

**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR CASTLEWOOD**

044273

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS (this "Declaration") is made this 30 day of NOV, 1997, by Balfour Village Estates, L.P., a Texas limited partnership (the "Declarant").

Declarant is the owner of the real property described in Exhibit "A," which is attached hereto and incorporated by reference. This Declaration imposes upon the Properties (as defined in Article I below) mutually beneficial restrictions under a general plan of improvement for the benefit of the owners of each portion of the Properties and establishes a flexible and reasonable procedure for the overall development, administration, maintenance and preservation of the Properties.

Declarant hereby declares that all of the property described in Exhibit "A" and any additional property subjected to this Declaration by Supplemental Declaration (as defined in Article I below) shall be held, sold, used and conveyed subject to the following easements, restrictions, covenants, and conditions, which shall run with the real property subjected to this Declaration. This Declaration shall be binding on all parties having any right, title, or interest in the Properties or any part thereof, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof.

**Article I
DEFINITIONS**

The terms in this Declaration and the exhibits to this Declaration shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

1.1. "Area of Common Responsibility": The Common Area, together with those areas, if any, for which the Association assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration or other applicable covenants, contract, or agreement.

1.2. "Articles of Incorporation" or "Articles": The Articles of Incorporation of Castlewood Homeowners Association, Inc., as filed with the Secretary of State of the State of Texas.

1.3. "Association": Castlewood Homeowners Association, Inc., a Texas non-profit corporation, its successors or assigns.

1.4. "Base Assessment": Assessments levied on all Units subject to assessment under Article X to fund Common Expenses for the general benefit of all Units, as more particularly described in Sections 10.1 and 10.3.

1.5. "Board of Directors" or "Board": The body responsible for administration of the Association selected as provided in the By-Laws and generally serving the same role as the board of directors under Texas corporate law.

1.6. "Builder": Any Person which purchases one or more Units for the purpose of constructing improvements for later sale to consumers or purchases one or more parcels of land within the Properties for further subdivision, development, and/or resale in the ordinary course of such Person's business.

1.7. "By-Laws": The By-Laws of Castlewood Homeowners' Association, Inc. attached as Exhibit "E," as they may be amended.

1.8. "Class "B" Control Period": The period of time during which the Class "B" Member is entitled to appoint a majority of the members of the Board of Directors as provided in Section 5.2 of the By-Laws.

1.9. "Common Area": All real and personal property which the Association owns, leases or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners. The term shall include the Exclusive Common Area as defined below.

1.10. "Common Expense": The actual and estimated expense incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to this Declaration, the By-Laws, and the Articles of Incorporation. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by Members representing a majority of the total Class "A" vote of the Association.

1.11. "Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing throughout the Properties. Such standard may be more specifically determined by the Board of Directors.

1.12. "Declarant": Balfour Village Estates, L.P., a Texas limited partnership, or any successor, successor-in-title, or assign who takes title to any portion of the property described on Exhibits "A" or "B" for the purpose of development and/or sale and who is designated as the Declarant in a recorded instrument executed by the immediately preceding Declarant.

1.13. "Exclusive Common Area": A portion of the Common Area intended for the exclusive use or primary benefit of one or more, but less than all, Villages, as more particularly described in Article II of this Declaration.

1.14. "Master Plan": The land plan for the development of the Castlewood community prepared by Balfour Village Estates, L.P., as it may be amended from time to time, which plan includes the property described on Exhibit "A" and all or a portion of the property described on Exhibit "B" which Declarant may from time to time anticipate subjecting to this Declaration. Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the exclusion of property described on Exhibit "B" from the Master Plan bar its later annexation in accordance with Article IX.

- 1.15. "Member": A Person entitled to membership in the Association.
- 1.16. "Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security deed.
- 1.17. "Mortgagee": A beneficiary or holder of a Mortgage.
- 1.18. "Mortgagor": Any Person who gives a Mortgage.
- 1.19. "Owner": One or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.
- 1.20. "Person": A natural person, a corporation, a partnership, trustee, or an other legal entity.
- 1.21. "Properties": The real property described on Exhibit "A," together with such additional property as is subjected to this Declaration in accordance with Article IX.
- 1.22. "Special Assessment": Assessments levied in accordance with Section 10.6.
- 1.23. "Specific Assessment": Assessments levied in accordance with Section 10.7.
- 1.24. "Supplemental Declaration": An instrument filed in the County Clerk's Office, Denton County, Texas pursuant to Article IX which subjects additional property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the land described in such instrument.
- 1.25. "Unit": A portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. The term shall include within its meaning, by way of illustration but not limitation, condominium units, townhouse units, cluster homes, patio or zero lot line homes, and single-family detached houses on separately platted lots, as well as vacant land intended for development as such, but shall not include Common Areas, common property of any Village Association or property dedicated to the public. In the case of a building within a condominium or other structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit. In the case of a parcel of vacant land or land on which improvements are under construction, the parcel shall be deemed to contain the number of Units designated for residential use for such parcel on the Master Plan or the site plan approved by Declarant, whichever is more recent, until such time a subdivision plat or condominium plat is filed of record on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall constitute a separate Unit or Units as determined above and the number of Units on the remaining land, if any, shall continue to be determined in accordance with this paragraph.

1.26. "Village": Each separately developed residential area within the Properties, whether or not governed by a Village Association (as defined below), in which the Owners of Units may have common interests other than those common to all Members of the Association. For example, and by way of illustration and not limitation, each condominium, townhome development, cluster home development, and single-family detached housing development may constitute a separate Village, or a Village may be comprised of more than one housing type with other features in common. In addition, each parcel of land intended for development as any of the above shall constitute a Village, subject to division into more than one Village upon development. Where the context permits or requires, the term Village shall also refer to the Village Association (as defined in Section 1.29) having concurrent jurisdiction over the property within the Village. Village boundaries may be established and modified as provided in Section 3.4.

1.27. "Village Assessments": Assessments levied against the Unit in a particular Village or Villages to fund Village Expenses, as described in Sections 10.1 and 10.4.

1.28. "Village Association": Any condominium association or other owners association having concurrent jurisdiction over any Village.

1.29. "Village Expenses": The actual and estimated expenses incurred or anticipated to be incurred by the Association for the benefit of Owners of Units within a particular Village or Villages, which may include a reasonable reserve for capital repairs and replacements, as the Board may specifically authorize from time to time and as may be authorized herein or in Supplemental Declarations applicable to the Villages.

Article II **PROPERTY RIGHTS**

2.1. Common Area. Every Owner shall have a right and non-exclusive easement of use access, and enjoyment in and to the Common Area, subject to:

- (a) This Declaration and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) The right of the Board to adopt rules regulating the use and enjoyment of the Common Area, including rules limiting the number of guest who may use the Common Area;
- (d) The right of the Board to suspend the right of any Owner to use recreational facilities within the Common Area: (i) for any period during which any charge against such Owner's Unit remains delinquent; and (ii) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation, of the Declaration, any applicable Supplemental Declaration, the By-Laws, or rules of the Association after notice and a hearing pursuant to Section 3.23 of the By-Laws;

(e) The right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area pursuant to Section 4.7;

(f) The right of the Board to impose reasonable membership requirements and charge reasonable membership, admission or other fees for the use of any recreational facility situated upon the Common Area;

(g) The right of the Board to permit use of any recreational facilities situated on the Common Area by persons other than Owners, their families, lessees and guests upon payment of use fees established by the Board;

(h) The right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; and

(i) The rights of certain Owners to the exclusive use of those portions of the Common Area, if any, designated "Exclusive Common Areas," as more particularly described in Section 2.2.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board. Any Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit.

2.2. Exclusive Common Area.

(a) Certain portions of the Common Area may be, but shall not be required to be, designated as Exclusive Common Area and reserved for the exclusive use or primary benefit of Owners and occupants of Units within a particular Village or Villages. By way of illustration and not limitation, Exclusive Common Areas, if any, may include entry features, recreational facilities, landscaped medians and cul-de-sacs, lakes and other portions of the Common Area within a particular Village or Villages. All costs associated with maintenance, repair, replacement, and insurance of any Exclusive Common Area shall be assessed as a Village Assessment against the Owners of Units in those Villages to which the Exclusive Common Areas are assigned.

(b) Initially, any Exclusive Common Area shall be designated as such and the exclusive use thereof shall be assigned in the deed by which the Declarant conveys the Common Area to the Association or on the plat of survey relating to such Common Area; provided, any such assignment shall not preclude the Declarant from later assigning use of the same Exclusive Common Area to additional Units and/or Villages, so long as the Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1. Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area of a particular Village or Villages and Exclusive Common Area may be reassigned upon the vote of Members representing a majority of the total Class "A" votes in the Association, including a majority of the Class "A" votes within the Village(s) to which the Exclusive Common Areas are assigned, if applicable, and within the Village(s) to which the Exclusive Common Areas are to be assigned. As long as the Declarant owns any property described

on Exhibits "A" or "B" for development and/or sale, any such assignment or reassignment shall also require the consent of the Declarant.

(c) The Association may, upon approval of the board of directors of the Village Association for the Village(s) to which certain Exclusive Common Areas are assigned, permit Owners of Units in other Villages to use all or a portion of such Exclusive Common Areas upon payment of reasonable user fees, which fees shall be used to offset the Village Expenses attributable to such Exclusive Common Areas.

Article III **MEMBERSHIP AND VOTING RIGHTS**

3.1. **Function of Association.** The Association shall be the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility. The Association shall be the primary entity responsible for enforcement of this Declaration and such reasonable rules regulating use of the Properties as the Board may adopt. The Association shall also be responsible for administering and enforcing the architectural standards and controls set forth in this Declaration and in the Design Guidelines. The Association shall perform its functions in accordance with this Declaration, the By-Laws, the Articles and the laws of the State of Texas.

3.2. **Membership.** Every Owner shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 3.3 and in the By-Laws and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights and privileges of an Owner who is a natural person may be exercised by the Member or the Member's spouse. The membership rights of an Owner which is a corporation, partnership or other legal entity may be exercised by any officer, director, partner or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

3.3. **Voting.** The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Unit in which they hold the interest required for membership under Section 3.2; provided, there shall be only one vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 10.12.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to approve, or withhold approval of, actions proposed under this Declaration and the By-Laws, are specified elsewhere in the Declaration and the By-Laws. The Class "B" Member may appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in Section 5.2 of the By-Laws. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and

committees as provided in Section 5.3 of the By-Laws. The Class "B" membership shall terminate and become converted to Class "A" membership on the earlier of:

(i) two years after expiration of the Class "B" Control Period pursuant to Article III of the By-Laws; or

(ii) when, in its discretion, the Declarant so determines and declared in a recorded instrument.

(c) In any situation in which a Member is entitled personally to exercise the vote for his or her Unit and there is more than one Owner of a particular Unit, the vote for such Unit shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

3.4. Villages.

(a) Every Unit shall be located within a Village. The Units within a particular Village may be subject to additional covenants and/or the Unit Owners may all be members of a Village Association in addition to the Association. However, a Village Association shall not be required except in the case of a condominium or otherwise as required by law. Each Village may request that the Association provide a higher level of service or special services for the benefit of Units in such Village and, upon the affirmative vote, written consent, or a combination thereof, of Owners of a majority of the Units within the Village, the Association shall provide the requested services. The cost of such services shall be assessed against the Units within such Village as a Village Assessment pursuant to Article X hereof.

(b) The Declarant may unilaterally amend this Declaration or any Supplemental Declaration from time to time to redesignate Village boundaries; provided, two or more Villages shall not be combined without the consent of Owners of a majority of the Units in the affected Villages.

Article IV **RIGHTS AND OBLIGATIONS OF THE ASSOCIATION**

4.1. Common Area. The Association, subject to the rights of the Owners set forth in this Declaration, shall manage and control the Common Area and all improvements thereon (including, without limitation, furnishings, equipment, and other personal property of the Association used in connection with the Common Areas), and shall keep it in good, clean, attractive, and sanitary condition, order, and repair, pursuant to this Declaration and the By-Laws and consistent with the Community-Wide Standard.

4.2. Personal Property and Real Property for Common Use. The Association, through action of its Board, may acquire, hold, and dispose of tangible and intangible personal property and

real property. The Declarant or its designees may convey to the Association improved or unimproved real estate located within the properties described in Exhibits "A" or "B," personal property and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association.

4.3. Enforcement.

(a) The Association may impose sanctions for violations of this Declaration, the By-Laws, or rules in accordance with procedures set forth in the By-Laws, including reasonable monetary fines and suspension of the right to vote and to use any recreational facilities within the Common Area. In addition, the Association, through the Board, in accordance with Section 5.11 of the By-Laws, may exercise self-help to curb violations, and may suspend any services it provides to the Unit of any Owner who is more than thirty (30) days delinquent in paying any assessment or other charge due to the Association. All remedies set forth in this Declaration or the By-Laws shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of this Declaration or Association rules, if the Association prevails, it shall be entitled to recover all costs, including without limitation attorneys fees and court costs, reasonably incurred in such action.

(b) The Association shall not be obligated to take action to enforce any covenant, restriction or rule which the Board reasonably determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action. Any such determination shall not be construed as a waiver of the right to enforce such provision under other circumstances or estop the Association from enforcing any other covenant, restriction or rule.

4.4. Implied Rights, Board Authority. The Association may exercise any other right or privilege given to it expressly by this Declaration or the By-Laws, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in this Declaration, the By-Laws or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

4.5. Governmental Interests. For so long as the Declarant owns any property described on Exhibits "A" or "B," the Declarant may designate sites within the Properties for fire, police, water, and other utility facilities, parks, and other public or quasi-public facilities. The sites may include Common Areas, in which case the Association shall take whatever action is required with respect to such site to permit such use, including conveyance of the site, if so directed by Declarant. The sites may include other property not owned by Declarant provided the owner consents.

4.6. Indemnification.

(a) The Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by

the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member.

(b) The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association). The Association shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, commitment or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

4.7. Dedication of Common Areas. The Association may dedicate portions of the Common Areas to Denton County, Texas, the City of Highland Village, or to any other local, state, or federal governmental entity.

4.8. Security. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. Neither the Association, the original Declarant, nor any successor Declarant shall in any way be considered insurers or guarantors of security within the Properties, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate security or of ineffectiveness of security measures undertaken. No representation or warranty is made that any fire protection system, burglar alarm system or other security system or measures can not be compromised or circumvented, nor that any such systems 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 covenants to inform its lessees that the Association, its Board of Directors and committees, Declarant, and any successor Declarant are not insurers and that each Person using the Properties assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties or the use by any occupant, guest or invitee of any limitation, playgrounds, tennis courts, skate park or picnic areas.

4.9. Powers of the Association Relating to Villages.

(a) The Association shall have the power to veto any action taken or contemplated to be taken by any Village Association which the Board reasonably determines to be materially adverse to the interests of the Association or its Members or materially inconsistent with the Community-Wide Standard. The Association also shall have the power to require specific action to be taken by any Village Association in connection with its obligations and responsibilities hereunder or under any other covenants affecting the Properties. Without limiting the generality of the foregoing, the Association may (i) require specific maintenance or repairs or aesthetic changes to be effectuated

by the Village Association, and (ii) require that a proposed budget include certain items and that expenditures be made therefor.

(b) Any action required by the Association in a written notice pursuant to the foregoing paragraph to be taken by a Village Association shall be taken within the reasonable time frame set by the Association in such written notice. If the Village Association fails to comply with the requirements set forth in such written notice, the Association shall have the right to effect such action on behalf of the Village Association. To cover the Association' administrative expenses in connection with the foregoing and to discourage failure to comply with the requirements of the Association, the Association shall assess the Units in such Village for their pro rata share of any expenses incurred by the Association in taking such action in the manner provided in Section 10.7. Such assessments may be collected as a Specific Assessment hereunder and shall be subject to all lien rights provided for herein.

4.10. Relationship with Other Properties. Adjacent to or in the vicinity of the Properties may be independent commercial and/or residential areas, each of which may or will share with the Association and its Members the use of real property and facilities, including, but not limited to, roads, and a trail system. The Association may enter into agreements, contracts or covenants to share costs with all or any of the owners of such adjacent or nearby property which allocate access, maintenance responsibilities, expenses and other matters between the Association and such property owners.

Article V **MAINTENANCE**

5.1. Association's Responsibility.

(a) The Association shall maintain and keep in good repair the Area of Common Responsibility, which shall include but need not be limited to:

(i) all landscaping and other flora, parks, lakes, structures, and improvements, including any private streets, bike and pedestrian pathways/trails, situated upon the Common Area;

(ii) landscaping within public rights-of-way within or abutting the Properties;

(iii) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, or any contract or agreement for maintenance thereof entered into by the Association;

(iv) all ponds, streams and/or wetlands located within the Properties which serve as part of the drainage and storm water retention system for the Properties, including any retaining walls, bulkheads or dam (earthen or otherwise) retaining water therein, and any fountains, lighting, pumps, conduits, and similar equipment installed therein or used in connection therewith; and

(v) any property and facilities owned by the Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members, such property and facilities to be identified by written notice from the Declarant to the Association and to remain a part of the Area of Common Responsibility and be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

(b) Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with the prior written approval of the Declarant as long as the Declarant owns any property described on Exhibits "A" or "B" of this Declaration.

(c) The Association may assume maintenance responsibility for property within any Village, in addition to that designated by any Supplemental Declaration, either by agreement with the Village or because, in the opinion of the Board, the level and quality of service then being provided is not consistent with the Community-Wide Standard. Unless otherwise determined by the Board, all costs of maintenance pursuant to this paragraph shall be assessed as a Village Assessment only against the Units within the Village to which the services are provided. The provision of services in accordance with this Section shall not constitute discrimination within a class.

(d) The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

(e) Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Units as part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from the Owner(s) of or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other recorded covenants, or agreements with the owner(s) thereof. All costs associated with maintenance, repair and replacement of Exclusive Common Areas shall be a Village Expense assessed as a Village Assessment solely against the Units within the Village(s) to which the Exclusive Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

5.2. Owner's Responsibility. Each Owner shall maintain his or her Unit, and all structures, parking areas, and other improvements comprising the Unit, in a manner consistent with the Community-Wide Standard and all applicable covenants, unless, such maintenance responsibility is otherwise assumed by or assigned to the Association or a Village pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Unit. In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner in accordance with Section 10.7. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.3. Village Responsibility.

(a) Upon resolution of the Board, the Owners of Units within each Village shall be responsible for paying, through Village Assessments, the costs of operating, maintaining and insuring certain portions of the Area of Common Responsibility within or adjacent to such Village. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way and greenspace between the Village and adjacent public roads, private streets within the Village, and lakes or ponds within the Village, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided, however, all Villages which are similarly situated shall be treated the same.

(b) Any Village Association whose common property is adjacent to any portion of the Common Area upon which a wall, other than a wall which forms part of a building, is constructed shall maintain and irrigate that portion of the Common Area between the wall and the Village Association's property line. Any Village Association whose common property fronts on any roadway within the Properties shall maintain and irrigate the landscaping on that portion of the Common Area or right-of-way between the property line and the nearest curb of such roadway. Any Village Association whose common property abuts the bank or water's edge, or abuts a portion of the Common Area abutting the bank or water's edge, of any river, pond, stream, or wetland area within the Properties shall maintain and irrigate all landscaping between the boundary of its common property and such bank or water's edge; provided, there shall be no right to remove trees, shrubs or similar vegetation from this area without prior approval pursuant to Article XI hereof.

(c) Any Village Association having responsibility for maintenance of all or a portion of the property within such Village pursuant to additional covenants applicable to such Village shall perform such maintenance responsibility in a manner consistent with the Community-Wide Standard. If any Village Association fails to perform its maintenance responsibility as required herein and in any additional covenants, the Association may perform it and assess the costs against all Units within such Village as provided in Section 10.7.

5.4. Standard of Performance. Unless otherwise specifically provided herein or in other instruments creating and assigning such maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary. All maintenance shall be performed in a manner consistent with the Community-Wide Standard and all applicable covenants. The Association, and/or any Owner and/or a Village Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, property which it does not own, except to the extent that it has been negligent in the performance of its maintenance responsibilities.

5.5. Party Walls and Similar Structures.

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

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

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

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

(e) Any dispute arising concerning a party structure shall be handled in accordance with the provisions of Article XVII.

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

Article VI
INSURANCE AND CASUALTY LOSSES

6.1. **Association Insurance: Required Coverages.**

(a) The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area, if any, and on other portions of the Area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(ii) Commercial general liability policy on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the commercial general liability policy shall have limits of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury and property damage;

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(iv) Directors and officers liability coverage;

(v) Fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's best business judgment but not less than an amount equal to one-sixth of the annual Base Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board, in its best business judgment, determines advisable, which may include, without limitation flood and wind insurance and building ordinance coverage.

In addition, the Association may obtain and maintain property insurance on the insurable improvements within any Village in such amounts and with such coverages as deemed appropriate. Any such policies shall provide for a certificate of insurance to be furnished to the Village Association, applicable, and to the Owner of each Unit insured.

(b) Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the Base Assessment, except that (i) premiums for property insurance obtained on behalf of a Village shall be charged to the Owners of Units within the benefitted Village as a Village Assessment; and (ii) premiums for insurance on Exclusive Common Areas may be included in the Village Assessment of the Village(s) benefitted unless the Board of Directors reasonably determines that other treatment of the premiums is more appropriate.

(c) The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 6.1. In the event of an insured loss, the deductible shall be treated as a Common Expense or a Village Expense in the same manner as the premium for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with Section 5.11 of the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may specifically assess the full amount of such deductible against such Owner(s) and their Units pursuant to Section 10.7.

(d) All insurance coverage obtained by the Board shall:

(i) be written with a company authorized to do business in the State of Texas which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(ii) be written in the name of the Association as trustee for the benefitted parties. Policies on the Common Areas shall be for the benefit of the Association and its Members. Policies secured on behalf of a Village shall be for the benefit of the Owners of Units within the Village and their Mortgagees, as their interests may appear;

(iii) not be brought into contribution with insurance purchase by individual Owners, occupants, or their Mortgagees;

(iv) contain an inflation guard endorsement; and

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause.

In addition, the Board shall be required to use reasonable efforts to secure insurance policies which list the Owners as additional insureds and provide:

(vi) a waiver of subrogation as to any claims against the Association's Board, officers, committees, employees, and its manager, the Owners and their tenants servants, agents, and guests;

(vii) a waiver of the insurer's rights to repair and reconstruct instead of paying in cash;

(viii) an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation an allowance of a reasonable time to cure;

(ix) an endorsement excluding Owners' individual policies from consideration under an "other insurance" clause;

(x) an endorsement requiring at least thirty (30) days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(xi) a cross liability provision; and

(xii) a provision vesting in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

Section 6.2. Damage and Destruction.

(a) Immediately after damage or destruction to all or any part of the Properties covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

(b) Any damage to or destruction of the Common Area shall be repaired or reconstructed unless the Members representing at least seventy-five percent (75%) of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within sixty (60) days after the loss not to repair or reconstruct.

(c) If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such sixty (60) day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed sixty (60) additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

(d) If determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

(e) Any insurance proceeds remaining after paying the costs of repair or reconstruction or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the Association or the Village, as appropriate, and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

(f) If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board of Directors may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 6.1(a).

6.3. Owner's Insurance.

(a) By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, and liability insurance, unless either the Village Association (if any) for the Village in which the Unit is located or the Association carries such insurance (which they may, but are not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of an Owner hereunder, the premiums for such insurance shall be levied as a Specific Assessment against the benefitted Unit and the Owner thereof pursuant to Section 10.7.

(b) Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his or her Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article XI of this Declaration. Alternatively, the Owner shall clear the Unit of all debris and ruins and maintain the Unit in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

(c) Additional recorded covenants applicable to any Village may establish more stringent requirements regarding the standards for rebuilding or reconstructing structures on the Units within such Village and the standards for clearing and maintaining the Units in the event the structures are not repaired or reconstructed.

Article VII **NO PARTITION**

Except as permitted in this Declaration, there shall be no judicial partition of the Common Area. No Person shall seek any judicial partition unless the Properties or such portion thereof have been removed from the provisions of this Declaration. This Article shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

Article VIII
CONDEMNATION

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Members representing at least sixty-seven percent (67%) of the total Class "A" votes in the Association and of the Declarant, as long as the Declarant owns any property described on Exhibits "A" or "B") by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

(a) If the taking involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within sixty (60) days after such taking the Declarant, so long as the Declarant owns any property described in Exhibits "A" or "B" of this Declaration, and Members representing at least seventy-five percent (75%) of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 6.2(c) regarding funds for the repair of damage or destruction shall apply.

(b) If the taking does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

Article IX
ANNEXATION AND WITHDRAWAL OF PROPERTY

9.1. Annexation Without Approval of Membership. Until all property described on Exhibit "B" has been subjected to this Declaration or December 31, 2017, whichever is earlier, Declarant, from time to time, may unilaterally, but shall not be obligated to, subject to the provisions of this Declaration all or any portion of the real property described in Exhibit "B." Declarant may transfer or assign this right to annex property, provided that the transferee or assignee is the developer of at least a portion of the real property described in Exhibits "A" or "B" and that such transfer is memorialized in a written, recorded instrument executed by Declarant. Such annexation shall be accomplished by filing a Supplemental Declaration annexing such property in the County Clerk's Office, Denton County, Texas. Such Supplemental Declaration shall not require the consent of Members, but shall require the consent of the owner of such property, if other than Declarant. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein. Nothing in this Declaration shall be construed to require the Declarant or any successor to annex or develop any of the property set forth in Exhibit "B" in any manner whatsoever.

9.2. Annexation With Approval of Membership. The Association may annex real property other than that described on Exhibit "B," and after December 31, 2017, any property described on Exhibit "B," to the provisions of this Declaration with the consent of the owner of such property, the affirmative vote of Members representing a majority of the Class "A" votes of the Association represented at a meeting duly called for such purpose, and the consent of the Declarant so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1. Annexation shall be accomplished by filing a Supplemental Declaration describing the property being annexed in the County Clerk's Office, Denton County, Texas. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the annexed property. Any such annexation shall be effective upon filing unless otherwise provided therein.

9.3. Withdrawal of Property. The Declarant reserves the right to amend this Declaration so long as it has a right to annex additional property pursuant to this Article IX for the purpose of removing any portion of the Properties from the coverage of this Declaration, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Properties.

9.4. Additional Covenants and Easements. The Declarant may unilaterally subject any portion of the property submitted to this Declaration initially or by Supplemental Declaration to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through Village Assessments. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrent with or after the annexation of the subject property, and shall require the written consent of the owner(s) of such property, if other than the Declarant. Any Supplemental Declaration annexing additional property may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to such additional property in order to reflect the different character and intended use of such property; provided, however, such Supplemental Declaration shall not create the right to withdraw any such additional property from the provisions of this Declaration without obtaining the approval required in Section 18.2(b).

9.5. Amendment. Notwithstanding any other provision of this Declaration to the contrary, this Article shall not be amended without the prior written consent of Declarant so long as the Declarant owns any property described in Exhibits "A" or "B."

Article X **ASSESSMENT**

10.1. Creation of Assessments.

(a) There are hereby created assessments for Association expenses as the Board may specifically authorize from time to time. There shall be four types of assessments: (i) Base Assessments to fund Common Expenses for the general benefit of all Units; (ii) Village Assessments for Village Expenses benefitting only Units within a particular Village or Villages; (iii) Special

Assessments as described in Section 10.6; and (iv) Specific Assessments as described in Section 10.7. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments.

(b) All assessments, together with interest (at a rate not to exceed the highest rate allowed by Texas law) computed from the date the delinquency first occurs, late charges, costs, and reasonable attorney's fees, shall be a charge and continuing lien upon each Unit against which the assessment is made until paid, as more particularly provided in Section 10.8. Each such assessment, together with interest, late charges, costs, and reasonable attorney's fees, also shall be the personal obligation of the Person who was the Owner of such Unit at the time the assessment arose. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, any first Mortgagee who obtains title to a Unit by exercising the remedies provided in its Mortgage shall not be liable for unpaid assessments which accrued prior to such acquisition of title.

(c) The Board shall, upon request, furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advancement of a reasonable processing fee for the issuance of such certificate.

(d) Assessments shall be paid in such manner and on such dates as the Board may establish. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessment and any Village Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his or her Unit, the Board may require any unpaid installments of all outstanding assessments to be paid in full immediately.

(e) No Owner shall be exempt from liability for assessments by non-use of Common Area, abandonment of his or her Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

(f) The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or combination of services and materials with the Declarant or other entities for payment of Common Expenses.

10.2. Declarant's Obligation for Assessments. During the Class "B" Control Period, Declarant may annually elect either to pay regular assessments on all of its unsold Units, notwithstanding the commencement date for assessments set forth in Section 10.9, or to pay the difference between the amount of assessments collected on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal year. Unless the Declarant otherwise notifies the Board in writing at least sixty (60) days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during

the immediately preceding fiscal year. The Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" Control Period, the Declarant shall pay assessments on its unsold Units in the same manner as any other Owner.

10.3. Computation of Base Assessment.

(a) At least sixty (60) days before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses during the coming year, including a capital contribution to establish a reserve fund in accordance with a budget separately prepared as provided in Section 10.5.

(b) The Base Assessment shall be levied equally against all Units and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses including reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Units subject to assessment under Section 10.9 on the first day of the fiscal year for which the budget is prepared and the number of Units reasonably anticipated to become subject to assessment during the fiscal year.

(c) So long as the Declarant has the right unilaterally to annex additional property pursuant to Article IX, the Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 10.2), which may be either a contribution, an advance against future assessments due from the Declarant, or a loan, in the Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Common Expense budget and shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future years, unless otherwise provided in written agreement between the Association and the Declarant.

(d) If there is to be an increase in annual assessments, the Board shall send a copy of the budget and notice of the amount of the Base Assessment for the following year to be delivered to each Owner at least thirty (30) days prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting by Members representing more than fifty percent (50%) of the total Class "A" votes in the Association and more than fifty percent (50%) of the total number of Members, and by the Class "B" Member, if such exists. If the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

10.4. Computation of Village Assessments.

(a) At least sixty (60) days before the beginning of each fiscal year, the Board shall prepare a separate budget covering the estimated Village Expenses for each Village on whose behalf Village Expenses are expected to be incurred during the coming year. The Board shall be entitled

to set such budget only to the extent that this Declaration, any Supplemental Declaration, other covenants applicable to the property, or the By-Laws specifically authorize the Board to assess certain costs as a Village Assessment. Any Village may request that additional services or a higher level of services be provided by the Association, and, if such services are provided, any additional costs shall be added to such budget. Such budget shall include a capital contribution establishing a reserve fund for repair and replacement of capital items maintained as a Village Expense, if any, within the Village.

(b) Village Expenses shall be allocated equally among all Units within the Village benefitted thereby and levied as a Village Assessment, or allocated in such manner as may be set forth in other covenants applicable to the property in such Village; provided, if so specified in the Supplemental Declaration applicable to such Village or if so directed by petition signed by a majority of the Owners within the Village, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefitted Units in proportion to the benefit received.

(c) If there is to be an increase in the Village Assessment, the Board shall cause a copy of such budget and notice of the amount of the Village Assessment for the coming year to be delivered to each Owner of a Unit in the Village at least thirty (30) days prior to the beginning of the fiscal year. Such budget and assessment shall become effective unless disapproved by a majority of the Owners of Units in the Village to which the Village Assessment applies. This right to disapprove shall only apply to those line items in the Village budget which are attributable to services requested by the Village.

(d) If the proposed budget for any Village is disapproved or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

10.5. Reserve Budget and Capital Contribution. The Board shall annually prepare reserve budgets for both general and Village purposes which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown on the budget, with respect both to amount and timing by annual Base Assessments or Village Assessments, as appropriate, over the budget period.

10.6. Special Assessments. In addition to other authorize assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses, or against the Units within any Village if such Special Assessment is for Village Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Owners representing more than fifty percent (50%) allocated to Units which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may

be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

10.7. Specific Assessments. The Board shall have the power to specifically assess expenses of the Association against Units (a) receiving benefits, items, or services not provided to all Units within a Village or within the Properties that are incurred upon request of the Owner of a Unit for specific items or services relating to the Unit or (b) that are incurred as a consequence of the conduct of less than all Owners, their licensees, invitees, or guests. The Association may also levy a Specific Assessment against any Unit or Village to reimburse the Association for costs incurred in bringing the Unit or Village into compliance with the provisions of the Declaration, any applicable Supplemental Declaration, other covenants, the Articles, the By-Laws, and rules, provided the Board gives prior notice to the Unit Owner or the Member of the Village, as applicable, and an opportunity for a hearing.

10.8. Lien for Assessments.

(a) The Declarant does hereby establish, reserve, create and subject each Unit to a perfected contractual lien in favor of the Association to secure payment of delinquent assessments, as well as interest, late charges (subject to the limitations of Texas law), and costs of collection (including attorneys fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Declarant hereby assigns such lien to the Association without recourse. The lien shall be self operative, and shall continue in inchoate form without being reserved or referenced in any deed or other documents and without any other action required. Such lien, when delinquent, may be enforced by suit, judgment, any judicial or nonjudicial foreclosure in accordance with Texas law.

(b) Although no further action is required to create or perfect the lien, the Association may, as further evidence and notice of the lien, execute and record a document setting forth as to any Unit the amount of the delinquent sums due the Association at the time such document is executed and the fact that a lien exists to secure the repayment thereof. However, the failure of the Association to execute and record any such document shall not, to any extent, affect the validity, enforceability, or priority of the lien. The lien may be foreclosed through judicial or, to the extent allowed by law, nonjudicial foreclosure proceedings in accordance with Tex. Prop. Code Ann. Section 51.002 (Vernon 1984), as it may be amended, in like manner of any deed of trust on real property.

(c) Each Owner hereby grants to the Association, whether or not it is so expressed in the deed or other instrument conveying such Unit to the Owner, power of sale to be exercised in accordance with Tex. Prop. Code Ann. Section 51.002 (Vernon 1984), as it may be amended. At any foreclosure proceeding, any Person, including but not limited to Declarant, the Association, and any Owner shall have the right to bid for the Unit at foreclosure sale and to acquire and hold, lease, mortgage, and convey the same. During the period in which a Unit is owned by the Association following foreclosure: (i) no right to vote shall be exercised on its behalf; (ii) no assessment shall

be levied on it; and (iii) each other Unit shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association as a result of foreclosure. Suit to recover a money judgment for unpaid Common Expenses and attorney's fees shall be maintainable without foreclosing or waiving the lien securing the same.

(d) The sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to such sale or transfer. A Mortgagee or other purchaser of a Unit who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 10.9, including such acquirer, its successors and assigns.

10.9. Date of Commencement of Assessments. The obligation to pay assessments shall commence as to each Unit on the first day of the month following: (a) the month in which the Unit is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Base Assessment and Village Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

10.10. Failure to Assess. Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Village Assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is made, at which time the Association may retroactively assess any shortfalls in collection.

10.11. Capitalization of Association. Upon acquisition of record title to a Unit by the first Owner thereof other than the Declarant or Builder, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to one-sixth of the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such assessment. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to the terms of this Declaration and the By-Laws.

10.12. Exempt Property. The following property shall be exempt from payment of Base Assessments, Village Assessments, and Special Assessments:

- (a) All Common Area;
- (b) Any property dedicated to and accepted by any governmental authority or public utility; and

(c) Property owned by any Village Association for the common use and enjoyment of its members, or owned by the members of a Village Association as tenants-in-common.

Article XI
ARCHITECTURAL STANDARDS

11.1. City Approval. All dwellings constructed on any portion of the Properties shall be built in accordance with the plans and specifications approved by the City for construction.

11.2. Design Guidelines. By Supplemental Declaration, the Declarant or other developer of a portion of the Properties may prepare design and development guidelines and application and review procedures (the "Design Guidelines") which shall apply to all construction activities within the Properties or the portion being developed.

Article XII
USE RESTRICTIONS AND RULES

12.1. Plan of Development; Applicability; Effect. Declarant has established a general plan of development for the Properties as a master planned community in order to enhance all Owners' quality of life and collective interests, the aesthetics and environment within the Properties, and the vitality of and sense of community within the Properties, all subject to the Board's and the Members' ability to respond to changes in circumstances, conditions, needs, and desires within the master planned community. The Properties are subject to the provisions of this Declaration governing individual conduct and uses of or actions upon the Properties, and the guidelines, rules and restrictions promulgated pursuant to this Declaration, all of which establish affirmative and negative covenants, easements, and restrictions on the land subject to this Declaration. All provisions of this Declaration and any Association rules shall apply to all Owners, occupants, tenants, guests and invitees of any Unit. All Association rules shall be applied uniformly to Owners. Any lease on any Unit shall provide that the lessee and all occupants of the leased Unit shall be bound by the terms of this Declaration, the By-Laws, and the rules of the Association.

12.2. Authority to Promulgate Use Restrictions and Rules. Initial use restrictions applicable to all of the Properties are attached as Exhibit "C" to this Declaration. Subject to the terms of this Article, such initial use restrictions may be modified in whole or in part, repealed or expanded as follows:

(a) Subject to the Board's duty to exercise sound business judgment and reasonableness on behalf of the Association and its Members, the Board may adopt rules which modify, cancel, limit, create exceptions to, or expand the initial use restrictions set forth on Exhibit "C." The Board shall send notice by mail to all Owners concerning any such proposed action at least five (5) business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at Board meeting prior to such action being taken. Such action shall become effective unless disapproved, at a meeting, by Members representing at least fifty percent (50%) of the total Class "A" votes and by the Class "B" Member, if any. The Board shall

have no obligation to call meeting of the Members to consider disapproval except upon petition of the Members as required for special meetings in By-Laws Section 4.4.

(b) Alternatively, the Members, at a meeting duly called for such purpose as provided in By-Laws Section 4.4, may adopt rules which modify, cancel, limit, create exceptions to, or expand the use restrictions and rule previously adopted, by a vote of more than fifty percent (50%) of the total Class "A" votes and the approval of the Class "B" Member, if any.

(c) At least 30 days prior to the effective date of any action taken under subsections (a) or (b) of this Section, the Board shall send a copy of the rule to each Owner. The Association shall provide, without cost, a copy of the use restrictions and rules then in effect (hereafter the "Use Restrictions and Rules") to any requesting Member or Mortgagee. All Use Restrictions and Rules shall be applied uniformly to all Members and Properties.

12.3. Owners' Acknowledgment. All Owners and occupants of Units are given notice that use of their Units is limited by the Use Restrictions and Rules as they may be amended, expanded and otherwise modified hereunder. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected and that the Use Restrictions and Rules may change from time to time.

12.4. Rights of Owners. Except as may be specifically set forth in this Declaration (either initially or by amendment) or in Exhibit "C," neither the Board nor the Members may adopt any rule in violation of the following provisions:

(a) Similarly situated Owners and occupants shall be treated similarly.

(b) The rights of Owners to display religious and holiday signs, symbols, and decorations inside structures on their Units of the kinds normally displayed in residences located in single-family residential villages shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions for the purpose of minimizing damage and disturbance to other Owners and occupants.

(c) No rule shall interfere with the freedom of occupants of Units to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Unit on the basis of the size and facilities fair use of the Common Area.

(d) No rule shall interfere with the activities carried on within the confines of dwellings, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that create an unreasonable source of annoyance.

(e) No rules shall alter the allocation of financial burdens among the various Units or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Areas available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who abuse the Common Area, violate rules or this Declaration, or fail to pay assessments. This provision does not affect the right to increase the amount of assessments as provided in Article X.

(f) No rule shall prohibit leasing or transfer of any Unit, or require consent of the Association or Board for leasing or transfer of any Unit; provided, the Association or the Board may require a minimum lease term of up to twelve (12) months. The Association may require that Owners use lease forms approved by the Association, but shall not impose any fee on the lease or transfer of any Unit greater than an amount reasonably based on the costs to administer that lease or transfer.

(g) No rule or action by any Owner, the Association or Board shall unreasonably impede the Declarant's right to develop the Properties.

(h) If any rule would otherwise require Owners or occupants of Units to dispose of personal property which they maintained in or on the Unit prior to the effective date of such rule, and in compliance with all rules in force at that time, such rule shall not apply to any such Owners without their written consent unless the rule was in effect at the time such Owners or occupants acquired their interest in the Unit.

The limitations in this Section 12.4 shall apply to rules only; they shall not apply to amendments to this Declaration adopted in accordance with Section 18.2.

Article XIII **EASEMENTS**

13.1. **Easements of Encroachment.** There shall be reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area and between adjacent Units due to the unintentional placement or settling or shifting of the improvement constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measure from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, an Owner, occupant, or the Association.

13.2. **Easements for Utilities, Etc.**

(a) There are hereby reserved unto Declarant, so long as the Declarant owns any property described on Exhibit "A" or "B" of this Declaration, the Association, and the designees of each (which may include, without limitation, Denton County, Texas and any utility) access and

maintenance easements upon, across, over, and under all of the Properties to the extent reasonably necessary for the purpose of replacing, repairing, and maintaining infrastructure and utilities. Infrastructure shall include, without limitation, cable television systems, master television antenna systems, security and similar systems, roads, walkways, bicycle pathways, trails, lakes, ponds, wetlands, drainage systems, street lights, and signage. Utilities shall include, without limitation, water, sewers, meter boxes, telephone, gas, and electricity. This easement is for the purpose of installing any of the foregoing on property which it owns or within easements designated for such purposes on recorded plats of the Properties. This easement shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing dwelling on a Unit, and any damage to a Unit resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

(b) Declarant specifically grants to the local water supplier, electric company, and natural gas supplier easements across the Properties for ingress, egress, installation, reading, replacing, repairing, and maintaining utility meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the dwelling on any Unit, nor shall any utilities be installed or relocated on the Properties, except as approved by the Board of Director.

13.3. Easement to Serve Additional Property. The Declarant hereby reserves for itself and its duly authorized agents, representatives, and employees, successors, assigns, licensees, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject, to this Declaration. This easement includes, but is not limited to, right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof is not made subject to this Declaration, the Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of maintenance of any access roadway serving such Property.

13.4. Easement for Emergency Vehicles. The Common Area and the common property of any Village Association is burdened with an easement allowing all policemen, firemen, ambulance personnel, and similar emergency personnel entry to perform their duties.

13.5. Easement for Cross Drainage. Every Unit and the Common Area shall be burdened with an easement for natural drainage of storm water runoff from other portions of the Properties.

13.6. Right of Entry. The Association shall have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance pursuant to Article V hereof, and to inspect for the purpose of ensuring compliance with this Declaration, any Supplemental Declaration, By-Laws, and rules, which right may be exercised by any member of the Board, the Association, officers, agents, employees, and managers, and all policemen, firemen,

ambulance personnel, and similar emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter upon any Unit to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Board, but shall not authorize entry into any single family detached dwelling without permission of the Owner, except by emergency personnel acting in their official capacities.

Article XIV **MORTGAGEE PROVISIONS**

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Units in the Properties. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

14.1. **Notices of Action.** An institutional holder, insurer, or guarantor of a first Mortgage who provides 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 Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

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

(b) Any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Declaration or By-Laws relating to such Unit or the Owner or Occupant which is not cured within 60 days. Notwithstanding this provision, any holder of a first Mortgage is entitled to written notice upon request from the Association of any default in the performance by an Owner of a Unit of an obligation under the Declaration or By-Laws which is not cured within 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 the specified percentage of Eligible Holders.

The Association may, but shall not be obligated to, give similar notices to any other holder of a first Mortgage of which the Association is aware but which has not become an Eligible Holder.

14.2. **Special FHLMC Provision.** So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least sixty-seven percent (67%) of the first Mortgagees or at least sixty-seven percent (67%) of the total Association vote entitled to cast consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for public utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);

(b) Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Unit (a decision, including contracts, by the Board or provisions of any declaration subsequently recorded on any portion of the Properties regarding assessments for Villages or other similar areas shall not be subject to this provision where such decision or subsequent declaration is otherwise authorized by this Declaration);

(c) By act or omission, change, waive, or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance or maintenance of Units and the Common Area (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) Fail to maintain insurance, as required by this Declaration; or

(e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

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

14.3. Other Provisions for First Lien Holders. To the extent possible under Texas law:

(a) Any restoration or repair of the Properties after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Declaration and the original plans and specifications unless the approval is obtained of the Eligible Holders of first Mortgages on Units to which more than fifty percent (50%) of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

(b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders of first Mortgages on Units to which more than fifty percent (50%) of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

14.4. Amendments to Documents. The following provisions do not apply to amendments to the constituent documents or termination of the Association pursuant to Section 14.3(a) and (b), or to the addition of land in accordance with Article IX.

(a) The consent of at least sixty-seven percent (67%) of the Class "A" votes and of the Declarant, so long as it owns any land subject to this Declaration, and the approval of the Eligible Holders of first Mortgages on Units to which at least sixty-seven percent (67%) of the votes of Units subject to a Mortgage appertain, shall be required to terminate the Association.

(b) The consent of at least sixty-seven percent (67%) of the Class "A" votes and of the Declarant, so long as it owns any land subject to this Declaration, and the approval of Eligible Holders of first Mortgages on Units to which more than sixty-seven percent (67%) of the votes of Units subject to a Mortgage appertain, shall be required materially to amend any provisions of the Declaration, By-Laws, or Articles of Incorporation, or to add any material provisions thereto which establish, provide for, govern, or regulate any of the following:

- (i) voting;
- (ii) assessments, assessment liens, or subordination of such liens;
- (iii) reserves for maintenance, repair, and replacement of the Common Area.
- (iv) insurance or fidelity bonds;
- (v) rights to use the Common Area;
- (vi) responsibility for maintenance and repair of the Properties;
- (vii) expansion or contraction of the Properties or the addition, annexation, or withdrawal of Properties to or from the Association;
- (viii) boundaries of any Unit;
- (ix) leasing of Units;
- (x) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer, or otherwise convey his or her Unit;
- (xi) establishment of self-management by the Association where professional management has been required by an Eligible Holder; or
- (xii) any provisions included in the Declaration, By-Laws, or Articles of Incorporation which are for the express benefit of holders, guarantors, or insurers of first Mortgages on Units.

(c) Notwithstanding the foregoing, the City's prior written consent shall be necessary for any amendment that modifies or alters the rights or obligations of the City.

14.5. No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

14.6. Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

14.7. Amendment by Board. Should the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation subsequently delete any of its respective requirements which necessitate the provisions of this Article or make any such requirements less stringent, the Board, without approval of the Owners, may record an amendment to this Article to reflect such changes.

14.8. Applicability of Article XIV. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, By-Laws, or Texas law for any of the acts set out in this Article.

14.9. Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

Article XV
INTENTIONALLY OMITTED

Article XVI
DECLARANT'S RIGHTS

Section 16.1. Transfer of Declarant's Rights. Any or all rights and obligations of Declarant may be transferred to other Persons, but the transfer shall not reduce an obligation nor enlarge right beyond that contained in this Declaration or the By-Laws and shall not be effective unless signed by Declarant and duly recorded in the County Clerk's Office, Denton County, Texas. Nothing in this Declaration shall be construed to require Declarant or any successor to develop any of the property described in Exhibit "A" and Exhibit "B" in any manner whatsoever.

Section 16.2. Occupancy of Common Areas. Notwithstanding any provisions contained in this Declaration to the contrary, so long as construction and sales of Units by Declarant and Builders shall continue, it shall be expressly permissible for the Declarant and Builders authorized by Declarant to maintain and carry on upon portions of the Common Area such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the construction or sale of such Units, including, but not limited to, business offices, signs, and sales offices. The Declarant and Builder(s) authorized by Declarant shall have easements for access to

and use of such facilities. The right to maintain and carry on such facilities and activities shall include specifically, without limitation, the right to use Units owned or leased by the Declarant or a Builder and any clubhouse or community center which may be owned by the Declarant or the Association, as models and sales offices, respectively.

Section 16.3. No Recordation of Other Restrictions. So long as Declarant continues to have rights under this Article, no Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's prior written consent. Any attempted recordation without compliance herewith shall result in such instrument being void unless a consent of Declarant is subsequently recorded in the public records.

Section 16.4. Changes in Master Plan. Each Owner, by accepting title to a Unit and becoming an Owner, acknowledges awareness that Castlewood is a master planned community, the development of which is likely to extend over many years, and agrees not to protest or otherwise object to (i) zoning or changes in zoning or to uses of, or changes in density of, the Properties (other than within said Owner's Village), or (ii) changes in any conceptual or master land plan for the Properties, including, but not limited to, the Master Plan (other than within said Owner's Village); provided, such revision is or would be lawful (including, but not limited to, lawful by special use permit, variance or the like) and is not inconsistent with what is permitted by the Declaration (as amended from time to time). Notwithstanding anything to the contrary in this Article, the provisions of this Article shall be enforceable only to the extent not in violation of any applicable provision of law.

Section 16.5. No Amendment. This Article may not be amended without the written consent of the Declarant. The rights contained in this Article shall terminate upon the earlier of: (a) twenty (20) years from the date this Declaration is recorded, or (b) upon recording by Declarant of a written statement that all sales activity has ceased.

Article XVII

DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

17.1. Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes. The Association, Declarant, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Properties, and to avoid the emotional and financial costs of litigation, if at all possible. Accordingly, each Bound Party covenants and agrees that all claims, grievances or disputes between such Bound Party and any other Bound Party involving the Properties, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of this Declaration, the By-Laws, the Association rules, or the Articles (collectively "Claim"), except for those Claims authorized in Section 17.2, shall be resolved using the procedures set forth in Section 17.3 in lieu of filing suit in any court or initiating proceedings before any administrative tribunal seeking redress or resolution of such Claim.

17.2. Exempt Claims. The following Claims ("Exempt Claims") shall be exempt from the provisions of Section 17.3:

(a) any suit by the Association against any Bound Party to enforce the provisions of Article X (Assessments);

(b) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and such other 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 Article XI (Architectural Standards) and Article XII (Use Restrictions and Rules);

(c) any suit between Owners (other than Declarant) seeking redress on the basis of a Claim which would constitute a cause of action under federal law or the laws of the State of Texas in the absence of a claim based on the Declaration, By-Laws, Articles or rules of the Association, if the amount in controversy exceeds \$5,000;

(d) any suit arising out of any written contract between Owners, or between the Declarant or any Builder, which would constitute a cause of action under the laws of the State of Texas in the absence of the Declaration, By-Laws, and Articles of the Association; and

(e) any suit involving two or more parties if all parties are not Bound Parties.

Any Bound Party having an Exempt Claim may submit it to the alternative dispute resolution procedures set forth in Section 17.3, but there shall be no obligation to do so. The submission of an Exempt Claim involving the Association to the alternative dispute resolution procedures of Section 17.3 shall require the approval of the Association.

17.3. Mandatory Procedures For All Other Claims. All Claims other than Exempt Claims shall be resolved using the following procedures:

(a) Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent"), other than an Exempt Claim, shall notify each Respondent in writing of the Claim (the "Notice"), stating plainly and concisely:

(i) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim;

(ii) the basis of the Claim (i.e., the provisions of this Declaration, the By-Laws, the Articles or rules or other authority out of which the Claim arises);

(iii) what Claimant wants Respondent to do or not do to resolve the Claim; and

(iv) that Claimant wishes to resolve the Claim by mutual agreement with Respondent and is willing to meet in person with Respondent at a mutually agreeable time and place to discuss in good faith ways to resolve the Claim.

(b) (i) Each Claimant and Respondent (the "Parties") shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation.

(ii) Upon receipt of a written request from any Party, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in resolving the dispute by negotiation, if in its discretion it believes its efforts will be beneficial to the Parties and to the welfare of the community.

(c) (i) If the Parties do not resolve the Claim through negotiation within 30 days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days within which to submit the Claim to mediation under the auspices of an independent mediation service designated by the Association, the local Chapter of the Community Association Institute, or such other independent agency providing similar services upon which the Parties may mutually agree.

(ii) If Claimant does not submit the Claim to mediation within thirty (30) days after Termination of Negotiations, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, however, nothing herein shall release or discharge Respondent from any liability to Persons not a Party to the foregoing proceedings.

(iii) If the Parties do not settle the Claim within thirty (30) days after submission of the matter to the mediation process, or within such time as determined reasonable or appropriate by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth when and where the Parties met, that the Parties are at an impasse, and the date that mediation was terminated.

(iv) Each Party shall, within five (5) days of the Termination of Mediation, make a written offer of settlement in an effort to resolve the Claim. The Claimant shall make a final written settlement demand ("Settlement Demand") to the Respondent. The Respondent shall make a final written settlement offer ("Settlement Offer") to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant's original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a "zero" or "take nothing" Settlement Offer.

(d) (i) If the Parties do not agree in writing to accept either the Settlement Demand, the Settlement Offer, or otherwise resolve the Claim within fifteen (15) days of the Termination of Mediation, the Claimant shall have fifteen (15) additional days to submit the Claim to arbitration in accordance with the Rules of Arbitration contained in Exhibit "D" or the Claim shall be deemed abandoned and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall

release or discharge Respondent from any liability to Persons not a Party to the foregoing proceedings.

(ii) This subsection (d) is an agreement of the Bound Parties to arbitrate all Claims except Exempt Claims and is specifically enforceable under the applicable arbitration laws of the State of Texas. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Texas.

17.4. Allocation of Costs of Resolving Claims.

(a) Each Party shall bear its own costs incurred prior to and during the proceedings described in Section 17.3 (a), (b) and (c), including the fees of its attorney or other representative. Each Party shall share equally all charges rendered by the mediator(s) pursuant to Section 17.3(c).

(b) Each Party shall bear its own costs (including the fees of its attorney or other representative) incurred after the Termination of Mediation under Section 17.3(c) and shall share equally in the costs of conducting the arbitration proceeding (collectively, "Post Mediation Costs"), except as otherwise provided in subsection 17.4(c).

(c) Any Award which is equal to or more favorable to Claimant than Claimant's Settlement Demand shall add such Claimant's Post Mediation Costs to the Award, such Costs to be borne equally by all Respondents. Any Award which is equal to or less favorable to Claimant than Respondent's Settlement Offer to that Claimant shall also award to such Respondent its Post Mediation Costs, such Costs to be borne by all such Claimants.

17.5. Enforcement of Resolution. If the Parties agree to resolve any Claim through negotiation or mediation in accordance with Section 17.3 and any Party thereafter fails to abide by the terms of such agreement, or if the Parties agree to accept the Award following arbitration and any Party thereafter fails to comply with such Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement or Award without the need to again comply with the procedures set forth in Section 17.3. In such event, the Party taking action to enforce the agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement or Award, including, without limitation, attorneys' fees and court costs.

Article XVIII
GENERAL PROVISIONS

18.1. Term.

(a) Unless terminated as provided in Section 18.1(b), this Declaration shall have perpetual duration. If Texas law hereafter limits the period during which covenants may run with the land, then to the extent consistent with such law, this Declaration shall automatically be extended at the expiration of such period for successive periods of twenty (20) years each, unless terminated

as provided herein. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

(b) Unless otherwise provided by Texas law, in which case such law shall control, this Declaration may not be terminated within twenty (20) years of the date of recording. Thereafter, it may be terminated only by an instrument signed by Owners of eight percent (80%) of the total Units within the Properties and by the Declarant, if the Declarant owns any portion of the Properties, which instrument is recorded in the County Clerk's Office, Denton County, Texas.

18.2. Amendment.

(a) Until termination of the Class "B" membership, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, the Declarant may unilaterally amend this Declaration if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; (iii) to enable any institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to intake or purchase mortgage loans on the Units; (iv) to enable any governmental agency or reputable private insurance company to insure mortgage loans on the Units; or (v) to satisfy the requirements of any governmental agency. However, any unilateral amendment by Declarant shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing. So long as the Declarant still owns property described in Exhibits "A" or "B" for development as part of the Properties, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

(b) Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing fifty percent (50%) of the total Class "A" votes in the Association and the consent of the Declarant, so long the Declarant has an option to subject additional property to this Declaration pursuant to Section 9.1. In addition, the approval requirements set forth in Article XIV hereof shall be met if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. No amendment may remove, revoke, or modify any right or privilege of the Declarant without the written consent of the Declarant or the assignee of such right or privilege.

(c) To be effective, any amendment must be recorded in the County Clerk's Office, Denton County, Texas. If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority so to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

(d) Notwithstanding the foregoing, the City's prior written consent shall be necessary for any amendment that modifies or alters the rights or obligations of the City.

18.3. Severability. Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provision or applications.

18.4. Perpetuities. If any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

18.5. Litigation. No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of seventy-five percent (75%) of the Members. This Section shall not apply, however, to: (a) actions brought by the Association to enforce the provisions of this Declaration or any Supplemental Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article X; (c) proceedings involving challenges to ad valorem taxation; (d) counterclaims brought by the Association in proceedings instituted against it; or (e) actions brought by the Association against any contractor or vendor arising out of a contract for services or supplies between the Association and such contractor or vendor. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

18.6. Cumulative Effect; Conflict. The covenants, restrictions, and provisions of this Declaration shall be cumulative with those of any Village and the Association may, but shall not be required to, enforce the covenants, conditions, and provisions of any Village; provided, however, in the event of conflict between or among such covenants and restrictions, and provisions of any articles of incorporation, by-laws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, those of any Village shall be subject and subordinate to those of the Association. The foregoing priorities shall apply, but not be limited to, the liens for assessments created in favor of the Association.

18.7. Use of the Word "Castlewood". No Person shall use the word "Castlewood" or any derivative in any printed or promotional material without the Declarant's prior written consent. However, Owners and Builders may use the term "Castlewood" in printed or promotional matter where such term is used solely to specify that particular property is located within the Castlewood development. The Association or any Village shall be entitled to use the word "Castlewood" in its name.

18.8. Compliance. Every Owner and occupant of any Unit shall comply with this Declaration, the By-Laws, and the rules of the Association. Failure to comply shall be grounds for an action to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, by the Association or, in a proper case, by any aggrieved Unit Owner(s).

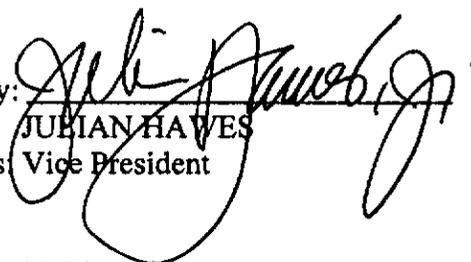
18.9. Notice of Sale or Transfer of Title. Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven (7) days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other

information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Unit, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this ____ day of June, 1997.

BALFOUR VILLAGE ESTATES, L.P.

By: BRE/Castlewood L.L.C.
a Delaware limited liability company
Its: General Partner

By: 
JULIAN HAWES
Its: Vice President

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 27th day of June, 1997, by Julian Hawes, Vice President of BRE/Castlewood L.L.C., a Delaware limited liability company, general partner of Balfour Village Estates, L.P., a Colorado limited partnership, on behalf of said limited liability company and limited partnership.



Notary Public in and for the State of Texas



EXHIBIT "A"

STATE OF TEXAS
COUNTY OF DENTON

WHEREAS, BALFOUR VILLAGE ESTATES, L.P. IS THE OWNER OF A TRACT OF LAND SITUATED IN THE CITY OF HIGHLAND VILLAGE, DENTON COUNTY, TEXAS AND PART OF THE T & P RAILROAD SURVEY, ABSTRACT NO. 1300; G.W. JACKSON SURVEY, ABSTRACT NO. 1599; J. EDMONDSON SURVEY, ABSTRACT NO. 398, AND THE WM. HEROD SURVEY, ABSTRACT NO. 591, AND BEING A PORTION OF THAT CERTAIN 185.22 ACRE TRACT CONVEYED TO BALFOUR VILLAGE ESTATES, L.P. BY DEED RECORDED IN COUNTY CLERK'S FILE NO. 96-R0059030, REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS AND FURTHER DESCRIBED AS FOLLOWS:

BEGINNING AT A 5/8 INCH IRON ROD FOUND FOR THE MOST NORTHERLY CORNER OF THAT CERTAIN TRACT OF LAND CONVEYED TO THE CITY OF HIGHLAND VILLAGE, BY DEED RECORDED IN COUNTY CLERK'S FILE NO. 96-R0010237, REAL PROPERTY RECORDS DENTON COUNTY, TEXAS;

THENCE SOUTH 45°15'36" WEST ALONG THE NORTHWESTERLY LINE OF SAID CITY TRACT, 482.47 FEET TO A 5/8 INCH IRON ROD FOUND FOR THE WESTERLY CORNER OF SAID CITY TRACT;

THENCE ALONG THE SOUTHWESTERLY LINE OF SAID CITY OF HIGHLAND VILLAGE TRACT THE FOLLOWING TWO (2) COURSES;

SOUTH 44°44'24" EAST, 524.21 FEET TO A FOUND 5/8 INCH IRON ROD;

SOUTH 44°49'10" EAST, 132.84 FEET TO A 5/8 INCH IRON ROD FOUND FOR THE MOST SOUTHERLY CORNER OF THE AFORESAID CITY TRACT;

THENCE SOUTH 01°25'56" EAST, 421.65 FEET TO A 5/8 INCH IRON ROD FOUND ON THE NORTHEASTERLY RIGHT-OF-WAY LINE OF THE GULF COLORADO AND SANTA FE RAILROAD (A 150 FOOT WIDE RIGHT-OF-WAY), RECORDED IN VOLUME 433, PAGE 576 DEED RECORDS, DENTON COUNTY, TEXAS;

THENCE NORTH 44°47'55" WEST ALONG SAID NORTHEASTERLY RIGHT-OF-WAY LINE, 2097.30 FEET TO A SET 5/8 INCH IRON ROD;

THENCE NORTH 45°23'45" EAST, 293.87 FEET TO A 5/8 INCH IRON ROD SET AT THE BEGINNING OF A NON-TANGENT CURVE TO THE RIGHT;

THENCE NORTHWESTERLY, 555.97 FEET ALONG THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT, HAVING A CENTRAL ANGLE OF 52°39'09", A RADIUS OF 605.00 FEET AND WHOSE LONG CHORD BEARS NORTH 18°16'40" WEST, 536.61 FEET TO A SET 5/8 INCH IRON ROD;

THENCE NORTH 08°02'54" EAST, 277.95 FEET TO A 5/8 INCH IRON ROD SET AT THE BEGINNING OF A CURVE TO THE LEFT;

THENCE NORTHWESTERLY, 283.14 FEET ALONG THE ARC OF SAID CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 27°29'47", A RADIUS OF 590.00 FEET AND WHOSE LONG CHORD BEARS NORTH 05°41'59" WEST, 280.43 FEET TO A SET 5/8 INCH IRON ROD;

THENCE NORTH 70°33'00" EAST, 60.00 FEET TO A 5/8 INCH IRON ROD SET AT THE BEGINNING OF A NON-TANGENT CURVE TO THE LEFT;

THENCE SOUTHEASTERLY, 30.22 FEET ALONG THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 86°34'30", A RADIUS OF 20.00 FEET AND WHOSE LONG CHORD BEARS SOUTH 62°44'11" EAST, 27.43 FEET TO A SET 5/8 INCH IRON ROD;

THENCE NORTH 73°58'29" EAST, 52.60 FEET TO A 5/8 INCH IRON ROD SET AT THE BEGINNING OF A CURVE TO THE LEFT;

THENCE NORTHEASTERLY, 101.82 FEET ALONG THE ARC OF SAID CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 17°40'43", A RADIUS OF 330.00 FEET, AND WHOSE LONG CHORD BEARS NORTH 65°00'00" EAST, 101.42 FEET TO A SET 5/8 INCH IRON ROD;

THENCE NORTH 56°17'47" EAST, 25.15 FEET TO A 5/8 INCH IRON ROD SET AT THE BEGINNING OF A CURVE TO THE RIGHT;

THENCE NORTHEASTERLY, 280.92 FEET ALONG THE ARC OF SAID CURVE TO THE RIGHT, HAVING A CENTRAL ANGLE OF 28°14'15", A RADIUS OF 570.00 FEET AND WHOSE LONG CHORD BEARS NORTH 70°24'54" EAST 278.00 FEET TO A SET 5/8 INCH IRON ROD;

THENCE NORTH 04°32'02" EAST, 56.93 FEET TO A 5/8 INCH IRON ROD SET AT THE BEGINNING OF A CURVE TO THE LEFT;

THENCE NORTHEASTERLY, 31.16 FEET ALONG THE ARC OF SAID TANGENT CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 89°15'17", A RADIUS OF 20.00 FEET AND WHOSE LONG CHORD BEARS NORTH 39°54'24" EAST, 20.10 FEET TO A SET 5/8 INCH IRON ROD;

THENCE NORTH 85°16'45" EAST, 40.00 FEET TO A 5/8 INCH IRON ROD SET AT THE BEGINNING OF A NON-TANGENT CURVE TO THE LEFT;

THENCE SOUTHEASTERLY, 20.50 FEET ALONG THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT, HAVING A CENTRAL ANGLE OF 00°23'23", A RADIUS OF 3014.79 FEET AND WHOSE LONG CHORD BEARS SOUTH 04°54'56" EAST, 20.50 FEET TO A SET 5/8 INCH IRON ROD;

THENCE NORTH 84°53'23" EAST, 130.00 FEET TO A 5/8 INCH IRON ROD SET AT THE BEGINNING OF A NON-TANGENT CURVE TO THE LEFT;

THENCE SOUTHEASTERLY, 792.90 FEET ALONG THE ARC OF SAID CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 15°44'53", A RADIUS OF 2804.79 FEET, AND WHOSE LONG CHORD BEARS SOUTH 12°59'03" EAST, 790.40 TO A FOUND 5/8 INCH IRON ROD;

THENCE SOUTH 20°51'30" EAST, 029.96 FEET TO A 5/8 INCH IRON ROD FOUND AT THE BEGINNING OF A CURVE TO THE RIGHT;

THENCE SOUTHEASTERLY, 203.03 FEET ALONG THE ARC OF SAID CURVE TO THE RIGHT, HAVING A CENTRAL ANGLE OF 04°12'36", A RADIUS OF 2844.79 FEET, AND WHOSE LONG CHORD BEARS SOUTH 18°45'12" EAST, 200.98 FEET TO THE POINT OF BEGINNING AND CONTAINING A COMPUTED AREA OF 49.140 ACRES OF LAND.

EXHIBIT "B"

All that certain tract or parcel of land being situated in the Town of Copper Canyon and the City of Highland Village, Denton County, Texas, part of the J. Edmondson Survey, Abstract 398, and the G.W. Jackson Survey, Abstract 1599, and the T & P Railroad Survey, Abstract 1300, and the Wm. Herod Survey, Abstract 591, and the J.W. Baker Survey, Abstract 50, and the J. Herod Survey, Abstract 588, and being a portion of the following: a called 71.458 acre tract conveyed to Highland Shores Inc. as recorded in Volume 2805, page 405, of the Deed Records of Denton County, Texas, a called 10.000 acre tract conveyed to Highland Shores Inc. recorded in Volume 2805, page 412 of said Deed Records, two tracts described as Tracts I & II totalling 187.155 acres conveyed to Highland Shores Inc. as recorded in Volume 1344, page 417 of said Deed Records, and called 92.129 acre tract conveyed to Highland Shores Inc. as recorded in Volume 1344, page 410 of said Deed Records, and a called 18.94 acre tract conveyed to Highland Shores Inc. as described in the Correction Deed recorded in Volume 3003, page 185, of said Deed Records and being further described by metes and bounds as follows:

COMMENCING at a 5/8" iron rod with cap marked Survcon 4818 found in the northeasterly line of Gulf, Colorado & Santa Fe Railroad right-of-way, 150 feet wide said point being the southwest corner of Highland Shores Phase 13-P, an Addition to the City of Highland Village, as recorded in Cabinet L, Pages 18-20 of the Plat Records of Denton County, Texas;

THENCE North 44°47'55" West along said northeasterly line, 72.82 feet to a 5/8" iron rod with cap marked Survcon 4818 found at the point of beginning;

THENCE along said northeasterly line of Gulf, Colorado & Santa Fe Railroad right-of-way for the following five courses:

North 44°47'55" West, passing at 2618.76 feet a 5/8" iron rod found at the westerly corner of said called 81.458 acre tract, in all a total distance of 3209.02 feet to a found 5/8" iron rod with cap marked Survcon;

North 51°55'24" West, 201.56 feet to a found 5/8" iron rod;

North 44°47'54" West, 160.00 feet to a set 5/8" iron rod with cap marked Survcon;

North 16°20'18" West, 133.53 feet to a found 1/2" iron rod;

North 32°43'54" West, 681.65 feet to a found 5/8" iron rod with cap marked Survcon 4818 in the approximate center of Chinn Chapel Road;

THENCE along said approximate center of Chinn Chapel Road for the following courses:

Continued on next page

North 02°38'33" East, 133.75 feet to a found 5/8" iron rod with cap marked Survcon 4818, from which a found P.K. nail bears South 72°24'39" West, 2.43 feet;

North 03°40'20" East, 585.14 feet to a found 5/8" iron rod;

THENCE South 88°45'42" East, 278.88 feet to a found concrete monument with brass cap marked F535-2, disturbed, said point being in the Southerly line of Lewisville Lake;

THENCE along said southerly line of Lewisville Lake for the following twelve courses:

South 64°09'16" East, 396.65 feet to a found 5/8" iron rod with cap marked Survcon;

North 01°45'34" West, 1462.31 feet to a found 5/8" iron rod with cap marked Survcon 4818;

North 10°22'09" East, 158.76 feet to a found concrete monument with brass cap marked F530-3;

South 79°08'32" East, 396.09 feet to a found concrete monument with brass cap marked F530-4;

North 60°16'39" East, 354.30 feet to a found concrete monument with brass cap marked F530-5;

North 76°22'17" East, 397.79 feet to a found concrete monument with brass cap marked F530-6;

North 76°07'21" East, 20.15 feet to a found 5/8" iron rod with cap marked Survcon;

South 89°19'28" East, 204.20 feet, from which a found concrete monument with a brass cap marked F530-8, bears South 06°58'26" East, 0.89 feet;

South 06°47'47" West, 11.97 feet to a found concrete monument with a brass cap marked F530-9;

South 83°40'21" East, 241.38 feet to a found concrete monument with brass cap marked F530-10, disturbed;;

South 39°02'40" West, 251.84 feet to a found concrete monument with brass cap marked F530-11;

South 07°56'04" East, 117.50 feet to a found 5/8" iron rod with cap marked Survcon;

THENCE South 05°59'02" East, 303.25 feet to a 5/8" iron rod

Continued on next page

with cap marked Survcon 4818 found on the arc of a non-tangent curve to the right;

THENCE along the arc of said non-tangent curve to the right having a radius of 830.00 feet, a central angle of $24^{\circ}26'17''$, a chord which bears South $80^{\circ}35'14''$ East, 351.34 feet, an arc distance of 354.02 feet to a found 5/8" iron rod with cap marked Survcon 4818;

THENCE South $68^{\circ}22'05''$ East, 220.05 feet to a found 5/8" iron rod with cap set on the arc of non-tangent curve to the right;

THENCE along the arc of said non-tangent curve to the right having a radius of 2043.64 feet, a central angle of $03^{\circ}28'34''$, a chord which bears South $19^{\circ}53'38''$ West, 123.97 feet, an arc distance of 123.98 feet to a found 5/8" iron rod with cap marked Survcon 4818;

THENCE South $21^{\circ}37'55''$ West, 399.23 feet to a found 5/8" iron rod with cap marked Survcon 4818 set at the beginning of a curve to the left;

THENCE along the arc of said curve to the left having a radius of 2884.79 feet, a central angle of $42^{\circ}29'25''$, a chord which bears South $00^{\circ}23'13''$ West, 2090.65 feet, an arc distance of 2139.34 feet to a found 5/8" iron rod with cap marked Survcon 4818;

THENCE South $20^{\circ}51'30''$ East, 829.96 feet to a found 5/8" iron rod with cap marked Survcon 4818 at the beginning of a curve to the right;

THENCE along the arc of said curve to the right having a radius of 2844.79 feet, a central angle of $04^{\circ}12'36''$, a chord which bears South $18^{\circ}45'12''$ East, 208.98 feet, an arc distance of 209.03 feet to a found 5/8" iron rod with cap marked Survcon 4818 found for the Northerly corner of a called 4.000 acre tract conveyed to the City of Highland Village as recorded in File #96-R0010237 of said Deed Records;

THENCE SOUTH $45^{\circ}15'36''$ West, 482.47 feet along the Northwesterly line of said 4.000 acre to a found 5/8" iron rod with cap marked Survcon 4818 in the northeasterly line of an easement to Brazos Electric Co-op as recorded in File #93-R0032708 of said Deed Records;

THENCE along the Southwesterly line of said 4.000 acre tract and along said Northeasterly line of Brazos Electric Co-op Easement for the following two courses:

South $44^{\circ}44'24''$ East, 524.21 feet to a found 5/8" iron rod with

Continued on next page

cap marked Survcon 4818;

South $44^{\circ}49'10''$ East, 132.84 feet to a found $5/8''$ iron rod with cap marked Survcon 4818;

THENCE South $01^{\circ}25'56''$ East, 421.65 feet to the point of beginning, containing a computed area of 195.222 acres of land, more or less.

Less and except the property described on Exhibit "A".

EXHIBIT "C"

Initial Use Restrictions

The following restrictions shall apply to all of the Properties until such time as they are amended, modified, repealed or limited by rules of the Association adopted pursuant to Article XII of the Declaration.

1. General. The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center and/or sales office for any real estate broker retained by the Declarant to assist in the sale of property described on Exhibits "A" or "B," offices for any property manager retained by the Association or business offices for the Declarant or the Association) consistent with this Declaration and any Supplemental Declaration.

2. Restricted Activities. The following activities are prohibited within the Properties unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board of Directors:

(a) Parking of commercial vehicles or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, stored vehicles or inoperable vehicles in places other than enclosed garages; provided, construction, service and delivery vehicles shall be exempt from this provision during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Areas; provided further, mobile homes and recreational vehicles shall be exempt from this provision for such period of time as is reasonably necessary to load and unload;

(b) Raising, breeding or keeping of animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Unit; however, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Units shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. Dogs shall be kept on leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Pets shall be registered, licensed and inoculated as required by law;

(c) Any activity which emits foul or obnoxious odors outside the Unit or creates noise or other conditions which tend to disturb the peace or threaten the safety of the occupants of other Units;

(d) Any activity which violates local, state or federal laws or regulations; provided, the Board shall have no obligation to take enforcement action in the event of a violation;

(e) Pursuit of hobbies or other activities which tend to cause an unclean, unhealthy or untidy condition to exist outside of enclosed structures on the Unit;

(f) Any noxious or offensive activity which in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants of other Units;

(g) Outside burning of trash, leaves, debris or other materials except during the normal course of constructing a dwelling on a Unit;

(h) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Units, except alarm devices used exclusive for security purposes;

(i) Use and discharge of firecrackers and other fireworks;

(j) Dumping of grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake, or elsewhere within the Properties, except that fertilizers may be applied to landscaping on Units provided care is taken to minimize runoff, and Declarant and Builders may dump and bury rocks and trees removed from a building site on such building site;

(k) Accumulation of rubbish, trash, or garbage except between regular garbage pickups, and then only in approved containers;

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

(m) Subdivision of a Unit into two or more Units, or changing the boundary lines of any Unit after a subdivision plat including such Unit has been approved and filed in the County Clerk's Office, Denton County, Texas, except that the Declarant shall be permitted to subdivide or replat Units which it owns;

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

(o) On-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment. This provision shall not apply to an under ground fuel tank approved by the NCC;

(p) Any garage, moving or rummage sale or similar activity without the prior approval of and in the sole discretion of the Board. Any business or similar activity, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell

**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR CASTLEWOOD**

from outside the Unit; (ii) the business activity conforms to all zoning requirements for the Properties; (iii) the business activity does not involve regular visitation of the Unit by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Properties; and (iv) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board.

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: (i) such activity is engaged in full or part-time, (ii) such activity is intended to or does generate a profit, or (iii) a license is required.

The leasing of a Unit shall not be considered a business or trade within the meaning of this subsection. This subsection shall not apply to any activity conducted by the Declarant or a Builder approved by the Declarant with respect to its development and sale of the Properties or its use of any Units which it owns within the Properties, including the operation of timeshare or similar program.

3. Prohibited Conditions. The following shall be prohibited within the Properties:

(a) Plants, animals, devices or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties;

(b) Structures, equipment or other items on the exterior portions of a Unit which have become rusty, dilapidated or otherwise fallen into disrepair;

(c) Sprinkler or irrigation systems or wells of any type which draw upon water from lakes, creeks, streams, rivers, ponds, wetlands, canals, or other ground or surface waters within the Properties, except that Declarant and the Association shall have the right to draw water from such sources;

(d) Capturing, trapping or killing of wildlife within the Properties, except in circumstances posing an imminent threat to the safety of persons using the Properties;

(e) Any activities which materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within the Properties or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution;

(f) Leaving any garage door open when not in use; and

(g) Operation of motorized vehicles on pathways or trails maintained by the Association.

**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR CASTLEWOOD**

4. Leasing of Units. "Leasing," for purposes of this Paragraph 4, is defined as regular, exclusive occupancy of a Unit by any person, other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. All leases shall be in writing. The Board may require a minimum lease term, which requirements may differ from Village to Village. Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board by the Unit Owner within ten (10) days of execution of the lease. The Owner must make available to the lessee copies of the Declaration, By-Laws, and the rules and regulations. The Board may adopt reasonable rules regulating leasing and subleasing in a manner consistent with Section 12.4(f).

EXHIBIT "D"

Rules of Arbitration

1. Claimant shall submit a Claim to arbitration under these Rules by giving written notice to all other Parties stating plainly and concisely the nature of the Claim, the remedy sought and Claimant's desire to submit the Claim to arbitration ("Arbitration Notice").

2. Each Party shall select an arbitrator ("Party Appointed Arbitrator"). The Party Appointed Arbitrators shall, by agreement, select one or two neutral arbitrators ["Neutral(s)"] so that the total arbitration panel ("Panel") has an odd number of arbitrators. If any Party fails to appoint a Party Appointed Arbitrator within twenty (20) days from the date of the Arbitration Notice, the remaining arbitrators shall conduct the proceedings, selecting Neutrals in place of any missing Party Appointed Arbitrator. The Neutral arbitrators shall select a chairperson ("Chair").

3. If the Panel is not selected under Rule 2 within forty-five (45) days from the date of the Arbitration Notice, Claimant may notify the Texas chapter of The Community Associations Institute, which shall appoint one Neutral ("Appointed Neutral"), notifying the Appointed Neutral and all Parties in writing of such appointment. The Appointed Neutral shall thereafter be the sole arbitrator ("Arbitrator"), and any Party Appointed Arbitrators or their designees shall have no further duties involving the arbitration proceedings.

4. No person may serve as a Neutral in any arbitration under these Rules in which that person has any financial or personal interest in the result of the arbitration. Any person designated as a Neutral shall immediately disclose in writing to all Parties any circumstance likely to affect impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Bias Disclosure"). If any Party objects to the service of any Neutral after receipt of that Neutral's Bias Disclosure, such Neutral shall be replaced in the same manner in which that Neutral was selected.

5. The Arbitrator or Chair, as the case may be ("Arbitrator") shall fix the date, time and place for the hearing. The place of the hearing shall be within the Properties unless otherwise agreed by the Parties.

6. Any Party may be represented by an attorney or other authorized representative throughout the arbitration proceedings.

7. All persons who, in the judgment of the Arbitrator, have a direct interest in the arbitration are entitled to attend hearings.

8. There shall be no stenographic record of the proceedings.

9. The hearing shall be conducted in whatever manner will, in the Arbitrator's judgment, most fairly and expeditiously permit the full presentation of the evidence and arguments of the Parties.

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR CASTLEWOOD

10. The Parties may offer such evidence as is relevant and material to the Claim, and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Claim. The Arbitrator shall be the sole judge of the relevance and materiality of an evidence offered, and conformity to the legal rules of evidence shall not be necessary. The Arbitrator shall be authorized, but not required, to administer oaths to witnesses.

11. The Arbitrator shall declare the hearings closed when satisfied the record is complete.

12. There will be no posthearing briefs.

13. The Award shall be rendered immediately following the close of the hearing, if possible, and no later than fourteen (14) days from the close of the hearing, unless otherwise agreed by the Parties. The Award shall be in writing, shall be signed by the Arbitrator and acknowledged before a notary public. If the Arbitrator believes an opinion is necessary, it shall be in summary form.

14. If there is more than one arbitrator, all decisions of the Panel and the Award shall be by majority vote.

15. Each Party agrees to accept as legal delivery of the Award the deposit of a true copy in the mail addressed to that Party or its attorney at the address communicated to the Arbitrator at the hearing.

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**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR CASTLEWOOD**

EXHIBIT "E"

BY-LAWS

OF

**CASTLEWOOD HOMEOWNERS' ASSOCIATION, INC.
(A Texas Non-Profit Corporation)**

ARTICLE I

NAME

1.1 **NAME.** The name of the organization shall be **Castlewood Homeowners' Association, Inc.**, hereinafter called "Association".

1.2 **PRINCIPAL OFFICE.** The principal office of the Association shall be located at such suitable and convenient place as shall be permitted by law and designated by the Board of Directors.

1.3 **DEFINITIONS OF TERMS.** The terms used in these By-Laws, to the extent they are defined in the Declaration of Covenants, Conditions and Restrictions for Castlewood Addition (the "Declaration"), shall have the same definition as set forth in the Declaration, as the same may be amended from time to time, recorded in the office of the County Clerk of Denton County, Texas.

ARTICLE II

PURPOSE AND OWNER OBLIGATION

2.1 **PURPOSE.** The purpose for which this non-profit Association was formed is to be and constitute the homeowners' association referenced in the Declaration to provide for the governance and maintenance of the Castlewood subdivision situated in the City of Highland Village, County of Denton, State of Texas.

2.2 **OWNER OBLIGATION.** All present or future owners or any other person who might reside in the Property are subject to the regulations set forth in these By-Laws. The mere acquisition of any of the residential lots (the "Lots") comprising the Property or the mere act of occupancy of any residential dwellings (the "Dwellings") on the Lots will signify that these By-Laws are accepted, ratified and will be strictly followed.

ARTICLE III

DEFINITIONS AND TERMS

3.1 **MEMBERSHIP.** Any person on becoming an Owner of a Lot shall automatically become a Member of this Association and be subject to these By-Laws. Such membership shall terminate without any formal Association action whenever such person ceases to own a Lot. Such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with the Association during the period of such ownership and membership in this Association, or impair any rights or remedies which the Board of Directors of the Association or others may have against such former Owner and Member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Association, but the Board of Directors, if it so elects, may issue one (1) Membership Card per Lot to the Owner(s) of the Lot. Such Membership Card shall be surrendered to the Secretary whenever ownership of the Lot designated thereon is terminated.

3.2 VOTING RIGHTS.

(a) The Association shall have two classes of membership.

CLASS A: Class A Members shall be all Members other than the Declarant. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership. When more than one person holds such interest or interest in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

CLASS B: The sole Class B Member shall be the Declarant. The Declarant, as the sole Class B Member, shall be entitled to three (3) votes for each Lot it owns. When any Class B Member transfers ownership of a Lot to any person or entity other than a class B Member, the Class B membership with respect to such Lot shall terminate. The Class B membership, as a whole, shall cease and shall be converted to Class A membership upon expiration of the Class "B" Control Period as provided in Section 5.2.

(b) Except as otherwise specifically set forth elsewhere in these By-Laws or the Declaration, any action requiring the approval of the Members shall require the assent of a majority of the Members in attendance in person or by proxy at a duly called meeting at which a quorum is present. Alternatively, any action may be taken with the written assent of more than fifty percent (50%) of the outstanding votes of each class of Members.

3.3 **MAJORITY OF UNIT OWNERS.** As used in these By-Laws, the term "majority of Members" shall mean those Members with more than fifty percent (50%) of the votes entitled to be cast in each class.

3.4 **QUORUM.** Except as otherwise provided in these By-Laws, the presence in person or by proxy of Members entitled to cast ten percent (10%) of the votes of each class of Members shall constitute a quorum.

3.5 **PROXIES.** Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

3.6 **SUSPENSION OF VOTING RIGHTS.** The voting rights of any Member may be suspended by the Board of Directors for any period during which any assessment remains past due, unless the Member is in good faith contesting the validity or amount of the assessment.

ARTICLE IV

ADMINISTRATION

4.1 **ASSOCIATION RESPONSIBILITIES.** The affairs of the Association shall be conducted by its Board of Directors.

4.2 **PLACE OF MEETINGS.** All annual and special meetings of the Association shall be held at the principal office of the Association or at such other suitable and convenient place as may be permitted by law and from time to time fixed by the Board of Directors and designated in the notices of such meetings.

4.3 **ANNUAL MEETINGS.** Annual meetings shall be held on the 10th day of December of each year, unless such day is a legal holiday, in which case such meeting shall be held at the specified time on the first business day thereafter which is not a legal holiday. The first (1st) annual meeting shall be called by the Board of Directors after the expiration of the Class "B" Control Period, as set forth in Section 5.2.

4.4 **SPECIAL MEETINGS.** It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by at least ten percent (10%) of the Members and presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

4.5 **NOTICE OF MEETINGS.** The Secretary shall mail notices of annual and special meetings to each Member of the Association, directed to the Member's last known post office address, as shown on the records of the Association, by regular mail, postage prepaid. Such notice shall be mailed not less than ten (10) days nor more than sixty (60) days before the date of such meeting and shall state the date, time and place of the meeting and the purpose or purposes thereof. In lieu of mailing notice as herein provided, such notice may be delivered by hand or left at his

residence in his absence. If requested in writing as provided in the Declaration, any Mortgagee of record or its designee may be entitled to receive similar notice.

4.6 WAIVER OF NOTICE. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at any meeting by a Member or alternate shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

4.7 ADJOURNED MEETING. If any meeting of Members cannot be organized because a quorum has not attended, a majority of the Members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is attained. At any such reconvened meeting, any business which might have been transacted at the meeting, as originally called, may be transacted without additional notice. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Voting Members in the manner prescribed for regular meetings.

4.8 CONDUCT OF MEETINGS. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting. Such records shall be kept by the Association for at least seven years.

ARTICLE V

BOARD OF DIRECTORS

5.1 NUMBER AND QUALIFICATION. The affairs of this Association shall be governed by a Board of Directors composed initially of three (3) persons. At any annual meeting of Members, the Members may elect to increase the number of members of the Board of Directors to not more than five (5) directors. Except with respect to Directors appointed by the Class "B" Member, the Directors shall be Members or spouses of Members; provided, however, no individual and his or her spouse may serve on the Board of Directors at the same time. In the case of a Member which is not a natural person, the individual designated in writing to the Secretary of the Association as the representative of such Member shall be eligible to serve as a Director.

5.2 DIRECTORS DURING CLASS "B" CONTROL PERIOD. Subject to the provisions of Section 5.5, the Directors shall be selected by the Class "B" Member acting in its sole

discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following:

(a) when 75% of the Units permitted by the Master Plan for the property described on Exhibits "A" and "B" of the Declaration have certificates of occupancy issued thereon and have been conveyed to Persons other than the Declarant or Builders;

(b) December 31, 2016; or

(c) when, in its discretion, the Class "B" Member so determines.

5.3. RIGHT TO DISAPPROVE ACTIONS.

(a) So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Association, the Board of Directors and any committee, which in the judgment of the Class "B" Member would tend to impair rights to the Declarant or Builders under the Declaration or these By-Laws, or interfere with development, construction of any portion of the Properties or diminish the level of services being provided by the Association.

(b) No such action, policy or program shall become effective or be implemented until and unless:

(i) The Class "B" Member shall receive written notice of all meetings and proposed actions approved at meetings of the Association, the Board of Directors or any committee thereof by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time. Any such notice shall comply with Sections 5.14, 5.15, 5.16 and 5.19 and such notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting; and

(ii) The Class "B" Member shall have been given the opportunity at any such meeting to join in or to have its representatives or agents join in the discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Class "B" Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the appropriate committee. The Class "B" Member shall have and is hereby granted a right to disapprove any such action, policy, or program authorized by the Association, the Board or any committee thereof, if Board, committee, or Association approval is necessary for such action. This right may be exercised by the Class "B" Member, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions hereof. This right to disapprove may be used to block proposed actions but shall not extend to the requiring of any action or counteraction on behalf of any committee, or the

Board or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

5.4. NOMINATION OF DIRECTORS. Except with respect to Directors selected by the Class "B" Member, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and three or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Members to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of positions to be filled. Nominations shall also be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

5.5 ELECTION AND TERM OF OFFICE. Notwithstanding any other provision contained herein:

(a) Within ninety (90) days after the time that Class "A" Members other than Builders own sixty percent (60%) of the Units proposed by the Master Plan for the property described in Exhibits "A" and "B" of the Declaration, or whenever the Class "B" Member earlier determines, the Association shall call a special meeting at which Members representing the Class "A" Members shall be entitled to elect one (1) of the three (3) Directors. The remaining two (2) Directors shall be appointees of the Class "B" Member. The Director elected by the Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two (2) years or until the happening of the event described in subsection (b) below, whichever is shorter. If such Director's term expires prior to the happening of the event described in subsection (b) below, a successor shall be elected for a like term.

(b) Within ninety (90) days after the time that Class "A" Members other than Builders own seventy-five percent (75%) of the Units proposed by the Master Plan for the property described in Exhibits "A" and "B" of the Declaration, or whenever the Class "B" Member earlier determines, the Board shall be increased to five (5) directors. The Association shall call a special meeting at which Members representing the Class "A" Members shall be entitled to elect two (2) of the five (5) Directors. The remaining three (3) Directors shall be appointees of the Class "B" Member. The Directors elected by the Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two (2) years or until the happening of the event described in subsection (c) below, whichever is shorter. If such Directors' terms expire prior to the happening of the event described in subsection (c) below, successors shall be elected for a like term.

(c) Within ninety (90) days after termination of the Class "B" Control Period, the Association shall call a special meeting at which Members representing the Class "A" Members shall

be entitled to elect three (3) of the five (5) Directors. The remaining two (2) Directors shall be appointees of the Class "B" Member. The Directors elected by the Members shall not be subject to removal by the Class "B" Member and shall serve until the first annual meeting following the termination of the Class "B" Control Period. If such annual meeting occurs within ninety (90) days after termination of the Class "B" Control Period, this subsection shall not apply and Directors shall be elected in accordance with subsection (d) below.

(d) At the first annual meeting of the membership after the termination of the Class "B" Control Period, the Directors shall be selected as follows: five (5) Directors shall be elected by the Members representing Class "A" and Class "B" Members. Three (3) Directors shall be elected for a term of two (2) years and two (2) Directors shall be elected for a term of one (1) year, as such Directors determine among themselves. At the expiration of the initial term of office of each member of the Board of Directors and at each annual meeting thereafter, a successor shall be elected to serve for a term of two (2) years. Each Voting Member may cast the total number of votes to which it is entitled under Section 3.4(b) of the Declaration with respect to each vacancy to be filled. There shall be no cumulative voting. The candidate(s) receiving the most votes shall be elected. The Directors elected by the Members shall hold office until their respective successors have been elected by the Association. Directors may be elected to serve any number of consecutive terms.

5.6 REMOVAL OF DIRECTORS AND VACANCIES.

(a) Any Director elected by the Members may be removed, with or without cause, by the vote of Members holding a majority of the votes entitled to be cast for the election of such Director. Any Director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a Director, a successor shall then and there be elected by the Members entitled to elect the Director so removed to fill the vacancy for the remainder of the term of such Director. Any Director elected by the Members who has three consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment or other charge due the Association for more than thirty (30) days may be removed by a majority of the Directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

(b) In the event of the death, disability, or resignation of a Director, a vacancy may be declared by the Board, and it may appoint a successor; provided, upon written petition of the Class "B" Member or Class "A" Members entitled to cast at least ten percent (10%) of the total Class "A" votes in the Association, the Board shall call a special meeting for the purpose of electing a successor to fill any vacancies on the Board. In such case, only the Members entitled to elect the director who vacated the position shall be entitled to vote for a successor.

5.7 POWERS.

(a) The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's

affairs and, as provided by law, may do or cause to be done all acts and things as are not by the Declaration, Articles, or these By-Laws directed to be done and exercised exclusively by the Members or the membership generally. The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

(b) In addition to the duties imposed by these By-Laws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to establish policies relating to, and shall be responsible for performing or causing to be performed, the following, in way of explanation, but not limitation:

(i) preparation and adoption, in according with Article X of the Declaration, of annual budgets in which there shall be established the contribution of each Owner to the Common Expenses and Village Expenses;

(ii) making assessments to defray the Common Expenses and Village Expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment; provided, unless otherwise determined by the Board of Directors, the annual assessment for each Unit's proportionate share of the Common Expenses shall be due and payable at the beginning of each fiscal year;

(iii) providing for the operation, care, upkeep, and maintenance of all of the Area of Common Responsibility;

(iv) designating, hiring, and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair, and replacement of its property and the Area of Common Responsibility and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(v) collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;

(vi) making and amending rules and regulations;

(vii) opening of bank accounts on behalf of the Association and designating the signatories required;

(viii) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the other provisions of the Declaration and these By-Laws after damage or destruction by fire or other casualty;

(ix) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules and regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

(x) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

(xi) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(xii) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

(xiii) making available to any prospective purchaser of a Unit, any Owner of a Unit, any first Mortgagee, and the holders, insurers, and guarantors of a first Mortgage on any Unit, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules governing the Unit and all other books, records, and financial statements of the Association; and

(xiv) permitting utility suppliers to use portions of the common Area reasonably necessary to the ongoing development or operation of the Properties.

5.8 MANAGEMENT. The Board of Directors may employ for the Association a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Board may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board by these By-Laws, other than the powers set forth in subparagraphs (i), (ii), (vi), (vii), and (ix) of Section 5.7(b). The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

5.9 BORROWING. The Association, acting through the Board of Directors, shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Area of Common Responsibility without the approval of the Members of the Association. The Board shall also have the power to borrow money for other purposes; provided, however, the Board shall obtain Voting Member approval in the same manner provided in Section 10.6 of the Declaration for Special Assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities and the total amount of such borrowing exceeds or would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Notwithstanding anything to the contrary contained in the Declaration, these By-Laws, or the Articles, during the

Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Members representing more than fifty percent (50%) of the total Class "A" vote other than the Declarant and the Declarant's nominees.

5.10 RIGHTS OF THE ASSOCIATION. With respect to the Area of Common Responsibility, and in accordance with the Articles of Incorporation and the Declaration, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Village and other owners or residents associations, both within and without the Properties. Such agreements shall require the consent of a majority of the total number of directors of the Association. The Association shall not be bound, either directly or indirectly, by any contract, lease, or other agreement (including any management contract) executed during the Class "B" Control Period unless such contract, lease or other agreement contains a right of termination exercisable by either party without penalty at any time, with or without cause, upon not more than ninety (90) days notice to the other party.

5.11 ENFORCEMENT.

(a) In addition to such other rights which are specifically granted under the Declaration, the Board of Directors shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating Owner, and to suspend an Owner's right to vote or any person's right to use the Common Area for violation of any duty imposed under the Declaration, these By-Laws, or any rules and regulations duly adopted hereunder. In addition, the Board may suspend any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than thirty (30) days delinquent in paying any assessment or other charge owed to the Association; provided, however, nothing herein shall authorize the Association or the Board to limit ingress and egress to or from a Unit. In the event that any occupant, guest or invitee of a Unit violates the Declaration, By-Laws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Declaration, By-Laws, or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

(b) Prior to imposition of any sanction hereunder, the Board of Directors or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator may present a written request to the Covenants Committee, if any, or Board of Directors for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten (10) days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed.

(c) If a hearing is requested within the allotted ten (10) day period, the hearing shall be held before the Covenants Committee, if any, or if none, then before the Board of Directors in executive session affording the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The Board or the Covenants Committee may, but shall be obligated to, suspend any proposed sanction if the violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(d) Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board of Directors. To perfect this right, a written notice of appeal must be received by the manager, President, or Secretary of the Association within thirty (30) days after the hearing date.

(e) Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Declaration, these By-Laws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations) or, following compliance with the procedures set forth in Article XVIII of the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorneys' fees actually incurred.

5.12 LIABILITY LIMITATIONS. Neither any Owner, Member, the Board, any director, nor any officer of the Association shall be personally liable for debts contracted for, or otherwise incurred by the Association, or for a tort of any other Member or Owner whether such other Member or Owner was acting on behalf of the Association or otherwise. Neither the Declarant, the Association, nor their respective directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any premises, improvements or portion thereof or for failure to repair or maintain the same. The Declarant, the Association or any other person, firm or corporation required to make such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portion thereof.

5.13 ORGANIZATION MEETING. The first (1st) meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to

the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board of Directors shall be present.

5.14 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least four (4) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally, by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

5.15 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President or Secretary, or upon the written request of at least two (2) Directors. The President or Secretary will give three (3) days' personal notice to each Director by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

5.16 WAIVER OF NOTICE. Before or at any meeting of the Board of Directors, any Director may in writing, waive notice of such meeting and such waiver shall be deemed at any meeting equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board of Directors shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

5.17 QUORUM OF BOARD OF DIRECTORS. At all meetings of the Board of Directors, a majority of Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such reconvened meeting, any business which might have been transacted at the meeting, as originally called, may be transacted without additional notice.

5.18 FIDELITY BONDS. The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association.

5.19 TELEPHONE PARTICIPATION. One or more directors may participate in and vote during any regular or special meeting of the Board by telephone conference call or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those directors so participating shall be deemed present at such meeting. Any such meeting at which a quorum participates shall constitute a regular meeting of the Board.

5.20 COMPENSATION. No Director shall receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total Class "A" vote of the Association at a regular or special meeting of the Association; provided, however,

any Director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other Directors. Nothing herein shall prohibit the Association from compensating a Director, or any entity in which a Director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such Director's interest was disclosed to the Board prior to the Board's approval of the contract, and the contract was approved by a majority of the Board, excluding the interested Director.

5.21 NOTICE TO OWNERS; OPEN MEETINGS. Except in an emergency, notice of Board of Directors meetings shall also be posted at least forty-eight (48) hours in advance of the meeting at a conspicuous place within the Properties which the Board establishes for the posting of notices relating to the Association. Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment. Subject to the provisions of Section 3.17, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, excluding persons other than directors to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

ARTICLE VI

OFFICERS

6.1 DESIGNATION. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer, all of whom shall be elected from among the Board of Directors. The Board of Directors may appoint such other officers as it deems desirable. Any two or more officers may be held by the same person, except the offices of President and Secretary.

6.2 ELECTION OF OFFICERS. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors.

6.3 REMOVAL OF OFFICERS. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

6.4 PRESIDENT. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of both the Association and the Board of Directors. The President shall have all the general powers and duties which are usually vested in the office of

president of an association. The President shall co-sign all promissory notes with the Secretary and co-sign all checks with the Treasurer.

6.5 VICE PRESIDENT. The Vice President shall perform all of the duties of the President in the absence of the President and such other duties as may be required of him from time to time by the Board of Directors.

6.6 SECRETARY AND ASSISTANT SECRETARY.

a. The Secretary, or such Assistant Secretaries as may be appointed by the Board of Directors, shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association. The Secretary shall have charge of such books and papers as the Board of Directors may direct and shall co-sign all instruments of conveyance; and the Secretary shall, in general, perform all the duties incident to the office of the Secretary.

b. The Secretary, or such Assistant Secretaries as may be appointed by the Board of Directors, shall compile and keep up to date at the principal office of the Association a complete list of Members and their last known addresses as shown on the records of the Association. This list shall show opposite each Member's name, the street address of their Lot. The list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

6.7 TREASURER. The Treasurer shall receive and deposit in appropriate bank accounts all money of the Association and shall disburse such as directed by resolution of the Board of Directors; provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board of Directors, including authority to: co-sign all checks; keep proper books of account; cause an annual statement of the Association's books to be made at the completion of each fiscal year; prepare an annual budget and a statement of income expenditures to be presented to the Membership at its regular annual meeting, and deliver a copy of each to the Members; and perform all other duties assigned to the Treasurer by the Board of Directors.

6.8 COMMITTEES. Committees are hereby authorized to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the members of the Board of Directors. Each committee shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

7.1 **INDEMNIFICATION.** The Association shall indemnify every Director or officer, his heirs, executors and administrators, against all loss, cost and expense, including counsel fees, reasonably incurred in connection with any action, suit or proceeding to which such Director or officer may be made a party by reason of being or having been a Director or officer of the Association, except in matters of gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters in which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of duties as such Director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or officer may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the Association in connection with the foregoing indemnification provision shall be treated and handled by the Association as Common Expenses; provided, however, nothing contained in this Article VII shall be deemed to obligate the Association to indemnify any Member or Owner of a Lot, who is or has been a Director or officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declaration as a Member or Owner of a Lot covered thereby.

ARTICLE VIII

AMENDMENTS TO BY-LAWS

8.1 AMENDMENT.

(a) Until termination of the Class "B" membership, Declarant may unilaterally amend these By-Laws for any purpose. After such conveyance, the Declarant may unilaterally amend these By-Laws if such amendment is (i) necessary to bring any provision hereof into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Units; (iii) required by an institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make, purchase insure or guarantee mortgage loans on the Units; (iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure mortgage loans on the Units; provided, however, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing. So long as it still owns property described in Exhibits "A" or "B" of the Declaration for development as part of the Properties, the Declarant may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

(b) Except as otherwise specifically provided herein, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing more than fifty percent (50%) of the total Class "A" votes in the Association, including more than fifty percent (50%) of the Class "A" votes held by Members other than the Declarant, and the consent of the Declarant, so long as the Declarant has a right to annex additional property to the Declaration. In addition, the approval requirements set forth in Article XIV of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Any amendment to be effective must be recorded in the County Clerk's Office, Denton County, Texas.

(c) If an Owner consents to any amendment to the Declaration or these By-Laws, it will be conclusively presumed that such Owner has the authority so to consent and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

(d) No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege.

ARTICLE IX

NON-PROFIT ASSOCIATION

9.1 **NON-PROFIT PURPOSE.** This Association is not organized for profit. No Owner, Member, Director, or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as a salary or as compensation to, or distributed to or inure to the benefit of any Owner, Member, or Director; provided, however, always (i) that reasonable compensation may be paid to any Member while acting as an agent or employee of the Association for services rendered in effecting one (1) or more of the purposes of the Association and (ii) that any Director may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true, complete and correct copy of the By-Laws of Castlewood Homeowners' Association, Inc., a Texas non-profit corporation, as adopted by the initial Board of Directors.

IN WITNESS WHEREOF, I hereunto set my hand and affix the Seal of the Corporation, this the _____ day of _____, 1997.

_____, Secretary

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Filed for Record in:
DENTON COUNTY, TX
HONORABLE TIM HODGES/COUNTY
CLERK

On Jul 02 1997
At 9:32am

Doc/Num : 97-R0044273
DEC
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