment or fixtures, exterior lighting fixtures, water softener fixtures or equipment, and poles, pumps, wells, tanks, reservoirs, pipes, lines, meters, antennas, towers and other facilities used in connection with water, sewer, gas, electric, telephone, regular or cable television, or other utilities.

"**Lot**" means any portion of the Development designated by Declarant or as shown as a subdivided lot on a Plat other than Master Community Facilities or Special Common Area or a Lot on which a condominium regime has been established, and shall include both Commercial Lots and Residential Lots.

"**Manager**" has the meaning set forth in Section 3.05(h) below.

"**Master Community Facilities**" means property and facilities that: (i) the Association owns or in which it otherwise holds possessory or use rights for the common use or benefit of more than one Lot or Condominium Unit; and (ii) the Declarant owns for the common use or benefit of more than one Lot or Condominium Unit. The Master Community Facilities also include: (A) any property in which the Association holds possessory rights under a lease, license or any easement in favor of the Association; and (B) any area(s) identified as common areas on any plat, recorded in the Official Public Records of Denton County, Texas, of any portion of the Property, regardless of whether such area(s) identified as common area have been included in the real property described on Exhibit "A" or added to or deleted therefrom pursuant to Section 9.03 and Section 9.04 below. Some Master Community Facilities may be for the common use and enjoyment of the Development's residents, e.g., subdivision swimming pools or internal pocket parks, while some portion of the Master Community Facilities may be

for the use and enjoyment of the public, e.g., open space, parks, and recreational facilities. Open space, parks, and recreational facilities dedicated to the public may be classified as Master Community Facilities under this Master Covenant to permit the Association to provide maintenance services to such facilities. No portion of any Master Community Facilities dedicated in whole or in part for public use may be designated as Special Common Area. Declarant, from time to time and at any time, may designate Master Community Facilities.

"**Master Restrictions**" means the restrictions, covenants, and conditions contained in this Master Covenant, any applicable Development Area Declaration, the Design Guidelines, Bylaws, or in any Rules promulgated by the Association pursuant to this Master Covenant or any Development Area Declaration, as adopted and amended from time to time. See Table 1 for a summary of the Master Restrictions.

"**Members**" means every person or entity that holds membership privileges in the Association.

"**Mortgage**" or "**Mortgages**" means any mortgage(s) or deed(s) of trust securing indebtedness and covering any Lot or Condominium Unit.

"**Mortgagee**" or "**Mortgagees**" means the holder(s) of any Mortgage(s).

"**Owner**" means the person(s), entity or entities, including Declarant, holding all or a portion of the fee simple interest in any Lot or Condominium Unit, but does not include the Mortgagee under a Mortgage prior to its acquisition of a fee simple interest in such Lot or Condominium Unit pursuant to foreclosure of the lien securing its Mortgage.

"**Plat**" means a subdivision plat of any portion of the Development as recorded in the Official Public Records of Denton County, Texas, and any amendments thereto.

"**Property**" means all of that certain real property described on Exhibit "A", attached hereto, subject to such additions thereto and deletions therefrom as may be made pursuant to Section 9.03 and Section 9.04 below.

"**Regular Annual Assessments**" has the meaning set forth in Section 5.03 below.

"**Residential Lot**" means a portion of the Development shown as a subdivided lot on a Plat, other than Master Community Facilities. Special Common Area, that is intended for single-family residential use.

"**Rules and Regulations**" or "**Rules**" means any instrument, however denominated, which is adopted by the Board for the regulation and management of the Development, including any amendments to those instruments.

"**Service Area**" means a group of Lots and/or Condominium Units designated as a separate Service Area pursuant to this Master Covenant for purpose of receiving benefits or

services from the Association or a Development Area Association that are not provided to all Lots and Condominium Units. A Service Area may be comprised of more than one housing type or structure and may include noncontiguous Lots. A Lot or Condominium Unit may be assigned to more than one Service Area. Service Area boundaries may be established and modified as provided in Section 2.04 below.

"**Service Area Assessments**" means assessments levied against the Lots and/or Condominium Units in a particular Service Area to fund Service Area Expenses, as described in Section 5.05 below.

"**Service Area Expenses**" means the actual and estimated expenses that the Association incurs or expects to incur for the benefit of Owners within a particular Service Area, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may be authorized pursuant to this Master Covenant.

"**Special Common Area**" means any interest in real property or improvements which is designated by Declarant in a Notice of Applicability filed pursuant to Section 9.05 below, in a Development Area Declaration, or in any written instrument recorded by Declarant in the Official Public Records of Denton County, Texas (which designation will be made in the sole and absolute discretion of Declarant), as common area which benefits one or more, but less than all of the Lots, Owners or Development Areas, and is or will be conveyed to the Association or a Development Area Association, or otherwise held by Declarant for the benefit of the Owners of property to which such Special Common Area benefits. The Notice of Applicability, Development Area Declaration, or written notice will identify the Lots, Owners or Development Areas benefited by such Special Common Area. By way of illustration and not limitation, Special Common Area might include such things as private roadways or gates, entry features, or landscaped medians which Declarant desires to dedicate for the exclusive use of certain Lots and/or Condominium Units. All costs associated with maintenance, repair, replacement, and insurance of Special Common Area will be assessed as a Special Common Area Assessment against the Owners of the Lots and/or Condominium Units to which the Special Common Area is assigned.

"**Special Common Area Assessments**" means assessments levied against the Lots and/or Condominium Units benefitting from Special Common Area, as described in Section 5.04 below.

"**Special Assessments**" has the meaning set forth in Section 5.06 below.

"**Towns**" mean each of the Town of Flower Mound, Texas and the Town of Northlake, Texas.

"**Working Capital Assessments**" has the meaning set forth in *Section 5.08* below.

TABLE 1: MASTER RESTRICTIONS	
Master Covenant (recorded)	Creates obligations that are binding upon the Association and all present and future owners of Property made subject to the Master Covenant by the filing of a Notice of Applicability.
Notice of Applicability (recorded)	Describes the portion of the Property being made subject to the terms and provisions of the Master Covenant.
Development Area Declaration (recorded)	A recorded covenant which includes additional covenants, conditions and restrictions governing portions of the Development.
Certificate of Formation: (filed with the Secretary of State)	The Certificate of Formation of the Association, which establishes the Association as a not-for-profit corporation under Texas law.
Bylaws: (adopted by the Association)	The Bylaws of the Association which govern the Association's internal affairs, such as elections, meetings, etc.
Design Guidelines: (adopted)	The design standards and architectural and aesthetic guidelines adopted pursuant to *Article 6* below, which govern new construction of Improvements and modifications thereto.
Rules: (adopted by the Board of the Association)	The use restrictions and rules of the Association adopted pursuant to *Section 3.05(a)* below, which regulate use of property, activities, and conduct within the Development.
Board Resolutions: (adopted by the Board of the Association)	The resolutions adopted by the Board which establish rules, policies, and procedures for internal governance and activities of the Association.

ARTICLE 2
GENERAL RESTRICTIONS

2.01 General. All Lots and Condominium Units within the Development, to which a Notice of Applicability has been filed in accordance with *Section 9.05* below, will be owned, held, encumbered, leased, used, occupied and enjoyed subject to the Master Restrictions. **NO PORTION OF THE PROPERTY WILL BE SUBJECT TO THE TERMS AND PROVISIONS OF THIS MASTER COVENANT UNTIL A NOTICE OF APPLICABILITY HAS BEEN FILED FOR SUCH PROPERTY IN ACCORDANCE WITH *SECTION 9.05* BELOW.**

Ordinances, requirements and regulations imposed by applicable governmental and quasi-governmental authorities are applicable to all Lots and Condominium Units within the Development. Compliance with the Master Restrictions is not a substitute for compliance with such ordinances, requirements and regulations. Please be advised that the Master Restrictions do not purport to list or describe each restriction that may be applicable to a Lot or Condominium Unit located within the Development. Each Owner is advised to review all encumbrances affecting the use and improvement of their Lot or Condominium Unit prior to submitting plans to the Architectural Reviewer for approval. Furthermore, approval by the Architectural Reviewer should not be construed by the Owner as indicating that any Improvement complies with the terms and provisions of all encumbrances which may affect the Owner's Lot or Condominium Unit. Certain encumbrances may benefit parties whose interests are not addressed by the Architectural Reviewer.

2.02 Incorporation of Development Area Declarations. Upon recordation of a Development Area Declaration in the Official Public Records of Denton County, Texas, such Development Area Declaration will, automatically and without the necessity of any further act, be incorporated into, and be deemed to constitute a part of this Master Covenant, to the extent not in conflict with this Master Covenant, but will apply only to the Development Area described in and covered by such Development Area Declaration.

2.03 Conceptual Plans. All master plans, site plans, brochures, illustrations, information and marketing materials relating to the Property (collectively, the "**Conceptual Plans**") are conceptual in nature and are intended to be used for illustrative purposes only. The land uses reflected on the Conceptual Plans are subject to change at any time and from time to time, and it is expressly agreed and understood that land uses within the Property may include uses which are not shown on the Conceptual Plans. Neither Declarant nor any Homebuilder or other developer of any portion of the Property makes any representation or warranty concerning such land uses and it is expressly agreed and understood that no Owner will be entitled to rely upon the Conceptual Plans in making the decision to purchase any land or Improvements within the Property. Each Owner acknowledges that the Development is a master planned community, the development of which is likely to extend over many years, and agrees that the Association will engage in, or use Association funds to support, protest, challenge, or make any other form of objection to changes in the Conceptual Plans.

2.04 Provision of Benefits and Services to Service Areas.

(a) Declarant, in a Notice of Applicability filed pursuant to *Section 9.05* below, or in any written notice recorded in the Official Public Records of Denton County, Texas, may assign Lots and/or Condominium Units to one or more Service Areas (by name or other identifying designation) as it deems appropriate, which Service Areas may be then existing or newly created, and may require that the Association provide benefits or services to such Lots and/or Condominium Units in addition to those which the Association generally provides to the Development. Such benefits or services may include landscape maintenance. Declarant may unilaterally amend any Notice of Applicability or any written notice recorded in the Official Public Records of Denton County, Texas, to re-designate Service Area boundaries. All costs associated with the provision of services or benefits to a Service Area will be assessed against the Lots and/or Condominium Units within the Service Area as a Service Area Assessment.

(b) In addition to Service Areas which Declarant may designate, any group of Owners may petition the Board to designate their Lots and/or Condominium Units as a Service Area for the purpose of receiving from the Association: (i) special benefits or services which are not provided to all Lots and/or Condominium Units, or (ii) a higher level of service than the Association otherwise provides. Upon receipt of a petition signed by Owners of a majority of the Lots and/or Condominium Units within the proposed Service Area, the Board will investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Service Area of such terms and the charge to made therefor, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge will apply at a uniform rate per Lot and/or Condominium Unit among all Service Areas receiving the same service). Upon written approval of the proposal by Owners of at least sixty-seven percent (67%) of the Lots and/or Condominium Units within the proposed Service Area, the Association may elect, but shall not be required, to provide the requested benefits or services on the terms set forth in the proposal. The cost and administrative charges associated with such benefits or services will be assessed against the Lots and/or Condominium Unit within such Service Area as a Service Area Assessment.

2.05 Safety and Security.

(a) Owner Responsibility. Each Owner and occupant of a Lot or Condominium Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in the Development. The Association may, but shall not be obligated to, maintain or support certain activities within the Development designed to promote or enhance the level of safety or security which each person provides for himself and his property. However, neither the Association nor the Declarant shall in any way be considered insurers or guarantors of safety or security within the Development, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

(b) No Representation or Warranty. No representation or warranty is made that any systems or measures, including security monitoring systems or any mechanism or system for limiting access to the Development, cannot be compromised or circumvented; or that any such system or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing any occupants of such Owner's Lot or Condominium Unit that the Association, its Board and committees, and the Declarant are not insurers or guarantors of security or safety and that each person within the Development assumes all risks of personal injury and loss or damage to property, including any residences or Improvements constructed upon any Lot or Condominium Unit and the contents thereof, resulting from acts of third parties.

ARTICLE 3
RIGHTS, POWERS AND OBLIGATIONS OF THE ASSOCIATION; VOTING RIGHTS

3.01 Organization. The Association will be a nonprofit corporation created for the purposes, charged with the duties, and vested with the powers of a Texas nonprofit corporation. Neither the Certificate nor the Bylaws will for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Master Covenant.

3.02 Membership.

(a) Mandatory Membership. Any person or entity, upon becoming an Owner, will automatically become a Member of the Association. Membership will be appurtenant to and will run with the ownership of the Lot or Condominium Unit that qualifies the Owner thereof for membership, and membership may not be severed from the ownership of the Lot or Condominium Unit, or in any way transferred, pledged, mortgaged or alienated, except together with the title to such Lot or Condominium Unit.

(b) Easement of Enjoyment – Master Community Facilities. Every Member will have a right and easement of enjoyment in and to all of the Master Community Facilities and an access easement by and through any Master Community Facilities, which easement will be appurtenant to and will pass with the title to such Member's Lot or Condominium Unit, subject to *Section 3.02(a)* above and subject to the following restrictions and reservations:

(i) The right of the Association and Declarant (during the Development Period) to dedicate or transfer all or any part of the Master Community Facilities to any public agency, authority or utility for such purpose;

(ii) The right of the Association and Declarant (during the Development Period) to grant easements or licenses over and across the Master Community Facilities to any third party;

(iii) The right of the Association to borrow money for the purpose of improving the Master Community Facilities and, in furtherance thereof, mortgage the Master Community Facilities;

(iv) The right of the Association to make reasonable rules and regulations regarding the use of the Master Community Facilities and any Improvements thereon; and

(v) The right of the Association to contract for services with any third parties on such terms as the Association may determine.

(c) Easement of Enjoyment – Special Common Area. Each Owner of a Lot or Condominium Unit which has been designated as a beneficiary of Special Common Area in a Notice of Applicability, Development Area Declaration or other recorded written notice will have a right and easement of enjoyment in and to all of such Special Common Area, and an access easement by and through such Special Common Area, which easement will be appurtenant to and will pass with title to such Owner's Lot or Condominium Unit, subject to *Section 3.02(a)* above and subject to the following restrictions and reservations:

(i) The right of Declarant to restrict the use of the Special Common Area to the beneficiaries designated in a Notice of Applicability filed pursuant to *Section 9.05* below, a Development Area Declaration or other recorded written instrument;

(ii) The right of the Association and Declarant (during the Development Period) to dedicate or transfer all or any part of the Special Common Area to any public agency, authority or utility for any purpose;

(iii) The right of the Association and Declarant (during the Development Period) to grant easements or licenses over and across the Special Common Area to any third party;

(iv) The right of the Association to borrow money for the purpose of improving the Special Common Area, and, in furtherance thereof, mortgage the Special Common Area;

(v) The right of the Association to make reasonable rules and regulations regarding use of the Special Common Area and any Improvements thereon; and

(vi) The right of the Association to contract for services with any third parties on such terms as the Association may determine.

3.03 Voting Rights.

(a) Board of Directors.

(i) Control by Declarant. Notwithstanding the foregoing or any provision to the contrary in this Master Covenant, and except as otherwise provided herein, until expiration or termination of the Development Period, Declarant will be entitled to appoint and remove all Board members and officers of the Association and their successors (any appointment of a successor will be deemed a removal of the Board member being replaced by such appointment). Declarant, at its option, may assign or delegate, in whole or in part, its rights and powers to the Association, the Board or any other entity provided such designation is in writing. Declarant may terminate its right as to the appointment and removal of one or all the Board members or officers of the Association by the recordation of a termination notice executed by Declarant and recorded in the Official Public Records of Denton County, Texas. In the event Declarant terminates its right to appoint and remove less than all of the Board members of the Association, the Board positions to which the termination applies will be elected by the Members. Each Board member elected by the Members in accordance with the foregoing sentence will be elected for a term of one (1) year.

(ii) Interim Director Election. No later than ten (10) years after the date this Master Covenant has been recorded in the Official Public Records of Denton County, Texas, the President of the Association will thereupon call a meeting of the Members of the Association (the "**Initial Member Election Meeting**") where the Members will elect one (1) Director, for a one (1) year term ("**First Member-Elected Director**"). Declarant will continue to appoint and remove two-thirds (2/3) of the Board after the Initial Member Election Meeting until expiration or termination of the Development Period. Notwithstanding the foregoing, the First Member-Elected Director's term will expire as of the date of the Member Election Meeting as defined below.

(iii) Post-Development Period. At the expiration or termination of the Development Period, the Declarant will thereupon call a meeting of the Members of the Association where the Declarant-appointed Directors will resign and the Members, including Declarant, will elect three (3) new directors (to replace all Declarant-appointed Directors and the First Member-Elected Director) (the "**Member**

Election Meeting") one (1) Director for a three (3) year term, one (1) Director for a two (2) year term, and one (1) Director for a one (1) year term (with the individual receiving the highest number of votes to serve the three (3) year term, the individual receiving the next highest number of votes to serve the two (2) year term, and the individual receiving the third highest number of votes to serve the one (1) year term). Upon expiration of the term of a Director elected by the Members pursuant to this *Section 3.03(a)(iii)*, his or her successor will be elected for a term of two (2) years.

(b) Co-Owners. If there is more than one Owner of a portion of the fee simple interest in a Lot or Condominium Unit, the vote for such Lot or Condominium Unit shall be exercised as the co-Owners holding a majority of the ownership interest in the Lot or Condominium Unit determine among themselves and designate in writing to the Secretary of the Association prior to the close of balloting. Any co-Owner may cast the vote for the Lot or Condominium Unit, and majority agreement shall be conclusively presumed unless another co-Owner of the Lot or Condominium Unit protests promptly to the President or other person presiding over the meeting on the balloting, in the case of a vote taken outside of a meeting. In the absence of a majority agreement, the Lot's or Condominium Unit's vote shall be suspended if two or more co-Owners seek to exercise it independently. In no event will the vote for such Lot or Condominium Unit exceed the total votes to which such Lot or Condominium Unit is otherwise entitled pursuant to *Section 3.04* below. Notwithstanding the foregoing, all co-Owners of a Lot or Condominium Unit shall be Members of the Association.

3.04 Vote Allocation.

(a) Residential Lots. The Owner of each Residential Lot will be allocated one (1) vote for each Residential Lot so owned. In the event of the re-subdivision of any Residential Lot into two (2) or more Residential Lots: (i) the number of votes to which such Residential Lot is entitled will be increased as necessary to retain the ratio of one (1) vote for each Residential Lot resulting from such re-subdivision, *e.g.*, each Residential Lot resulting from the re-subdivision will be entitled to one (1) vote; and (ii) each Residential Lot resulting from the re-subdivision will be allocated one (1) Assessment Unit (as defined below). In the event of the consolidation of two (2) or more Residential Lots for purpose of construction of a single residence thereon, voting rights will continue to be determined according to the number of original Residential Lots contained in such consolidated Residential Lot. Nothing in this Master Covenant shall be construed as authorization for any re-subdivision or consolidation of Residential Lots, such actions being subject to the conditions and restrictions of the applicable Development Area Declaration.

(b) Commercial Lots and Condominium Units. Each Owner of a Commercial Lot or Condominium Unit will be allocated the number of votes for such Commercial Lot or Condominium Unit so owned as determined by Declarant at the time that a Development Area Declaration is first recorded in the Official Public Records of Denton County, Texas for the

Development Area within which such Commercial Lot or Condominium Unit is located. Declarant will determine such votes in its sole discretion, taking into account, among other things, the relationship of the Commercial Lots or Condominium Units to the entire Development. Declarant's determination regarding the number of votes to which such Owners will be entitled shall be final, binding and conclusive. Such determination of Declarant may also be set forth in the notice filed by Declarant pursuant to *Section 9.05* below for the Development Area within which such Commercial Lot(s) or Condominium Unit(s) are located. Prior to the time any Commercial Lots or Condominium Units in a Development Area are conveyed by Declarant to any person not affiliated with Declarant, Declarant may amend or modify its allocation of votes by filing an amended notice in the Official Public Records of Denton County, Texas, setting forth the amended allocation. In addition, Declarant, in its sole and absolute discretion, may modify or amend (which amendment or modification may be effected after Declarant's conveyance of any Commercial Lots or Condominium Units to any person not affiliated with Declarant) the number of votes previously assigned to a Commercial Lot or Condominium Unit if the Improvements actually constructed on the Commercial Lot or Condominium Unit differ substantially from the Improvements contemplated to be constructed thereon at the time a notice allocating votes thereto was originally filed. In the event of a modification to the votes allocated to a Commercial Lot or Condominium Unit, Declarant will file of record an amended vote determination setting forth the revised allocation of votes attributable to such Commercial Lot or Condominium Unit.

(c) Declarant Allocation. In addition to the votes to which Declarant is entitled by reason of *Section 3.04(a)* and *Section 3.04(b)* above, for every one (1) vote outstanding in favor of any other person or entity, Declarant will have four (4) additional votes until the expiration or termination of the Development Period. In no event will the votes allocated to the Declarant pursuant to this *Section 3.04(c)* be considered a separate class for voting purposes, i.e., the votes allocated to owners pursuant to *Section 3.04(a)* and *Section 3.04(b)* above and the votes allocated to Declarant hereunder will be considered a single class.

3.05 Powers. The Association will have the powers of a Texas nonprofit corporation. It will further have the power to do and perform any and all acts that may be necessary or proper, for or incidental to, the exercise of any of the express powers granted to it by the laws of the State of Texas or this Master Covenant. Without in any way limiting the generality of the two preceding sentences, the Board, acting on behalf of the Association, will have the following powers at all times:

(a) Rules and Bylaws. To make, establish and promulgate, and in its discretion to amend from time to time, or repeal and re-enact, such Rules and Regulations, and Bylaws not in conflict with this Master Covenant, as it deems proper, covering any and all aspects of the Development (including the operation, maintenance and preservation thereof) or of the Association;

(b) Insurance. To obtain and maintain in effect, policies of insurance that, in the opinion of the Board, are reasonably necessary or appropriate to carry out the Association's functions;

(c) Records. To keep books and records of the Association's affairs, and to make such books and records, together with current copies of the Master Restrictions, available for inspection by the Owners, Mortgagees, and insurers or guarantors of any Mortgage upon request during normal business hours;

(d) Assessments. To levy and collect assessments and to determine Assessment Units, as provided in *Article 5* below;

(e) Right of Entry and Enforcement. To enter at any time without notice in an emergency (or in the case of a non-emergency, after twenty-four (24) hours written notice), without being liable to any Owner, upon any Lot or Condominium Unit and into any Improvement thereon, for the purpose of enforcing the Master Restrictions or for the purpose of maintaining or repairing any area, Improvement or other facility to conform to the Master Restrictions. The expense incurred by the Association in connection with the entry upon any Lot or Condominium Unit and the maintenance and repair work conducted thereon or therein will be a personal obligation of the Owner of the Lot or Condominium Unit so entered, will be deemed a special Assessment against such Lot or Condominium Unit, will be secured by a lien upon such Lot or Condominium Unit, and will be enforced in the same manner and to the same extent as provided in *Article 5* hereof for Assessments. The Association will have the power and authority from time to time, in its own name and on its own behalf, or in the name of and on behalf of any Owner who consents thereto, to commence and maintain actions and suits to enforce, by mandatory injunction or otherwise, or to restrain and enjoin, any breach or threatened breach of the Master Restrictions. The Association is also authorized to settle claims, enforce liens and take all such action as it may deem necessary or expedient to enforce the Master Restrictions; provided, however, that the Board will never be authorized to expend any Association funds for the purpose of bringing suit against Declarant, or their successors or assigns. The Association may not alter or demolish any Improvements on any Lot or Condominium Unit other than Master Community Facilities or Special Common Area in enforcing this Master Covenant before a judicial order authorizing such action has been obtained by the Association, or before the written consent of the Owner(s) of the affected Lot(s) or Condominium Unit(s) has been obtained. **EACH SUCH OWNER WILL INDEMNIFY AND HOLD HARMLESS THE ASSOCIATION, ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION INCURRED OR THAT MAY ARISE BY REASON OF THE ASSOCIATION'S ACTS OR ACTIVITIES UNDER THIS *SECTION 3.05(e)* (INCLUDING ANY COST, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING OUT OF THE ASSOCIATION'S NEGLIGENCE IN CONNECTION THEREWITH), EXCEPT FOR SUCH COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION ARISING BY REASON OF THE ASSOCIATION'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. "GROSS NEGLIGENCE" DOES NOT INCLUDE SIMPLE NEGLIGENCE,**

CONTRIBUTORY NEGLIGENCE OR SIMILAR NEGLIGENCE SHORT OF ACTUAL GROSS NEGLIGENCE;

(f) Legal and Accounting Services. To retain and pay for legal and accounting services necessary or proper in the operation of the Association;

(g) Conveyances. To grant and convey to any person or entity the real property and/or other interest, including fee title, leasehold estates, easements, rights-of-way or mortgages, out of, in, on, over, or under any Master Community Facilities or Special Common Area, in compliance with the use and occupancy restrictions imposed by the Master Restrictions or any governmental or quasi-governmental authority, for the purpose of constructing, erecting, operating or maintaining: (i) parks, parkways or other recreational facilities or structures; (ii) roads, streets, sidewalks, signs, street lights, walks, driveways, trails and paths; (iii) lines, cables, wires, conduits, pipelines or other devices for utility purposes; (iv) sewers, water systems, storm water drainage systems, sprinkler systems and pipelines; and/or (v) any similar Improvements or facilities;

(h) Manager. To retain and pay for the services of a person or firm (the "**Manager**") to manage and operate the Association, including its property, to the extent deemed advisable by the Board. Additional personnel may be employed directly by the Association or may be furnished by the Manager. Each contract entered into between the Association and the Manager will be terminable by the Association without cause upon sixty (60) days written notice to the Manager. To the extent permitted by law, the Board may delegate any other duties, powers and functions to the Manager. In addition, the Board may adopt transfer fees, resale certificate fees, or any other fees associated with the provision of management services to the Association or its Members. **THE MEMBERS HEREBY RELEASE THE ASSOCIATION AND THE MEMBERS OF THE BOARD AND COMMITTEE MEMBERS FROM LIABILITY FOR ANY OMISSION OR IMPROPER EXERCISE BY THE MANAGER OF ANY SUCH DUTY, POWER OR FUNCTION SO DELEGATED;**

(i) Property Services. To pay for water, sewer, garbage removal, street lights, landscaping, gardening and all other utilities, services, repair and maintenance for any portion of the Property or the Development and any Master Community Facilities or Special Common Area, including but not limited to private or public recreational facilities, easements, roads, roadways, rights-of-ways, signs, parks, parkways, median strips, sidewalks, paths, trails, ponds, and lakes;

(j) Other Services and Properties. To obtain and pay for any other property and services, and to pay any other taxes or assessments that the Association or the Board is required or permitted to secure or to pay for pursuant to applicable law (including the Texas Business Organizations Code) or under the terms of the Master Restrictions or as determined by the Board;

(k) Construction. To construct new Improvements or additions to any property owned, leased, or licensed by the Association, subject to the approval of the Board;

(l) Contracts. To enter into Bulk Rate Contracts or other contracts or licenses with Declarant or any third party on such terms and provisions as the Board will determine, to operate and maintain any Master Community Facilities, Special Common Area, or other property, or to provide any service, including but not limited to cable, utility, or telecommunication services, or perform any function on behalf of Declarant, the Board, the Association, or the Members;

(m) Property Ownership. To acquire, own and dispose of all manner of real and personal property, including habitat, whether by grant, lease, easement, gift or otherwise;

(n) Authority with Respect to Development Area Declaration. To do any act, thing or deed that is necessary or desirable, in the judgment of the Board, to implement, administer or enforce any Development Area Declaration. Any decision by the Association to delay or defer the exercise of the power and authority granted by this *Section 3.05(n)* will not subsequently in any way limit, impair or affect the ability of the Association to exercise such power and authority;

(o) Allocation of Votes. To determine votes when permitted pursuant to *Section 3.04* above; and

(p) Membership Privileges. To establish Rules and regulations governing and limiting the use of the Master Community Facilities, Special Common Area, and any Improvements thereon.

3.06 Acceptance and Control of Master Community Facilities and Special Common Area.

(a) Transfers and Conveyance by Declarant. The Association may acquire, hold, and dispose of any interest in tangible and intangible personal property and real property. Declarant may transfer or convey to the Association interests in real or personal property within or for the benefit of the Development, or the Development and the general public, and the Association will accept such transfers and conveyances. Such property may be improved or unimproved and may consist of fee simple title, easements, leases, licenses, or other real or personal property interests. Such property will be accepted by the Association and thereafter will be maintained as Master Community Facilities or Special Common Area, as applicable, by the Association for the benefit of the Development and/or the general public subject to any restrictions set forth in the deed or other instrument transferring or assigning such property to the Association. Upon Declarant's written request, the Association will re-convey to Declarant any unimproved real property that Declarant originally conveyed to the Association for no payment to the extent conveyed in error or needed to make minor adjustments in property lines.

(b) Relationships with Other Properties and Entities. The Association may contract with the owner of any neighboring property and any entity that provides services to all or any portion of the Development for the purpose of sharing costs associated with: (i) maintenance and operation of mutually beneficial properties or facilities; and (ii) provision of mutually beneficial services.

(c) Relationships with Quasi-Governmental Entities and Tax Exempt Organizations. The Association may create, enter into agreements or contracts with, or grant exclusive and/or non-exclusive easements over the Master Community Facilities to (i) a public improvement district created pursuant to Chapter 372, Subchapter B of the Texas Local Government Code; (ii) a municipal utility district created pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code; (iii) any other similarly constituted quasi-governmental entity created for the purpose of providing benefits or services to the Development; or (iv) nonprofit, tax-exempt organizations, the operation of which confers some benefit upon the Development, the Association, or its Members. The Association may contribute money, real or personal property, or services to such entity. Any such contribution shall be a common expense to be included in the Assessments levied by the Association and included as a line item in the Association's annual budget. For the purposes of this *Section 3.06(c)*, a "tax-exempt organization" shall mean an entity which is exempt from federal income taxes under the Internal Revenue Code (the "**Code**"), such as, but not limited to, entities which are exempt from federal income taxes under Sections 501(c)(3) or 501(c)(4) of the Code, as it may be amended from time to time. The Association may maintain multiple-use facilities within the Development and allow use by tax-exempt organizations. Such use may be on a scheduled or "first-come, first-served" basis. A reasonable maintenance and use fee may be charged for the use of such facilities.

3.07 Indemnification. To the fullest extent permitted by applicable law but without duplication (and subject to) any rights or benefits arising under the Certificate or Bylaws of the Association, the Association will indemnify any person who was, or is, a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is, or was, a Director, officer, committee Member, employee, servant or agent of the Association against expenses, including attorneys' fees, reasonably incurred by him in connection with such action, suit or proceeding if it is found and determined by the Board or a court of competent jurisdiction that he (i) acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association, or (ii) with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by settlement, or upon a plea of *nolo contendere* or its equivalent, will not of itself create a presumption that the person did not act in good faith or in a manner which was reasonably believed to be in, or not opposed to, the best interests of the Association or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

3.08 Insurance. The Board may purchase and maintain, at the expense of the Association, insurance on behalf of any person who is acting as a Director, officer, committee Member, employee, servant or agent of the Association against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability or otherwise.

3.09 Bulk Rate Contracts. Without limitation on the generality of the Association powers set out in *Section 3.05* above, the Association will have the power to enter into Bulk Rate Contracts at any time and from time to time. The Association may enter into Bulk Rate Contracts with any service providers chosen by the Board (including Declarant, and/or any entities in which Declarant, or the owners or partners of Declarant are owners or participants, directly or indirectly). The Bulk Rate Contracts may be entered into on such terms and provisions as the Board may determine in its sole and absolute discretion. The Association may, at its option and election, add the charges payable by such Owner under such Bulk Rate Contract to the Assessments against such Owner's Lot or Condominium Unit. In this regard, it is agreed and understood that, if any Owner fails to pay any charges due by such Owner under the terms of any Bulk Rate Contract, then the Association will be entitled to collect such charges by exercising the same rights and remedies it would be entitled to exercise under this Master Covenant with respect to the failure by such Owner to pay Assessments, including without limitation the right to foreclose the lien against such Owner's Lot or Condominium Unit which is reserved under the terms and provisions of this Master Covenant. In addition, in the event of nonpayment by any Owner of any charges due under any Bulk Rate Contract and after the lapse of at least twelve (12) days after such charges were due, the Association may, upon five (5) days' prior written notice to such Owner (which may run concurrently with such twelve (12) day period), in addition to all other rights and remedies available at law, equity or otherwise, terminate, in such manner as the Board deems appropriate, any utility service or other service provided at the cost of the Association and not paid for by such Owner (or the occupant of such Owner's Lot or Condominium Unit) directly to the applicable service or utility provider. Such notice will consist of a separate mailing or hand delivery at least five (5) days prior to a stated date of termination, with the title "termination notice" or similar language prominently displayed on the notice. The notice will include the office or street address where the Owner (or the occupant of such Owner's Lot or Condominium Unit) can make arrangements for payment of the bill and for re-connection or re-institution of service. No utility or cable television service will be disconnected on a day, or immediately preceding a day, when personnel are not available for the purpose of collection and reconnecting such services.

3.10 Community Technology.

(a) Community Systems. Without limiting the generality of *Section 3.05* above, the Association is specifically authorized to provide, or to enter into contracts with other persons to provide, central telecommunication receiving and distribution systems (e.g. cable television, high speed data/internet/intranet services, and security monitoring) and related components, including associated infrastructure, equipment, hardware, and software, to serve the Development (the **"Community Systems"**). Any such contracts may provide for

installation, operation, management, maintenance, and upgrades or modifications to the Community Systems as the Board determines appropriate. The Association will have no obligation to utilize any particular provider(s).

(b) Community Interaction. The Association may make use of computers, the internet, and expanding technology to facilitate community interaction and encourage participation in Association activities. For example, the Association may sponsor a community cable television channel, create and maintain a community intranet or Internet home page, maintain an "online" newsletter or bulletin board, and offer other technology related services and opportunities for Owners and occupants to interact and participate in Association-sponsored activities. To the extent Texas law permits, and unless otherwise specifically prohibited in the Master Restrictions, the Association may send notices by electronic means, hold Board or Association meetings and permit attendance and voting by electronic means, and send and collect assessment and other invoices by electronic means. The Board will specifically have the authority to adopt policies and procedures related to (i) Community Systems access by Owners, occupants and other parties; (ii) using the Community Systems for the purpose of sending any notice required by the Master Restrictions; and (iii) electronic voting and the establishment of any quorum.

3.11 Merger. Merger or consolidation of the Association with another association must be conducted pursuant to the Texas Business Organizations Code. On 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 Master Restrictions within the Property, together with the covenants and restrictions established on any other property under its jurisdiction. No merger or consolidation, however, will effect a revocation, change, or addition to the covenants established by this Master Covenant within the Property. After merger or consolidation of the Association with another association, the Board will have the right to record a notice in the Official Public Records of Denton County, Texas stating that a merger or consolidation has occurred and providing the name of the other association and the surviving association.

3.12 Damage and Destruction.

(a) Claims. Promptly after damage or destruction by fire or other casualty to all or any part of the Master Community Facilities or Special Common Area covered by insurance, the Board, or its duly authorized agent, will proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair of the damage. Repair, as used in this *Section 3.12(a)*, means repairing or restoring the Master Community Facilities or Special Common Area to substantially the same condition as existed prior to the fire or other casualty.

(b) Repair Obligations. Any damage to or destruction of the Master Community Facilities or Special Common Area will be repaired unless a majority of the Board decides within sixty (60) days after the casualty not to repair. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair, or both, are not made available to the Association within said period, then the period will be extended until such information will be made available.

(c) Restoration. In the event that it should be determined by the Board that the damage or destruction of the Master Community Facilities or Special Common Area will not be repaired and no alternative Improvements are authorized, then the affected portion of the Master Community Facilities or Special Common Area will be restored to its natural state and maintained as an undeveloped portion of the Master Community Facilities by the Association in a neat and attractive condition.

(d) Special Assessment. If insurance proceeds are paid to restore or repair any damaged or destroyed Master Community Facilities, and such proceeds are not sufficient to defray the cost of such repair or restoration, the Board will levy a Special Assessment, as provided in *Article 5*, against all Owners. Additional Special Assessments may be made in like manner at any time during or following the completion of any repair.

(e) Special Common Area Assessments. If insurance proceeds are paid to restore or repair any damaged or destroyed Special Common Area, and such proceeds are not sufficient to defray the cost of such repair or restoration, the Board will levy a Special Common Area Assessment, as provided in *Article 5*, against all Owners designated as a beneficiary of such Special Common Area. Additional Special Common Area Assessments may be made in like manner at any time during or following the completion of any repair.

(f) Proceeds Payable to Owners. In the event that any proceeds of insurance policies are paid to Owners as a result of any damage or destruction to any Master Community Facilities or any Special Common Area, such payments will be allocated based on Assessment Units and will be paid jointly to the Owners and the holders of first Mortgages or deeds of trust on their Lots or Condominium Units.

3.13 Eminent Domain. In the event it becomes necessary for any public authority to acquire all or any part of the Master Community Facilities or Special Common Area for any public purpose during the period this Master Covenant is in effect, the Board is hereby authorized to negotiate with such public authority for such acquisition and to execute instruments necessary for that purpose. Should acquisitions by eminent domain become necessary, only the Board need be made a party, and in any event the proceeds received will be held by the Association for the benefit of the Owners. In the event any proceeds attributable to acquisition of Master Community Facilities are paid to Owners, such payments will be allocated based on Assessment Units and paid jointly to the Owners and the holders of first Mortgages or deeds of trust on the respective Lot. In the event any proceeds attributable to acquisition of

Special Common Area are paid to Owners who have been designated as a beneficiary of such Special Common Area, such payment will be allocated based on Assessment Units and paid jointly to such Owners and the holders of first Mortgages or deeds of trust on the respective Lot or Condominium Unit.

ARTICLE 4
INSURANCE

4.01 Insurance. Each Owner will be required to purchase and maintain commercially standard insurance on the Improvements located upon such Owner's Lot or Condominium Unit. The Association will not be required to maintain insurance on the Improvements constructed upon any Lot or Condominium Unit. The Association may, however, obtain such insurance as it may deem necessary, including but not limited to such policies of liability and property damage insurance as the Board, in its discretion, may deem necessary. Insurance premiums for such policies will be a common expense to be included in the assessments levied by the Association. The acquisition of insurance by the Association will be without prejudice to the right and obligation of any Owner to obtain additional individual insurance.

4.02 Restoration. In the event of any fire or other casualty, the Owner will promptly repair, restore and replace any damaged or destroyed structures to their same exterior condition existing prior to the damage or destruction thereof. Such repair, restoration or replacement will be commenced and completed in a good and workmanlike manner using exterior materials identical to those originally used in the structures damaged or destroyed. To the extent that the Owner fails to commence such repair, restoration or replacement of substantial or total damage or destruction within one hundred and twenty (120) days after the occurrence of such damage or destruction, and thereafter prosecute same to completion, or if the Owner does not clean up any debris resulting from any damage within thirty (30) days after the occurrence of such damage, the Association may commence, complete or effect such repair, restoration, replacement or clean-up, and such Owner will be personally liable to the Association for the cost of such work; provided, however, that if the Owner is prohibited or delayed by law, regulation or administrative or public body or tribunal from commencing such repair, restoration, replacement or clean-up, the rights of the Association under this provision will not arise until the expiration of thirty (30) days after such prohibition or delay is removed. If the Owner fails to pay such cost upon demand by the Association, the cost thereof (plus interest from the date of demand until paid at the maximum lawful rate, or if there is no such maximum lawful rate, than at the rate of one and one-half percent (1½%) per month will be added to the Assessment chargeable to the Owner's Lot or Condominium Unit. Any such amounts added to the Assessments chargeable against a Lot or Condominium Unit will be secured by the liens reserved in the Master Covenant for Assessments and may be collected by any means provided in this Master Covenant for the collection of Assessments, including, but not limited to, foreclosure of such liens against the Owner's Lot or Condominium Unit. **EACH SUCH OWNER WILL INDEMNIFY AND HOLD HARMLESS THE ASSOCIATION AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR CAUSE OF ACTION INCURRED OR THAT**

MAY ARISE BY REASON OF THE ASSOCIATION'S ACTS OR ACTIVITIES UNDER THIS *SECTION 4.02*, EXCEPT FOR SUCH COST, LOSS, DAMAGE, EXPENSE, LIABILITY, CLAIM OR COST OF ACTION ARISING BY REASON OF THE ASSOCIATION'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. "GROSS NEGLIGENCE" AS USED HEREIN DOES NOT INCLUDE SIMPLE NEGLIGENCE, CONTRIBUTORY NEGLIGENCE OR SIMILAR NEGLIGENCE SHORT OF ACTUAL GROSS NEGLIGENCE.

4.03 Mechanic's and Materialmen's Lien. Each Owner whose structure is repaired, restored, replaced or cleaned up by the Association pursuant to the rights granted under this *Article 4*, hereby grants to the Association an express mechanic's and materialmen's lien for the reasonable cost of such repair, restoration, or replacement of the damaged or destroyed Improvement to the extent that the cost of such repair, restoration or replacement exceeds any insurance proceeds allocable to such repair, restoration or replacement and delivered to the Association. Upon request by the Board, and before the commencement of any reconstruction, repair, restoration or replacement, such Owner will execute all documents sufficient to effectuate such mechanic's and materialmen's lien in favor of the Association.

ARTICLE 5
COVENANT FOR ASSESSMENTS

5.01 Assessments.

(a) Established by Board. Assessments established by the Board pursuant to the provisions of this *Article 5* will be levied by the Association against each Lot and Condominium Unit in amounts determined pursuant to *Section 5.09* below. The total amount of Assessments will be determined by the Board pursuant to *Section 5.03, 5.04, 5.05, 5.06* and/or *5.07* below.

(b) Personal Obligation; Lien. Each Assessment, together with such interest thereon and costs of collection as hereinafter provided, will be the personal obligation of the Owner of the Lot or Condominium Unit against which the Assessment is levied and will be secured by a lien hereby granted and conveyed by Declarant to the Association against each such Lot or Condominium Unit and all Improvements thereon (such lien, with respect to any Lot or Condominium Unit not in existence on the date hereof, will be deemed granted and conveyed at the time that such Lot or Condominium Unit is created). The Association may enforce payment of such Assessments in accordance with the provisions of this Article.

(c) Declarant Subsidy. Declarant may, but is not obligated to, reduce Assessments which would otherwise be levied against Lots and Condominium Units for any fiscal year by the payment of a subsidy to the Association. Any subsidy paid to the Association by Declarant may be treated as a contribution or a loan, in Declarant's sole and absolute discretion. Any subsidy and the characterization thereof will be disclosed as a line item in the annual budget prepared by the Board and attributable to such Assessments. The payment of a

subsidy in any given year will not obligate Declarant to continue payment of a subsidy to the Association in future years.

5.02 Maintenance Fund. The Board will establish one or more accounts into which will be deposited all monies paid to the Association and from which disbursements will be made in performing the functions of the Association under the Master Restrictions and the Texas Business Organizations Code. The funds of the Association may be used for any purpose authorized by the Master Restrictions and the Texas Business Organizations Code, as each may be amended. Nothing contained herein shall limit, preclude or impair the establishment of other maintenance funds by a Development Area Association pursuant to any Development Area Declaration.

5.03 Regular Annual Assessments. Prior to the beginning of each fiscal year, the Board will estimate the expenses to be incurred by the Association during such year in performing its functions and exercising its powers under this Master Covenant, including, but not limited to, the cost of all management, repair and maintenance, the cost of providing street and other lighting, the cost of administering and enforcing the covenants and restrictions contained herein, and will estimate the amount needed to maintain a reasonable provision for contingencies and an appropriate replacement reserve, and will give due consideration to any expected income and any surplus from the prior year's fund. The budget prepared by the Board for the purpose of determining **"Regular Annual Assessments"** will exclude the maintenance, repair and management costs and expenses associated with any Special Common Area. Assessments sufficient to pay such estimated net expenses will then be levied at the level of Regular Annual Assessments set by the Board in its sole and absolute discretion, and the Board's determination will be final and binding so long as it is made in good faith. If the sums collected prove inadequate for any reason, including nonpayment of any individual Assessment, the Board may at any time, and from time to time, levy further Assessments in the same manner. All such Regular Annual Assessments will be due and payable to the Association at the beginning of the fiscal year or during the fiscal year in equal monthly installments on or before the first day of each month, or in such other manner as the Board may designate in its sole and absolute discretion.

5.04 Special Common Area Assessments. Prior to the beginning of each fiscal year, the Board will prepare a separate budget covering the estimated expenses to be incurred by the Association to maintain, repair, or manage any Special Common Area. The budget will be an estimate of the amount needed to maintain, repair and manage such Special Common Area, including a reasonable provision for contingencies and an appropriate replacement reserve, and will give due consideration to any expected income and surplus from the prior year's fund. The level of **"Special Common Area Assessments"** will be set by the Board in its sole and absolute discretion, and the Board's determination will be final and binding so long as it is made in good faith. If the sums collected prove inadequate for any reason, including non-payment of any individual Special Common Area Assessment, the Board may at any time, and from time to time, levy further Special Common Area Assessments in the same manner as aforesaid. All such Special Common Area Assessments will be due and payable to the Association at the

beginning of the fiscal year or during the fiscal year in equal monthly installments on or before the first day of each month, or in such other manner as the Board may designate in its sole and absolute discretion.

5.05 Service Area Assessments. Prior to the beginning of each fiscal year, the Board will prepare a separate budget for each Service Area reflecting the estimated Service Area Expenses to be incurred by the Association in the coming year. The total amount of estimated Service Area Expenses for each Service Area will be allocated equally among all Lots and/or Condominium Units in the benefited Service Area and will be levied as a **"Service Area Assessment"**. All amounts that the Association collects as Service Area Assessments will be held in trust for and expended solely for the benefit of the Service Area for which they were collected and will be accounted for separately from the Association's general funds. If a Development Area Association is created which includes all Lots and/or Condominium Units in a particular Service Area, the Board, in its sole discretion, may assign to the Development Area Association the Association's obligation to provide benefits or services to such Lots and/or Condominium Units and the right of the Association to levy Service Area Assessments for the expenses associated with such services. If the Board assigns such rights and obligations to a Development Area Association, the Development Area Association will exercise and discharge such rights and obligations exclusively until such time as the Board notifies the Development Area Association in writing that the Association has elected to assume such rights and obligations.

5.06 Special Assessments. In addition to the Assessments provided for above, the Board may levy **"Special Assessments"** whenever in the Board's opinion such Special Assessments are necessary to enable the Board to carry out the functions of the Association under this Master Covenant. The amount of any Special Assessments will be at the reasonable discretion of the Board. In addition to the special Assessments authorized above, the Board may, in any fiscal year, levy a special Assessment applicable to that fiscal year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Master Community Facilities or Special Common Area. Any special Assessment levied by the Board for the purpose of defraying, in whole or in part, costs of any construction, reconstruction, repair or replacement of capital improvement upon the Master Community Facilities will be levied against all Owners pro rata in proportion to the number of allocated Assessment Units. Any special Assessments levied by the Board for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon any Special Common Area will be levied against all Owners who have been designated as a beneficiary of such Special Common Area and will be allocated among such Owners pro rata in proportion to the number of allocated Assessment Units to such Owners' Lots and Condominium Units.

5.07 Individual Assessments. In addition to any other Assessments, the Board may levy an **"Individual Assessment"** against an Owner and the Owner's Lot or Condominium Unit. 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 the Owner's Lot or Condominium Unit into compliance with the Master Restrictions; fines for violations of the Master Restrictions; transfer-related fees and resale certificate fees; fees for estoppel letters and project documents; insurance deductibles; reimbursement for damage or waste caused by willful or negligent acts of the Owner, the Owner's guests, invitees or occupants of the Owner's Lot or Condominium Unit; common expenses that benefit fewer than all of the Units, which may be assessed according to benefit received; fees or charges levied against the Association on a per-Lot or Condominium Unit basis; and "pass through" expenses for services to Lots and/or Condominium Units provided through the Association and which are equitably paid by each Lot and/or Condominium Unit according to benefit received.

5.08 Working Capital Assessments.

(a) Due Upon Sale. Except as otherwise provided herein, a **"Working Capital Assessments"**, in such amount as may be determined by the Board from time to time in its sole and absolute discretion, will be payable upon the sale of each Lot and Condominium Unit. The Working Capital Assessment will be collected from the transferee when the sale of the Lot or Condominium Unit closes to an Owner. Contributions to the fund are not advance payments of any other Assessments levied hereunder and are not refundable. Declarant is not required to make contributions for any Lot or Condominium Unit owned or retained by Declarant, or for any Lot or Condominium Unit for which the contribution was not collected at closing. During the Development Period, Declarant must approve the amount of any Working Capital Assessment adopted by the Board.

(b) Exempt Transfers. Notwithstanding the foregoing provision, the following transfers will not be subject to the Working Capital Assessment: (i) foreclosure of a deed of trust lien, tax lien, or the Association's Assessment lien; (ii) transfer to, from, or by the Association; (iii) voluntary transfer by an Owner to one or more co-Owners, or to the Owner's spouse, child, or parent. Additionally, a Homebuilder will not be subject to the working capital fee; however, the working capital fee will be payable by any Owner who acquires a Lot and/or a Condominium Unit from a Homebuilder who: (i) acquires a Lot and/or a Condominium Unit and is not in the business of constructing single-family residences for resale to a third party; or (ii) who acquires the Lot for any purpose other than constructing a single-family residence (including a Condominium Unit) thereon for resale to a third party. In the event of any dispute regarding the application of the working capital fee to a particular Owner, Declarant's determination regarding application of the exemption will be binding and conclusive without regard to any contrary interpretation of this *Section 5.08*. The working capital fee will be in addition to, not in lieu of, any other Assessments levied in accordance with this *Article 5* and will not be considered an advance payment of such Assessments. The Working Capital Assessment will be due and payable by the transferee to the Association immediately upon each transfer of title to the Lot or Condominium Unit, including upon transfer of title from one Owner of such Lot or Condominium Unit to any subsequent purchaser or transferee thereof. The Association will have the power to waive the payment of any Working Capital Assessment attributable to a Lot or Condominium Unit by the recordation in the Official Public Records of

Denton County, Texas of a waiver notice executed by a majority of the Board members of the Association.

5.09 Amount of Assessment.

(a) The Board will levy Assessments against each Assessment Unit (as defined below). Unless otherwise provided in this Master Covenant, Assessments levied pursuant to *Section 5.03* and *Section 5.06* above will be levied uniformly against each Assessment Unit. Special Common Area Assessments levied pursuant to *Section 5.04* above will be levied uniformly against each Assessment Unit allocated to a Lot or Condominium Unit that has been designated as a beneficiary of the Special Common Area to which such Special Common Area Assessment relates. Service Area Assessments levied pursuant to *Section 5.05* above will be levied uniformly against each Assessment Unit allocated to a Lot or Condominium Unit that has been included in the Service Area to which such Service Area Assessment relates.

(b) Each Lot and Condominium Unit will constitute that number of Assessment Units as determined by Declarant at the time that the Development Area Declaration is first recorded in the Official Public Records of Denton County, Texas for the Development Area within which such Lot or Condominium Unit is located. Declarant will determine the allocation of such Assessment Units in its sole and absolute discretion, taking into account, among other things, the relationship of such Lots or Condominium Units to the entire Development, the extent to which such Lots or Condominium Units may receive benefits or services from the Association, and the extent to which such Lots or Condominium Units may receive benefits or services from parties other than the Association. Declarant's determination regarding the number of Assessment Units applicable to each Lot or Condominium Unit will be final, binding and conclusive. Such determination of Declarant (or the Board, as the case may be) may be set forth in the notice filed by Declarant pursuant to *Section 9.05* below for the Development Area within which such Lot(s) or Condominium Unit(s) are located. Declarant, in its sole and absolute discretion, may modify or amend the number of Assessment Units previously assigned to a Lot or Condominium Unit if the Improvements actually constructed on the Lot or Condominium Unit differ substantially from the Improvements contemplated to be constructed thereon at the time the notice allocating Assessment Units thereto was originally filed. In the event of a modification to the Assessment Units allocated to a Lot or Condominium Unit, Declarant will file of record an amended notice setting forth the revised Assessment Units attributable to the Lot or Condominium Unit.

(c) Prior to the time any Lots or Condominium Units in such Development Area are conveyed to any person not affiliated with Declarant, Declarant may modify its determination regarding the allocation of Assessment Units by filing a notice in the Official Public Records of Denton County, Texas, setting forth the amended allocation.

(d) Notwithstanding anything in this Master Covenant to the contrary, no Assessments will be levied upon Lots or Condominium Units owned by Declarant.

(e) Declarant may, in its sole discretion, elect to: (i) exempt any un-platted or unimproved portion of the Development, Lot or Condominium Unit from any Assessments levied or charged pursuant to this *Article 5*; or (ii) delay the levy of any such Assessments against any un-platted, unimproved or improved portion of the Development, Lot or Condominium Unit.

5.10 Late Charges. If any Assessment is not paid by the due date applicable thereto, the Owner responsible for the payment may be required by the Board, at the Board's election at any time and from time to time, to pay a late charge in such amount as the Board may designate, and the late charge (and any reasonable handling costs) will be levied as an Individual Assessment against the Lot or Condominium Unit owned by such Owner, collectible in the manner as provided for collection of Assessments, including foreclosure of the lien against such Lot or Condominium Unit; provided, however, such charge will never exceed the maximum charge permitted under applicable law.

5.11 Owner's Personal Obligation; Interest. Assessments levied as provided for herein will be the personal and individual debt of the Owner of the Lot or Condominium Unit against which such Assessments are levied. No Owner may exempt himself from liability for such Assessments. In the event of default in the payment of any such Assessment, the Owner of the Lot or Condominium Unit will be obligated to pay interest on the amount of the Assessment at the highest rate allowed by applicable usury laws then in effect on the amount of the Assessment from the due date therefor (or if there is no such highest rate, then at the rate of one and one half percent (1½%) per month), together with all costs and expenses of collection, including reasonable attorney's fees. Such amounts will be levied as an Individual Assessment against the Lot or Condominium Unit owned by such Owner.

5.12 Application of Payments. The Association 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 Association'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 Owner's account.

5.13 Assessment Lien and Foreclosure. The payment of all sums assessed by the Association in the manner provided in this *Article 5* is, together with any late charges as provided in *Section 5.10* above and interest and all costs of collection, including attorney's fees as provided in *Section 5.11* above, secured by the continuing Assessment lien granted to the Association pursuant to *Section 5.01(b)* above, and will bind each Lot or Condominium Unit in the hands of the Owner thereof, and such Owner's heirs, devisees, personal representatives, successors or assigns. The aforesaid lien will be superior to all other liens and charges against such Lot or Condominium Unit, except only for tax liens and all sums secured by a first mortgage lien or first deed of trust lien of record, to the extent such lien secures sums borrowed for the acquisition or improvement of the Lot or Condominium Unit in question, provided such

Mortgage was recorded in the Official Public Records of Denton County, Texas before the delinquent Assessment was due. The Association will have the power to subordinate the aforesaid Assessment lien to any other lien. Such power will be entirely discretionary with the Board, and such subordination may be signed by an officer of the Association. The Association may, at its option and without prejudice to the priority or enforceability of the Assessment lien granted hereunder, prepare a written notice of Assessment lien setting forth the amount of the unpaid indebtedness, the name of the Owner of the Lot or Condominium Unit covered by such lien and a description of the Lot or Condominium Unit. Such notice may be signed by an agent of the Association and will be recorded in the Official Public Records of Denton County, Texas. Each Owner, by accepting a deed or ownership interest to a Lot or Condominium Unit subject to this Master Covenant will be deemed conclusively to have granted a power of sale to the Association to secure and enforce the Assessment lien granted hereunder. Such lien for payment of Assessments may be enforced by the non-judicial foreclosure of the defaulting Owner's Lot or Condominium Unit by the Association in like manner as a real property mortgage with power of sale under Tex. Prop. Code § 51.002. (For such purpose, Joshua D. Bernstein of Travis County, Texas, is hereby designated as trustee for the benefit of the Association, with the Association retaining the power to remove any trustee with or without cause and to appoint a successor trustee without the consent or joinder of any other person.) The Assessment liens and rights to foreclosure thereof will be in addition to and not in substitution of any other rights and remedies the Association may have by law and under this Master Covenant, including the rights of the Association to institute suit against such Owner personally obligated to pay the Assessment and/or for foreclosure of the aforesaid lien judicially. In any foreclosure proceeding, whether judicial or non-judicial, such Owner will be required to pay the costs, expenses and reasonable attorney's fees incurred. The Association will have the power to bid (in cash or by credit against the amount secured by the lien) on the property at foreclosure or other legal sale and to acquire, hold, lease, mortgage, convey or otherwise deal with the same. Upon the written request of any Mortgagee, the Association will report to said Mortgagee any unpaid Assessments remaining unpaid for longer than thirty (30) days after the same are due. The lien hereunder will not be affected by the sale or transfer of any Lot or Condominium Unit; except, however, that in the event of foreclosure of any first-lien Mortgage securing indebtedness incurred to acquire such Lot or Condominium Unit, the lien for any Assessments that were due and payable before the foreclosure sale will be extinguished, provided that past-due Assessments will be paid out of the proceeds of such foreclosure sale only to the extent that funds are available after the satisfaction of the indebtedness secured by the first lien Mortgage. The provisions of the preceding sentence will not, however, relieve any subsequent Owner (including any Mortgagee or other purchaser at a foreclosure sale) from paying Assessments becoming due and payable after the foreclosure sale. Upon payment of all sums secured by a lien of the type described in this *Section 5.13*, the Association will upon the request of the Owner execute a release of lien relating to any lien for which written notice has been filed as provided above, except in circumstances in which the Association has already foreclosed such lien. Such release will be signed by an officer of the Association. **NOTWITHSTANDING ANY PROVISION IN THIS *SECTION 5.13* TO THE CONTRARY, THE ASSOCIATION WILL NOT HAVE THE AUTHORITY TO FORECLOSE ON A**

CONDOMINIUM UNIT FOR NON-PAYMENT OF ASSESSMENTS IF THE ASSESSMENTS CONSIST SOLELY OF FINES. In addition to the lien hereby retained, in the event of nonpayment by any Owner of any Assessment and after the lapse of at least twelve (12) days after such payment was due, the Association may, upon five (5) days' prior written notice (which may run concurrently with such 12 day period) to such Owner, in addition to all other rights and remedies available at law, equity or otherwise, terminate, in such manner as the Board deems appropriate, any utility or cable service provided through the Association and not paid for directly by an Owner or occupant to the utility provider. Such notice will consist of a separate mailing or hand delivery at least five (5) days prior to a stated date of disconnection, with the title "termination notice" or similar language prominently displayed on the notice. The notice will include the office or street address where the Owner or the Owner's tenant can make arrangements for payment of the bill and for reconnection of service. Utility or cable service will not be disconnected on a day, or immediately preceding a day, when personnel are not available for the purpose of collection and reconnecting such services. Except as otherwise provided by applicable law, the sale or transfer of a Lot or Condominium Unit will not relieve the Owner of such Lot or Condominium Unit or such Owner's transferee from liability for any Assessments thereafter becoming due or from the lien associated therewith. If an Owner conveys its Lot or Condominium Unit and on the date of such conveyance Assessments against the Lot or Condominium Unit remain unpaid, or said Owner owes other sums or fees under this Master Covenant to the Association, the Owner will pay such amounts to the Association out of the sales price of the Lot or Condominium Unit, and such sums will be paid in preference to any other charges against the Lot or Condominium Unit other than a first lien Mortgage or Assessment Liens and charges in favor of the State of Texas or a political subdivision thereof for taxes on the Lot or Condominium Unit which are due and unpaid. The Owner conveying such Lot or Condominium Unit will remain personally liable for all such sums until the same are fully paid, regardless of whether the transferee of the Lot or Condominium Unit also assumes the obligation to pay such amounts. The Board may adopt an administrative transfer fee to cover the administrative expenses associated with updating the Association's records upon the transfer of a Lot or Condominium Unit to a third party.

5.14 Exempt Property. The following areas within the Development will be exempt from the Assessments provided for in this Article:

(a) All area dedicated and accepted by public authority, by the recordation of an appropriate document in the Official Public Records of Denton County, Texas;

(b) The Master Community Facilities and the Special Common Area; and

(c) Any portion of the Property or Development owned by Declarant.

(d) No portion of the Property will be subject to the terms and provisions of this Master Covenant, and no portion of the Property (or any owner thereof) will be obligated to pay assessments hereunder unless and until such Property has been made subject to the terms

of this Master Covenant by the filing of a Notice of Applicability in accordance with *Section 9.05* below.

5.15 Fines and Damages Assessment.

(a) Board Assessment. The Board may assess fines against an Owner for violations of any Master Restrictions which have been committed by an Owner, an occupant of the Owner's Lot or Condominium Unit, or the Owner or occupant's family, guests, employees, contractors, agents or invitees. Any fine and/or charge for damage levied in accordance with this *Section 5.15* will be considered an Assessment pursuant to this Master Covenant. Each day of violation may be considered a separate violation if the violation continues after written notice to the Owner. The Board may assess damage charges against an Owner for pecuniary loss to the Association from property damage or destruction of Master Community Facilities or Special Common Area or any facilities located by the Owner or the Owner's family, guests, agents, occupants, or tenants. The Manager will have authority to send notices to alleged violators, informing them of their violations and asking them to comply with the rules and/or informing them of potential or probable fines or damage assessments. The Board may from time to time adopt a schedule of fines.

(b) Procedure. The procedure for assessment of fines and damage charges is as follows:

(i) The Association, acting through an officer, Board member or Manager, must give the Owner notice of the fine or damage charge not later than thirty (30) days after the assessment of the fine or damage charge by the Board;

(ii) The notice of the fine or damage charge must describe the violation or damage;

(iii) The notice of the fine or damage charge must state the amount of the fine or damage charge;

(iv) The notice of a fine or damage charge must state that the Owner will have thirty (30) days from the date of the notice to request a hearing before the Board to contest the fine or damage charge; and

(v) The notice of a fine must allow the Owner a reasonable time, by a specified date, to cure the violation and avoid the fine unless the Owner was given notice and a reasonable opportunity to cure a similar violation within the preceding six (6) months.

(c) Due Date. Fine and/or damage charges are due immediately after the expiration of the thirty (30) day period for requesting a hearing. If a hearing is requested, such fines or damage charges will be due immediately after the Board's decision at such hearing,

assuming that a fine or damage charge of some amount is confirmed by the Board at such hearing.

(d) Lien Created. The payment of each fine and/or damage charge levied by the Board against the Owner of a Lot or Condominium Unit is together with any late charges, interest and all costs of collection, including attorney's fees secured by the lien granted to the Association pursuant to *Section 5.01(b)* above. Unless otherwise provided in this *Section 5.15*, the fine and/or damage charge will be considered an Assessment for the purpose of this Article, and will be enforced in accordance with the terms and provisions governing the enforcement of assessments pursuant to this *Article 5*.

ARTICLE 6
ARCHITECTURAL COVENANTS AND CONTROL

6.01 Purpose. This Master Covenant creates rights to regulate the design, use, and appearance of the Lots and Condominium Units 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 Development is developed and maintained. Another purpose is to prevent Improvements and modifications that may be widely considered to be radical, curious, odd, bizarre, inappropriate or peculiar in comparison to the then existing improvements. A third purpose is to regulate the appearance of every aspect of proposed or existing Improvements, including but not limited to dwellings, buildings, fences, landscaping, retaining walls, yard art, sidewalks, and driveways, and further including replacements or modifications of original construction or installation. Until expiration or termination of the Development Period, a primary purpose of this Article is to reserve and preserve Declarant's right of architectural control.

6.02 The Architectural Reviewer. The purposes of this Article shall be undertaken by the Architectural Reviewer. Until expiration or termination of the Development Period, the Architectural Reviewer shall mean Declarant or its designee. Upon expiration or termination of the Development Period, the rights of the Architectural Reviewer will automatically be transferred to the Architectural Control Committee (as defined below) appointed by the Board as provided in *Section 6.04* below. So long as Declarant has rights as the Architectural Reviewer, all references in the Master Restrictions to the Architectural Control Committee shall mean the Architectural Reviewer. In furtherance of the purposes of this Article, the Architectural Reviewer may adopt Design Guidelines as more fully set forth in *Section 6.06(b)* below.

6.03 Architectural Control by Declarant.

(a) Declarant as the Architectural Reviewer. During the Development Period, the Architectural Reviewer shall mean the Declarant or its designee, and neither the Association, the Board, nor a committee appointed by the Association or Board (no matter how the committee is named) may involve itself with the approval of any Improvements. Declarant

may designate one or more persons from time to time to act on its behalf as the Architectural Reviewer in reviewing and responding to applications pursuant to this Article.

(b) Declarant's Rights Reserved. Each Owner, by accepting an interest in or title to a Lot or Condominium Unit, 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. Accordingly, each Owner agrees that during the Development Period no Improvements will be started or progressed without the prior written approval of the Architectural Reviewer, which approval may be granted or withheld at the Architectural Reviewer's sole discretion. In reviewing and acting on an application for approval, the Architectural Reviewer may act solely in its self-interest and owes no duty to any other person or any organization.

(c) 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 as the Architectural Reviewer under this Article to an "**Architectural Control Committee**" appointed by the Board or a committee comprised of architects, engineers, or other persons who may or may not be Members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant to: (i) revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and (ii) veto any decision which Declarant, in its sole discretion, determines to be inappropriate or inadvisable for any reason, provided however such veto must be made by Declarant within ten (10) days of Declarant's receipt of the Architectural Control Committee's decision.

6.04 Architectural Control by Association.

(a) Association as the Architectural Reviewer. Upon Declarant's delegation in writing of all or a portion of its reserved rights as the Architectural Reviewer to the Board, or upon the expiration or termination of the Development Period, the Association, acting through an Architectural Control Committee (the "**ACC**") will assume jurisdiction over architectural control and will have the powers of the Architectural Reviewer.

(b) ACC. The ACC will consist of at least three (3) but not more than seven (7) persons appointed by the Board. 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 will be construed to mean the Board. Members of the ACC need not be Owners or Occupants, 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.

(c) 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: (i) errors in or omissions from the plans and specifications submitted to the ACC; (ii) supervising construction for the Owner's compliance with approved plans and specifications; or (iii) the compliance of the Owner's plans and specifications with governmental codes and ordinances, state and federal laws.

6.05 Prohibition of Construction, Alteration and Improvement. No Improvement, or any addition, alteration, improvement, installation, modification, redecoration, or reconstruction thereof may occur unless approved in advance by the Architectural Reviewer. 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. Notwithstanding the foregoing, each Owner will have the right to modify, alter, repair, decorate, redecorate, or improve the interior of an Improvement, provided that such action is not visible from any other portion of the Development or Property.

6.06 Architectural Approval.

(a) Submission and Approval of Plans and Specifications. Construction plans and specifications or, when an Owner desires solely to re-subdivide or consolidate Lots or Condominium Units, a proposal for such re-subdivision or consolidation, will be submitted in accordance with the Design Guidelines or any additional rules adopted by the Architectural Reviewer together with any review fee which is imposed by the Architectural Reviewer in accordance with *Section 6.06(b)* below. Contact information for the Architectural Reviewer will be set forth in the Design Guidelines. No re-subdivision or consolidation will be made, nor any Improvement placed or allowed on any Lot or Condominium Unit, until the plans and specifications and the Homebuilder which the Owner intends to use to construct the proposed structure or Improvement have been approved in writing by the Architectural Reviewer. The Architectural Reviewer may, in reviewing such plans and specifications, consider any information that it deems proper; including, without limitation, any permits, environmental impact statements or percolation tests that may be required by the Architectural Reviewer or any other entity; and harmony of external design and location in relation to surrounding structures, topography, vegetation, and finished grade elevation. The Architectural Reviewer may postpone its review of any plans and specifications submitted for approval pending receipt of any information or material which the Architectural Reviewer, in its sole discretion, may require. Site plans must be approved by the Architectural Reviewer prior to the clearing of any Lot, or the construction of any Improvements. The Architectural Reviewer may refuse to approve plans and specifications for proposed Improvements, or for the re-subdivision or consolidation of any Lot or Condominium Unit on any grounds that, in the sole and absolute discretion of the Architectural Reviewer, are deemed sufficient, including, but not limited to, purely aesthetic grounds.

(b) Design Guidelines. Declarant, as the initial Architectural Reviewer, will have the power to adopt the Design Guidelines. Thereafter, the Architectural Reviewer will have the power, from time to time, to adopt, amend, modify, or supplement the Design

Guidelines. In the event of any conflict between the terms and provisions of the Design Guidelines and the terms and provisions of this Master Covenant, the terms and provisions of this Master Covenant will control. In addition, the Architectural Reviewer will have the power and authority to impose a fee for the review of plans, specifications and other documents and information submitted to it pursuant to the terms of this Master Covenant. Such charges will be held by the Architectural Reviewer and used to defray the administrative expenses incurred by the Architectural Reviewer in performing its duties hereunder; provided, however, that any excess funds held by the Architectural Reviewer will be distributed to the Association at the end of each calendar year. The Architectural Reviewer will not be required to review any plans until a complete submittal package, as required by this Master Covenant and the Design Guidelines, is assembled and submitted to the Architectural Reviewer. The Architectural Reviewer will have the authority to adopt such additional procedural and substantive rules and guidelines (including, without limitation, the imposition of any requirements for a compliance deposit, certificates of compliance or completion relating to any Improvement, and the right to approve in advance any contractor selected for the construction of Improvements), not in conflict with this Master Covenant, as it may deem necessary or appropriate in connection with the performance of its duties hereunder.

(c) Failure to Act. In the event that any plans and specifications are submitted to the Architectural Reviewer as provided herein, and the Architectural Reviewer fails to either approve or reject such plans and specifications for a period of sixty (60) days following such submission, the plans and specifications will be deemed disapproved.

(d) Variances. The Architectural Reviewer may grant variances from compliance with any of the provisions of this Master Covenant or any Development Area Declaration, including, but not limited to, restrictions upon height, size, shape, floor areas, land area, placement of structures, set-backs, building envelopes, colors, materials, or land use, when, in the opinion of the Architectural Reviewer, in its sole and absolute discretion, such variance is justified. All variances must be evidenced in writing and, if Declarant has assigned its rights to the ACC, must be approved by at least a majority of the members of the ACC. Each variance must also be recorded in the Official Public Records of Denton County, Texas; provided, however, that failure to record a variance will not affect the validity thereof or give rise to any claim or cause of action against the Architectural Reviewer, including the Declarant or its designee, the Association, the Board or the ACC. If a variance is granted, no violation of the covenants, conditions, or restrictions contained in the Master Restrictions will be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such variance will not operate to waive or amend any of the terms and provisions of the Master Restrictions for any purpose except as to the particular property and in the particular instance covered by the variance, and such variance will not be considered to establish a precedent for any future waiver, modification, or amendment of the terms and provisions of the Master Restrictions.

(e) Duration of Approval. The approval of the Architectural Reviewer of any final plans and specifications, and any variances granted by the Architectural Reviewer, will be

valid for a period of one hundred and twenty (120) days only. If construction in accordance with such plans and specifications or variance is not commenced within such one hundred and twenty (120) day period and diligently prosecuted to completion thereafter, the Owner will be required to resubmit such final plans and specifications or request for a variance to the Architectural Reviewer, and the Architectural Reviewer will have the authority to re-evaluate such plans and specifications in accordance with this *Section 6.06(e)* and may, in addition, consider any change in circumstances which may have occurred since the time of the original approval.

(f) No Waiver of Future Approvals. The approval of the Architectural Reviewer to any plans or specifications for any work done or proposed in connection with any matter requiring the approval or consent of the Architectural Reviewer will not be deemed to constitute a waiver of any right to withhold approval or consent as to any plans and specifications on any other matter, subsequently or additionally submitted for approval by the same or a different person, nor will such approval or consent be deemed to establish a precedent for future approvals by the Architectural Reviewer.

(g) Non-Liability of the Architectural Reviewer. THE ARCHITECTURAL REVIEWER WILL NOT BE LIABLE TO ANY OWNER OR TO ANY OTHER PERSON FOR ANY LOSS, DAMAGE OR INJURY ARISING OUT OF THE PERFORMANCE OF THE ARCHITECTURAL REVIEWER'S DUTIES UNDER THIS MASTER COVENANT, UNLESS SUCH LOSS, DAMAGE, OR INJURY IS DUE TO THE WILLFUL MISCONDUCT OR BAD FAITH OF THE ARCHITECTURAL REVIEWER OR ONE OR MORE INDIVIDUALS ACTING ON ITS BEHALF, AS THE CASE MAY BE.

ARTICLE 7
MORTGAGE PROVISIONS

7.01 Generally. The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Lots or Condominium Units within the Development. The provisions of this Article apply to the Master Covenant and the Bylaws of the Association.

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

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

(b) Any delinquency in the payment of assessments or charges owed for a Lot or Condominium Unit subject to the first Mortgage of such Eligible Mortgage Holder, where such delinquency has continued for a period of sixty (60) days, or any other violation of

the Master Restrictions relating to such Lot or Condominium Unit or the Owner or occupant which is not cured within sixty (60) days; or

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

7.03 Examination of Books. The Association will permit Mortgagees to examine the books and records of the Association during normal business hours.

7.04 Taxes, Assessments and Charges. All taxes, assessments and charges that may become liens prior to first lien mortgages under applicable law will relate only to the individual Lots or Condominium Units and not to any other portion of the Development.

ARTICLE 8
EASEMENTS

8.01 Right of Ingress and Egress. Declarant and its agents, employees and designees will have a right of ingress and egress over and the right of access to the Master Community Facilities or Special Common Area to the extent necessary to use the Master Community Facilities or Special Common Area and the right to such other temporary uses of the Master Community Facilities or Special Common Area as may be reasonably required or desirable (as determined by Declarant in its sole discretion) in connection with the construction and development of the Development.

8.02 Reserved Easements. All dedications, limitations, restrictions and reservations shown on any plat and all grants and dedications of easements, rights-of-way, restrictions and related rights made by Declarant prior to the Development becoming subject to this Master Covenant are incorporated herein by reference and made a part of this Master Covenant for all purposes as if fully set forth herein, and will be construed as being adopted in each and every contract, deed or conveyance executed or to be executed by or on behalf of Declarant. Declarant reserves the right to relocate, make changes in, and additions to said easements, rights-of-way, dedications, limitations, reservations and grants for the purpose of most efficiently and economically developing the Development.

8.03 Development Easements. Declarant reserves for itself and the Association a perpetual, non-exclusive easement over and across the Development for: (i) the installation, operation and maintenance of utilities and associated infrastructure to serve the Development and any other property owned by Declarant; (ii) the installation, operation and maintenance of cable lines and associated infrastructure for sending and receiving data and/or other electronic signals, security and similar services to serve the Development and any other property owned by Declarant; and (iii) the installation, operation and maintenance of roadways, walkways, pathways and trails, drainage systems, street lights and signage to serve the Development and any other property owned by Declarant. Declarant will be entitled to unilaterally assign the easements reserved hereunder to any third party who owns, operates or maintains the facilities and improvements described in (i) through (iii) of this *Section 8.03*. The exercise of the easement

reserved herein will not extend to permitting entry into any residence, nor will it unreasonably interfere with the use of any Lot or Condominium Unit or residence or Improvement constructed thereon.

8.04 Roadway and Utility Easements. Declarant reserves the right to locate, relocate, construct, erect, and maintain or cause to be located, relocated, constructed, erected, and maintained in and on any streets maintained by the Association, or areas conveyed to the Association, or areas reserved or held as Master Community Facilities or Special Common Area, roadways, sewer lines, water lines, electrical lines and conduits, and other pipelines, conduits, wires, and any public utility function beneath or above the surface of the ground with the right of access to the same at any time for the purposes of repair and maintenance.

8.05 Subdivision Entry, Fencing and Landscape Easements. Declarant reserves for itself and the Association, an easement over and across the Development for the installation, maintenance, repair or replacement of certain subdivision entry facilities and fencing within the Property which serves the Development, including but not limited to fencing along streets and roadways within the Property which may be constructed upon portions of Lots adjacent to such streets and roadways ("**Roadway Fences**"). Declarant will have the right, from time to time, to record a written notice in the Official Public Records of Denton County, Texas, which identifies the subdivision entry facilities and fencing, including any Roadway Fences, to which the easement reserved hereunder applies. Declarant may designate all or any portion of the subdivision entry facilities and/or fencing, including any Roadway Fences, as Master Community Facilities or Special Common Area by written notice recorded in the Official Public Records of Denton County, Texas. The exercise of the easements reserved hereunder will not extend to permitting entry into any residence, nor will it unreasonably interfere with the use of any Lot or Condominium Unit or Improvement constructed thereon.

8.06 Easements for Special Events. Declarant reserves for itself and the Association, and their successors, assigns, and designees, a perpetual, non-exclusive easement over the Master Community Facilities or applicable Special Common Area for the purpose of: (i) conducting parades; (ii) running, fishing, biking or other sporting events; (iii) educational, cultural, artistic, musical and entertainment activities; and (iv) other activities of general community interest, at such locations and times as Declarant and/or the Association, in their reasonable discretion, deem appropriate. Each Owner, by accepting a deed or other instrument conveying any interest in a Lot or Condominium Unit, acknowledges and agrees that the exercise of this easement may result in a temporary increase in traffic, noise, gathering of crowds, and related inconveniences, and each Owner agrees on behalf of itself and the occupants of its Unit to take no action, legal or otherwise, which would interfere with the exercise of such easement.

8.07 Declarant as Attorney in Fact. To secure and facilitate Declarant's exercise of the rights reserved by Declarant pursuant to the terms and provisions of this Master Covenant, each Owner, by accepting a deed to a Lot or Condominium Unit and each Mortgagee, by accepting the benefits of a Mortgage against a Lot or Condominium Unit, and any other third

party by acceptance of the benefits of a mortgage, deed of trust, mechanic's lien contract, mechanic's lien claim, vendor's lien and/or any other security interest against any Lot or Condominium Unit, will thereby be deemed to have appointed Declarant such Owner's, Mortgagee's, and third party's irrevocable attorney-in-fact, with full power of substitution, to do and perform, each and every act permitted or required to be performed by Declarant pursuant to the terms of this Master Covenant. The power thereby vested in Declarant as attorney-in-fact for each Owner, Mortgagee and/or third party, will be deemed, conclusively, to be coupled with an interest and will survive the dissolution, termination, insolvency, bankruptcy, incompetency and death of an Owner, Mortgagee and/or third party and will be binding upon the legal representatives, administrators, executors, successors, heirs and assigns of each such party.

ARTICLE 9
DEVELOPMENT RIGHTS

9.01 Development by Declarant. It is contemplated that the Development will be developed pursuant to a coordinated plan, which may, from time to time, be amended or modified. Declarant reserves the right, but will not be obligated, to designate Development Areas, to create and/or designate Lots, Special Common Areas and Master Community Facilities and to subdivide with respect to any of the Development pursuant to the terms of this *Section 9.01*, subject to any limitations imposed on portions of the Development by any applicable Plat. These rights may be exercised with respect to any portions of the Property in accordance with *Section 9.05* below. As each area is developed or dedicated, Declarant may record one or more Development Area Declarations and designate the use, classification and such additional covenants, conditions and restrictions as Declarant may deem appropriate for that area. Any Development Area Declaration may provide its own procedure for the amendment of any provisions. All lands, Improvements, and uses in each area so developed will be subject to both this Master Covenant and the Development Area Declaration, if any, for that area.

9.02 Special Declarant Rights. Notwithstanding any provision of this Master Covenant to the contrary, at all times, Declarant will have the right and privilege: (i) to erect and maintain advertising signs (illuminated or non-illuminated), sales flags, other sales devices and banners for the purpose of aiding the sale of Lots or Condominium Units in the Development; (ii) to maintain Improvements upon Lots as sales, model, management, business and construction offices; and (iii) to maintain and locate construction trailers and construction tools and equipment within the Development. The construction placement or maintenance of Improvements by Declarant will not be considered a nuisance, and Declarant hereby reserves the right and privilege for itself to conduct the activities enumerated in this *Section 9.02* until two (2) years after Declarant no longer owns any portion of the Property. Declarant retains an easement over and across the Master Community Facilities and Special Common Area to effectuate any purpose enumerated in this *Section 9.02*.

9.03 Addition of Land. Declarant may, at any time and from time to time, add additional lands to the Property and, upon the filing of a notice of addition of land, such land will be considered part of the Property for purposes of this Master Covenant, and upon the further filing of a Notice of Applicability meeting the requirements of *Section 9.05* below, such added lands will be considered part of the Development subject to this Master Covenant and the terms, covenants, conditions, restrictions and obligations set forth in this Master Covenant, and the rights, privileges, duties and liabilities of the persons subject to this Master Covenant will be the same with respect to such added land as with respect to the lands originally covered by this Master Covenant. To add lands to the Property, Declarant will be required only to record in the Official Public Records of Denton County, Texas, a notice of addition of land (which notice may be contained within any Development Area Declaration affecting such land) containing the following provisions:

(a) A reference to this Master Covenant, which reference will state the document number of the Official Public Records of Denton County under which this Master Covenant is recorded;

(b) A statement that such land will be considered Property for purposes of this Master Covenant, and that upon the further filing of a Notice of Applicability meeting the requirements of *Section 9.05* of this Master Covenant, all of the terms, covenants, conditions, restrictions and obligations of this Master Covenant will apply to the added land; and

(c) A legal description of the added land.

9.04 Withdrawal of Land. Declarant may, at any time and from time to time, reduce or withdraw from the Property, including the Development, and remove and exclude from the burden of this Master Covenant and the jurisdiction of the Association: (i) any portions of the Development which have not been included in a Plat; (ii) any portion of the Development included in a Plat if Declarant owns all Lots described in such Plat; and (iii) any portions of the Development included in a Plat even if Declarant does not own all Lot(s) described in such Plat, provided that Declarant obtains the written consent of all other Owners of Lot(s) described in such Plat. Upon any such withdrawal and renewal, this Master Covenant and the covenants conditions, restrictions and obligations set forth herein will no longer apply to the portion of the Development withdrawn. To withdraw lands from the Development hereunder, Declarant will be required only to record in the Official Public Records of Denton County, Texas, a notice of withdrawal of land containing the following provisions:

(a) A reference to this Master Covenant, which reference will state the document number of the Official Public Records of Denton County under which this Master Covenant is recorded;

(b) A statement that the provisions of this Master Covenant will no longer apply to the withdrawn land; and

(c) A legal description of the withdrawn land.

9.05 Notice of Applicability. Upon the filing in the Official Public Records of Denton County, Texas, this Master Covenant serves to provide notice that at any time, and from time to time, all or any portion of the Property may be made subject to the terms, covenants, conditions, restrictions and obligations of this Master Covenant. This Master Covenant will apply to and burden a portion or portions of the Property upon the filing of a **"Notice of Applicability"** describing such Property by a legally sufficient description and expressly providing that such Property will be considered a part of the Development and will be subject to the terms, covenants conditions, restrictions and obligations of this Master Covenant. Declarant has the sole right and authority to file a Notice of Applicability. Declarant may also cause a Notice of Applicability to be filed covering a portion of the Property for the purpose of encumbering such Property with this Master Covenant and any Development Area Declaration previously recorded by Declarant (which Notice of Applicability may amend, modify or supplement the restrictions, set forth in the Development Area Declaration, which will apply to such Property). To make the terms and provisions of this Master Covenant applicable to a portion of the Property, Declarant will be required only to cause a Notice of Applicability to be recorded containing the following provisions:

(a) A reference to this Master Covenant, which reference will state the document number of the Official Public Records of Denton County, Texas under which this Master Covenant is recorded;

(b) A reference, if applicable, to the Development Area Declaration which will apply to such portion of the Property (with any amendment, modification, or supplementation of the restrictions set forth in the Development Area Declaration which will apply to such portion of the Property), which reference will state the document number of the Official Public Records of Denton County, Texas under which the Development Area Declaration is recorded;

(c) A statement that all of the provisions of this Master Covenant will apply to such portion of the Property;

(d) A legal description of such portion of the Property; and

(e) If applicable, a description of any Special Common Area which benefits the Property and the beneficiaries of such Special Common Area.

9.06 Assignment of Declarant's Rights. Notwithstanding any provision in this Master Covenant to the contrary, Declarant may, by written instrument, assign, in whole or in part, any of its privileges, exemptions, rights, and duties under this Master Covenant or under any Development Area Declaration to any person or entity and may permit the participation, in whole, in part, exclusively, or non-exclusively, by any other person or entity in any of its privileges, exemptions, rights, and duties hereunder.

ARTICLE 10
DISPUTE RESOLUTION

10.01 Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Bound Parties. Declarant, the Association, and its officers, directors, and committee members, Owners and all other parties subject to this Master Covenant (**"Bound Party,"** or collectively, the **"Bound Parties"**), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Development without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file a lawsuit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim (as defined below) to the alternative dispute resolution procedures set forth in *Section 10.02* below in a good faith effort to resolve such Claim.

(b) Claim(s). As used in this Article, the term **"Claim"** or **"Claims"** will refer to any claim, grievance or dispute arising out of or relating to:

(i) The interpretation, application, or enforcement of the Master Restrictions;

(ii) The rights, obligations, and duties of any Bound Party under the Master Restrictions; or

(iii) The design or construction of Improvements within the Development, other than matters of aesthetic judgment under *Article 6* below, which will not be subject to review.

(c) Not Considered Claims. The following will not be considered a Claim or Claims unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in *Section 10.02* below:

(i) Any legal proceeding by the Association to collect assessments or other amounts due from any Owner;

(ii) Any legal proceeding by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of the Master Restrictions;

(iii) Any legal proceeding which does not include Declarant or the Association as a party, if such action asserts a Claim which would constitute a cause of action independent of the Master Restrictions;

(iv) Any legal proceeding in which any indispensable party is not a Bound Party;

(v) Any legal proceeding by the Association to enforce easements, architectural control, maintenance and/or use restrictions under the Master Restrictions; and

(vi) Any legal proceeding as to which any applicable statute of limitations would expire within one hundred and eighty (180) days of giving the Notice required by *Section 10.02(a)* below, unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

10.02 Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim (**"Claimant"**) against another Bound Party (**"Respondent"**) will give written notice to each Respondent and to the Board stating plainly and concisely:

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

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

(iii) The Claimant's proposed resolution or remedy; and

(iv) The Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent will make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation.

(i) If the parties have not resolved the Claim through negotiation within thirty (30) days of the date of the notice described in *Section 10.02(a)* below (or within such other period as the parties may agree upon), the Claimant will have thirty (30) additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an

independent agency providing dispute resolution services in Denton County, Texas.

(ii) If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant will be deemed to have waived the Claim, and the Respondent will be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

(iii) If the Parties do not settle the Claim within thirty (30) days after submission of the matter to mediation, or within such time as determined 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. The Claimant will thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

(iv) Each Party will bear its own costs of the mediation, including attorney's fees, and each Party will share equally all fees charged by the mediator.

(d) Settlement. 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 such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award will, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

10.03 Initiation of Litigation by Association. In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association will not initiate any judicial or administrative proceeding unless first approved by a vote of the Members entitled to cast seventy-five percent (75%) of the votes in the Association, excluding the votes held by Declarant, except that no such approval will be required for actions or proceedings:

(i) Initiated while Declarant owns any portion of the Property or the Development;

(ii) Initiated to enforce the provisions of the Master Restrictions, including collection of assessments and foreclosure of liens;

(iii) Initiated to challenge *ad valorem* taxation or condemnation proceedings;

(iv) Initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or

(v) To defend claims filed against the Association or to assert counterclaims in proceedings instituted against the Association.

This Section will not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings except any such amendment shall also be approved by Declarant until the expiration or termination of the Development Period.

ARTICLE 11
GENERAL PROVISIONS

11.01 Term. Upon the filing of a Notice of Applicability, the terms, covenants, conditions, restrictions, easements, charges, and liens set out in this Master Covenant will run with and bind the portion of the Property described in such notice, and will inure to the benefit of and be enforceable by the Association, and every Owner, including Declarant and its legal representatives, heirs, successors, and assigns, for a term beginning on the date this Master Covenant is recorded in the Official Records of Denton County, Texas, and continuing through and including January 1, 2065, after which time this Master Covenant will be automatically extended for successive periods of ten (10) years unless a change (the word "change" meaning a termination, or change of term or renewal term) is approved in a resolution adopted by Members entitled to cast at least seventy percent (70%) of the total number of votes of the Association, voting in person or by proxy at a meeting duly called for such purpose, written notice of which will be given to all Members at least thirty (30) days in advance and will set forth the purpose of such meeting; provided, however, that such change will be effective only upon the recording of a certified copy of such resolution in the Official Public Records of Denton County, Texas. Notwithstanding any provision in this *Section 11.01* to the contrary, if any provision of this Master Covenant would be unlawful, void or voidable by reason of any Texas law restricting the period of time that covenants on land may be enforced, such provision will expire twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

11.02 Amendment. This Master Covenant may be amended or terminated by the recording in the Official Public Records of Denton County, Texas, of an instrument executed and acknowledged by: (i) Declarant, acting alone and unilaterally, until expiration or termination of the Development Period; or (ii) by the President and Secretary of the Association setting forth the amendment and certifying that such amendment has been approved by Declarant (unless Declarant has relinquished such right by written instrument recorded in the Official Public Records of Denton County, Texas) and Members entitled to cast at least seventy percent (70%) of the number of votes entitled to be cast by members of the Association. No

amendment will be effective without the written consent of Declarant, or its successors or assigns until expiration of the Development Period. Specifically, and not by way of limitation, Declarant may unilaterally amend this Master Covenant and any Development Area Declaration: (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on any Lot or Condominium Unit; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on Lots and/or Condominium Units; or (d) to comply with any requirements promulgated by a local, state or governmental agency, including, for example, the Department of Housing and Urban Development.

11.03 Enforcement. The Association or Declarant will have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, charges and other terms now or hereafter imposed by the provisions of this Master Covenant. Failure to enforce any right, provision, covenant, or condition granted by this Master Covenant will not constitute a waiver of the right to enforce such right, provision, covenants or condition in the future.

11.04 Higher Authority. The terms and provisions of this Master Covenant are subordinate to federal and state law, and local ordinances. Generally, the terms and provisions of this Master Covenant are enforceable to the extent they do not violate or conflict with local, state, or federal law or ordinance.

11.05 Severability. If any provision of this Master Covenant is held to be invalid by any court of competent jurisdiction, such invalidity will not affect the validity of any other provision of this Master Covenant, or, to the extent permitted by applicable law, the validity of such provision as applied to any other person or entity.

11.06 Conflicts. If there is any conflict between the provisions of this Master Covenant, the Certificate of Formation, the Bylaws, or any rules and regulations adopted pursuant to the terms of such documents, or any Development Area Declaration, the provisions of this Master Covenant will govern.

11.07 Gender. Whenever the context so requires, all words herein in the male gender will be deemed to include the female or neuter gender, all singular words will include the plural, and all plural words will include the singular.

11.08 Acceptance by Grantees. Each grantee of Declarant of a Lot, Condominium Unit, other real property interest in the Development, by the acceptance of a deed of conveyance, or each subsequent purchaser, accepts the same subject to all terms, restrictions, conditions, covenants, reservations, easements, liens and charges, and the jurisdiction rights and powers created or reserved by this Master Covenant or to whom this Master Covenant is subject, and all rights, benefits and privileges of every character hereby granted, created, reserved or declared.

Furthermore, each grantee agrees that no assignee or successor to Declarant hereunder will have any liability for any act or omission of Declarant which occurred prior to the effective date of any such succession or assignment. All impositions and obligations hereby imposed will constitute covenants running with the land within the Development, and will bind any person having at any time any interest or estate in the Development, and will inure to the benefit of each Owner in like manner as though the provisions of this Master Covenant were recited and stipulated at length in each and every deed of conveyance.

11.09 No Partition. Except as may be permitted in this Master Covenant or amendments thereto, no physical partition of the Master Community Facilities or Special Common Area or any part will be permitted, nor will any person acquiring any interest in the Development or any part seek any such judicial partition unless the Development in question has been removed from the provisions of this Master Covenant pursuant to *Section 9.04* above. This *Section 11.09* will not be construed to prohibit the Board from acquiring and disposing of tangible personal property or from acquiring title to real property that may or may not be subject to this Master Covenant, nor will this provision be constructed to prohibit or affect the creation of a condominium regime in accordance with the Texas Uniform Condominium Act.

11.10 Notices. Any notice permitted or required to be given to any person by this Master Covenant will be in writing and may be delivered either personally or by mail. If delivery is made by mail, it will be deemed to have been delivered on the third (3rd) day (other than a Sunday or legal holiday) after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the person at the address given by such person to the Association for the purpose of service of notices. Such address may be changed from time to time by notice in writing given by such person to the Association.

11.11 Oil and Gas Well Disclosure. There are various persons and entities owning, leasing, exploring for, developing, producing and transporting oil, gas or other minerals on, under or in the vicinity of the Property and elsewhere in the Canyon Falls community, and owning, leasing or operating pipelines, drilling facilities, or ancillary drilling operations under or in the vicinity of the Property and elsewhere in the Canyon Falls community (collectively, "**Drilling Activities**"). There is and will be traffic, noise, vibration, fumes, dust, emissions, fuels, gases, lubricants, liquids, particulate matter and other matters or conditions resulting from Drilling Activities. By accepting title to a Lot or Condominium, each Owner will be deemed to have (a) acknowledged, for himself or herself, and for all future Owners and occupants of all or any portion of such Lot or Condominium Unit, that such Lot or Condominium Unit is in the vicinity of Drilling Activities, and (b) waived, excepted and released Declarant, the Association and each of their predecessors in interest from all claims, causes of action and liabilities of any nature arising out of or in connection with (i) the Drilling Activities, (ii) the proximity of the Property, and each Lot and Condominium Unit therein, to the Drilling Activities, and (iii) inconveniences, annoyances, impacts, conditions and effects resulting therefrom, including, without limitation traffic, noise, vibration, fumes, dust, emissions, fuels, gases, lubricants, liquids, particulate matter and other matters or conditions and interference with sleep, use,

occupancy and any other activities at the Lot or Condominium Unit or within the Canyon Falls community.

ARTICLE 12
COMPLIANCE WITH THE TOWNS' ORDINANCES

12.01 Town Authority. The Towns' respective Code of Ordinances requires the adoption of this Master Covenant and the creation of the Association to provide for the continuous and perpetual operation, maintenance and supervision of common areas and common facilities such as the Master Community Facilities and Special Common Areas, as well as any other physical facilities and grounds that are held in common for the benefit of the Property and any Development Area (the "**Common Properties**"), which Common Properties are not under the Towns' ownership and the maintenance and operation of which Common Properties are not the Towns' responsibility.

12.02 Abandonment or Dissolution. Neither the Association or the Declarant shall seek, by either act or omission, to abandon the Association's and/or the Declarant's obligations as established by this Master Covenant to maintain the Common Properties. The Association may not be dissolved or terminated without the prior written consent of each of the Towns.

12.03 Amendment. Notwithstanding anything in this Master Covenant to the contrary: (a) the provisions of this Article shall not be amended or deleted from this Master Covenant without the prior written consent of the Towns; (b) this Master Covenant may not be amended to alter any provisions regarding the use, operation, maintenance and/or supervision of the Common Properties without the prior written consent of the Towns or otherwise permit any condition of or use of the Common Properties in a manner which conflicts with or is in violation of any Town ordinance without the prior written consent of the Towns; and (c) this Master Covenant may not be terminated without the prior written consent of the Towns. Except as provided in the preceding sentence, this Master Covenant can be amended without the consent of the Towns.

12.04 Failure of Association to Maintain Common Properties. If the Association defaults or fails to perform one or more duties and obligations under this Master Covenant regarding the maintenance of the Common Properties, the Towns shall each have the right, but not a corresponding obligation, to assume the duty to maintain, repair and make safe any Common Properties. In the event either Town assumes such maintenance obligations, such Town shall have the further right to collect, when the same become due, all assessments, annual or special, levied by the Association pursuant to the provisions hereof for the purposes of maintaining, repairing, replacing or caring for the Common Properties; and, if necessary, enforce the payment of delinquent assessments in the manner set forth herein. In addition or in the alternative, such Town may levy an assessment upon each Lot and Condominium Unit within the Property or the applicable Development Area on a pro rata basis for the reasonable cost of such maintenance, notwithstanding any other provisions contained in this Master

Covenant, which assessment shall constitute a lien upon the Lot or Condominium Unit against which each assessment is made. The payment of any such assessments and liens shall be deemed an obligation of each Owner just like the obligations identified in this Master Covenant. Nothing contained herein is intended to, nor shall it be interpreted as or deemed to waive, limit or restrict the Towns' authority and ability to enforce their respective ordinances regarding the maintenance and/or repair of the Common Properties and pursue any remedies available to the Towns under Texas law.

During any period that a Town assumes the obligation to maintain and care for the Common Properties, the Association shall have no authority with respect to the performance of such maintenance. The right and authority of a Town to maintain the Common Properties shall cease and terminate when the Association shall present to the Town reasonable evidence of the Association's willingness and ability to resume maintenance of the Common Properties. In the event a Town assumes the duty of performing the maintenance obligations of the Association as provided herein, then the Town, its agents, representatives and employees, shall have the right of access, ingress and egress to and over the Common Properties for the purpose of maintaining, improving and preserving the same, and in no event, and under no circumstances, shall the Town be liable to the Association or any Owner or their respective heirs, devisees, personal representatives, successors and assigns for negligent acts or omissions (excluding, however, malfeasance and gross negligence) relating in any manner to maintaining, improving and preserving the Common Properties. Neither shall the Town be deemed or assumed to be the Owner or insurer of such Common Properties it specifically being and remaining the responsibility of the Association and/or any Owner to adequately maintain, warn of dangerous conditions – if any -- when necessary, and to make the Common Properties safe when necessary in accordance with the provisions of Texas law.

12.05 Failure of Declarant or Declarant's Affiliate to Maintain Common Properties. If the Declarant retains ownership of all or any part of the Common Properties and/or conveys all or any part of the Common Properties to a person or entity affiliated with Declarant, and Declarant and/or Declarant's Affiliate defaults or fails to perform one or more duties and obligations under this Master Covenant regarding the maintenance of the Common Properties, each of the Towns shall have the right but not a corresponding obligation to assume the duty to maintain, repair and make safe any Common Properties owned by the Declarant and/or Declarant's Affiliate. In the event a Town assumes such maintenance obligations, the Town shall have the further right to bill the owner(s) of such Common Properties, whether Declarant or Declarant's Affiliate, the reasonable cost of such maintenance. The owner(s) of Common Properties, whether Declarant or Declarant's Affiliate, shall pay to Town the full amount of any such bill(s) within thirty (30) days after receipt from the Town. If Declarant or Declarant's Affiliate fails to reimburse the Town for any costs and/or expenses associated with maintaining, repairing and making safe any such Common Properties in a timely fashion such billing shall constitute a lien upon all of the Common Properties under the control and/or ownership of the defaulting Declarant and/or Declarant's Affiliate. Nothing contained herein is intended to, nor shall it be interpreted as or deemed to waive, limit or restrict the Town's authority and ability to

enforce its ordinances regarding the maintenance and/or repair of the Common Properties and pursue any remedies available to the Towns under Texas law.

In the event a Town assumes the duty of performing the maintenance obligations of the Declarant and/or Declarant's Affiliate as provided herein, then the Town, its agents, representatives and employees, shall have the right of access, ingress and egress to and over the Common Properties for the purpose of maintaining, improving and preserving the same, and in no event, and under no circumstances, shall the Town be liable to the Declarant, Declarant's Affiliate, the Association or any Owner or their respective heirs, devisees, personal representatives, successors and assigns for negligent acts or omissions (excluding, however, malfeasance and gross negligence) relating in any manner to maintaining, improving and preserving the Common Properties. Neither shall a Town be deemed or assumed to be the Owner or insurer of such Common Properties it specifically being and remaining the responsibility of the Declarant and/or Declarant's Affiliate to adequately maintain, warn of dangerous conditions – if any -- when necessary, and to make the Common Properties safe when necessary in accordance with the provisions of Texas law.

12.06 Conflicts.

(a) To the extent that this Master Covenant conflicts with any provision of either of the Towns' Code of Ordinances, the Town's Code of Ordinances shall control.

(b) To the extent that any provision in this Article 12 conflicts with any other provision in this Master Covenant the provisions of this Article 12 shall control.

[SIGNATURE PAGE FOLLOWS]

EXECUTED to be effective on the date this Master Covenant is recorded in the Official Public Records of Denton County, Texas.

DECLARANT:

WS - DCF DEVELOPMENT, LLC, a Delaware limited liability company

By: _____
Name: Mike Rafferty
Title: Authorized Signatory

STATE OF Texas §
§
COUNTY OF Tarrant §

This instrument was acknowledged before me on the 3 day of March, 2014, by Mike Rafferty, _____ of WS - DCF Development, LLC, a Delaware limited liability company, on behalf of said limited liability company.

_____
Notary Public, State of Texas

NOTARY PUBLIC STATE OF TEXAS
Betsy Luttrell
Commission Expires
07-12-2017

EXHIBIT "A"

PARCEL 1

STATE OF TEXAS
COUNTY OF DENTON

BEING a tract of land situated in the M.E.P. & P. R.R. SURVEY, Abstract No. 913, F. THORNTON SURVEY, Abstract No. 1244, J. WILBURN SURVEY, Abstract No. 1416 and the W. LOVE SURVEY, Abstract No. 728 and being all of two tract of land described in a deed to Highland Crusader Holding Corporation as recorded in Clerk's File No. 2011-40158 and 2011-40159 of the Real Property Records of Denton County, Texas and being more particularly described as follows;

BEGINNING at a capped 1/2 inch iron rod found at the most northwesterly corner of a tract of land conveyed to Mark Wayne Judge, and wife Mary Abb Judge as recorded in Volume 4144, Page 2082 of the Deed Records of Denton County, Texas, said iron rod being in the easterly line of a tract of land described in a deed to Frances McLendon Ewing as recorded in Volume 1552, Page 949 of the Deed Records of Denton County, Texas;

THENCE departing the northerly line of said Judge tract and along the easterly line of said Ewing tract North 00 degrees 30 minutes 31 seconds East along a barb wire fence a distance of 2895.65 feet to a wood fence post found for corner, said point being the most northeasterly corner of a tract of land described in a deed to D.W. Coin, and wife Christine Coin as recorded in Volume 1015, Page 432 of the Deed Records of Denton County, Texas;

THENCE along a barb wire fence North 89 degrees 30 minutes 59 seconds West a distance of 2944.98 feet to a 3/8 inch iron rod found for corner in the approximate centerline of CLEVLAND-GIBBS ROAD, said point being the most northwesterly corner of a tract of land conveyed to Elton Dee Gardner, Jr. as recorded in CC# 93-0084282 of the Deed Records of Denton County, Texas;

THENCE along the approximate centerline of as CLEVELAND-GIBBS ROAD as follows;

North 00 degrees 05 minutes 55 seconds West a distance of 1407.56 feet to a 1/2 inch iron rod found with a red plastic cap stamped "W.A.I." for corner;

North 13 degrees 10 minutes 14 seconds West a distance of 622.96 feet to a Pk. Nail set in asphalt pavement for corner, said point being set in the southeasterly right of way of INTERSTATE 35W (variable width right of way);

THENCE departing the approximate centerline of said CLEVELAND-GIBBS ROAD and along the southeasterly right of way line of said INTERSTATE 35W as follows;

North 77 degrees 44 minutes 47 seconds East a distance of 17.12 feet to a TXDOT Concrete Monument found for corner;

North 07 degrees 49 minutes 52 seconds East a distance of 75.37 feet to a 1/2 inch iron rod found with a red plastic cap stamped "W.A.I." for corner;

North 13 degrees 52 minutes 40 seconds West a distance of 160.00 feet to a TXDOT Concrete Monument found for corner;

North 20 degrees 34 minutes 02 seconds West a distance of 217.85 feet to a point for corner in a tree;

North 89 degrees 26 minutes 40 seconds West a distance of 16.86 feet to a 1/2 inch iron rod found for corner;

North 18 degrees 23 minutes 39 seconds West a distance of 6.22 feet to a TXDOT Concrete Monument found for corner;

North 88 degrees 35 minutes 44 seconds West a distance of 57.52 feet to a TXDOT Concrete Monument found for corner;

North 64 degrees 58 minutes 47 seconds West a distance of 136.61 feet to a TXDOT Concrete Monument found for corner;

North 21 degrees 08 minutes 10 seconds West passing through a TXDOT Concrete Monument at a distance of 248.70 feet continuing in all a distance of 528.90 feet to a TXDOT Concrete Monument found for corner;

North 24 degrees 05 minutes 25 seconds East a distance of 743.70 feet to a broken TXDOT Concrete Monument found for corner

South 87 degrees 44 minutes 14 seconds East passing through a TXDOT Concrete Monument found at a distance of 95.74 feet departing the southeasterly Right of way line of said INTERSTATE 35W and continuing in all along a barb wire fence a distance of 4847.39 feet to a wood fence post found for corner, said point being a southeasterly corner of a tract of land described in a deed to conveyed to Ronald Lee McCutchin as recorded in Volume 527, Page 68 of the Deed Records of Denton County, Texas;

THENCE along the easterly line of said McCutchin tract and along a barb wire fence as follows;

North 01 degrees 02 minutes 25 seconds East a distance of 520.88 feet to a 5/8 inch iron rod found for corner;

South 88 degrees 42 minutes 52 seconds East a distance of 20.24 feet to a wood fence post found for corner;

North 00 degrees 08 minutes 51 seconds East a distance of 1268.91 feet to a 5/8 inch iron rod found for corner;

South 89 degrees 41 minutes 56 seconds East a distance of 1442.20 feet to a 1/2 inch iron rod found for the most southwesterly corner of THE SETTLEMENT II as recorded in Cabinet E, Page 33 of the Plat Records of Denton County, Texas;

THENCE along the southerly line of said THE SETTLEMENT II and along a barb wire feet as follows;

South 89 degrees 42 minutes 54 seconds East a distance of 1607.35 feet to a 1/2 inch iron rod found for corner;

South 88 degrees 29 minutes 54 seconds East passing through a 1/2 inch iron rod found at a distance of 311.48 feet continuing in all a distance of 366.95 feet to a wood fence post found for corner;

South 89 degrees 45 minutes 57 seconds East passing through a 1/2 inch iron rod found at a distance of 119.13 feet and passing through a 1/2 inch iron rod found at a distance of 294.24 feet continuing in all a distance of 732.14 feet to a wood fence post found for the most southeasterly corner of said THE SETTLEMENT II;

THENCE along the easterly line of said THE SETTLEMENT II North 01 degrees 19 minutes 54 seconds East a distance of 83.74 feet to a 1/2 inch iron rod found for corner, said point being the most southwesterly corner of a tract of land conveyed to Ray Wolfe as recorded in CC#95-R0061399 of the Deed Records of Denton County, Texas;

THENCE along the southerly line of said Wolfe tract North 89 degrees 19 minutes 34 seconds East a distance of 658.25 feet to a 1/2 inch iron rod found for the most southeasterly corner of said White tract, said point being found in the approximate centerline of STONECREST ROAD (variable width right of way);

THENCE along the approximate centerline of said STONECREST ROAD as follows;

South 01 degrees 26 minutes 35 seconds West a distance of 681.53 feet to a Pk. Nail found in asphalt pavement for the most northwesterly corner of the STONECREST ADDITION, as recorded in Volume 5, Page 37;

South 00 degrees 05 minutes 06 seconds West a distance of 1576.97 feet to a Pk. Nail set in asphalt pavement for the most northwesterly corner of the SUNRISE CIRCLE ESTATES, as recorded in Cabinet D, Page 258;

South 00 degrees 21 minutes 22 seconds East a distance of 885.71 feet to a Pk. Nail set in asphalt pavement for the most northwesterly corner of a tract of land conveyed to the Town of Flower Mound as recorded CC# 2005-14711 of the Deed Records of Denton County, Texas;

South 00 degrees 20 minutes 36 seconds East a distance of 426.15 feet to a 5/8 inch iron rod found for the most northwesterly corner of a tract of land conveyed to the Upper Trinity Regional Water District as recorded in Volume 5077, Page 01442 of the Deed Records of Denton County, Texas ;

South 00 degrees 26 minutes 05 seconds East passing through a Pk. Nail found in asphalt pavement for the most northwesterly corner of a tract of land conveyed to Barry Whitworth as recorded in Volume 2668, Page 260 at a distance of 317.32 continuing in all a distance of 634.61 feet to a Pk. Nail found in asphalt pavement for the most northwesterly corner of a tract of land conveyed to Mike Flanagan, and wife Shelia Flanagan as recorded in Volume 863, Page 175 of the Deed Records of Denton County, Texas;

South 00 degrees 22 minutes 08 seconds East a distance of 1182.38 feet to a 1/2 inch iron rod found with a red plastic cap stamped "W.A.I." for corner, said point being set at the most southwesterly corner of a tract of land conveyed to Mike Flanagan, and wife Shelia Flanagan as recorded in Volume 821, Page 256 of the Deed Records of Denton County, Texas and said point being set in the northwesterly Right of way line of the TEXAS AND PACIFIC RAILROAD (100 feet wide right of way);

THENCE along the northwesterly right of way line of the said TEXAS AND PACIFIC RAILROAD South 22 degrees 04 minutes 40 seconds West a distance of 815.75 feet to a 1/2 inch iron found with a red plastic cap stamped "W.A.I." for corner, said point being the most northeasterly corner of a tract of land described in a deed to La Estancia Investments LP as recorded in Clerk's File No. 2008-137045 of the Real Property Records of Denton County, Texas;

THENCE along the northerly line of said La Estancia Investments LP tract North 89 degrees 07 minutes 28 seconds West a distance of 75.08 feet to a 1/2 inch iron rod set with a blue plastic cap stamped ElamPack Surveyors for corner, said iron rod being the southeasterly corner of a 108.319 acre AISD School Site;

THENCE along said AISD School Site as follows:

North 22 degrees 04 minutes 40 seconds East a distance of 103.77 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the beginning of a curve to the left having a

radius of 520.00, a chord bearing of North 07 degrees 45 minutes 21 seconds East and a chord length of 257.26 feet;

Along said curve to the left through a central angle of 28 degrees 38 minutes 37 seconds for an arc length of 259.96 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

North 06 degrees 33 minutes 57 seconds West a distance of 145.94 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the beginning of a curve to the right having a radius of 580.00 feet, a chord bearing of North 09 degrees 08 minutes 09 seconds East and a chord length of 313.93 feet;

Along said curve to the right through a central angle of 31 degrees 24 minutes 12 seconds for an arc length of 317.89 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

North 24 degrees 50 minutes 15 seconds East a distance of 13.93 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the beginning of a curve to the left having a radius of 25.00 feet, a chord bearing of North 20 degrees 09 minutes 45 seconds West and a chord length of 35.36 feet;

Along said curve to the left through a central angle of 90 degrees 00 minutes 00 seconds for an arc length of 39.27 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

THENCE departing the northerly line of said Argyle ISD tract North 20 degrees 42 minutes 24 seconds East a distance of 90.23 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner in the southerly line of a called 5.00 acre tract of land described in a deed to Denton County, Texas as recorded in Clerk's File No. 2010-27754 of the Real Property Records of Denton County, Texas;

THENCE along the southerly line of said Denton County, Texas tract as follows:

North 65 degrees 09 minutes 45 seconds West a distance of 348.84 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the beginning of a curve to the right having a radius of 605.00 feet, a chord bearing of North 52 degrees 39 minutes 42 seconds West and a chord length of 261.91 feet;

Along said curve to the right through a central angle of 25 degrees 00 minutes 06 seconds for an arc length of 264.00 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

THENCE along the northwesterly and southeasterly line of said Denton County, Texas tract as follows:

North 52 degrees 35 minutes 39 seconds East a distance of 255.94 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

North 89 degrees 37 minutes 52 seconds East a distance of 526.51 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the beginning of a non tangent curve to the right having a radius of 944.95 feet, a chord bearing of South 14 degrees 07 minutes 27 seconds West and a chord length of 201.34 feet;

Along said non tangent curve to the right through a central angle of 12 degrees 13 minutes 53 seconds for an arc length of 201.73 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

South 27 degrees 32 minutes 24 seconds West a distance of 190.01 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

South 24 degrees 50 minutes 15 seconds West a distance of 100.27 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the beginning of a curve to the right having a radius of 19.50 feet, a chord bearing of South 69 degrees 50 minutes 15 seconds West and a chord length of 27.58 feet;

Along said curve to the right through a central angle of 90 degrees 00 minutes 00 seconds for an arc length of 30.63 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

THENCE departing the southerly line of said Denton County, Texas tract South 20 degrees 42 minutes 24 seconds West a distance of 90.23 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the corner in the northerly line of said Argyle ISD tract;

THENCE along the northerly line of said Argyle ISD tract as follows:

North 65 degrees 09 minutes 45 seconds West a distance of 371.14 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the beginning of a curve to the right having a radius of 645.00 feet, a chord bearing of North 47 degrees 37 minutes 32 seconds West and a chord length of 388.71 feet;

Along said curve to the right through a central angle of 35 degrees 04 minutes 26 seconds for an arc length of 394.84 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

North 30 degrees 05 minutes 19 seconds West a distance of 526.97 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for the beginning of a curve to the left having a radius of 855.00 feet, a chord bearing of North 89 degrees 00 minutes 45 seconds West and a chord length of 1464.58 feet;

Along said curve to the left through a central angle of 117 degrees 50 minutes 52 seconds for an arc length of 1758.59 feet to an iron rod set with blue plastic cap stamped ElamPack Surveyors for corner;

South 32 degrees 03 minutes 49 seconds West a distance of 1096.09 feet to a 1/2 inch iron rod with blue plastic cap stamped ElamPack Surveyors set for the beginning of a curve to the left having a radius of 25.00 feet, a chord bearing of South 12 degrees 56 minutes 11 seconds East and a chord length of 35.35 feet;

Along said curve to the left through a central angle of 90 degrees 00 minutes 00 seconds for an arc length of 39.27 feet to a 1/2 inch iron rod with blue plastic cap stamped ElamPack Surveyors set for corner in the northeasterly right of way line of a Proposed 60 feet wide Right of Way;

THENCE along the westerly line of said AISD School Site and the northeasterly right of way line of said Proposed 60 feet wide Right of Way as follows:

South 57 degrees 56 minutes 11 seconds East a distance of 105.62 feet to a 1/2 inch iron rod with blue plastic cap stamped ElamPack Surveyors set for the beginning of a curve to the right having a radius of 575.00 feet, a chord bearing of South 30 degrees 53 minutes 01 seconds East and a chord length of 523.03 feet;

Along said curve to the right through a central angle of 54 degrees 06 minutes 20 seconds for an arc length of 542.99 feet to a 1/2 inch iron rod with blue plastic cap stamped ElamPack Surveyors for corner;

South 03 degrees 49 minutes 51 seconds East a distance of 429.63 feet to a 1/2 inch iron rod with blue plastic cap stamped ElamPack Surveyors set for the beginning of a curve to the left having a radius of 555.00, a chord bearing South 10 degrees 57 minutes 14 seconds East and a chord length of 137.65 feet;

Along said curve to the left through a central angle of 14 degrees 14 minutes 47 seconds for an arc length of 138.00 feet to a blue plastic cap stamped ElamPack Surveyors set for corner in the northerly line of said La Estancia Investments LP tract;

THENCE along the northerly line of said La Estancia Investments LP tract as follows:

North 89 degrees 31 minutes 32 seconds West a distance of 1612.25 feet to a wood fence post found for corner;

South 00 degrees 32 minutes 43 seconds West a distance of 2880.13 feet to a 1/2 inch iron rod set for the most northeasterly corner of a tract of land as described in a deed to Denton County and recorded in Document Number 2011-8417, from which a 5/8 inch iron rod found for the original Highland Crusader tract corner bears South 00 degrees 32 minutes 43 seconds West a distance of 30.16 feet;

THENCE departing the northerly line of said La Estancia Investments LP tract and along the northerly line of said Denton County tract, the same being the northerly right-of-way of F.M. 1171 as follows;

North 71 degrees 41 minutes 12 seconds West a distance of 339.46 feet to a 1/2 inch iron rod set for corner;

North 55 degrees 42 minutes 31 seconds West a distance of 72.66 feet to a 1/2 inch iron rod set for corner;

North 71 degrees 41 minutes 12 seconds West a distance of 236.43 feet to a 1/2 inch iron rod set for corner;

North 41 degrees 23 minutes 02 seconds West a distance of 128.82 feet to a 1/2 inch iron rod set for corner;

North 71 degrees 41 minutes 55 seconds West a distance of 582.90 feet to a 1/2 inch iron rod set for corner;

South 86 degrees 24 minutes 52 seconds West a distance of 147.32 feet to a 1/2 inch iron rod set for corner;

North 69 degrees 21 minutes 31 seconds West a distance of 300.55 feet to a 1/2 inch iron rod set for corner in the easterly line of said Judge tract, from which a 1/2 inch iron rod found for the original Highland Crusader tract corner bears South 00 degrees 54 minutes 19 seconds East a distance of 56.81 feet;

THENCE departing the northerly line of said Denton County tract and along the easterly line of said Judge tract as follows;

North 00 degrees 54 minutes 19 seconds West a distance of 193.42 feet to a capped 1/2 inch iron rod found for corner;

North 05 degrees 57 minutes 32 seconds West a distance of 225.22 feet to a capped 1/2 inch iron rod found for the most northeasterly corner of said Judge tract;

THENCE along the northerly line of said Judge tract North 89 degrees 24 minutes 30 seconds West a distance of 313.03 feet to the POINT OF BEGINNING;

CONTAINING within these metes and bounds 1116.758 acres or 48,646,009 square feet of land more or less, save and except the following tracts:

1) 0.115 acre tract as described in a Deed to John A. Mayfield, and recorded in Document Number 2008-13608 (DRDCT),
2) 0.115 acre tract as described in a Deed to Greg Nelson, and recorded in Document Number 2008-13611 (DRDCT),
3) 0.115 acre tract as described in a Deed to Scott F. Cunningham, and recorded in Document Number 2008-13614 (DRDCT),
4) 0.115 acre tract as described in a Deed to Gary S. Clayton, and recorded in Document Number 2008-13621 (DRDCT),
5) 0.115 acre tract as described in a Deed to Steven E. Oltmann, and recorded in Document Number 2008-13624 (DRDCT),
6) 0.152 acre tract as described in a Deed to Jane N. Wilk, and recorded in Document Number 2008-55860 (DRDCT),
7) 0.115 acre tract as described in a Deed to Tim Anglin, and recorded in Document Number 2008-55863 (DRDCT),
8) 0.115 acre tract as described in a Deed to Kelly J. Oltmann, and recorded in Document Number 2008-55869 (DRDCT),
9) 0.115 acre tract as described in a Deed to Richard W. Ross, and recorded in Document Number 2008-55866 (DRDCT),
10) 0.115 acre tract as described in a Deed to Leigh Anne Mayfield, and recorded in Document Number 2008-55872 (DRDCT),
11) 0.009 acre tract as described in a Deed to Trinity River Authority of Texas, and recorded in Document Number 2010-121102 (DRDCT),
12) 0.009 acre tract as described in a Deed to Trinity River Authority of Texas, and recorded in Document Number 2010-121103 (DRDCT),
13) 0.009 acre tract as described in a Deed to Trinity River Authority of Texas, and recorded in Document Number 2010-121104 (DRDCT),
14) 0.009 acre tract as described in a Deed to Trinity River Authority of Texas, and recorded in Document Number 2010-121105 (DRDCT)

There being a net acreage of 1115.537 acres or 48,592,775 square feet of land.

Bearings contained within this field note description are based upon the deeds to Highland Crusader Holding Corporation as recorded in Clerk's File No. 2011-40158 and 2011-40159 of the Real Property Records of Denton County, Texas.

AND

PARCEL 2

STATE OF TEXAS
COUNTY OF DENTON

BEING a tract of land situated in the W. LOVE SURVEY, Abstract No. 728 and being a portion of a tract of land described in a deed to Highland Crusader Holding Corporation as recorded in Instrument No. 2011-40159 of the Deed Records of Denton County, Texas (DRDCT) and being more particularly described as follows;

BEGINNING at a 5/8 inch iron rod found in the southerly right of way line of F.M. 1171 (a variable width right of way)and being the northwesterly corner of a called 10.427 acre tract of land as described in a deed to Highland Crusader Holding Corporation as recorded in Instrument No. 2011-40159 of the Deed Records of Denton County, Texas (DRDCT);

THENCE along the southerly right of way line of said F.M. 1171 as follows;

South 69 degrees 30 minutes 13 seconds East a distance of 353.33 feet to a wood TXDOT monument found for corner;

South 70 degrees 08 minutes 26 seconds East a distance of 213.65 feet to a 1/2 inch iron rod set for the most northwesterly corner of a tract of land as described in a deed to Denton County and recorded in Document Number 2011-8416 (DRDCT);

THENCE along the southerly line of said Denton County tract, the same being the southerly right-of-way of F.M. 1171;

South 29 degrees 32 minutes 09 seconds East a distance of 104.77 feet to a 1/2 inch iron rod set for corner;

South 71 degrees 38 minutes 19 seconds East a distance of 481.12 feet to a 1/2 inch iron rod set for corner;

North 77 degrees 25 minutes 40 seconds East a distance of 21.68 feet to a 1/2 inch iron rod set for the most southwesterly corner of said Denton County tract;

North 77 degrees 33 minutes 25 seconds East a distance of 116.11 feet to a wood TXDOT monument found for corner;

South 71 degrees 48 minutes 04 seconds East a distance of 593.69 feet to a ½ inch iron rod found for corner, said point being found in the northerly line of said Ewing tract;

THENCE along the northerly line of said Ewing tract and along a barb wire fence as follows;

North 89 degrees 25 minutes 20 seconds West a distance of 1739.14 feet to a wood fence post found for corner;

North 00 degrees 02 minutes 00 seconds East a distance of 577.16 feet to the POINT OF BEGINNING;

CONTAINING within these metes and bounds 10.278 acres or 447,700 square feet of land more or less.

Bearings contained within this field note description are based upon the deed to Highland Crusader Holding Corporation as recorded in Clerk's File No. 2011-40159 of the Real Property Records of Denton County, Texas.