



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

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EXHIBITS:

- Exhibit "A" - Property Subject to Declaration
- Exhibit "B-1" - Appraised Value Lots
- Exhibit "B-2" - Fixed Rate Lots
- Exhibit "C" - Second Amended and Restated Bylaws of Stonebridge Ranch Community Association, Inc.
- Exhibit "D" - Illustration of Retaining Wall Easement
- Exhibit "E" - Designation of Village Common Properties

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

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

THIS SECOND AMENDED AND RESTATED MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR STONEBRIDGE RANCH (this "Declaration") is made and effective as of the 27th day of March, 2008 by Westerra Stonebridge, L.P., a Texas limited partnership (the "Declarant").

WITNESSETH:

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

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

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

WHEREAS, the Original Declarations were amended in certain respects and consolidated into a single instrument entitled the "Consolidated and Amended Master Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens for

Stonebridge Ranch", which instrument was recorded on October 29, 1992, as Instrument No. 92-0076613 in the Public Real Estate Records of Collin County, Texas, as amended and supplemented from time to time (hereinafter the "Master Declaration"); and

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

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

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

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

WHEREAS, the Master Declaration, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement and the Fourth Supplement (collectively, the "Master Declaration"), was replaced and superseded by an instrument entitled "First Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for Stonebridge Ranch", which instrument was recorded on December 5, 2000, as Instrument No. 2000-0132145 in the Public Real Estate Records of Collin County, Texas (the "First Amended Master Declaration"); and

WHEREAS, the First Amended Master Declaration was amended by an instrument entitled "First Amendment to the First Amended and Restated Declaration of Covenants, Conditions and Restrictions", which instrument was recorded as Instrument No. 2002-0145984 in the Public Real Estate Records of Collin County, Texas (the "First Amendment to First Amended Master Declaration"); and

WHEREAS, the First Amended Master Declaration was also amended by an instrument entitled "Second Amendment to the First Amended and Restated Declaration of Covenants, Conditions and Restrictions", which instrument was recorded as Instrument No. 2006-0246220 in the Public Real Estate Records of Collin County, Texas (the "Second Amendment to First Amended Master Declaration"); and

WHEREAS, the First Amended Master Declaration was also supplemented by an instrument entitled "Supplement to the First Amended and Restated Declaration of Covenants, Conditions and Restrictions", which instrument was recorded as Instrument No. 2003-0105536 in the Public Real Estate Records of Collin County, Texas (the "First Supplement to First Amended Master Declaration"); and

WHEREAS, the First Amended Master Declaration was also supplemented by an instrument entitled "Supplement to the First Amended and Restated Declaration of Covenants, Conditions and Restrictions", which instrument was recorded as Instrument No. 2005-0118273 in the Public Real Estate Records of Collin County, Texas (the "Second Supplement to First Amended Master Declaration"); and

WHEREAS, pursuant to the terms of Article XIV, Section 14.1.B. of the First Amended Master Declaration, the Declarant, as attorney-in-fact for and on behalf of each Owner, may amend or change the covenants described therein at any time prior to December 31, 2014, and may impose additional covenants and restrictions on such property, subject to any approval rights of Eligible Mortgagees; and

WHEREAS, the Declarant desires to amend and restate the First Amended Master Declaration, as amended and supplemented by the First Amendment to First Amended Master Declaration, the Second Amendment to First Amended Master Declaration, the First Supplement to First Amended Declaration and the Second Supplement to First Amended Master Declaration (collectively, the "First Amended Master Declaration") and has received the requisite consent and approval of the Eligible Mortgagees, if any, all in accordance with the provisions of the Master Declaration.

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

ARTICLE I

CONCEPTS AND DEFINITIONS

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

Section 1.1 "Affiliate" shall mean a partner, director, subsidiary, shareholder, officer, employee, agent, co-venturer, executor, personal representative, trustee, attorney or a Person or entity which (either directly or indirectly through one or more intermediaries), controls, is in

common control with or is controlled by, another Person or entity and any Person or entity that is a director, trustee, officer, employee, agent, partner, shareholder, subsidiary or attorney of any of the foregoing. For the purposes of this definition, the term "control" means (a) legal or beneficial ownership of 10% or more of the voting interests of an entity, or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person or entity, whether through the ownership of voting securities, by contract or otherwise.

Section 1.2 "Amended Declaration" shall mean and refer to each and every instrument recorded in the Public Real Estate Records of Collin County, Texas which amends, supplements, modifies, clarifies or restates some or all of the terms and provisions of this Declaration.

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

Section 1.4 "Articles" shall mean and refer to the Articles of Incorporation (and all amendments thereto and restatements thereof) of the Association on file in the Office of the Secretary of State of the State of Texas, Austin, Texas.

Section 1.5 "Assessable Property" shall mean and refer to each and every lot, parcel, tract, area, condominium, apartment, unit and space within the entire Properties which: (i) may have been or will be given a separately identifiable tax or parcel number by the Central Appraisal District of Collin County ("CADCC") or a similar governmental agency; and (ii) is not an Exempt Property, as defined herein.

Section 1.6 "Assessed Valuation" shall mean the most recent valuation placed on a Lot and the permanent improvements thereon (and the easements appurtenant thereto) by the CADCC and/or the Taxing Authorities as of a cut-off date established by the Board, or the sale price of the Lot upon the first sale thereof after completion of a Dwelling Unit thereon, whichever is higher, but, if the provisions of Section 5.3 are unsatisfactory to the Board, the Board may adopt an alternative method of assessment which will provide a sufficient cash flow to meet the obligations of the Association.

Section 1.7 "Association" shall mean and refer to the STONEBRIDGE RANCH COMMUNITY ASSOCIATION, INC., an existing non-profit Texas corporation which has the power, duty and responsibility of maintaining and administering certain portions of the Properties and all of the Common Properties, administering and enforcing the Covenants and otherwise maintaining and enhancing the quality of life within Stonebridge Ranch.

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

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

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

Section 1.11 "Central Appraisal District of Collin County" ("CADCC") shall mean and refer to the governmental and/or quasi-governmental agency established in accordance with Texas Property Tax Code Section 6.01 et seq. (and its successor and assigns as such law may be amended from time to time) or other similar statute which has, as one of its purposes and functions, the establishment of an assessed valuation and/or fair market value for various lots parcels and tracts of land in Collin County, Texas.

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

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

Section 1.14 "Commercial Use" shall mean and refer to those uses permitted by the Zoning Ordinance for the conduct of a trade, business or enterprise, such as (but not necessarily limited to) office, retail, business, shopping and other commonly understood commercial activities.

Section 1.15 "Common Properties" shall mean and refer to any and all areas of land within the Properties and personal property owned, leased or otherwise held by the Association for the common use and enjoyment of the Owners and Residents, including easements and licenses, together with any and all improvements that are now or that may hereafter be constructed thereon. The term shall include the Village Common Properties, as defined below. (However, the Common Properties shall not include (i) the two (2) separate and privately owned golf and country clubs geographically situated near the center of Stonebridge Ranch, (ii) the daily fee golf course and related facilities geographically situated within Stonebridge Ranch, and (iii) any specifically identified area within any Village which is limited to the use and enjoyment of the Owners, Members and Residents within such Village. The concept of Common Properties will also include: (i) any and all public right-of-way lands for which the City of McKinney has agreed that the Association may expend private, non-reimbursable time and monies to care for and maintain, such as but not limited to: street medians, street underpasses, streetscape, hike and bike trails, park areas and quasi-governmental service facilities; and (ii) any and all facilities provided by the Association to or for the benefit of the local police, fire and similar governmental departments for which no reimbursement via public funds is requested or anticipated. One or more portions of the Common Properties may from time to time be reasonably limited to private functions, and conversely, one or more portions of otherwise private property may be utilized for Association functions and activities. The Association shall at all times have and retain the right to effect minor redesigns or minor reconfigurations of the Common Properties (particularly along the golf courses and lake/pond edges) and to execute any open space declarations applicable to the Common Properties which may be permitted in order to reduce property taxes, and to take whatever steps may be appropriate to lawfully avoid or minimize the imposition of federal and state ad valorem and/or income taxes.

Section 1.16 "Consumer Price Index (CPI)" shall mean and refer to the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers (Dallas-Fort Worth Area; Base: 1982-1984 = 100). In the event the compilation and/or publication of the CPI shall be substantially revised, transferred to any other governmental department or bureau or agency or shall be discontinued, then the index (or a substitute procedure which reasonably reflects and monitors fluctuations in consumer prices) most nearly the same as the CPI shall be used to make the calculations envisioned herein, or in the event no such alternative index exists or a dispute arises concerning the selection of such alternative index, the Board shall have the final right and power to select and/or formulate such an alternate index.

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

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

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

Section 1.20 "Deed" shall mean and refer to any deed, assignment, testamentary bequest, muniment of title or other instrument, or intestate inheritance and succession, conveying or transferring fee simple title or a leasehold interest or another legally recognized estate in a Lot.

Section 1.21 "Development Period" shall mean a period commencing on the date of the recording of the Master Declaration in the public real estate records of Collin County, Texas and continuing thereafter until and ending the earlier to occur of: (i) substantial completion of all development within the Properties, as determined by the Declarant; or (ii) the twenty-second (22nd) anniversary of the date of recordation of the Master Declaration in the public real estate records of Collin County, Texas.

Section 1.22 "Development Plan" shall generally mean and refer to the development plan for the Properties as set forth within the Zoning Ordinance and within the "Development Agreement between the City of McKinney, Texas and Gibraltar Savings Association for the Flying "M" Ranch Plan Development", dated January 21, 1986, as such document(s) may from time to time be amended. Inclusion of property on the Development Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the omission of property from the Development Plan bar its later annexation as provided in Article II.

Section 1.23 "Dwelling Unit" shall mean and refer to any building or portion of a building situated upon the Properties which is designed and intended for use and occupancy as a residence.

Section 1.24 "Easement Area" shall mean and refer to those areas which may be covered by an easement specified in Section 9.9 of Article IX and in Article X.

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

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

Section 1.27 "Exempt Property" shall mean and refer to the following portions of the Properties: (i) all land and Improvements owned by the United States of America, the State of Texas, Collin County or any instrumentality, political subdivision or agency of any such governmental entity acting in a governmental (rather than a proprietary) capacity, (ii) all land and Improvements owned (including legal and beneficial ownership whether now or in the future) by the Association or constituting a portion of the Common Properties; (iii) all land and Improvements which are not only exempt from the payment of ad valorem real property taxes by Collin County, the McKinney Independent School District, the Frisco Independent School District and the State of Texas, but also are exempt from the payment of any assessments hereunder as expressly determined by written resolution of the Association; and (iii) such other land(s) and/or Improvement(s) and/or Lot(s) which are specifically exempted from the payment of Annual Assessments in accordance with a special resolution of the Board.

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

Section 1.29 "Fiscal Year" shall mean each twelve (12) month period commencing on January 1 and ending on the following December 31, unless the Board shall otherwise select an alternative twelve (12) month period.

Section 1.30 "Governing Documents" shall mean this Declaration, the Bylaws, the Articles, any rules and regulations promulgated thereunder, the Master Design Guidelines, all Subdivision Design Guidelines, all architectural bulletins, and any other instrument recorded as part of the dedicatory instruments of the Association.

Section 1.31 "Greenway Frontage" shall mean and refer to golf courses, parks, schools, community facilities, common green space, recreational facilities (including lakes, hike and bike trails and the like) which are adjacent to rear or side yard Lot lines and/or clearly visible from public streets sidewalks and rights-of-way.

Section 1.32 "Improvement" shall mean any physical change to raw land or to an existing structure which alters the physical appearance characteristics or properties of the land or structure, including but not limited to adding or removing a structure, adding or removing square footage area space to or from a structure, painting or repainting a structure, or in any way altering the size, shape or physical appearance of any land or structure.

Section 1.33 "Institutional Mortgage" shall mean and refer to any bona-fide mortgage, lien or security interest held by a bank, trust company, insurance company, savings and loan association or other recognized lending institution, or by an institutional or governmental purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or their successors, or guaranteed or subsidized by the FHA and/or VA.

Section 1.34 "Lot" shall mean and refer to each separately identifiable portion of the Assessable Property, including any condominium unit, which is platted, filed and recorded in the office of the County Clerk of Collin County, Texas and which is assessed by any one or more of the Taxing Authorities and which is not an Exempt Property. The term shall include the land which is part of the Lot, as well as any improvements thereon.

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

Section 1.36 "Master Design Guidelines" shall mean and refer to those particular standards, restrictions, guidelines, recommendations and specifications applicable to most of the aspects of construction, placement, location, alteration, maintenance and design of any improvements to or within the Properties, and all amendments, bulletins, modifications, supplements and interpretations thereof.

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

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

Section 1.39 "Owner" shall mean and refer to the holder(s) of record title to the fee simple interest of any Lot whether or not such holder(s) actually reside(s) on any part of the Lot, and excluding in all cases any party holding an interest merely as security for the performance of an obligation.

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

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

Section 1.42 "Phase" shall mean and refer to each and every portion of a Village which is the specific subject of a subdivision plat filed of record in the Map and Plat Records of Collin County, Texas, as it may be revised from time to time. As an example, Wellington Point and Meadow Ridge are two separate villages, each of which will be subdivided and platted in two or more phases in accordance with subdivision plats bearing their respective name and phase numbers.

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

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

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

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

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

Section 1.48 "Structure" shall mean and refer to: (i) any thing or device, other than trees, shrubbery (less than two feet high if in the form of hedge) and landscaping (the placement of which upon any Lot shall not adversely affect the appearance of such Lot) including but not limited to any building, garage, porch, shed, greenhouse or bathhouse, cabana, coop or cage, covered or uncovered patio, swimming pool, play apparatus, clothesline, fence, curbing, paving, wall or hedge more than two feet in height, signboard or other temporary or permanent living quarters or any temporary or permanent Improvement to any Lot; (ii) any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel from, upon or across any Lot; and (iii) any enclosure or receptacle for the concealment, collection and/or disposition of refuse; (iv) any change in the grade of any Lot of more than three (3) inches from that existing at the time of initial approval by the Master Architectural Review Committee.

Section 1.49 "Subdivision Design Guidelines" shall mean and refer to those particular standards, restrictions, guidelines, recommendations and specifications applicable to all aspects of construction, placement, location, alteration, maintenance and design of any improvements to or within each Phase. The Subdivision Design Guidelines may vary between Phases and between Villages.

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

Section 1.51 "Taxing Authorities" shall mean and refer to Collin County, the McKinney Independent School District, the Frisco Independent School District, the City of McKinney and

the State of Texas and any and all other governmental entities or agencies which have, or may in the future have, the power and authority to impose and collect ad valorem taxes on real property estates, in accordance with the Texas Constitution and applicable statutes and codes.

Section 1.52 "Village" shall mean and refer to each respective community arising out of the development, construction, use and occupancy of all Phases of plats bearing the same subdivision name. As an example, Summer Point, Briar Ridge, Meadow Ridge, Quail Creek, Wellington Point and Hills Creek are each designed to be a separate and distinct residential Village within the Properties, even though some of the Villages may be composed of two (2) or more Phases. The Association reserves the right, power and authority (and such may be assigned or delegated) to create and impose one or more sub-association(s) within one or more Villages (especially those containing townhouse and condominium projects) which may have, as one of their purposes, the responsibility for assuming and discharging one or more of the duties of the Association as to that particular Village. Any such sub-association created hereunder shall be referred to in this Declaration as a "Village Association."

Section 1.53 "Village Assessment" shall mean and refer to assessments levied against the Lots in a particular Village to fund Village Expenses, as described in Section 5.5 hereof.

Section 1.54 "Village Common Properties" shall refer to a portion of the Common Properties primarily benefiting one or more, but less than all, Villages, as more particularly described in Article IV hereof.

Section 1.55 "Village Expenses" shall mean and include the actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners of Lots within a particular Village, as may be authorized by this Declaration or in the Supplementary Declaration(s) applicable to such Village. Village Expenses may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge.

Section 1.56 "Zoning Ordinance" shall mean and refer to City of McKinney Ordinance No. 1621 and all amendments thereto.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION

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

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

A. Subject to the consent of the owner thereof, the Association may (but shall not be required to) subject to this Declaration all or any portion of the real property within the perimeter boundaries of Stonebridge Ranch, as described in City of McKinney Ordinance No. 1620 and the land use plan for Stonebridge Ranch set forth in City of McKinney Ordinance No. 1621, or any property within a one-mile radius of the perimeter boundaries of such land, by filing one or more

Supplementary Declarations describing the real property to be subjected. Such annexation shall also require the consent of the Board but not require the consent of any other entity or Person (other than the owner of the property to be annexed) unless such annexation would cause an increase in the Annual Assessments by more than five percent (5%) on the Existing Property. In such event, the annexation shall require the affirmative vote or written consent, or any combination thereof, of Members representing a majority of the total votes of the Association.

B. The Declarant may (but shall not be required to) subject to this Declaration all or any portion of the real property within the perimeter boundaries of Stonebridge Ranch, as described in City of McKinney Ordinance No. 1620 and the land use plan for Stonebridge Ranch set forth in City of McKinney Ordinance No. 1621, or any property within a one-mile radius of the perimeter boundaries of such land, by filing one or more Supplementary Declarations describing the real property to be subjected. Such annexation shall not require the consent of any Person (other than the owner of the property to be annexed) unless such annexation occurs after December 31, 2014 or would cause an increase in the Annual Assessments by more than five percent (5%) on the Existing Property. In either such event, the annexation must also be approved by the affirmative vote or written consent, or any combination thereof, of Members representing a majority of the total votes of the Association. The Declarant may transfer or assign this right to the Association by a written instrument signed by Declarant and recorded in the public real estate records of Collin County, Texas.

C. Except as set forth in the preceding paragraphs, no Person or entity other than the Association or the Declarant shall subject additional property to this Declaration. Any such annexation shall be effective upon filing for record of a Supplementary Declaration describing the property to be subjected and signed by the President and Secretary of the Association (if annexed by the Association) or by a duly authorized representative of the Declarant (if annexed by the Declarant) and by the owner(s) of such property. Any such annexation shall be effective upon filing unless otherwise provided therein.

D. Any additions made pursuant to this Section 2.2, when made, shall automatically extend the jurisdiction, functions, duties and membership of the Association to the properties added and correspondingly subject the properties added to the Covenants of this Declaration.

E. Nothing in this Declaration shall be construed to require the Association to subject additional property to this Declaration or to develop any of the property located within the Development Plan in any manner whatsoever.

Section 2.3. Effect of Merger. Upon any merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law or by lawful articles or agreement of merger, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law or by lawful articles or agreement of merger, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Covenants established by this Declaration, together with the covenants and restrictions established upon any other properties, as one scheme.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 3.1. Membership. Each and every Owner shall automatically be, and must at all times remain, a Member of the Association. There shall be one and only one Class of Member.

Section 3.2. Voting Rights. Each Member shall be entitled to one (1) vote for each Lot owned by such Member. Where more than one (1) Owner owns and holds a record fee interest in a Lot, the vote for such Lot shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing; provided, there shall be no fractional voting and the Board may suspend the voting rights of any Member who is not in good standing. A Member shall not be in "good standing" if such Member is: (a) in violation of any portion of the Governing Documents and/or any portion of the Zoning Ordinance; or (b) delinquent in the full, complete and timely payment of any Annual Assessment, Special Assessment, or any other Fee, Charge or Fine which is levied, payable or collectible pursuant to the provisions of the Governing Documents. In no event shall any one (1) Lot yield more than one (1) vote. If more than one Person attempts to exercise the vote for any Lot, neither shall be recognized and the vote for such Lot shall be suspended.

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

Section 3.4 Board of Directors. The affairs of the Association shall be governed by a board of directors, who shall be elected and/or appointed as provided in this Declaration and in the Bylaws.

Section 3.5. Notice and Voting Procedures. Quorum, notice and voting requirements of and pertaining to the Association may be set forth within the Bylaws of the Association, as either or both may be amended from time to time, and shall be in accordance with Texas law.

ARTICLE IV
RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES

Section 4.1. Common Properties. Subject to the provisions of Sections 4.1 through 4.8, inclusive, of this Article, each and every Owner and Resident and their respective family, guests, and invitees, shall have a non-exclusive right and easement of enjoyment in and to all Common Properties, and such easement shall be appurtenant to and shall pass with the title to every Lot.

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

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

B. Liens or mortgages placed against all or any portion of the Common Properties with respect to monies borrowed by the Association to improve or maintain the Properties or Common Properties.

C. The right of the Association to enter into and execute contracts with any party for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Association and/or this Declaration.

D. The right of the Association to take such steps as is reasonably necessary to protect the Common Properties against foreclosure.

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

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

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

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

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

J. The right of the Association to abandon, partition, subdivide, encumber, sell or transfer all or any portion of the real property comprising the Common Properties (the granting of easements for public utilities or other similar purposes consistent with the intended use of the Common Properties shall not be deemed a transfer within the meaning of this subsection) upon the approval of Members representing a majority of the total number of votes cast with regard to such action.

K. The right of the Association to permanently close or abandon use of the common recreational facilities of the Association upon the approval of Members representing a majority of the total number of votes cast with regard to such action.

L. The right of the Association to grant permits, licenses and easements over the Common Properties for utilities, roads and other purposes necessary for the proper operation of the Development Plan.

M. The Governing Documents.

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

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

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

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

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

Section 4.2. Residents Bound. Each Owner of each Lot shall be deemed and held directly responsible and liable for the acts, conduct and omission of each and every Resident, guest and invitee affiliated with such Lot, and such liability and responsibility of each Owner shall be joint and several with their Resident(s), guests and invitees. The Payment and Performance Lien shall extend to, cover and secure the proper payment and performance by each and every Resident, guest and invitee affiliated with each Owner.

Section 4.3. Restricted Actions. No Owner or Resident shall permit anything to be done on or in the Common Properties which would violate any applicable public law or Zoning Ordinance or which would result in the cancellation of or the increase of premiums for any

insurance carried by the Association, or which would be in violation of any law or any rule or regulation promulgated by the Board.

Section 4.4. Damage to the Common Properties. Each Owner and Resident shall be liable to the Association for any damage to any portion of the Common Properties caused by the negligence or willful misconduct of the Owner or Resident or their family, guests or invitees.

Section 4.5. Rules of the Board. The Board may make and enforce reasonable rules and regulations governing the use of the Properties which extend to and cover matters such as (but not limited to) smoking, the possession and consumption of alcoholic beverages, loud and obnoxious noises and behavior, dress and attire and the supervision by attending adults of children, which rules and regulations shall be consistent with the rights and duties established by this Declaration. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and an Owner or Resident determined to have violated said rules and regulations shall be liable to the Association for all damages and costs, including reasonable attorneys' fees.

Section 4.6. User Fees and Charges. The Board may levy and collect charges and fees for the operation and maintenance of the Common Properties and services which the Board determines to be necessary for the advancement, benefit and welfare of the Owners and Residents. In establishing user fees, the Board may formulate reasonable classifications of users. Such fees must be uniform within each class but need not be uniform from class to class. If an Owner shall fail to pay a charge or fee when due and payable, said unpaid charge or fee shall be delinquent and upon written notice to said Owner shall become a personal debt of said Owner. Failure of any Owner to pay said fee and charge when due and payable, in addition, shall be a breach of these Covenants and shall result in suspension of said Owner's and such Owner's Resident's rights or privileges.

Section 4.7. Use of Recreational Facilities. Each Owner acknowledges that certain recreational facilities including, but not limited to, swimming pools, beach club and related facilities, playgrounds, sports fields and courts, bike and hike trails, tennis facilities, skate parks, BMX bike tracks, are or may be provided within the Common Properties for the use and enjoyment of the Owners and Residents, and their respective families, tenants, and invitees. Inclusion of a recreational facility in this Section 4.7 shall not, under any circumstances, obligate the Association to provide such facility, nor shall the omission of any type of recreational facility from this Section 4.7 prevent the Association from providing such facility at a later time. Each Owner hereby acknowledges that there are risks associated with the use of any such recreational facilities and that ALL USERS OF SUCH FACILITIES ARE SOLELY RESPONSIBLE FOR SUCH RISK. Each Owner, by accepting a deed to a Lot, acknowledges that he or she has not relied upon the representations of the Association with respect to the safety of any recreational facilities or other Common Properties within the Properties.

The Association may, but shall not be obligated to, contract with, employ or otherwise provide, from time to time, a lifeguard or other monitoring personnel to be present at any recreational facility within the Properties. Each Owner acknowledges that the presence of such personnel shall not create a duty on the part of the Association to provide for, insure or guarantee the safety of any user of the facility. Each Owner acknowledges that the presence of such monitoring personnel shall not in any way alter the risks assumed by each Owner, his or her

family members, tenants, other occupants of Owner's Lot and guests of any such Persons, which risks shall continue to be assumed by the user of the recreational facility.

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

Section 4.9. Village Common Properties. The Association may designate and assign certain portions of the Common Properties as Village Common Properties to the extent that such Common Properties primarily serve or benefit Owners and Residents of Lots within a particular Village or Villages. By way of illustration and not limitation, Village Common Properties may include recreational facilities, entry features, landscaped medians and cul-de-sacs, lakes and other portions of the Common Properties within a particular Village or Villages. All costs associated with maintenance, repair, replacement and insurance of Village Common Properties shall be the responsibility of the Village Association having jurisdiction over the portion of the Village Common Properties within the Village unless such maintenance and insurance responsibility has been or is assumed in writing by the Association or the Association has accepted a conveyance of the Common Properties by the Village Association. To the extent that the Association has assumed maintenance and insurance responsibility for the Village Common Properties or accepted a deed conveying ownership of the Village Common Properties, the costs thereof (including a reasonable administrative expense) shall be assessed as a Village Assessment against the Owners of Lots in those Villages to which the Village Common Properties are assigned.

Section 4.10. Designation of Village Common Properties. Initially, any Village Common Properties shall be designated as such and the exclusive use thereof shall be assigned in accordance with Exhibit "E" to this Declaration. The Village Common Properties may also be designated in the deed by which the Declarant conveys the Common Properties within a Village to the Village Association or on the subdivision plat relating to such Common Properties or on such other recorded instrument deemed appropriate by the Association. Village Common Properties may be reassigned, upon the approval of the Board and the vote of Members representing a majority of the total Class "A" votes within the Village(s) affected by such assignment and/or reassignment.

ARTICLE V
COVENANTS FOR ASSESSMENTS

Section 5.1. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned by it, hereby covenants and agrees, and each Owner of any Lot, by acceptance of a Deed there for, whether or not it shall be so expressed in any such Deed or other conveyance, shall be deemed to covenant and agree (and such covenant and agreement shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot so as to have affected the purchase price) to pay to the Association (or to an independent entity or agency which may be designated by the Association to receive such monies):

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

The regular, special group, special individual, individual, and Village assessments, together with such late charges, interest and costs of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien upon each Lot against which each such assessment is made and shall also be the continuing personal obligation of the then-existing Owner of such Lot at the time when the assessment fell due.

Section 5.2. Purposes of Assessments The assessments levied by the Association shall be used for the purposes of promoting the comfort, recreation, convenience, welfare and quality of life of the Owners and Residents of the Properties and in supplementing some services and facilities normally provided by or associated with governmental or quasi-governmental entities, and otherwise for the improvement and maintenance of greenbelt easements, walkways, common green, hike and bike trails, ponds, lakes, recreational areas and other properties, services and facilities devoted and related to the use and enjoyment of the Common Properties and operation of the Association, including, but not limited to or for: the payment of taxes on the Common Properties and insurance in connection with the Common Properties; the payment for utilities and the repair, replacement and additions of various items within the Common Properties; paying the cost of labor, equipment (including the expense of leasing any equipment) and materials required for, and management and supervision of, the Common Properties; carrying out the

duties of the Board of Directors of the Association as set forth in Articles IV and VI hereof; carrying out the other various matters set forth or envisioned herein or in any Supplementary Declaration related hereto; and for any matter or thing designated by the City of McKinney in connection with any zoning, subdivision, platting, building, development or occupancy requirements. The items and areas described above are not intended to be exhaustive but merely illustrative.

Section 5.3. Basis and Amount of Annual Assessments.

A. Appraised Value Lots. The basis and concept of determining, revising (when appropriate from time to time) and collecting the Annual Assessment on Lots within the Assessable Properties and described on Exhibit "B-1" (the "Appraised Value Lots") parallels the system of *ad valorem* taxation imposed and administered by the Taxing Authorities and the CADCC. Each Owner of an Appraised Value Lot, therefore, shall be deemed to covenant and agree with the Association that, as to each Lot so owned by such Owner:

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

(2) the Association is made, constituted and appointed as such Owner's true and lawful attorney-in-fact, coupled with an irrevocable interest, to apply for, seek and obtain *ad valorem* tax data, market valuations, assessed valuations and like data kept and maintained by the Taxing Authorities and/or the CADCC and/or multiple listing service records kept and maintained by realtors or appraisers on a systematized basis, so that the Assessed Valuation can be properly determined. In the event any Owner fails, neglects or refuses to so cooperate with and assist the Association in discharging its responsibility to so determine the Assessed Valuation, then: (i) the Board may levy an individual special assessment against the Owner and the Owner's Lot equal to the reasonable cost and expense incurred by the Association in otherwise gathering the data; and/or (ii) the Board may estimate and prescribe an Assessed Valuation which shall be binding upon the Owner and his Lot.

To provide funds for the purposes illustrated in Section 5.2 above, the Board shall assess against each Appraised Value Lot a charge which shall be uniform with respect to all such Lots and which shall be equal to a specified number of dollars and/or cents, as determined by the Board, for each One Hundred Dollars (\$100.00) of the Assessed Valuation of the Lot (the "Assessment Rate"). The Assessment Rate for the 2007 Fiscal Year shall be (\$0.2492) per One Hundred Dollars (\$100.00) of Assessed Valuation, and such Assessment Rate may be increased, in the sole discretion of the Board, in any subsequent Fiscal Years so long as the cumulative increases in the Assessment Rate after 2007 do not exceed five percent (5%) per year or the cumulative increases in the Consumer Price Index since January 1, 2007, whichever is greater. In making each such assessment, the Board shall separately assess each Lot and each such Lot shall be charged with and subjected to a lien for the amount of such separate assessment which shall be deemed the "Annual Assessment" with respect to such Lot.

Notwithstanding the foregoing, upon the transfer of record ownership of any Appraised Value Lot within the Association after the effective date of this Declaration, the assessment for that Lot will thereafter be levied in accordance with Section 5.3B below commencing with the next Fiscal Year. At that time, any such Lot will become a Fixed Rate Lot for purposes of this Declaration.

B. Fixed Rate Lots. The Annual Assessment to be levied on each Lot within the Assessable Properties described on Exhibit "B-2" or subjected to this Declaration after the date of recording of this Declaration (the "Fixed Rate Lots") shall not be based upon the Assessed Valuation but shall be equal for all such Lots. The amount of such Annual Assessment for the 2007 Fiscal Year shall be Six Hundred Ninety-Five and 81/100 Dollars (\$695.81) per Fixed Rate Lot. Such Annual Assessment may be increased, in the discretion of the Board, in any subsequent Fiscal Years, provided it does not exceed the Maximum Annual Assessment determined as set forth in Section 5.3C. Each Owner of a Fixed Rate Lot, by acceptance of a deed to any such Lot Property, acknowledges that such method of determining assessments is reasonable in light of the membership privileges and benefits received from the Association and is the least burdensome means of determining Annual Assessments on the Fixed Rate Lots, and agrees to pay such assessments notwithstanding that they may exceed the Annual Assessment payable by Owners of Appraised Value Lots.

C. Maximum Annual Assessment. The maximum Annual Assessment to be levied on any Lot within the Properties shall be \$695.81 for the 2007 Fiscal Year and shall automatically increase for each subsequent Fiscal Year by five percent (5%) or the percentage increase in the Consumer Price Index during the previous Fiscal Year, whichever is greater. The maximum Annual Assessment may not be otherwise increased without the assent of at least two-thirds Members at a meeting called for that purpose with at least sixty percent (60%) of the Lot Owners (or their proxies) present after adequate notice. If sixty percent (60%) do not attend, a second meeting may be called with the same notice and the quorum may be reduced to thirty percent (30%). In the event that the Annual Assessment against any Lot within the Existing Property, computed as described in Paragraph A of this Section, would otherwise exceed the maximum Annual Assessment allowed hereunder, then the Annual Assessment against such Lot shall be reduced to equal the maximum Annual Assessment permitted hereunder.

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

Section 5.4 Special Group Assessments. In addition to the regular Annual Assessment authorized by Section 5.3, the Association may levy in any Fiscal Year a special assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Common Properties, including any necessary fixtures and personal property related thereto or for any unusual or emergency purpose(s) (including without limitation those matters arising out

of litigation and/or judgments). Special Group Assessments shall be levied equally on all residential Lots within the Assessable Property.

Section 5.5 Village Assessments.

A. Budget. At least thirty (30) 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 by the Association during the coming year, including any contributions to a reserve fund for capital items maintained as a Village Expense. Each such budget shall include any costs for additional services or amenities or a higher level of services which have been approved by the Owners in such Village and accepted by the Association pursuant to Section 5.5.F.

B. Computation. Village Expenses shall be allocated equally among all Lots within the Village.

C. Notice; Disapproval. The Board shall send notice of the amount of the Village Assessment for the coming year to each Owner in the Village at least thirty (30) days prior to the beginning of the fiscal year. Such budget shall become effective unless disapproved in writing by the Owners of at least seventy-five percent (75%) of the Lots in the Village(s) to which the Village Assessment applies within twenty (20) days of the date of delivery of such notice. This right to disapprove shall only apply to those Village Expenses which are attributable to services or amenities requested by the Village and shall not apply to any item which the Governing Documents require to be assessed as a Village Assessment.

In the event the Board fails for any reason to determine the budget and Village Assessment for any year, then and until such time as a budget and Village Assessment shall have been determined, the budget and Village Assessment most recently in effect shall continue in effect until a new budget and Village Assessment are determined.

In the event the proposed assessment for any Village cannot be agreed upon in a reasonable time, the Association shall not be responsible for providing any services and/or amenities to the Village not otherwise required to be provided by the Association under this Declaration.

D. Budget Revisions. The Board may revise the budget for any Village and adjust the amount of any Village Assessment from time to time during the year, subject to the notice requirements and the right of Owners within the affected Village to disapprove the revised budget and Village Assessment as set forth above.

E. Use of Village Assessments. All amounts collected by the Association as Village Assessments shall be expended solely for the benefit of the Village for which they were collected and shall be accounted for separately from the Association's general funds.

F. Request for Additional Services. Owners within a Village may request that the Association provide a higher level of service or may request special services or additional amenities or improvements such as additional entry features or landscaping for the

benefit of the Village. Upon receipt of a written request signed by Owners representing at least two-thirds (2/3rds) of the total number of Lots within the Village specifying the desired services, amenities or improvements, the Association may, but is not obligated to, accept the request and provide the requested items. If provided, the cost of initial construction, maintenance, repair and replacement and otherwise providing for such services, amenities or improvements, which may include a reasonable administrative charge in such amount as the Association deems appropriate, shall be assessed against all of the Lots as part of the Village Assessment.

G. Request to Discontinue Services. Owners within a Village may request that the Association terminate or reduce the level of service or an amenity provided to the Village by the Association. Upon receipt of a written request signed by Owners representing at least two-thirds (2/3rds) of the total number of Lots within the Village specifying the desired services, amenities or improvements to be reduced and/or eliminated, the Association may, but is not obligated to, accept the request and reduce the level of service and/or eliminate the requested items. The cost to terminate or reduce any service, including any cancellation fees or administrative charges, shall be assessed against all of the Lots as part of the Village Assessments.

Section 5.6. Date of Commencement of Assessments; Due Dates. The Annual Assessment shall be due and payable in full in advance on the first day of each Fiscal Year and shall, if not automatically paid within thirty (30) consecutive calendar days thereafter, automatically become delinquent. The Board shall use reasonable efforts to provide each Owner with an invoice statement of the appropriate amount due, but any failure to provide such notice shall not relieve any Owner of the obligation established by the preceding sentence. The Board may (but is not required to), however, prescribe time-price differential payment schedules which would permit the collection of an amount greater than the Annual Assessment on a semi-annual, quarterly or monthly basis provided that the creditworthiness of the Owner was acceptable to the Board and the inconvenience to the staff of the Association for additional invoicing and collection efforts was minimized or eliminated. The Board may further prescribe: (a) procedures for collecting advance regular Annual Assessments from new Owners out of "closing transactions"; and (b) different procedures for collecting assessments from Owners who have had a recent history of being untimely in the payment(s) of assessments.

Section 5.7. Duties of the Board of Directors with Respect to Assessments.

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

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

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

Section 5.8. Effect of Nonpayment of Assessment; the Personal Obligation of the Owner; the Lien; and Remedies of Association.

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

B. The Association may give written notification to the holder(s) of any mortgage on the Lot of a non-paying Owner of such Owner's default in paying any assessment, charge or fine, and shall be obligated to do, so if the Association has theretofore been furnished in writing with the correct name and address of the holder(s) of such mortgage, a reasonable supply of self-addressed postage prepaid envelopes, and a written request to receive such notification.

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

D. The Association may, at its discretion but subject to all applicable debt collection statutes prepare and file a document in the public records of Collin County, Texas which specifically identifies the unpaid assessments, charges or fines and that the fact that a lien exists to secure the repayment thereof. However, failure to execute and record any such document shall not, to any extent, affect the validity, enforceability or priority of the lien. Each Owner consents to these procedures and authorizes the Board to undertake such measures for the general benefit of the Association.

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

Section 5.9. Power of Sale. The lien described within the preceding Section is and shall be a contract Payment and Performance Lien and may be foreclosed through judicial or, to the extent allowed by law, non-judicial foreclosure proceedings in accordance with Tex. Prop. Code Ann. Section 51.002 (Vernon 1984), as it may be amended, in like manner of any deed of trust on real property. Each Owner hereby grants to the Association, whether or not it is expressed in the deed or other instrument conveying such Lot to the Owner, a power of sale to be exercised in accordance with Tex. Prop Code Ann. Section 51.002 (Vernon 1984), as it may be amended.

Section 5.10. Rights of City of McKinney. In the event that the Association and its assigns shall fail or refuse to adequately maintain the appearance and condition of the Common Properties which it is obligated to maintain hereunder, the City of McKinney, Texas shall have the right and may assume the duty of performing all such maintenance obligations of the Association at any time, upon giving written notice to the Owners or at any time after the expiration of ten (10) days after receipt by the Association or its assigns, of written notice specifying in detail the nature and extent of the failure to maintain without such failure being remedied, whichever notice shall be deemed appropriate by the City of McKinney. Upon assuming such maintenance obligations, the City of McKinney may levy an assessment upon each Lot on a pro rata basis for the cost of such maintenance, notwithstanding any other provisions contained in this Declaration, which assessment shall constitute a lien upon the Lot against which each assessment is made. During the period the City of McKinney has a right and assumes the obligation to maintain and care for the Common Properties, the Association shall have no obligation or authority with respect to such maintenance. The right and authority of the City of McKinney to maintain the Common Properties shall cease and terminate when the Association or its assigns, shall present to the City of McKinney reasonable evidence of its willingness and ability to resume maintenance of the Common Properties. In the event the City of McKinney assumes the duty of performing the maintenance obligations of the Association as provided herein, then the City of McKinney, its agents, representatives and employees shall have right of access to and over the Common Properties for the purpose of maintaining, improving and preserving the same; and in no event, and under no circumstances, shall the City of McKinney be liable to the Association or any Owner, Resident or Member, or their respective heirs, executors, administrators, devisees, personal representatives, successors and assigns for negligent acts or construction relating in any manner to maintaining, improving and preserving the Common Properties, or to any Owner, Resident, Member, the Association or any other Person for failure to perform such maintenance.

Section 5.11. Subordination of the Lien to Mortgagees. The lien securing the payment of the assessments and other obligations provided for herein shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Lot whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, except for:

- A. bona-fide first mortgage or deed of trust liens for purchase money and/or home improvement purposes placed upon a Lot, including without limitation Institutional Mortgages and Eligible Mortgages, in which event the Association's lien shall automatically become subordinate and inferior to such first lien;
- B. liens for taxes or other public charges as are by applicable law made superior to the Association's lien; and

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

Section 5.12. Working Capital Fund. To satisfy existing requirements of Eligible Mortgagees and Eligible Insurers and better insure that the Association will have the funds to meet unforeseen expenditures or to purchase additional equipment or services, upon each transfer of record title to a Lot, a contribution shall be made by or on behalf of each Owner of a Lot to the Working Capital of the Association in an amount equal to one-sixth (1/6) of the Annual Assessment per Lot for that year as determined by the Board. The amount of this contribution to the Working Capital Fund shall be set by the Board at the beginning of each Fiscal Year. This amount shall be in addition to, not in lieu of, the Annual Assessment levied on the Lot and shall not be considered an advance payment of any portion thereof. This amount may be used in covering operating expenses and other expenses incurred by the Association pursuant to the terms of this Declaration and the By-Laws.

Section 5.13. Exempt Property. The following property otherwise subject to this Declaration shall be exempted from any assessments, charge and lien created herein:

- A. All properties dedicated to and accepted by a local public or governmental official;
- B. Common Properties; and
- C. Exempt Property, such as churches, parks, public schools, etc.

ARTICLE VI

GENERAL POWERS AND DUTIES OF THE BOARD

Section 6.1. Powers and Duties. The affairs of the Association shall be conducted by its Board. The Board, for the benefit of the Association the Properties and the Owners and Residents, may provide and may pay for, out of the assessment fund(s) provided for in Article V, one or more of the following:

- A. Care, preservation and maintenance of the Common Properties (including without limitation, the proper maintenance of lake water quality and lake shorelines), other real property located outside the Common Properties the maintenance of which benefits the Association, and the furnishing and upkeep of any desired personal property for use in or on the Common Properties.

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

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

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

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

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

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

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

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

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

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

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

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

M. To prepare an annual operating budget and to make it available for review and copying (at a reasonable cost to each Owner so requesting) at the Association offices within ninety (90) days after the end of each Fiscal Year;

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

O. To enforce the provisions of the Governing Documents and to enjoin and seek damages from any Owner or Resident for violation of any such provisions. The Board is specifically authorized and empowered to establish (and to revise and amend from time to time) a monetary "fines" system which may include component steps such as warning citations, ticketing, due process hearings and appeals and a flat rate or discretionary range or geometric progression of fine amounts, and escalated fines for repeat offenders, which, when pronounced, shall constitute a permitted individual Lot Owner assessment secured by the continuing Payment and Performance Lien herein established. The Association may: (i) lease equipment from the Declarant; (ii) contract with the Declarant concerning the provision of any personnel, labor, supplies, materials and services, provided such contract terms and conditions are generally comparable (in terms of price, quality and timeliness) with those that might be otherwise obtained from unrelated third parties.

Section 6.2. Board Powers. The Board shall have the right and obligation to perform the functions of the Board on behalf of the Association without a vote of the membership unless otherwise provided by the Governing Documents.

Section 6.3. Maintenance Contracts. The Board shall have full power and authority to contract, on behalf of the Association, for services which the Association is otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interests of the Association. The Association may also coordinate and/or contract with the Commercial Association and/or the owner(s) and/or operator(s) of any Private Amenity concerning landscaping, irrigation, maintenance, plantings and related matters, including cost-sharing arrangements. Prior to any contract being let for any amount exceeding \$50,000.00, the Board shall attempt to solicit bids. The Board is not obligated to accept the low bid.

Section 6.4. Liability Limitations. Neither any Owner or Resident nor the directors and officers and managers of the Association shall be personally liable for debts contracted for or otherwise incurred by the Association or for any torts committed by or on behalf of the Association or for a tort of another Owner or Resident, whether such other Owner or Resident was acting on behalf of the Association or otherwise. Neither the Association, its directors, officers, managers, agents or employees shall be liable for any actual, incidental or consequential damages for failure to inspect any premises, improvements or portion thereof or for failure to repair or maintain the same. The Association or any other Person liable to make such repairs or maintenance shall not be liable for any personal injury or other actual, incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portion thereof.

Section 6.5. Reserve Funds. The Board may establish reserve funds which may be maintained and accounted for separately from other funds maintained for annual operating expenses and may establish separate, irrevocable trust accounts or any other recognized bookkeeping or tax procedures in order to better demonstrate that the amounts deposited therein are capital contributions and not net or taxable income to the Association.

Section 6.6 Patrol Services. The Association may, but shall not be obligated to, maintain or support or contract for the provision of patrol services within the Properties. To the extent that such services are provided, such services are provided solely for the purpose of monitoring activities or conditions affecting the Common Properties, and are not for the purpose of monitoring conditions or activities affecting Lots. The Association shall not be considered insurers or guarantors of safety within the Properties, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate patrol services or of ineffectiveness of any such measures undertaken. No representation or warranty is made that any fire protection system, burglar alarm system or other monitoring system or measure cannot be compromised or circumvented, or that any such system or measure undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges and understands, and covenants to inform its tenants and Residents, that the Association, its Board of Directors and committees, are not insurers of safety and that each Person using the Properties assumes all risks of personal injury, death and loss or damage to property, including Dwelling Units and the contents of Dwelling Units, resulting from acts of third parties.

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

ARTICLE VII
INSURANCE; REPAIR; RESTORATION

Section 7.1. Right to Purchase Insurance. The Association shall have the right and option to purchase, carry and maintain in force insurance covering any or all portions of the Common Properties, any improvements thereon or appurtenant thereto, for the interest of the Association, its Board of Directors, officers, managers, agents and employees, and of all Members of the Association in such amounts and with such endorsements and coverage as shall be deemed appropriate by the Board and/or as specifically required by the Eligible Mortgagees or Eligible Insurers. Such insurance may include, but need not be limited to:

- A. Insurance against loss or damage by fire and hazards covered by a standard extended coverage endorsement in an amount which shall be equal to the maximum insurable replacement value, excluding foundation and excavation costs;
- B. Comprehensive public liability and property damage insurance on a broad form basis, including coverage of personal liability (if any) of the Board, Residents and Members with respect to the Common Properties;
- C. Fidelity bonds for all officers and employees of the Association having control over the receipt or disbursement of funds; and
- D. Liability insurance regarding the errors and omissions of directors, officers, managers, employees and representatives of the Association.

Section 7.2. Insurance and Condemnation Proceeds. The Association shall be the exclusive representative of the Members in any proceedings, negotiations, settlements or agreements concerning insurance or condemnation. The Association and the Members may use the net insurance or condemnation proceeds to repair and replace any damage or destruction of property, real or personal, covered by such insurance or condemnation. Any balance from the proceeds of insurance or condemnation paid to the Association, remaining after satisfactory completion of repair and replacement or after the Board has elected to waive the repair, restoration or replacement, shall be retained by the Association as part of a general reserve fund for repair and replacement of the Common Properties.

Section 7.3. Insufficient Proceeds. If the insurance or condemnation proceeds are insufficient to repair or replace any loss or damage, the Association may levy a special group assessment as provided for in Article V of this Declaration to cover the deficiency.

Section 7.4 Individual Insurance. The Association will seek to carry public liability insurance generally covering bodily injury and property damage arising out of negligent acts by employees, Members or authorized representatives of the Association. The Association will not carry any insurance pertaining to, nor does it assume any liability or responsibility for, the real or personal property of the Owners or Residents (and their respective family members and guests). Each Owner and Resident expressly understands the covenants and agrees with the Association that:

A. the Association has no responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and personal property of each Owner or Resident;

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

Section 7.5. Liability Insurance. The Board may, but shall not be obligated to, require an Owner or Builder to obtain a comprehensive general liability policy prior to the commencement of construction or modification of any improvement for which plans and specifications must be submitted to the Reviewing Body for approval under this Declaration. Such policy, if required, shall have a combined single limit of not less than One Hundred Thousand Dollars (\$100,000.00) covering all losses, damages and claims arising out of the original contractor's or Builder's use of, activities on and/or ownership of the Lot, including property damage, bodily injury and death. Such policy, if required, shall also name the original contractor or Builder, as applicable, as the insured party and the Association as an additional insured. In addition, the original contractor or Builder shall obtain, if required by the Board, worker's compensation insurance, if and to the extent required by law; employer's liability insurance; automobile liability insurance covering all motor vehicles owned, hired or used in connection with the original contractor's or Builder's construction activities in the Properties; and builder's risk insurance covering the original contractor's or Builder's activities in the Properties, all in such amounts as are reasonable to the Association.

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

ARTICLE VIII

ARCHITECTURAL REVIEW

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

This Article shall not apply to improvements to the Common Properties by or on behalf of the Association.

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

Section 8.2. Master Architectural Review Committee. The Master Architectural Review Committee ("MARC") shall be composed of at least three (3) but not more than five (5) individuals selected and appointed by the Declarant (during the Development Period), each generally familiar with residential and community development design matters and knowledgeable about the Declarant's concern for a consistent first-class approach to and construction of improvements within Stonebridge Ranch. The members of the MARC may, but need not, include architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Board. In the event of the death, incapacity or resignation of any member of the MARC, the Declarant (during the Development Period) shall have full authority to designate and appoint a successor.

The MARC shall have authority to administer and enforce architectural controls and to review and act upon all applications for original construction on previously unimproved Lots from and after conclusion of the Development Period, or earlier if determined in writing by the Declarant, the MARC shall become the province of the Association, and the Board may, at its option, either appoint the members of the MARC, who shall thereafter serve and may be removed in the Board's discretion, or combine the MARC and the MC (as hereinafter defined) into a single architectural review committee which shall assume all powers and responsibilities of both committees under this Declaration.

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

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

The Committee shall operate and act in accordance with policies and design reviews procedures approved by the Board of Directors.

BEFORE UNDERTAKING ANY ALTERATION, EACH OWNER AND MORTGAGEE OF ANY LOT IN THE SUBDIVISION IS STRONGLY ENCOURAGED TO CONTACT THE ASSOCIATION TO OBTAIN AND REVIEW

THE MOST RECENT MASTER AND SUBDIVISION DESIGN GUIDELINES AND
TO DISCUSS THE ALTERATION PROPOSAL.

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

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

The Reviewing Body is authorized and empowered (but not obligated) to consider and review any and all aspects of construction, location and landscaping. Also, the Reviewing Body is permitted to consider technological advances and changes in design and materials which may or may not be permitted, in accordance with the reasonable opinion of the Reviewing Body. The Reviewing Body is also authorized to request, receive and transmit cost data to the Board which would enable the Association to carry out its duties as prescribed by Section 5.3.

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

Each and every Owner and applicant shall use their respective best efforts to commence construction of all improvements approved by the Reviewing Body and the City of McKinney, Texas (and any and all other applicable governmental agencies) within sixty (60) days after obtaining all necessary governmental approvals therefor. All projects shall be completed within

one (1) year of commencement of construction, unless otherwise approved in writing by the Reviewing Body. Upon written request of an Owner, the Reviewing Body may extend the time period for completion of the project upon such circumstances as the Reviewing Body deems appropriate, in its sole discretion.

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

The Association shall make the Design Guidelines available at a reasonable cost to Owners and Builders who seek to engage in development or construction within the Properties, and all such Persons shall conduct their activities in accordance with such Design Guidelines. The Master Architectural Review Committee shall have the right, power and authority to establish and prescribe Design Guidelines pertaining to items and topics such as (but not necessarily limited to):

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

H. Mailbox location and design;

I. The items described within Section 8.2 above and any other data or information requested or deemed reasonably necessary by the Master Architectural Review Committee.

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

Section 8.6 No Submission Required. Notwithstanding anything contained in this Article VIII to the contrary, plans and specifications for certain improvements specifically identified in the Design Guidelines as not requiring prior approval need not be submitted to or approved in writing by the Reviewing Body prior to an Owner's construction or installation of such improvement on the Owner's Lot; provided, however, that such improvement and the installation thereof strictly conforms to the requirements of this Declaration and the Design Guidelines.

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

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

- A. Submit preliminary plans and specifications to the Reviewing Body;
- B. Submit final plans and specifications to the Reviewing Body; and
- C. Submit plans and specifications to the City of McKinney.

The Reviewing Body is authorized and empowered to and shall consider, review and comment on preliminary plans submitted in duplicate on an informal basis to assist Owners, developers, Builders and prospective purchasers of the Lots in complying with these Covenants and to assist in the completion of any feasibility studies undertaken by such Persons. The Reviewing Body shall have the right, however, to prescribe reasonable limitations concerning the time, effort and expense likely to be involved in handling such matters on an informal basis. If the preliminary plans and specifications are approved by the Reviewing Body, the Owner or the Owner's designated representative will be so advised in writing. If found not to be in compliance with these Covenants, the Master Design Guidelines and any applicable Subdivision Design Guidelines or architectural bulletins, the Owner or the Owner's designated representative will be so advised in writing containing a reasonable statement and explanation of items found not to comply with these Covenants, the Master Design Guidelines and any applicable Subdivision Design Guidelines. If the Reviewing Body fails to respond within thirty (30) days

after the actual date on which a complete (as determined by the Reviewing Body in its sole discretion) submission is received, the applicant may give the Reviewing Body written notice of such failure to respond, stating that, unless the Reviewing Body responds within thirty (30) days of receipt of such notice, approval of the matters submitted shall be presumed. Comments on and approvals of preliminary plans and specifications shall be binding upon the Reviewing Body provided that conforming final plans and specifications are submitted within ninety (90) days of such preliminary comments or approvals. The Reviewing Body may conditionally approve preliminary plans to allow, among other things, the commencement of construction pending final approval.

Final plans, specifications and surveys shall be submitted in duplicate to the Reviewing Body for review and approval or disapproval. The Reviewing Body is authorized to request the submission of samples of proposed construction materials. At such time as the final plans, specifications and surveys meet the approval of the Reviewing Body, one complete set of final plans, specifications and surveys will be retained by the Reviewing Body and the other complete set will be marked "Approved" and returned to the Lot Owner or his designated representative. If found not to be in compliance with these Covenants, the Master Design Guidelines and any applicable Subdivision Design Guidelines or architectural bulletins, one set of such final plans, specifications and surveys shall be returned marked "Disapproved," accompanied by a reasonable statement and explanation of items found not to comply with these Covenants, the Master Design Guidelines and any applicable Subdivision Design Guidelines or architectural bulletins. Any modification or change to the approved set of final plans, specifications and surveys must again be submitted to the Reviewing Body for its inspection and approval. The Reviewing Body's approval or disapproval, as required herein, shall be in writing. If the Reviewing Body fails to approve or disapprove such final plans, specifications and surveys within thirty (30) days after the actual date on which a complete (as determined by the Reviewing Body in its sole discretion) submission is received, the applicant may give the Reviewing Body written notice of such failure to respond, stating that, unless the Reviewing Body responds within thirty (30) days of receipt of such notice, then the Reviewing Body's approval shall be presumed.

The MARC may from time to time publish and promulgate architectural standards bulletins and/or lot information sheets which shall be fair and reasonable and shall, carry forward the spirit and intention of these Covenants. Such bulletins and lot information sheets shall supplement these Covenants and are incorporated herein by reference.

EACH OWNER SHALL SEEK AND OBTAIN AND BECOME THOROUGHLY FAMILIAR WITH ANY AND ALL ARCHITECTURAL STANDARDS, BULLETINS AND LOT INFORMATION SHEETS PRIOR TO ACQUISITION OF, AND CONSTRUCTION ON, ANY LOT.

Section 8.8. Appeal Process. Within ten (10) days after the Reviewing Body's disapproval of final plans, specifications and surveys, the applicant may make a written request for a hearing before the Reviewing Body to reconsider the application. If the applicant timely requests a hearing under this Section 8.8, the hearing shall be held in executive session of the Reviewing Body, affording the applicant a reasonable opportunity to be heard. The Reviewing Body shall notify the applicant in writing of its decision within ten (10) days after the hearing.

If the hearing was held before the MC, the Owner shall have the right to appeal the MC's decision to the MARC. If the hearing was held before the MARC, the Owner shall have the right to appeal the MARC's decision to the Board. To perfect the right to appeal either the MC's or the MARC's decision, a written notice of appeal must be received by the Board within ten (10) days after the date of the written notice to the Owner of the results of the hearing. Any hearing before the Board shall be held in the same manner as the hearing before the Reviewing Body.

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

Section 8.10. Assistance. The Reviewing Body shall be entitled, at any time and from time to time, to associate or employ a staff and to seek and obtain professional advice and counsel (including but not limited to architects, attorneys, designers, engineers and landscape technicians) in connection with the performance of its duties with all reasonable costs and expenses related thereto paid for or reimbursed by the Association. The Association may, in turn, reasonably recoup some or all of these expenses from the applicants seeking review and approval of plans and specifications.

Section 8.11 Construction Deposit. In order to insure an Owner's compliance with this Declaration, the Design Guidelines and the rules and regulations promulgated thereunder, each Owner of a Lot situated immediately adjacent to the Common Properties or the Golf Course, or any portion thereof, shall pay to the Association a construction deposit, in an amount established by the Board from time to time, upon the Owner's submission of final plans and specifications for the construction or modification of an improvement under this Article. This deposit is in addition to any such deposit required under a separate agreement between an Owner and the Declarant. No such deposit shall be required for the construction or installation of improvements which are exempt from the submission and approval requirements of this Declaration pursuant to Section 8.6 of this Declaration. In the event the Reviewing Body disapproves of the final plans and specifications, the Association shall promptly return the construction deposit to said Owner upon receipt of the Owner's written request to do so. If said plans and specifications are approved, the entire construction deposit shall be held by the Association until construction of the improvement is completed in accordance with the approved plans as determined by the Board in its sole discretion. The Association shall release the construction deposit to the Owner, less any funds expended or reserved by the Association pursuant to this Section, within thirty (30) days of receipt of written notice from the Owner of completion of the improvement.

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

the Association a sum equal to the amount so applied in order to restore the construction deposit to its original amount.

Section 8.12. Enforcement. In addition to any other remedy provided in this Declaration for violations of these Covenants, including the right to fine Owners for violations thereof, the Declarant and/or the Association and/or the MARC and/or the MC may require any Owner to restore such Owner's Improvements to the condition existing prior to the construction thereof (including, without limitation, the demolition and removal of any unapproved Improvement) if such Improvements were commenced or constructed in violation of this Article and/or the approved plans. In addition, the Declarant and/or the Association and/or the MARC and/or the MC may, but has no obligation to do so, cause such restoration, demolition and removal and levy the amount of the cost thereof as a special individual assessment against the Lot upon which such Improvements were commenced or constructed. A material violation of these Covenants shall be deemed to have occurred if no prior express written approval of the MARC or the MC (as the case may be) has been obtained where it was originally required, even if hindsight reveals that the actual plans and specifications would have been approved by the MARC and the MC (as the case may be) had they been properly and timely submitted.

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

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

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

Section 8.15 Limitation of Liability. Neither Declarant, nor the Association, nor the MARC, nor the MC, nor the Board nor the officers, directors, managers, members, employees and agents of any of them, shall be liable in damages to anyone submitting plans and specifications to any of them for approval, or to any Owner of property affected by these restrictions by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications. No approval of plans and specifications and no publication of any Master or Subdivision Design Guidelines, architectural bulletins or lot information sheets shall be construed as representing or implying that such plans, specifications, guidelines, bulletins or sheets will, if followed, result in properly designed improvements and/or improvements built in a good and workmanlike manner or improvements which are in compliance with applicable building codes. Every Person who submits plans or specifications, and every Owner of each and every Lot, agrees that he will not bring any action or suit against Declarant, the Association, the MARC, the MC, the Board, or the officers, directors, managers, members, employees and agents of any of them, to recover any such damages and hereby releases, remises and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given.

Section 8.16 Right to Inspect. After reasonable notice to the Owner (and any applicable Resident), any member or agent of a Reviewing Body may from time to time at any reasonable hour or hours enter and inspect any property subject to the jurisdiction of said Reviewing Body to confirm improvement or maintenance or alteration in compliance with the provisions hereof. No Improvements shall be constructed, erected, placed, altered or maintained on any Lot in a manner which is in violation of any of the laws or ordinances of the City of McKinney, Texas or any other applicable governmental laws, rules or regulations. However, Declarant, the Association, the MARC, the MC and their respective officers, directors, managers, agents and employees shall have no obligation to enforce or to report the violation of any such law, ordinance, rule or regulation.

Section 8.17 Variances. The Reviewing Body shall have the power to grant variances, waivers, tolerances or modifications of the standards set forth within the Covenants and design guidelines under circumstances and conditions deemed reasonable, appropriate and prudent by the Reviewing Body. Matters of "quality," "adequacy" and "propriety" are considered by the Reviewing Body from an aesthetic standpoint, and not from an engineering standpoint. Plans and specifications are not reviewed or approved for engineering or structural design or technical quality of materials, and by approving such plans and specifications neither the MARC, the MC, nor the members thereof, nor the Association assumes liability or responsibility therefor, nor for any defect in any structure constructed from such plans and specifications.

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

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

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

ARTICLE IX

USE OF LOTS; PROTECTIVE COVENANTS

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

Section 9.1. Residential Use. All Lots shall be used for residential purposes. No Owner shall conduct, transmit, permit or allow any type or kind of commercial or home business or home profession or hobby on his Lot or within any Dwelling Unit on his Lot which would: (i) attract automobile, vehicular or pedestrian traffic to the Lot; or (ii) involve lights, sounds, smells, visual effects, pollution and the like which would adversely affect the peace and tranquility of any one or more of the Residents within the Village. The restrictions on use herein contained shall be cumulative of, and in addition to, such restrictions on usage as may from time to time be

applicable under and pursuant to the statutes, rules, regulations and ordinances of the City of McKinney, Texas or any other governmental authority having jurisdiction over the Lot.

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

Section 9.2 Residential Structures. No building or structure shall be erected, altered, placed or permitted to remain on any residential Lot other than one (1) single-family dwelling and, if any, its customary and usual accessory structures (unless otherwise prohibited herein). No building or structure intended for or adapted to business or commercial purposes or Commercial Use shall be erected, placed, permitted or maintained on such premises, or any part thereof, save and except those related to development, construction and sales purposes of a Builder, the Declarant or the Association.

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

Section 9.4. Garages; Carports. Each single-family residential dwelling erected on any Lot shall provide garage space for a minimum of two (2) conventional automobiles, unless otherwise specifically approved by the Reviewing Body. All garage doors shall be closed at all times when not in use. Carports are not encouraged but may be permitted under limited rigid circumstances if, as and when, in the absolute opinion of the Reviewing Body, the exterior surface and appearance will substantially compare with a garage and if absolutely no storage of items, which would otherwise be visible, will occur thereunder. Any and all proposed garage or carport plans and specifications must be submitted to the Reviewing Body for review and approval. Each Resident shall use their respective best efforts to refrain from performing, permitting or allowing repair or maintenance work to any automobile or other vehicle outside the garage and visible to the abutting street(s).

Section 9.5. Setback Requirements. Setback requirements are described within the Master Design Guidelines and the Subdivision Design Guidelines. The Master Architectural Review Committee may establish additional setback lines (for fences, walls and for buildings) from the front property line of each Lot at varying distances. In order to allow flexibility for: (i) implementation of state-of-the-art construction designs, and (ii) any consolidation of two (2) or

more Lots to accommodate the construction of a lesser number of Dwelling Units thereon, the Master Architectural Review Committee shall also have the authority to develop and refine rear and side yard setback requirements. Within the setback areas for each Lot and subject to the construction or installation of any other items otherwise permitted, a non-exclusive surface easement and right-of-way is reserved for the Association in order to properly facilitate and carry out its duties and responsibilities under this Declaration.

Section 9.6. Height Limitations; Elevations. No Structure on any Lot shall exceed the height limit specified by the Subdivision Design Guidelines or the MARC. In order to create a desired architectural appearance and mix of one (1) and two (2) story Structure heights the Master Architectural Review Committee may prescribe inter-related height and setback requirements. The Master Architectural Review Committee shall have the power and authority to further develop and refine guidelines and interpretations concerning the height concepts and limitations envisioned herein.

Section 9.7. Fences; Signs. No fence, wall or hedge (which serves as a barrier) shall be erected, placed or altered on any Lot nearer to any street than the minimum building setback line as established by the Subdivision Design Guidelines or the Master Architectural Review Committee. Unless otherwise approved by the Reviewing Body, all exterior mechanical or service equipment adjacent to a Dwelling Unit must be enclosed within fences, walls or landscaping so as not to be visible from the immediate residential street. No fence, wall or hedge shall be erected, placed or altered on any residential Lot without the approval of the Reviewing Body. No sign or signs shall be displayed to the public view on any residential Lot, except the following shall be permitted:

- A. any builder, during the applicable initial construction and sales period, may utilize two (2) professional signs (of not more than six (6) square feet in size) per Lot for advertising and sales purposes;
- B. thereafter, a dignified "For Sale" or "For Lease" sign (of not more than six (6) square feet in size) may be utilized by the Owner of the respective residential Lot for the applicable sale or lease situation;
- C. development-related signs owned or erected by the Declarant;
- D. model home or other signs specifically permitted by the MARC in writing;
- E. political signs (the size of which shall be in accordance with state law) advocating the election of one or more political candidates or the sponsorship of a political party, issue or proposal may be erected on a Lot, provided that no more than one (1) sign shall be permitted for each candidate or issue and such signs shall not be erected more than ninety (90) days in advance of the election to which they pertain and are removed within ten (10) days after the election.

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

Section 9.8 Easements; Utilities. Easements for the installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded subdivision plats of the Properties. Utility service may be installed along or near the front and/or side and/or rear Lot lines and each Owner shall have the task and responsibility of determining the specific location of all such utilities. Except as may be otherwise permitted by the Reviewing Body (e.g. fencing, flatwork, landscaping, etc.), no Owner shall erect, construct or permit any obstructions or permanent improvements of any type or kind to exist within any easement area, nor shall anything be done or permitted within an easement area which would restrict or adversely affect drainage. Electrical (and possibly other utility) easements are likely to be located at, near or along the front, side and rear lot line(s), and each Lot Owner assumes full, complete and exclusive liability and responsibility for all cost and expense related to damage, repair, relocation and restoration of such improvements or fence. Except as to special street lighting or other aerial facilities which may be required by the City of McKinney or which may be required by the franchisee of any utility company or which may be installed by the Declarant pursuant to its development plan, no aerial utility facilities of any type (except meters, risers, service pedestals and other surface installations necessary to maintain or operate appropriate underground facilities) shall be erected or installed on individual Lots, easements, streets or right-of-way of any type, either by the utility company or any other Person, including, but not limited to, any Person owning or acquiring any part of the Properties, and all utility service facilities (including, but not limited to, water, sewer, gas, electricity and telephone) shall be buried underground unless otherwise required by a public utility. All utility meters, equipment, air conditioning compressors and similar items must be visually screened and located in areas designated by the Reviewing Body. Pursuant to requirements by utility company(ies) providing service to the Properties, the following provisions and covenants are to run with the land within the Properties with the same force and effect as all other Covenants herein and as if such provisions and covenants had originally been recited within the Deed to each Lot executed and delivered by Declarant:

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

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

Section 9.9. Temporary Structures. No temporary structure of any kind shall be erected or placed upon any Lot. No trailer, mobile, modular or prefabricated home, tent, shack, barn or any other accessory structure shall be placed on any Lot, either temporarily or permanently, unless such structure is completely concealed from public view, and no structure shall be moved upon any Lot from another location, except that Board shall have the exclusive right to erect, place and maintain, and to permit Builders and Owners to erect, place and maintain such facilities in and upon the Common Properties. Such facilities may include, but not necessarily be limited to, a temporary office building, storage area, signs, portable toilet facilities and sales offices.

Section 9.10 Site Maintenance, Garbage and Trash Collection. Owners are responsible to keep construction sites free of rubbish and streets (to the crown) scraped clear of any mud accumulation. Owners will not be allowed to store any excavation of soil on streets or adjacent sites without prior written permission of the MARC. Soil runoff due to rain or irrigation shall be removed promptly from streets and sidewalks by the Owner. The Board may adopt rules regarding the maintenance of construction sites, including the imposition of fines for violations of this Section 9.10.

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

No Lot, or any portion of the Common Properties or any public right-of-way area, shall be used or maintained as a dumping ground for rubbish, trash or garbage. No Owner or Resident shall dump grass clippings, landscape debris, garbage or trash of any kind on another Lot or on the Common Properties. Each Owner is responsible for the appearance and condition of such Owner's Lot. If more than five (5) days after prior written notice an Owner shall fail to: (i) control weeds, grass and/or other unsightly growth; (ii) remove trash, rubble, building and construction debris; or (iii) exercise reasonable care or conduct to prevent or remedy an unclean, untidy or unsightly condition, then the Association shall have the authority and right to go onto said Lot for the purpose of mowing and cleaning said Lot and shall have the authority and right to assess and collect from the Owner of said Lot a reasonable charge for mowing or cleaning said Lot on each respective occasion of such mowing or cleaning. The assessments, together with such interest thereon and costs of collection thereof, shall be a charge on the land and shall be a continuing Payment and Performance Lien upon each Lot against which each such assessment is made. Each such assessment, together with interest thereon and costs of collection thereof, shall also be the continuing personal obligation of the Person who was the Owner of such Lot at the time when the assessment occurred.

Section 9.11. Offensive Activities: (including Pets). No noxious or offensive activity or pollution affecting sight/sound/smell, as determined by the Board, shall be conducted or permitted on any portion of the Properties. No direct sales activities (excluding, however, activities of the Declarant and bona-fide homebuilders and community activities specifically approved by the Board), garage sales, yard sales, patio sales, flea markets, bazaars, sample sales, or similar activities shall be conducted on any portion of the Properties.

Any noise or odor emitted by, and any discharge or waste from, any animal (including without limitation dogs and cats) which by frequent or habitual noise making, unreasonably disturbs or interferes with the peace, comfort or repose of residents, or causes a noise disturbance as defined herein is prohibited. For purposes of this Section 9.11, a noise disturbance shall mean any sound which annoys or disturbs, or which causes or tends to cause an adverse psychological or physiological effect upon, the sensibilities of a reasonable, prudent, adult person; and unreasonably loud or disturbing noise which renders the enjoyment of life or property uncomfortable or interferes with public peace and comfort. No animals, livestock or poultry of any kind shall be raised, bred or kept on any residential Lot, except that a reasonable number of

dogs, cats or other commonly recognized household pets may be kept, provided that they are not kept, bred or maintained for commercial purposes and they are not noxious, offensive or dangerous. Each and every dog and cat must be leashed and accompanied by its owner when traveling beyond the perimeter of a secure enclosure (as hereinafter defined), and such pet owner shall promptly clean and remove the discharge and waste of his or her pet. Any animal determined by the Board in its sole and absolute discretion to be in violation of this Section 9.11 shall be removed from the Properties upon request of the Board. If the owner of such animal fails to honor such request, the Board may, in addition to any other remedy provided in this Declaration, cause the removal of the animal from the Properties.

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

Any outside pen, cage, kennel, shelter, concrete pet pad, run, track or other building, structure or device directly or indirectly related to animals which can be seen, heard or smelled by anyone other than the subject Owner must be approved in writing by the Reviewing Body in its sole and absolute discretion.

Section 9.12. Landscaping; Maintenance. Construction of each and every Dwelling Unit within the Properties shall include the installation and placement of appropriate landscaping. Each Owner shall have the duty and responsibility, at his sole cost and expense, to keep and maintain the Lot, and all improvements therein and thereon, in a well-maintained, safe, clean and attractive condition at all times. Such maintenance shall include (without limitation):

- A. the proper seeding, consistent watering and mowing of all lawns;
- B. the pruning and cutting of all trees and shrubbery;
- C. the prompt removal of all litter, trash, refuse and waste;
- D. watering of all landscape;
- E. keeping exterior lighting and mechanical facilities in working order;
- F. keeping lawn and garden areas alive free of weeds and attractive;
- G. keeping driveways in good repair and condition;
- H. promptly repairing any exterior damage;

- I. complying with all governmental health and police requirements,

all in a manner and with such frequency as is consistent with aesthetics, safety and good property management. Owners of Dwelling Units or Lots which abut Stonebridge Lake or any bank or water's edge of any other lake or pond area within the Properties ("Waterfront Lot") shall maintain all landscaping within the Lot including landscaping at or near the bank or water's edge unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to any agreement or easement with local government agencies; provided, there shall be no right to remove trees, shrubs or similar vegetation from the Lot or the bank and water's edge area without prior approval pursuant to Article VIII. The Association, and its agents, during normal business hours, shall have the right (after five (5) days' written notice to the Owner of any Lot involved, setting forth the specific violation or breach of this covenant and the action required to be taken, and if at the end of such time reasonable steps to accomplish such action have not been taken by the Owner), to enter on the subject premises (without any liability whatsoever for damages for wrongful entry, trespass or otherwise to any Person) and to take the action(s) specified in the notice to remedy or abate said violation(s) or breach(es). The cost of such remedy or abatement shall be paid to the Association upon demand and if not paid within thirty (30) days thereof, shall become a lien upon the Lot affected. The Association, or its agent, shall further have the right (upon like notice and conditions), to trim or prune, at the expense of the Owner, any hedge, tree or any other planting that, in the written opinion of the Association, by reason of its location on the Lot, or the height, or the manner in which it is permitted to grow, is detrimental to the adjoining Lots, is dangerous or is unattractive in appearance. The lien provided under this section will constitute a lien retained against such property with the same force and effect as the Payment and Performance Lien for assessment set forth in these Covenants.

Section 9.13. Exterior Surfaces. All roofs shall be constructed of treated wood shingle, treated wood shake, slate, tile, metal, composition, built-up roof or other materials approved by the Reviewing Body taking into account harmony, conformity, color, appearance, quality and similar considerations. The exterior surface of all Dwelling Units shall be constructed of glass, clay brick, stone or other materials approved by the Reviewing Body. The Reviewing Body is specifically authorized to require a continuous, uniform surface with respect to all structures which directly face a perimeter common green area or adjoin any Greenway Frontage. Installation of all types of exterior items and surfaces such as address numbers or external ornamentation, outdoor illumination, lights, mail chutes, exterior paint or stain and the like shall be subject to the prior approval of the Reviewing Body.

Section 9.14. Antennae. No television, radio or other electronic towers, aerials, antennae, satellite dishes or device of any type for the reception or transmission of radio or television broadcast or other means of communication shall hereafter be erected, constructed, placed or permitted to remain on any Lot or upon any improvements thereon, except that this prohibition shall not apply to those antennae specifically covered by 47 C.F.R. Part 1, Subpart S, Section 1.4000 (or any successor provision) promulgated under the Telecommunications Act of 1996, as amended from time to time. Notwithstanding the foregoing, no more than one (1) antennae of each provider of over-the-air video programming signals by TVBS, MMDS or DBS may be installed by an Owner at any one time. The Association shall be empowered to adopt rules governing the type of antennae that are permissible hereunder and establish reasonable,

non-discriminatory restrictions relating to safety, location and maintenance of antennae. To the extent that reception of an acceptable signal would not be impaired and the cost of installation would not be unreasonably increased, an antenna permissible pursuant to rules of the Association may only be installed in a side or rear yard location, not visible from the street or neighboring property, and integrated with the dwelling and surrounding landscape. Antennae shall be installed in compliance with all state and local laws and regulations, including zoning, land use and building regulations.

Section 9.15 Solicitation. No Person shall use any portion of the Common Properties to:

- A. solicit, promote or conduct business, religious, political or propaganda matters;
- B. distribute handbills, newsletters, flyers, circulars or other printed materials,

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

Section 9.16 Subdivision and Time Sharing. No Lot shall be subdivided into two or more Lots, nor shall two or more Lots be combined into a single Lot, nor shall a Lot have its boundary lines changed after a subdivision plat including such Lot has been approved and recorded except with the prior written approval of the Board. Upon the recording of any re-plat of one or more Lots, the total number of Lots shown on the re-plat shall be the number of Lots subject to assessment under this Declaration.

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

Section 9.17 Wetlands, Lakes and Other Water Bodies. All wetlands, lakes, ponds and streams within the Properties, if any, shall be aesthetic amenities only and no other use thereof, including, without limitation, fishing, skiing, swimming, boating, playing or use of personal flotation devices, shall be permitted without the prior approval of the Board. The Association shall not be responsible for any loss, damage or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds or streams within the Properties. No docks, piers or other structures shall be constructed on or over any body of water within the Properties, except such as may be constructed by the Association

Section 9.18 Playground and Recreational Equipment. No jungle gyms, swing sets, basketball hoops and backboards, similar playground equipment, tennis courts or such other recreational equipment shall be erected or installed on any Lot without prior written approval in accordance with Article VIII. Any playground or other play areas or equipment furnished by the Association or erected within the Properties shall be used at the risk of the user. The Association shall not be held liable to any Person for any claim, damage or injury occurring thereon or related to use thereof.

Section 9.19 Single Family Occupancy. No Lot shall be occupied by more than a single family. For purposes of this restriction, a single family shall be defined as any number of individuals related by blood, adoption or marriage living with not more than two individuals who are not so related as a single household unit, or no more than three individuals who are not so related living together as a single household unit, and the household employees of either such household unit; provided, however, that nothing herein shall be interpreted to restrict the ability of one or more adults meeting the definition of a single-family from residing with any number of individuals under the age of eighteen (18) over whom such individuals have legal authority.

Section 9.20 Leased Properties. Leasing of Dwelling Units on Lots shall be governed by the following provisions:

A. Definition. "Leasing", as used in this Section, is defined as regular, exclusive occupancy of the residence on a Lot by any person other than the Owner for which the Owner, or any designee of the Owner, receives any consideration or benefit, including, but not limited to, a fee, service, gratuity or emolument. For purposes of this Section, if a Lot is owned by a trust and the beneficiary of the trust is living in the Lot, that Lot shall be considered Owner-occupied rather than leased.

B. General. Dwelling Units on Lots may be leased only in their entirety. All leases shall be in writing and provide that the terms of the lease are subject to the provisions of the Governing Documents. No transient tenants may be accommodated on a Lot. All leases must be for an initial term of not less than six (6) months unless otherwise approved by the Board, in writing. The Owner must make available to the lessee copies of the Governing Documents. The Owner must provide a copy of the lease to the Association within ten (10) days of the Board's written request.

ARTICLE X **EASEMENTS**

Section 10.1. Utility Easements. Non-exclusive easements for installation, maintenance, repair and removal of utilities and drainage facilities over, under and across a five foot (5') wide perimeter of each Lot are reserved by Declarant for itself, the Association, and all utility and CATV companies and their respective successors and assigns, serving the Properties and no Improvement or Structure shall be constructed or placed thereon without the express prior written consent of the Reviewing Body. Full rights of ingress and egress shall be had by Declarant, the Association, and all utility and CATV companies serving the Properties, and their respective successors and assigns, at all times over the Properties for the installation, operation, maintenance, repair or removal of any utility together with the right to remove any obstruction (excluding, however, any driveway, fence or other Improvement or Structure which has been theretofore specifically approved by the Reviewing Body that may be placed in such easement that would constitute interference with the use of such easement, or with the use, maintenance, operation or installation of such utility.

Section 10.2 Encroachments. If: (a) construction, reconstruction or repair activities which have been approved by the Reviewing Body; or (b) shifting, settlement or other movements of any portion of Reviewing Body-approved improvements, or (c) construction, reconstruction or repair activities by the Declarant during the Development Period, results either

in the Common Properties encroaching on a Lot or Dwelling Unit or in a Lot or Dwelling Unit encroaching on the Common Properties or on another Lot or Dwelling Unit, and unless otherwise directed by the Reviewing Body, a valid easement shall then and there exist to permit the encroachment and reasonable and necessary maintenance activities related thereto.

Section 10.3. Sign Easement The Association shall have the right, privilege, duty and responsibility to reasonably maintain and care for any and all signs, monuments, landscaping and the like installed or placed on any "sign easement area" depicted within the recorded plats for any portion of the Properties.

Section 10.4. Ingress, Egress and Maintenance by the Association. Full rights of ingress and egress shall be had by the Association at all times over and upon the setback and sign easement areas applicable for each Lot for the carrying out by the Association of its functions, duties and obligations hereunder; provided, however, that any such entry by the Association upon any Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be repaired by the Association at the expense of the Association's maintenance fund. Full maintenance easement rights of ingress and egress shall be had by the Association at all times over and upon the ten foot(10') setback from the rear property line of each Waterfront Lot for the carrying out by the Association of its functions, duties and obligations hereunder; provided, however, that any such entry by the Association upon any Waterfront Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be reasonably repaired by the Association at the expense of the Association's maintenance fund.

Section 10.5 Easements for Lakes and Pond Maintenance and Flood Water. The Association reserves for itself and its assigns and designees the nonexclusive right and easement, but not the obligation, to enter upon the lakes, ponds, streams and wetlands located within the Common Properties to (i) install, keep, maintain and replace pumps and related equipment; (ii) construct, maintain and repair any bulkhead, levee, wall, dam or other structure retaining water, and (iii) remove trash and other debris therefrom and fulfill their maintenance responsibilities, if any, as provided in this Declaration. The Association and their designees shall have an access easement over and across any of the Properties abutting or containing any portion of any of the lakes, ponds, streams or wetlands to the extent reasonably necessary to exercise their rights under this Section.

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

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

Section 10.6 Easements to Serve Additional Property. The Association, and its duly authorized agents, representatives and employees, shall have and hereby reserve an easement over the Common Properties for the purposes of enjoyment, use, access and development of any properties located within the Association. This easement includes, but is not limited to, a right of ingress and egress over the Common Properties for construction of roads and for connecting and installing utilities on the additional property. The Association agrees that it and its assigns shall be responsible for any damage caused to the Common Properties as a result of vehicular traffic and construction activities connected with development of the additional property. The Association further agrees that if the easement is exercised for permanent access to the additional property and such additional property or any portion thereof is not made subject to this Declaration.

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

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

Section 10.9 Retaining Wall/Fence Easements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Party Walls and Party Fences.

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

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

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

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

F. Arbitration. In the event of any dispute, disagreement or controversy between or among any Owners pertaining to either the Retaining Wall or party structures, each party shall appoint one arbitrator. Should any party fail and/or refuse to appoint an arbitrator within ten (10) days after written request by the other party, the requesting party shall

appoint an arbitrator for the refusing party. The arbitrators appointed shall appoint one additional arbitrator. The decision by a majority of all three arbitrators shall be binding upon the parties and shall be a condition precedent to any right of legal action that either party may have against the other. The Association shall have no responsibility in resolving any disputes between Members concerning a party structure.

ARTICLE XI

PRIVATE AMENITIES

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

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

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

Section 11.4. Easements for Private Amenities. The following easements apply only to the Private Amenities: (a) the owner(s) of the Private Amenities, their respective agents, successors and assigns, shall have non-exclusive easements over the Properties as necessary for

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

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

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

omissions of the Released Parties, even if caused in whole or in part by the negligence of the Released parties. THE FOREGOING RELEASE AND INDEMNITY IS INTENDED TO RELEASE AND INDEMNIFY THE RELEASED PARTIES FROM AND AGAINST THEIR OWN NEGLIGENCE.

Section 11.6 Maintenance of Private Amenity. The maintenance standards of the Greenway Frontage on the Private Amenities are controlled by the owner(s)/operator(s) of the Private Amenity, separate and distinct from the Association. The Association is not responsible for any maintenance standards of the golf courses or country clubs, including but not limited to, the height of fescue and similar grasses.

ARTICLE XII

RIGHT OF FIRST REFUSAL; REGISTRATION

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

Section 12.2 Right of First Refusal to Declarant. In order that the Declarant and the MARC may more effectively and carefully guide, control, coordinate and monitor the sophisticated and first-class construction of residential dwellings within the Properties, prior to the commencement and completion (as determined by the MARC) of a Dwelling Unit and its appurtenant landscaping on a Lot, no Builder (excluding the Declarant) may sell, transfer, lease, rent, devise, give, assign or in any other manner dispose of a fee or undivided fee interest in such Lot without first offering such fee interest to the Declarant, or otherwise obtaining the express written approval of the Declarant, in the manner hereinafter provided:

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

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

C. If Declarant does not elect to exercise its first refusal option right hereunder, the Builder shall be so notified in writing and shall be free to proceed with the sale of the Lot upon the terms and conditions, and with the same purchaser, as set forth in the notice theretofore given to the Declarant. However, the contractual arrangements with the third-party purchaser must be made strictly upon the terms and conditions and with the Person

described in the notice theretofore given to Declarant, and any proposed arrangement with a different Person or upon changed terms and conditions shall be subject to the same first refusal option right and the same notice requirements set forth above.

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

Section 12.3. Registration with the Association. In order that the Association can properly acquaint every Lot purchaser and every Owner and Resident with these Covenants and the day-to-day matters within the Association's jurisdiction, no Person transferring title to a Lot shall be relieved of his obligations as an Owner hereunder until and unless:

- A. the transferring Owner has given written notice to the Association of the transfer, including the name(s) and mailing address(es) of the grantee(s), and has delivered copies of the current Declaration, Bylaws and Association rules to the grantee(s); and
- B. all monetary obligations to the Association have been satisfied.

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

ARTICLE XIII
RIGHTS OF CERTAIN MORTGAGEES AND MORTGAGE INSURERS

Section 13.1 General. The provisions within this Article are for the primary benefit of:

- A. the owners and holders of Institutional Mortgages which are required to satisfy the applicable requirements of FHA, VA, FNMA, FHLMC and other similar governmental, quasi-governmental and nationally recognized public and/or private sources of end financing (any such mortgagees who have provided written notice to the Association of their name and address, identifying the Dwelling Unit on which they hold a mortgage, and specifically requesting notice of those matters as to which they are entitled to notice hereunder are sometimes collectively referred to herein as "Eligible Mortgagees" and their mortgages referred to as "Eligible Mortgages"); and
- B. the insurers, guarantors, participants and subsidizers of the Eligible Mortgages, sometimes collectively referred to herein as the "Eligible Insurers."

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

Section 13.2. Notices of Action. An Eligible Mortgagee or Eligible Insurer who provides written request to the Association will be entitled to receive timely written notice of:

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

Section 13.3. Joinder to Documents. In addition to the provisions set forth within Section 14.4, Eligible Mortgagees who have requested the Association to notify them concerning any proposed action that requires the consent of a specified percentage of Eligible Mortgagees also have the right to join in the decision making about certain amendments to this Declaration.

Amendments of a material nature (as defined below) must be agreed to by: (a) at least sixty-seven percent (67%) of the Dwelling Unit Owners; and (b) the Board of Directors of the Association; and (c) Eligible Mortgagees representing at least fifty-one percent (51%) of the Dwelling Units that are subject to Eligible Mortgages. A substantive change to any of the following would be considered as material:

- A. voting rights;
- B. assessments, assessment liens or subordination of assessment liens;
- C. reserves for maintenance, repair and replacement of Common Properties;
- D. responsibility for maintenance and repairs;
- E. boundaries of any Lot covered by an Eligible Mortgage;
- F. convertibility of Dwelling Units into Common Properties or vice versa;
- G. expansion or contraction of the Properties, or the addition, annexation or withdrawal of the property to or from the Properties;
- H. insurance or fidelity bonds;
- I. leasing of Dwelling Units;
- J. imposition of any restrictions on a Dwelling Unit Owner's right to sell or transfer his or her Dwelling Unit;
- K. a decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgagee;
- L. restoration or repair (after a hazard damage or partial condemnation) in a manner other than that specified herein;
- M. any action to terminate the legal status of the Properties after substantial destruction or condemnation occurs; or
- N. any provisions that expressly benefit Eligible Mortgagees or Eligible Insurers.

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

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

Section 13.4. Approval of Amendments. The failure of an Eligible Mortgagee or Eligible Insurer to respond within thirty (30) days to any written request of the Association for approval of an addition or amendment shall constitute an implied written approval of the addition or amendment.

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

Section 13.6. Financial Statements. The Association shall provide any Eligible Mortgagee or Eligible Insurer which submits a written request with a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement must be audited by an independent certified public accountant, at the expense of the Association, if any Eligible Mortgagee or Eligible Insurer submits a written request for it.

Section 13.7. Enforcement. The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors and may be enforced by any of them by any available means, at law, or in equity.

Section 13.8. Attendance at Meeting. Any authorized representative(s) of an Eligible Mortgagee or Eligible Insurer may attend and address any meeting of the Association which an Owner may attend.

ARTICLE XIV **GENERAL PROVISIONS**

Section 14.1. Power of Attorney. Each and every Owner and Resident hereby makes, constitutes and appoints the Board as his/her true and lawful attorney-in-fact, coupled with an interest and irrevocable, for him/her and in his/her name, place and stead and for his/her use and benefit, to do the following:

- A. to exercise, do or perform any act, right, power, duty or obligation whatsoever in connection with, arising out of, or relating to any matter whatsoever involving this Declaration and the Properties;
- B. to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the terms within this Declaration, or any part hereof, with such clause(s), recital(s), covenant(s), agreement(s) and restriction(s) as the Board shall deem necessary, proper and expedient under the circumstances and conditions as may be then existing; and
- C. to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the subdivision plat(s) of the Properties, or any part thereof, with any easements and rights-of-way to be therein contained as the Board shall deem necessary, proper and expedient under the conditions as may then be existing.

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

Section 14.2. Further Development. During the Development Period, each and every Owner and Resident waives, relinquishes and shall not directly or indirectly exercise any and all rights, powers or abilities, and the Association shall not devote or expend any monies or personnel regarding the following: to contest, object, challenge, dispute, obstruct, hinder or in any manner disagree with the proposed or actual development (including, without limitation, zoning or re-zoning efforts or processes pertaining to residential, apartments, shopping centers, commercial, office buildings or retail uses) of any real property owned by the Declarant or by the Affiliates, assignees or successors of the Declarant within the Properties which is generally consistent with the Development Plan and the Planning Areas.

Section 14.3. Duration. The Covenants of this Declaration shall run with and bind the land subject to this Declaration, and shall inure to the benefit of and be enforceable by the Association and/or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for an original fifty (50) year term expiring on the fiftieth (50th) anniversary of the date of recordation of the Master Declaration, after which time these Covenants shall be automatically extended for successive periods of ten (10) years unless an instrument is signed by the Owners of at least fifty-one percent (51%) of all Lots and recorded in the public real estate records of Collin County, Texas, which contains and sets forth an agreement to abolish these Covenants; provided, however, no such agreement (where approved by less than seventy-five percent (75%) of the Owners of all Lots) to abolish shall be effective unless made and recorded one (1) year in advance of the effective date of such abolishment.

Section 14.4. Amendments. The Covenants set forth herein are expressly subject to change, modification and/or deletion by means of amendment at any time and from time to time as provided herein. Notwithstanding Section 14.3, these Covenants may be amended and/or changed in part as follows:

A. In response to any governmental or quasi-governmental suggestion, guideline, check-list, requisite or requirement, particularly with respect to those entities or agencies directly or indirectly involved in, or having an impact on, mortgage financing, mortgage insurance and/or reinsurance, the Board shall have the complete and unfettered right and privilege to amend, change, revise, modify or delete portions of these Covenants and each and every Owner specifically and affirmatively authorizes and empowers the Board, utilizing the attorney-in-fact status set forth in Section 14.1, to undertake, complete and consummate any and all such amendments, changes, revisions, modifications or deletions as the Board (in its sole and absolute discretion) shall deem reasonable and appropriate; and

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

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

Section 14.5. Enforcement. Enforcement of these Covenants may be initiated by any proceeding at law or in equity by the Association or any Owner against any Person or Persons violating or attempting to violate them, whether the relief sought is an injunction or recovery of damages, or both, or enforcement of any lien created by these Covenants; but failure by the Association or any Owner to enforce any Covenant herein contained shall in no event be deemed a waiver of the right to do so thereafter. The City of McKinney, Texas is specifically authorized (but not obligated) to enforce these Covenants.

Section 14.6. Validity. Violation of or failure to comply with these Covenants shall not affect the validity of any mortgage, bona fide lien or other similar security instrument which may then be existing on any Lot. Invalidity of any one or more of these Covenants, or any portions thereof, by a judgment or court order shall not affect any of the other provisions or covenants herein contained, which shall remain in full force and effect. In the event any portion of these Covenants conflicts with mandatory provisions of any ordinance or regulation promulgated by the City of McKinney (including, without limitation, the Zoning Ordinance), then such municipal requirement shall control.

Section 14.7. Service Mark. Declarant is the prior and exclusive owner and proprietor of a registered service mark for:

STONEBRIDGE RANCH

(referred to as the "Service Mark"). Unless and until a written license agreement has been sought and obtained from Declarant (and in this connection Declarant may withhold consent in its sole and absolute discretion), no Person or entity may at any time and/or for any reason whatsoever use, depict, draw, demonstrate, reproduce, infringe, copy or resemble, directly or indirectly, the Service Mark, except that the Association and the Commercial Association may use this Service Mark in their respective names. Following expiration of the Development Period, all of Declarant's right, title and interest in and to the Service Mark shall thereupon be automatically assigned to the Association without recourse.

Section 14.8. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration. Words of any gender used herein shall be held and construed to include any other gender, and words in the singular shall be held to include the plural and vice versa, unless the context requires otherwise. Examples, illustrations, scenarios and hypothetical situations mentioned herein shall not constitute an exclusive, exhaustive or limiting list of what can or cannot be done.

Section 14.9. Notices to Resident/Member/Owner. Any notice required to be given to any Resident or Owner under the provisions of this Declaration shall be deemed to have been properly delivered when: (a) deposited in the United States Mail, postage prepaid, addressed to the last known address of the Person who appears as the Resident, Member or Owner, respectively, on the records of the Association at the time of such mailing; or when (b) delivered by hand or by messenger to the last known address of such person within the Properties. Any

change in address must be made in writing to the Association by certified mail, return receipt requested, at the principal office of the Association or the managing agent, if any.

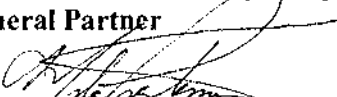
Section 14.10. Notices to Mortgagees. The holder(s) of a mortgage may be furnished with written notification from the Association of any default by the respective mortgagor/Owner in the performance of such mortgagor/Owner's obligation(s) as established by this Declaration, provided that the Association has been theretofore furnished, in writing, with the correct name and address of such mortgage holder(s) and a request to receive such notification and a reasonable supply of self-addressed, stamped envelopes.

Section 14.11. Disputes. Matters of dispute or disagreement between Owners or Residents with respect to interpretation or application of the provisions (excluding Article VIII architectural matters and issues concerning "substantial completion") of this Declaration or the Bylaws, shall be determined by the Board of Directors. Matters pertaining to Article VIII architectural matters and issues concerning "substantial completion" shall be determined by the Master Architectural Review Committee. These respective determinations (absent arbitrary and capricious conduct or gross negligence) shall be final and binding upon all Owners and Residents.

IN WITNESS WHEREOF, the undersigned agent of the Association and its Board does hereby certify that the foregoing Master Declaration of Covenants, Conditions and Restrictions for Stonebridge Ranch has been duly approved by the Board as attorney-in-fact for and on behalf of the Owners and Eligible Mortgagees as of the 27th day of March, 2008.

DECLARANT: **WESTERRA STONEBRIDGE, L.P.,**
 a Delaware limited partnership

By: WESTERRA STONEBRIDGE, L.L.C.,
 a Delaware limited liability company,
 its General Partner

By: 
Name: MILES PRESTEMON
Its: VICE PRESIDENT

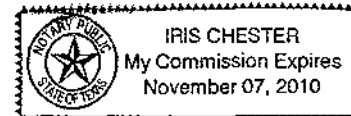
ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 27th day of March, 2008.

Irish Chester
Notary Public in and for
the State of Texas



AFTER RECORDING RETURN TO:
Riddle & Williams, P.C.
Attorneys & Counselors
1400 Regency Plaza
3710 Rawlins Street
Dallas, Texas 75219

EXHIBIT "A"
Property Subject to Declaration

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

Supplement Recording Info Document # Date Cabinet (Volume) / Drawer (Page)	VILLAGE	PLAT DESCRIPTION	# LOTS	RECORDING INFORMATION		
				DATE	CAB- INET	DRAWER
	ADRIATICA	Adriatica - Villa District - Record Plat	75	7-18-06	2006	471
#99-0030345 3-12-99 04372 / 945-948	AQUATIC CENTER	Aquatic Center Final Plat		3-3-99	K	922
		Amending Plat Aquatic Center		4-25-01	N	68, 69
#94-0014811	ARBOR GLEN	Arbor Glen I Final Plat	81	12-27-93	I	108, 109
#95-0066250		Arbor Glen II Final Plat	48	8-2-95	I	686
#97-0053201 7-3-97 03946 / 2379-2383	ARBOR HOLLOW	Arbor Hollow Final Plat Spelling changed to Sandalwood Drive per Certificate of Correction recorded on 7-20-98, #98-0076766	95	12-31-96	J	542
#2005-0078015 6-13-05 05938 / 2422-2425	ASPENDALE	Record Plat of Aspendale	128	5-13-05	Q	380-382
#20061116001636730 11-16-06		Record Plat of Aspendale Phase 2	156	11-3-06	2006	729-731
		Amending Plat of Aspendale Phase 1, Lots 56-63, Block F, Aspendale Phase 2, Lots 64-81, 84-86 & Common Area F-3 (Also includes Cascades Phase I, Lots 42, 43, 45-55 and Common Area F-1, Block F, and Cascades Phase 2, Lots 35-41, Block F)	156	11-3-06	2006	729-731
#93-0075255	AUTUMN RIDGE	Autumn Ridge Final Plat	85	8-27-93	H	772
		Autumn Ridge I Replat Lots 1A, 2A, 11A, 10 & 11 Block B		7-21-94	I	297
#94-0113276		Autumn Ridge II Final Plat	90	12-14-94	I	437, 438
		Autumn Ridge II Amended Final Plat	90	1-23-95	I	476, 477
	BALLANTRAE	Ballantrae I Final Plat	47	3-31-95	I	550-551
		Ballantrae I Amended Final Plat Tract 1 & Tract 2 (Lot 1 Block D) Tract 3 (Open Space 17A, Block A)	47	11-29-99	L	551, 552, 553
#99-0151306 12-16-99		Ballantrae II Final Plat	58	11-29-99	L	547, 548
	BRIAR RIDGE	Briar Ridge I Final Plat (Corrected)	142	8-11-88	G	430
		Briar Ridge II Final Plat	126	3-8-89	G	539
	BRIDGE POINT	Bridge Point Final Plat	72	12-14-92	H	516
#2002-0145307 10-8-02 05270 / 607-610	BRIGHTWOOD	Brightwood Record Plat	116	9-27-02	O	142, 143, 144

Supplement Recording Info Document # Date Cabinet (Volume) / Drawer (Page)	VILLAGE	PLAT DESCRIPTION	# LOTS	RECORDING INFORMATION		
				DATE	CAB- INET	DRAWER
	CANTERBURY	Canterbury Final Plat	88	3-17-00	L	807, 808, 809
#2005-0164876 11-22-05 6051 / 2163-2166	CASCADES, THE	The Cascades – Phase 1 – Final Plat	129	11-09-05	R	131-133
#20061204001702100 12-4-06		The Cascades – Phase 2 – Final Plat	114	11-16-06	2006	766-768
		Amending Plat of Aspendale Phase 1, Lots 56-63, Block F, Aspendale Phase 2, Lots 64-81, 84-86 & Common Area F-3 (Also includes Cascades Phase I, Lots 42, 43, 45-55 and Common Area F-1, Block F, and Cascades Phase 2, Lots 35-41, Block F)	156	11-3-06	2006	729-731
(Recorded as Parcel 411)	CORONADO VILLAGE	Coronado Village Record Plat	76	5-11-05	Q	427
#96-0074609 8-30-96	CRIMSON RIDGE	Crimson Ridge Final Plat	152	8-19-96	J	329, 330, 331
#99-0037185 3-29-99 4383 / 1928-1932	CYPRESS CROSSING I & II	Cypress Crossing Final Plat	131	3-18-99	L	6, 7, 8
#99-0138926 11-12-99	EAGLE CREEK	Eagle Creek Final Plat Certificate of Correction; 1-12-00, #00-0004551 Certificate of Correction; 4-14-00, #00-0040052	165	11-3-99	L	473, 474
#97-0015748 3-3-97 3860 / 986-990, & Correction #2002-0121864 8-27-02 05241 / 01-06	ENCLAVE, THE	The Enclave	34	8-19-97	J	871
(Recorded as Parcel 703)	FAIRWAY VILLAGE	Fairway Village Record Plat	262	8-31-01	N	259-261
#94-0062267	FALCON CREEK	Falcon Creek I Final Plat	97	6-20-94	I	268, 269
		Falcon Creek I Replat	97	7-7-94	I	284, 285
		Falcon Creek I Replat - Amended Lots I & 1A, Block A	1	11-11-94	I	395
#96-0028757 4-9-96		Falcon Creek II Final Plat	92	3-25-96	J	160, 161
#97-0053199 7-3-97 03946 / 2367-2372		Falcon Creek III Final Plat	85	6-25-97	J	786, 787
#98-0104558 9-21-98 4255 / 1631-1635		Falcon Creek IV Final Plat	86	9-3-98	K	589, 590
#2000-0048540 5-11-00	FIELDSTONE PLACE	Fieldstone Place Record Plat	128	5-11-00	L	917, 918, 919
(Recorded as Parcels 802 / 808)	FOUNTAINVIEW	Fountainview Phase One Record Plat	132	6-28-01	N	123, 124
"		Fountainview Phase Two Record Plat	139	8-22-02	O	53-54
"		Fountainview Phase Three Record Plat	162	4-02-04	P	580-581
"		Fountainview Phase Four Record Plat	20	2-28-06	2006	119
(Recorded as Parcel 801)	GALLERY AT STONEBRIDGE, THE	The Gallery at Stonebridge Ranch	92	11-30-01	N	492, 493
(Recorded as Parcel 173)	GRAND TRADITIONS	Grand Traditions at Stonebridge Ranch	78	3-13-01	M	559, 560

Supplement Recording Info Document # Date Cabinet (Volume) / Drawer (Page)	VILLAGE	PLAT DESCRIPTION	# LOTS	RECORDING INFORMATION		
				DATE	CAB- INET	DRAWER
#00-0017449 2-24-00	GREENBRIAR	Greenbriar Final Plat	65	2-10-00	L	737, 738
#99-0061885 5-19-99 4419 / 559-562	HACKBERRY RIDGE	Hackberry Ridge Final Plat	141	5-14-99	L	114, 115
		Hackberry Ridge Amending Plat	141	10-20-99	L	425, 426
		Hackberry Ridge Amending Plat (Lots 18, 19, 26/Block C, Lots 1, 2, 3, 4/Block D and Common Area B-1)		1-11-00	L	668, 669, 670
#2001-0075498 6-26-01 04947 / 346-349	HICKORY HILL	Hickory Hill Final Plat	48	6-22-01	N	116, 117
	HILLS CREEK	Hills Creek I Final Plat	58	12-30-87	G	338
		Hills Creek II Final Plat	93	1-3-89	G	511
		Hills Creek II Replat Lots 46D & 47D & Portion of E. Golf Course	2	12-5-89	G	654
		Hills Creek II - Replat Lots 1 & 1A, Block D (3 copies)		3-1-91	H	73
#99-0138927 11-12-99	HILLSBOROUGH	Hillsborough Final Plat	120	11-3-99	L	479, 480, 481
#2001-0031907 3-27-01 04884 / 2361-2416	ISLEWORTH	Isleworth Addition Record Plat	84	3-27-01	M	584-586
(Recorded as Parcels 206/210/211): Add'l Supplement recorded (.716 ac) #2003-0105536 6-6-03 5433 / 4178-4184	KINGS LAKE	Kings Lake Record Plat	107	5-28-03	O	576-578
		Kings Lake Amending Plat, Lots 16R-18R Block B	3	3-03-05	Q	206
		Kings Lake Phase II	10	8-12-04	P	825-826
		Kings Lake Phase II Amending Plat	10	9-12-05	R	18-20
#2000-0061018 6-13-00 4687 / 1648-1655	KNIGHTSBRIDGE	Knightsbridge Addition Record Plat (including a Replat of Lot 1A-R, Block D, Hill Creek at Stonebridge, Phase II)		6-11-00	L	770
#2004-0014569 2-2-04 5596 / 4708-4711	LACIMA HAVEN	LaCima Haven Record Plat *Note 95 lots are LaCima Haven product and 25 lots are LaCima Manor product.	120	12-29-03	P	393-395
		Minor Replat of Lots 1R, 9R, and Common Area K-1 of Block K and Lots 16R and 17 And Common Area L-2R of Block L, Being 1.356 Acres, Lacima Haven Being a Replat of Lots 1 and 9 of Block K and Lots 16, 17 and Common Area L-2 of Block L	6	3-25-04	P	568
#2004-0014569 2-2-04 5596 / 4708-4711	LACIMA MANOR	Lacima Manor Record Plat *Note 25 lots on LaCima Haven plat are also LaCima Manor product.	44	12-09-03	P	339-340
#2005-0078015 6-13-05 05938 / 2422-2425	LACIMA HAVEN-MEADOWS	LaCima Haven - Meadows Record Plat (Note: Broken down into following subdivisions: LaCima Haven Phase 2 - 66 lots; LaCima Meadows - 126 lots)	192	5-18-05	Q	398-401
		Lacima Haven - Meadows Replat (Note: Amendment to Scriveners notes pg. 4 - no changes to lot layout)	192	9-27-05	R	25-28
	LAKE POINT	Lake Point Final Plat	62	1-16-96	J	76, 77
(Recorded as Parcel 409)	LAKESIDE CROSSING	Lakeside Crossing Record Plat	66	5-1-01	M	638, 639

Supplement Recording Info Document # Date Cabinet (Volume) / Drawer (Page)	VILLAGE	PLAT DESCRIPTION	# LOTS	RECORDING INFORMATION		
				DATE	CAB- INET	DRAWER
		Lakeside Crossing Amending Plat	66	9-13-01	N	299-301
#2002-0145307 10-8-02 05270 / 607-610	LIBERTY PLACE	Liberty Place Record Plat (Note – Broken down into two subdivisions. Liberty Place and Freedom Park)	98	9-27-02	O	148, 149, 150
		Liberty Place Amending Plat of Lots 3R, 4R, 5R, 6R, 20R, 21R and Common Area B-1R of Block B		06-20-03	O	639
(Recorded as Parcel 910)	LIVE OAK	Live Oak I Final Plat	79	7-1-99	L	214
..		Live Oak Village – Phase 2 Final Plat	62	5-2-00	L	887, 888, 889
..		Live Oak Village – Phase 3 Final Plat	68	5-2-00	L	890, 891, 892
#2002-0074845 5-24-02 05176 / 3462-3465	MAYBERRY PARK	Mayberry Park Record Plat	78	2-19-02	N	684, 685
	MEADOW RIDGE	Meadow Ridge I Final Plat	104	12-30-87	G	336
		Meadow Ridge I Final Plat (Corrected)	104	8-29-88	G	446, 447
		Meadow Ridge II Final Plat	103	8-21-89	G	592
#99-0048893 4-21-99 4399 / 01-04	MUIRFIELD POINT	Muirfield Point Final Plat	75	3-18-99	L	9, 10
#00-0017450 2-24-00	NEWPORT VILLAGE	Newport Village Final Plat	70	2-10-00	L	734, 735, 736
#2004-0026169 2-26-04 5614 / 485-492	PARKVIEW ESTATES	Parkview Estates Phase 1	91	1-30-04	P	466
(Recorded as Parcel 902)		Parkview Estates Phase 2	54	1-25-06	?	?
#95-0042548 6-22-95	PECAN CROSSING	Pecan Crossing Final Plat	46	6-6-95	I	610
	QUAIL CREEK	Quail Creek I Final Plat (Corrected)	92	7-29-88	G	424
		Quail Creek II Final Plat	38	8-21-89	G	591
		Quail Creek III Final Plat	45	1-3-90	G	667
		Quail Creek IV Final Plat	30	3-7-91	H	79
		Quail Creek V Final Plat	80	11-12-91	H	226
#93-0020005 3-19-93		Quail Creek VI Final Plat	54	3-11-93	H	607
#93-0075254		Quail Creek VII Final Plat	42	8-27-93	H	771
#2000-0048540 5-11-00	REGENT'S PARK	Regent's Park Record Plat	62	5-11-00	L	922, 923
#96-0078793 9-13-96	SADDLEBROOK CROSSING	Saddlebrook Crossing Final Plat	50	9-4-96	J	364, 365, 366
#2001-0145855 11-14-01	SADDLEHORN RIDGE	Saddlehorn Ridge Phase I Record Plat	72	10-23-01	N	402, 403
(Recorded as Parcel 705)	SOMERSET	Somerset Final Plat	99	7-12-01	N	142

Supplement Recording Info Document # Date Cabinet (Volume) / Drawer (Page)	VILLAGE	PLAT DESCRIPTION	# LOTS	RECORDING INFORMATION		
				DATE	CAB- INET	DRAWER
	SPRING HILL	Spring Hill I Final Plat & Partial Replat E. Golf Course	197	8-21-89	G	590
#97-0053200 7-3-97 03946 / 2373-2378		Spring Hill II Final Plat	85	12-31-96	J	539, 540, 541
(Recorded as Portion of Parcel 904 & North Portion of Parcel 909)	STANFORD MEADOW	Stanford Meadow Phase I Final Plat	113	5-9-00	L	913, 914
"		Stanford Meadow Phase II Final Plat	109	1-28-02	N	645, 646
(Recorded as Parcel 909 South)	STONE CANYON	Stone Canyon I Final Plat	55	7-8-99	L	234
"		Stone Canyon Phase 2 Final Plat	80	8-28-00	M	161
	STONEBRIDGE CROSSING (Open Space Only)	Stonebridge Crossing Final Plat		5-2-89	G	562
	STONEBRIDGE ESTATES	Stonebridge Estates I Final Plat	19	1-18-95	I	469, 470
#2000-0117345 10-26-00 4782 / 113-116		Stonebridge Estates II Final Plat	31	10-18-00	M	295, 296
#2000-0117345 10-26-00 4782 / 113-116		Stonebridge Estates III Final Plat	13	10-18-00	M	300, 301
#2002-0074845 5-24-02 05176 / 3462-3465	STRATFORD MANOR	Stratford Manor Record Plat	75	5-16-02	N	846-847
		Lot 11R, Block A and Common Area A-1, Stratford Manor Amending Plat		9-27-02	O	146, 147
		Lots I & 4 Block B, Amending Plat	2	3-17-03	O	432
(Recorded as Parcel 803)	SUMMER GLEN	Summer Glen Record Plat	73	6-08-01	N	74
	SUMMER POINT	Summer Point I Final Plat & Partial Replat E. Golf Course	28	7-6-89	G	578
		Summer Point I Final Plat	28	5-21-90	G	742
		Summer Point II Final Plat	39	7-31-91	H	164
(Recorded as Parcel 324)	SYMPHONY AT STONEBRIDGE, THE	The Symphony at Stonebridge	74	11-18-02	O	264
(Recorded as Parcels 401 & 408)	TANGLEWOOD AT STONEBRIDGE RANCH	Tanglewood at Stonebridge Ranch Record Plat	126	8-30-02	O	95
#2003-0229279 11-20-03 05550 / 2469-2472	THORNBERRY RIDGE	Thornberry Ridge Record Plat	79	11-4-03	P	257, 258
	TIMBER CROSSING	Timber Crossing Final Plat	67	1-17-94	I	128
#98-0000868 * 1-5-98 4072 / 2044-2052	TRACT 166 (Woodland Bridge) *Note: Supplement shows The Sanctuary/Parcel 166	Tract 166 Final Boundary Plat		6-24-98	K	433, 434
#98-0066856 6-26-98 4195 / 2178-2182	TRACT 166 MASTER COMMON GREEN					
#99-0134090 11-1-99 04533 / 1239-1243	TRACT 173 (Grand Traditions)	Tract 173 Final Boundary Plat		10-1-99	L	384, 385

Supplement Recording Info Document # Date Cabinet (Volume) / Drawer (Page)	VILLAGE	PLAT DESCRIPTION	# LOTS	RECORDING INFORMATION		
				DATE	CAB- INET	DRAWER
#98-0063856 6-19-98 4190 / 788-791	TRACT 176 (Willowbrook)					
#2002-0000599 1-2-02	TRACT 206/210/211 (Kings Lake)	Tract 206/210/211 Final Boundary Plat		11-12-99	L	513, 514
#99-0156540 12-31-99 04573 / 71-75	TRACT 301 (Isleworth)	Tract 301 Final Boundary Plat		11-30-99	L	556, 557
#99-0111071 9-2-99 4493 / 3045-3050	TRACT 324 (The Symphony)	Tract 324 Final Boundary Plat		11-24-98	K	742, 743
	TRACT 401/408 (Tanglewood)	Tract 401/408 Final Boundary Plat		10-18-00	M	298, 299
#00-0014968 2-16-00 04605 / 1119-1125	TRACT 409 (Lakeside Crossing)	Tract 409 Final Boundary Plat		11-12-99	L	515, 516
#2005-0072953 6-2-05 05931 / 5725-5731	TRACT 411 (Coronado Village)	Tract 411 Final Boundary Plat		11-3-99	L	477, 478
#20061221001794460 12-21-2006	TRACT 501 PHASE 2	Tract 501 Phase 2 Final Boundary Plat		12-04-06	2006	807, 808
#20071101001492070 11-1-07	TRACT 511	Tract 511 Final Boundary Plat		12-07-06	2006	815
2005-0118273 8-24-05 05988 / 3647-3650	TRACT 514	Tract 514 Final Boundary Plat		8-12-05	Q	617
#2003-0002153 1-6-03 5329 / 2654-2657	TRACT 519 (Wren Creek II-A)	Tract 519 Final Boundary Plat		10-14-02	O	188, 189
#2000-0033387 4-4-00 04639 / 4729-4733	TRACT 703 (Fairway Village)	Tract 703 Final Boundary Plat		3-17-00	L	810, 811
Recorded as Hickory Hill	TRACT 704 (Hickory Hill)	Tract 704 Final Boundary Plat		3-17-00	L	805, 806
#2000-0039341 4-19-00 4650 / 1214-1219	TRACT 705 (Somerset)	Tract 705 Final Boundary Plat		3-17-00	L	820, 821
#2000-0033352 4-4-00 04639 / 4499-4502	TRACT 801 (The Gallery-Kimball Hill)	Tract 801 Final Boundary Plat		3-17-00	L	816, 817
#00-0028100 3-23-00 04631 / 1671-1679	TRACT 802 (Fountainview 3)	Tract 802 Final Boundary Plat		3-17-00	L	822, 823
#2000-0033354 4-4-00 4639 / 4506-4510	TRACT 803 (Summer Glen)	Tract 803 Final Boundary Plat		3-17-00	L	818, 819
#00-0028100 3-23-00 04631 / 1671-1679	TRACT 808 (Fountainview)	Tract 808 Final Boundary Plat		3-17-00	L	814, 815
#2001-0029018 3-20-01 4879 / 1512-1516	TRACT 902 (Parkview Estates)					
#98-0130757 11-20-98 4299 / 2633-2636	TRACT 904 & N. PORTION OF 909 (Stanford Meadow)	Tract 904 & N. Portion of 909 Final Boundary Plat		9-28-98	K	635, 636
#98-0117521 10-22-98 4278 / 11-15	TRACT 909 SOUTH (Stone Canyon)	Tract 909 South Final Boundary Plat		9-28-98	K	633, 634
#98-0065444 6-24-98 4193 / 494-497	TRACT 910 (Live Oak)	Tract 910 Final Boundary Plat		5-27-98	K	349, 350

Supplement Recording Info Document # Date Cabinet (Volume) / Drawer (Page)	VILLAGE	PLAT DESCRIPTION	# LOTS	RECORDING INFORMATION		
				DATE	CAB- INET	DRAWER
<i>Recorded as Aspendale & Cascades</i>	TRACT 1004	Tract 1004 Final Boundary Plat		9-26-03	P	175, 176
#95-0068314	WATERBURY	Waterbury Final Plat	65	8-1-95	I	683, 684
		Waterbury Amended Final Plat	65	10-17-95	I	780
		Waterbury Replat (Lot 7, Block A)	Adds 3 lots	1-16-96	J	78
	WELLINGTON POINT	Wellington Point I Final Plat	55	12-30-87	G	337
		Wellington Point I-Replat Lots 4B & 5B	2	11-8-89	G	644
#94-0025847 3-17-94		Wellington Point II Final Plat & Partial Replat W. Golf Course	21	1-15-90	G	678
		Wellington Point I-Replat Lots 2E, 1F & Oxford Dr. And Wellington Point II-Replat Lots 2F, 3F, 1-7G & St. Ann Rd.	10	12-20-93	I	92
		Wellington Point II Replat Lots 27A & 28, Block A	1	12-20-93	I	93
#94-0100422		Wellington Point III Final Plat	26	9-22-94	I	348, 349
#97-0091204 10-27-97 4027 / 1364-1369	WILDWOOD CROSSING	Wildwood Crossing Final Plat	73	12-31-96	J	544, 545, 546
#97-0023786 3-31-97 3879 / 1603-1611 <i>Note: Shown as Pulte Home Corp rather than Willowbrook on Supplement (Also see Tract 176)</i>	WILLOW BROOK	Willow Brook Phase I Final Plat	56	7-31-97	J	954
		Willow Brook Phase II Final Plat	78	5-26-98	K	347, 348
		Willow Brook Phase III Final Plat	101	6-22-99	L	200
#2000-00541366 4-26-00	WOODHAVEN	Woodhaven Phase I Final Plat	86	4-24-00	L	872, 873
#2001-0132416 10-18-01 5027 / 681-684		Woodhaven Phase II Final Plat	144	10-16-01	N	379, 380, 381
<i>(Recorded as The Sanctuary/Parcel 166)</i>	WOODLAND BRIDGE	Woodland Bridge Final Plat	30	11-24-98	K	740, 741
#2002-0074845 5-24-02 05176 / 3462-3465	WREN CREEK	Wren Creek Record Plat	135	5-20-02	N	855, 856
<i>(Recorded as Tract 519)</i>	WREN CREEK II-A	Wren Creek II-A Record Plat	106	1-03-05	Q	90-92
<i>(Recorded as Tract 519)</i>	WREN CREEK II-B	Wren Creek II-A Record Plat	102	3-5-07	2007	115-117
	WREN PARK	Wren Park Minor Plat	1	2-19-02	N	687
#2002-0074845 5-24-02 05176 / 3462-3465	WYNDSOR GROVE	WyndSOR Grove Record Plat (Note: Broken down into following subdivisions: WyndSOR Grove - 91 lots; The Heritage - 36 lots)	127	5-16-02	N	848-850

EXHIBIT "A-1"
Property Subject to Declaration

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

<u>Name</u>	<u>Document #</u>	<u>Cabinet/Volume</u>	<u>Drawer Number Page</u>
Beach & Tennis Club	26842	3063	533-536
(Correction)	009472	3449	286-292
Nora Haney Park	26844	3063	538-541
Quail Creek Playground	26851	3063	566-569
Quail Creek Pond		File No. 106196	
Stonebridge Lake	26843	3063	542-550

together with any and all tracts of land that may hereafter be conveyed, leased or assigned to the Association for the common use and enjoyment of the Owners and Residents, including easements and licenses, together with any and all improvements that are now or that may hereafter be constructed thereon.

EXHIBIT "B-1"
Appraised Value Lots

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

NOTICE: Effective on July 1, 2007, per Section 5.3, upon the transfer of ownership of any lot within the Association, the assessment for that lot will be assessed per Section 5.3B. At that time, this lot will become a Fixed Rate Lot regardless of the Village within which it is located.

EXHIBIT "B-2"
Fixed Rate Lots

<u>VILLAGE</u>	<u>PHASE(S)</u>
Arbor Glen	ALL
Arbor Hollow	ALL
Aspendale	ALL
Autumn Ridge	ALL
Ballantrae	ALL
Bridge Point	ALL
Brightwood	ALL
Canterbury	ALL
Cascades Manor	ALL
Cascades Park	ALL
Coronado Village	ALL
Crimson Ridge	ALL
Cypress Crossing	ALL
Eagle Creek	ALL
Fairway Village	ALL
Falcon Creek	ALL
Fieldstone Place	ALL
Fountainview	ALL
Freedom Park	ALL
Grand Traditions	ALL
Greenbriar	ALL
Hackberry Ridge	ALL
Hickory Hills	ALL
Hillsborough	ALL
Ileworth	ALL
Kings Lake	ALL
Knightsbridge	ALL
LaCima Haven	ALL
LaCima Manor	ALL
LaCima Meadows	ALL
Lake Point	ALL
Lakeside Crossing	ALL
Liberty Place	ALL
Live Oak	ALL
Mayberry Park	ALL
Muirfield Point	ALL
Parkview Estates	ALL
Pecan Crossing	ALL

Quail Creek	VI, VII
Reflections Of Dalmatia	ALL
Regent's Park	ALL
Saddlebrook Crossing	ALL
Saddlehorn Ridge	ALL
Somerset	ALL
Spring Hill	II
Stanford Meadows	ALL
Stone Canyon	ALL
Stonebridge Estates	ALL
Stratford Manor	ALL
Summer Glen	ALL
Tanglewood Crossing	ALL
Tanglewood Villas	ALL
The Enclave	ALL
The Gallery	ALL
The Heritage	ALL
The Symphony	ALL
Thornberry Ridge	ALL
Timber Crossing	ALL
Waterbury	ALL
Wellington Point	III, IV
Wildwood Crossing	ALL
Willow Brook	ALL
Woodhaven	ALL
Woodland Bridge	ALL
Wren Creek	ALL
Wyndsor Grove	ALL

NOTICE: Effective on July 1, 2007, per Section 5.3, upon the transfer of ownership of any lot within the Association, the assessment for that lot will be assessed per Section 5.3B. At that time, this lot will become a Fixed Rate Lot regardless of the Village within which it is located.

EXHIBIT "C"
TO THE
SECOND AMENDED AND RESTATED MASTER DECLARATION
FOR
STONEBRIDGE RANCH

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

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

**Article I
Name, Principal Office and Definitions**

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

Section 1.2. Principal Office. The principal office of the Association shall be located in the State of Texas in Collin County

Section 1.3. Definitions. The words used in these Bylaws shall be given their ordinary, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Second Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for Stonebridge Ranch Community Association, Inc. (said Declaration, as amended, renewed or extended from time to time, is hereinafter sometimes referred to as the "Declaration"), unless otherwise defined herein. For purposes of these Bylaws, the following capitalized terms shall be defined as follows:

"Class A Members" shall mean and refer to all Members who are subject to membership in the Association except the Class B Member until such time as the Class B membership terminates and is converted to a Class A membership at which time the Class B Member shall become a Class A Member for each Lot, if any, which it owns.

"Class B Member" shall mean the Declarant until such time as the Class "B" membership terminates and is converted to Class "A" membership at which time the Declarant shall become a Class "A" Member for each Lot, if any, which it owns.

"Major Entrances to Stonebridge Ranch" shall mean the following:

- Stonebridge Drive at Custer Road
- Stonebridge Drive at U.S. Highway 380 (University Drive)
- Eldorado Parkway at Lake Forest Drive
- Eldorado Parkway at Ridge Road
- Virginia Parkway at Lake Forest Drive
- Virginia Parkway at Ridge Road

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

Section 2.1. Membership. The Association shall have one class of membership, as more fully set forth in the Declaration. The provisions of the Declaration pertaining to membership are specifically incorporated herein by reference.

Section 2.2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as

the board may designate either within the Properties or as convenient thereto as possible and practical.

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

Section 2.4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of a majority of the Board or upon a petition signed by Members representing at least ten percent (10%) of the total votes of the Association.

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

In the case of a special meeting, or when required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

Notices of all Board and Annual Membership Meetings may be posted at all Major Entrances into Stonebridge Ranch, at the principal office of the Association and posted on the Stonebridge Ranch Community Association's official web site. The failure to post notice at such locations shall not affect the validity of any actions taken at such meetings provided that notice is otherwise provided to the membership in accordance with these Bylaws or the Texas Non-Profit Corporation Act.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, with postage thereon prepaid.

Section 2.6. 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 a meeting by a Member 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 also shall 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.

Section 2.7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. 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 time and place for reconvening the meeting shall be given to Members in the manner prescribed for special meetings.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken is approved by Members representing at least a majority of votes required to constitute a quorum.

Section 2.8. Voting. The voting rights of the Members shall be as set forth in the Declaration and these Bylaws, and the Declaration's voting rights provisions are specifically incorporated herein.

Section 2.9. Proxies. At all meetings of Members, each Member may vote in person or by proxy, except as specifically provided otherwise in the Governing Documents. All proxies shall be in writing, signed by the Member or his or her duly authorized attorney-in-fact, dated and filed with the Secretary or such other Person as may be designated by the Board before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon loss of good standing by any such Member, conveyance by the Member of such Member's Lot, or upon receipt of notice by the Secretary of the death or judicially declared incompetence of a Member, or of written revocation, or upon the expiration of eleven (11) months from the date of the proxy. A form of proxy or written ballot may provide an opportunity to specify approval or disapproval with respect to any proposal.

Section 2.10. Majority. As used in these Bylaws, the term "majority" shall mean those votes, owners or other group, as the context may indicate, totaling more than fifty percent (50%) of the total number.

Section 2.11. Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by proxy of Members representing at least ten percent (10%) of the total votes in the Association shall constitute a quorum at all meetings of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein.

Section 2.12. Conduct of Meetings. The President (or, in the absence of the President, the Vice-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.

Section 2.13. Action Without a Meeting. Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting if written consent setting forth the action so taken is signed by a sufficient number of Members as would be necessary to take that action at a meeting at which all of the Members were present and voted, and any such consent shall have the same force and effect as a unanimous vote of the Members. Such consents shall be signed within sixty (60) days after receipt of the earliest dated consent, dated and delivered to the Association. Such consents shall be filed with the minutes of the Association and shall have the same force as a vote of members at a meeting. Each written consent shall bear the date of the signature of each Member

who signs the consent. Within a reasonable time following authorization of any action by written consent, the Association shall give notice to all Members of the material features of the authorized action.

Article III **Board of Directors: Number, Powers, Meetings**

A. Composition and Selection.

Section 3.1. Governing Body; Composition. The affairs of the Association shall be governed by a Board consisting of seven (7) persons. The Directors must be Members of the Association. No more than one Member and/or Resident from each Village may serve on the Board at any given time. In the event two or more Members and/or Residents from the same Village are nominated for election to the Board, only the candidate receiving the highest number of votes from among those candidates shall be eligible to serve on the Board. Each Director shall have one vote.

Section 3.2. Election of Directors. At the 2005 annual meeting, Class A Members elected two (2) Directors ("Director #2" and "Director #3") to serve for a term of two (2) years and one (1) Director ("Director #1") for a term of one (1) year. During the 2006 annual meeting, the Class A Members elected one (1) Director ("Director #1") for a term of three (3) years. At each annual meeting thereafter, this Director position ("Director #1") shall be elected to serve for a term of three (3) years. Commencing with the 2007 annual meeting and at each annual meeting thereafter, the two (2) Director positions elected at the 2005 annual meeting ("Director #2" and "Director #3") shall be elected to serve for a term of three (3) years.

Commencing with the 2015 annual meeting or the first annual meeting following the surrender of the Class B Member's right to appoint Directors, whichever occurs first, the Class A Members shall elect Directors to fill the positions formerly held by the Directors appointed by the Class B Member. The Class B Member may surrender all four (4) Director seats within a single year or over a period of years so long as all four (4) positions are surrendered at or before the 2015 annual meeting. The Directors shall serve terms according to Table 1 below based on the year the Class B Member surrenders its right to appoint the Directors. The four (4) Director positions appointed by the Class B Member are described in Table 1 as Director #4, #5, #6 and #7.

Table 1: Years Remaining in Elected Terms

Position	Calendar Year							
	2008	2009	2010	2011	2012	2013	2014	2015
Director #1	1	3	2	1	3	2	1	3
Director #2	2	1	3	2	1	3	2	1
Director #3	2	1	3	2	1	3	2	1
Director #4	2	1	3	2	1	3	2	1
Director #5	1	3	2	1	3	2	1	3
Director #6	3	2	1	3	2	1	3	2
Director #7	3	2	1	3	2	1	3	2

Legend:

Directors #1, #2 and #3 are Class A Member-Elected Directors

Directors #4, #5, #6 and #7 are Class B Member-Elected Directors Until Transition

Upon the surrender of the Class B Member's right to appoint the aforementioned Directors, the candidate(s) receiving the most votes will be elected to the vacant position(s) having a three (3) year term, if any. The candidate(s) with the next highest number of votes will be elected to the vacant position(s) having a two (2) year term, if any. The candidate(s) with the next highest number of votes will be elected to the vacant position(s) having a one (1) year term, if any. At the expiration of the initial term of office of each such Director position of the Board of Directors and at each annual meeting thereafter, a successor shall be elected to serve for a term of three (3) years.

Directors elected by the Members shall hold office until their respective successors have been elected and qualified. At each election, each Member in good standing may cast one (1) vote for each Lot owned by such Member for each vacancy to be filled. If a Member owns more than one Lot, the Member may only cast his or her vote as to those Lots in which the Member is in good standing. There shall be no cumulative voting. The number of candidates equal to the number of positions to be filled and who receive the greatest number of votes shall be elected. Directors may not serve more than two (2) consecutive three (3) year terms. All terms less than three (3) years shall not count towards the term limits established above.

Section 3.3. Removal of Directors

Any director may be removed, with or without cause, by either the vote of two-thirds (2/3rds) of the Board or the vote of the 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 at least five (5) days' notice prior to any meeting called for that purpose and shall be given an opportunity to be heard at the meeting or to communicate his or her position. Upon removal of a director by the Members, a successor shall then and there be elected by the Members to fill the vacancy for the remainder of the term of such director. Upon removal of a director by the Board, a successor shall then and there be elected by the Board to fill the vacancy for the remainder of the term of such director.

Any director who has three (3) 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 sixty (60) 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.

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 to serve for the remainder of the term of such director. Alternatively, the Board may call for an election for the purpose of electing a successor to fill any such vacancy on the Board. In such case, the Members shall be entitled to elect a successor to serve for the remainder of the term of such director.

B. Meetings.

Section 3.4. Organizational Meetings. The first meeting of the Board following each annual meeting of the Membership shall be held within fifteen (15) days thereafter at such time and place as shall be fixed by the Board.

Section 3.5. Regular Meetings. Regular meetings of the Board 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 six (6) such meetings shall be held during each fiscal year with at least one (1) every other month. Notice of the time and place of the meeting shall be communicated to directors no less than seven (7) days prior to the meeting, provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 3.6. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President or by any two (2) directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one of the following methods: (i) by personal delivery; (ii) written notice by first-class-mail, postage prepaid; (iii) by telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) by electronic mail, facsimile, or other communication device. All such notices shall be given at the director's telephone number, fax, number, electronic mail address, or sent to the director's address as shown on the records of the Association. Notices sent by first-class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting.

Section 3.7. Workshops And Other Meetings. Meetings, other than those held under Section 3.4, Section 3.5 or Section 3.6, may be held. These Workshops and Other Meetings are such that discussions occur between Board Members with no input from Members. At these meetings no substantive decisions will be rendered, however, minutes of such meetings shall be recorded and entered into the official records of the Association. No prior notice to Membership is required.

Section 3.8. Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 3.9. Telephonic Meetings. Members of the Board or any committee may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can simultaneously communicate with one another. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 3.10. Quorum of Board. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the directors present at a meeting at

which a quorum is present shall constitute the decision of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have transacted at the meeting originally called may be transacted without further notice.

Section 3.11. Compensation. No director shall receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total vote of the Association at a regular or special meeting of the Association; provided any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors.

Section 3.12. Conduct of Meetings; Minutes. The President (or, in the President's absence, a Vice-President) shall preside over all meetings of the Board, and the Secretary shall keep a minute book of meetings of the Board, recording therein all resolutions adopted by the Board of Directors and all transactions and proceedings occurring at such meetings. Business of the Association shall be conducted during a minimum of six (6) public Board Meetings per year. Unless otherwise prohibited by the Bylaws, the Board shall be entitled to have one or more private workshop per Fiscal Year. The minutes of each and every meeting shall be accurately recorded, approved by the Board and filed with the records of the Association. The minutes of all public meetings shall be made available to the Association membership for inspection by whatever means necessary, including posting on the Association's official web site once the minutes have been approved by the Board no later than the next Board meeting.

Section 3.13. Open Meetings. Subject to the provisions of Section 3.14, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation except as follows:

(a) the Directors shall publish a meeting agenda and permit Members a reasonable opportunity to express their opinions concerning such agenda matters prior to taking any formal action; and

(b) the Directors shall allow an "open" or "new business" portion of the meeting in which any Member can express his/her opinion concerning any new or previously non-discussed matter.

In such case, the President may limit the number of speakers, limit the time for each presentation to three minutes, and adopt other rules of efficiency and decorum as may be reasonably needed to maintain order.

Section 3.14. Executive Session and Workshops. Unless otherwise required by law, the Board may, with approval of a majority of a quorum, adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss and vote upon matters of a sensitive nature, such as pending or threatened litigation, personnel matters, covenant enforcement matters, assessment delinquencies, contracts, etc., or matters that are to remain

confidential by request of the affected parties and agreement of the Board. The general nature of any business to be considered in executive session must first be announced at the open meeting. The Board may also attend "workshop" meetings or sessions to discuss long-range concepts, receive educational assistance and training and the like, provided no official action of any sort is taken.

Section 3.15. Action without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by a sufficient number of directors as would be necessary to take that action at a meeting at which all of the directors were present and voted, and such consent shall have the same force and effect as a unanimous vote. An explanation of the action taken shall be posted at a prominent place or places within the Properties within a reasonable time after the written consents of the Board members have been obtained and minutes of the action approved by the Board.

C. Powers and Duties.

Section 3.16. Powers. The Board 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 Governing Documents or by law directed to be done and exercised exclusively by the Members or the membership generally. The Board may delegate to one or more of its members the authority to act on behalf of the Board on all matters relating to the duties of and/or matters directly or indirectly pertaining to the managing agent or manager, if any, which might arise between meetings of the Board.

Section 3.17. Duties. The duties of the Board shall include, without limitation, the following:

(a) preparation and adoption, in accordance with Article V of the Declaration, of annual budgets in which there shall be established the contribution of each Owner to the Common Expenses;

(b) making assessments to defray the Common Expenses, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment;

(c) providing for the operation, care, upkeep and maintenance of all of the Common Properties;

(d) 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 Common Properties 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;

(e) 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;

- (f) making and amending rules and regulations;
- (g) opening of bank accounts on behalf of the Association and designating the signatories required;
- (h) making or contracting for the making of repairs, additions and improvements to or alterations of the Common Properties in accordance with the other provisions of the Declaration and these Bylaws after damage or destruction by fire or other casualty;
- (i) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;
- (j) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;
- (k) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;
- (l) 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;
- (m) making available to any prospective purchaser of a Lot, any Owner of a Lot, any first mortgagee, and the holders, insurers and guarantors of a first mortgage on any Lot, current copies of the Governing Documents and all other books, records and financial statements of the Association; and
- (n) permitting utility suppliers to use portions of the Common Properties reasonably necessary to the ongoing development or operation of the Properties.

Section 3.18. Management. The Board 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 its managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board by these Bylaws, other than the powers set forth in this Section 3.18.

The Association shall not be bound, either directly or indirectly, by any contract, lease or other agreement (including any management contract) executed during the Development 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 90 days' notice to the other party.

Section 3.19. Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) cash or accrual accounting (as determined by the Board from time to time), as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls should conform to generally accepted accounting principles;

(c) a segregation of accounting duties should be maintained, and disbursements by check shall require only one signature, except as otherwise specified by resolution of the Board;

(d) cash accounts of the Association shall not be commingled with any other accounts;

(e) no remuneration shall be accepted by the managing agent from vendors, independent contractors or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts or otherwise; anything of value received shall benefit the Association;

(f) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board;

(g) financial reports shall be prepared for the Association at least quarterly containing;

(i) a balance sheet as of the last day of the preceding period;

(ii) an income statement reflecting all income and expense activity for the preceding period on a cash or on an accrual basis, as the Board may prescribe;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a statement reflecting all cash receipts and disbursements for the preceding year; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the thirtieth (30th) day following the due date unless otherwise specified by resolution of the Board of Directors).

(h) an annual report consisting of at least the following shall be made available for inspection by the Members in accordance with the provisions of Section 6.4(b) within one hundred twenty (120) days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. The annual report referred to above shall be prepared on an audited or reviewed basis, as determined

by the Board; provided, upon written request of any holder, guarantor or insurer of any First Mortgage on a Lot, the Association shall provide an audited financial statement.

Section 3.20. Borrowing. The Association shall have the power to borrow money for any purposes; provided the Board shall obtain Member approval in the same manner provided in Section 5.4 of the Declaration for special group 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 twenty percent (20%) of the budgeted gross expenses of the Association for that fiscal year or would increase the total Annual Assessment by more than five percent (5%).

Section 3.21. Rights of the Association. With respect to the Common Properties, 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 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.

Section 3.22. Enforcement. The Association 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 Properties for violation of any covenant or duty imposed under the Governing Documents; provided, however, nothing herein shall authorize the Association to limit ingress or egress to or from a Lot. In the event that any occupant, guest or invitee of a Lot violates the Governing Documents for which a fine is imposed, such fine may be assessed against the occupant or the Owner; 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 of the occupant's failure to do so. The failure of the Board to enforce any provision of the Governing Documents shall not be deemed a waiver of the right of the Board to do so thereafter or of the right to enforce any other violation.

(a) Notice. Except as hereinafter provided, prior to imposition of any fine under the Governing Documents, suspension of an Owner's right to use the Common Properties, commencement of a suit against an Owner (other than a suit to collect a regular or special assessment or foreclose under the Association's assessment lien), imposition of a charge against an Owner for property damage (the foregoing actions are collectively referred to herein as a "sanction"), the Board 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 thirty (30) days within which the alleged violator may present a written request to the Board, for a hearing and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a hearing is requested within thirty (30) days of the notice; provided that the Board may suspend any proposed sanction if the violation is cured within the 30-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.

Notwithstanding the foregoing, the notice and hearing provisions of this Section 3.22(a) do not apply if the Association files a suit seeking a temporary restraining order or temporary injunctive relief or files a suit that includes foreclosure as a cause of action. The notice and

hearing provisions of this Section 3.22(a) do not apply to a temporary suspension of a Person's right to use the Common Properties if the temporary suspension is the result of a violation that occurred on the Common Properties and involved a significant and immediate risk of harm to others in the Properties. The temporary suspension is effective until the Board makes a final determination on the suspension action after following the procedures prescribed by this Section 3.22(a).

(b) Hearing. If a hearing is requested within the allotted thirty (30) day period, the hearing shall be held 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 of Directors may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the thirty (30) 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.

(c) Appeal. Following a hearing before a Committee of the Association, 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.

(d) Additional Enforcement Rights. 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 Bylaws 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 and the maintenance of an Owner's Lot which the Owner failed and/or refused to perform) or 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 notice and hearing procedures 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 attorney's fees actually incurred.

Article IV **Officers**

Section 4.1. Officers. The officers of the Association shall be a President, Vice President, Secretary and Treasurer, to be elected from among the members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 4.2. Election and Term of Office, and Vacancies. The officers of the Association shall be elected annually by the Board at the first meeting of the Board following each annual meeting of the Members, as set forth in Section 3.7. A vacancy in any office arising

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because of death, resignation, removal or otherwise may be filled by the Board of Directors for the unexpired portion of the term. Officers may not serve more than two (2) consecutive three (3) year terms.

Section 4.3. Removal. Any officer may be removed by the Board whenever in its judgment the best interest of the Association will be served thereby.

Section 4.4. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a Finance Committee, management agent or both.

Section 4.5. Resignation. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.6. Agreements, Contracts, Deeds, Leases, Checks, etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by such person or persons as may be designated by resolution of the Board.

Article V **Committees**

Section 5.1. General. 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 directors present at a meeting at which a quorum is present. Each committee shall cooperate in accordance with the terms of the resolution of the Board designating the committee or with rules adopted by the Board of Directors. The Board shall appoint the chairperson for each committee who shall preside at its meeting and who shall be responsible for transmitting any and all communications to the Board.

For each committee, a Board Member shall be designated as the primary interface/liaison to the Board for the specific committee. Committee reports or minutes should be taken at each meeting and presented at each regular Board Meeting. Committee members should also receive copies of the committee minutes. These minutes should include actions, recommendations and a list of committee members present at the meeting.

Committee members may be removed from the Committee by the Board without cause or for causes related to "Disclosure Due to Conflict of Interest" upon thirty (30) days written notice. Causes relating to "Disclosure Due to Conflict of Interest" include, (a) soliciting personal business or gain while acting in the capacity of a member of the committee or as an Association volunteer, (b) communicating directly with any vendor of the association or person or entity requested to submit a bid to provide services to the Association without express approval to do so from the Association, and (c) failing to fully disclose to the Association any personal or

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business relationship with a vendor of the association or a person or entity requested to submit a bid to provide services to the Association, if the Committee made any recommendation to the Association to engage that vendor or to renew an existing contract, or to request a bid from that person or entity.

Article VI **Miscellaneous**

Section 6.1. Fiscal Year. The fiscal year of the Association shall be the twelve (12) month period commencing on January 1 and ending on the following December 31, unless the Board shall otherwise select an alternative twelve (12) month period.

Section 6.2. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (Current edition) shall govern the conduct of Association proceedings when not in conflict with Texas law, the Articles of Incorporation, the Declaration or these Bylaws.

Section 6.3. Conflicts. If there are conflicts between the provisions of Texas law, the Articles of Incorporation, the Declaration and these Bylaws, the provisions of Texas law, the Declaration, the Articles of Incorporation and the Bylaws (in that order) shall prevail.

Section 6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Governing Documents, the membership register, books of account and the minutes of meetings of the Members, the Board and Committees, shall be made available for inspection and copying by any holder, insurer or guarantor of a First Mortgage on a Lot, a Member, or by the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in the Lot. Such inspection shall take place at the office of the Association or at such other place within the Properties as the Board shall prescribe.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing copies of documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical Properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and a copy of relevant documents at the expense of the Association.

Section 6.5. Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered electronically (delivery confirmed), personally or if sent by United States mail, first-class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 6.6. Amendments. The power and authority to alter, amend or repeal the Bylaws, or to adopt new Bylaws, has been delegated by the Members to the Board.

Section 6.7. Use of Technology. In recognition of the opportunities offered through computers and continuing advancements in the high technology fields, the Association may, to the extent Texas law permits, and unless otherwise specifically prohibited in the Governing Documents, do the following:

- send required notices to Members and Directors by electronic means;
- hold Board or Association meetings and permit attendance and voting by electronic means, to include early voting;
- where directors are to be elected by the Members, conduct such elections by mail, facsimile, or electronically, or by any combination of the foregoing;
- send and collect assessments and other invoices over the computer via the Internet or Intranet;
- sponsor a community cable television channel;
- create and maintain a community intranet or internet web site offering interactive participation opportunities for users;
- maintain an "online" newsletter or bulletin board.

CERTIFICATION

I, the undersigned, am the duly elected and acting Secretary of STONEBRIDGE RANCH COMMUNITY ASSOCIATION, INC., a Texas non-profit corporation, and I do hereby certify:

That the within and foregoing Second Amended and Restated Bylaws of Stonebridge Ranch Community Association, Inc. were adopted as the Bylaws of said corporation as of March 27, 2008, thereby replacing the existing Bylaws of the Association and that the same do now constitute the Bylaws of said corporation, and that they have not been modified, amended nor rescinded since their adoption.

IN WITNESS WHEREOF, I have hereunto subscribed my name as of March 27, 2008.


Secretary

EXHIBIT "D"

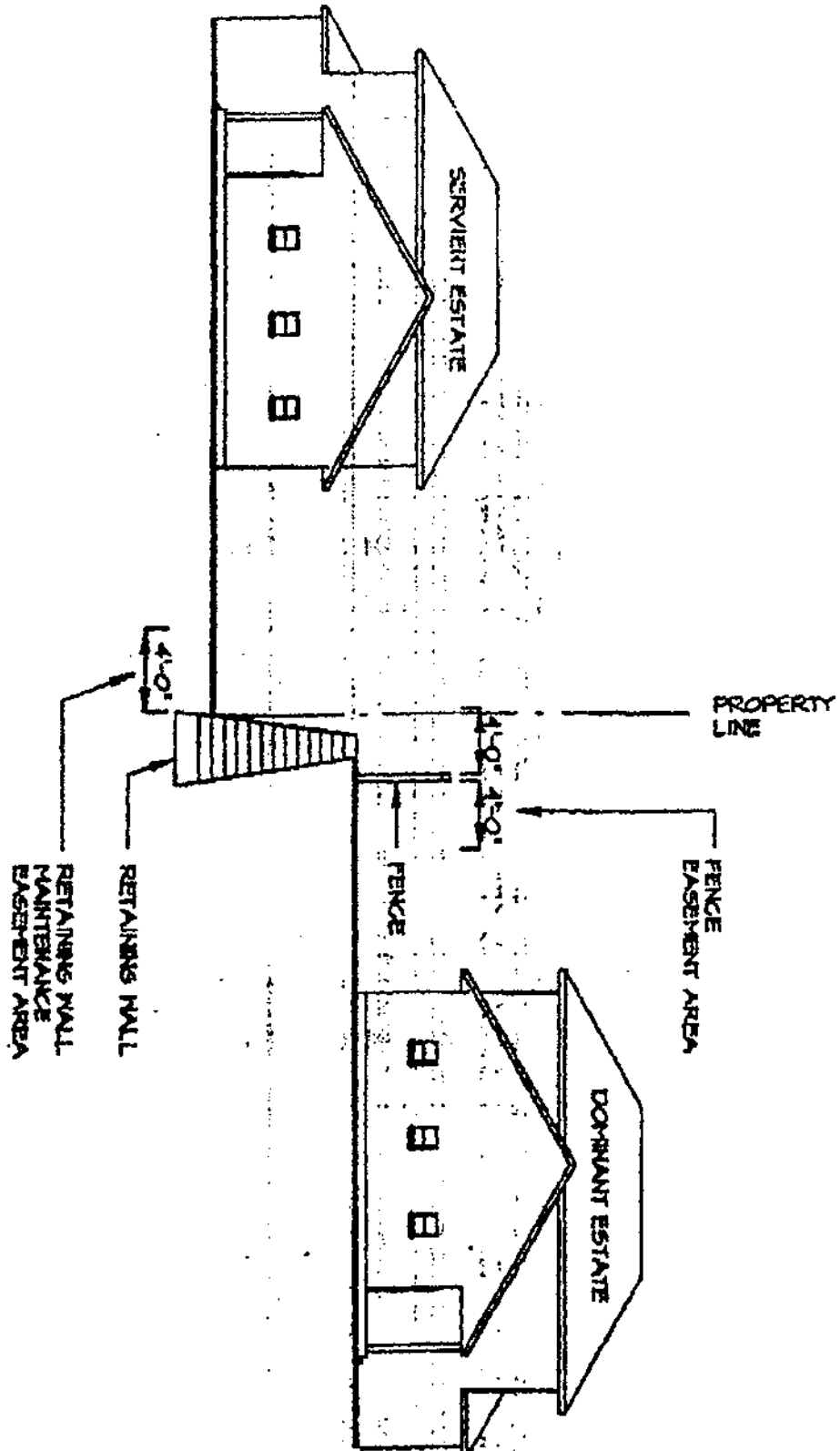


EXHIBIT "E"
Designation of Village Common Properties

Subdivision	Common Areas	Date of Special Warranty Deed/Plat	Recording Information			
			Date	Doc/Num	Vol.	Page
Villas at Adriatica	Any land designated or assigned as common area on the recorded plat for the Villas at Adriatica, Phase I	7-17-06	7-18-06	20060718010003080		
Kings Lake	A-1, A-6, B-1	11-27-06	2-19-07	200702220002448504		
Coronado	Any land designated or assigned as common area on the recorded plat for Coronado	NA	NA	NA	NA	NA
The Enclave	Any land designated or assigned as common area on the recorded plat for The Enclave	NA	NA	NA	NA	NA
Grand Traditions	Any land designated or assigned as common area on the recorded plat for Grand Traditions	NA	NA	NA	NA	NA
Isleworth	Any land designated or assigned as common area on the recorded plat for Isleworth	NA	NA	NA	NA	NA
Lake Point	Any land designated or assigned as common area on the recorded plat for Lake Point	NA	NA	NA	NA	NA
Live Oak	Any land designated or assigned as common area on the recorded plat for Live Oak	NA	NA	NA	NA	NA
Muirfield Point	Any land designated or assigned as common area on the recorded plat for Muirfield Point	NA	NA	NA	NA	NA
The Symphony	Any land designated or assigned as common area on the recorded plat for The Symphony	NA	NA	NA	NA	NA
Woodland Bridge	Any land designated or assigned as common area on the recorded plat for Woodland Bridge	NA	NA	NA	NA	NA
Stonebridge Estates Phases 2 & 3	Private Streets within Stonebridge Estates Phases 2 & 3	4-30-03	5-1-03	2003-0079531	05408	01018 – 01025
Stonebridge Estates II	Lot A-2, Block A	2-22-01	3-2-01	2001-0021975	4867	4003 – 4005
Fieldstone Place	F-2, Block F and a 2.489 acre portion of G-1	2-22-01	3-2-01	2001-0021974	4867	3995 – 4002
Ballantrae I Ballantrae II	11A, Block B; Tract 3 (Lot 17A, Block A) B-2, Block B; Lot 2, Block D	2-22-01	3-2-01	2001-0021972	4867	3984 – 3986
Ballantrae (deeded back to Westerra Stonebridge, L.P.)	Portion of Lot 1, Block D (0.018 Acres) (former Common Green)	7-25-00	7-26-00	2000-0078407	04717	00357 – 00360

Subdivision	Common Areas	Date of Special Warranty Deed/Plat	Recording Information			
			Date	Doc/Num	Vol.	Page
Stonebridge Estates Phase I	Lot 1, Block D	7-18-96	7-30-96	96-0063618		
Stonebridge Estates Phase I	Lot 1-A, Block C	1-29-96	2-19-96	96-0013034		
Ballantrae I	Lot 1, Block D	8-3-95	8-4-95	95-0055645		
Summer Point – Phase I	Any land designated or assigned as common area on the recorded plat for Summer Point Phase I	NA	NA	NA	NA	NA
Summer Point – Phase II	Lot 32A, Block A & Lot 13A, Block C	9-14-94	9-21-94	94-0086768		
Bridge Point	Lot 4-A, Block B & Lot 22-A, Block A	9-14-94	9-21-94	94-0086767		
Summer Point Village	Lot 9A	10-24-89	11-17-89	59552	3168	306 – 308

Filed and Recorded
Official Public Records
Stacey Kemp
Collin County, TEXAS
03/27/2008 03:12:21 PM
\$408.00 TKING
20080327000365660



A handwritten signature in cursive script that reads "Stacey Kemp".