

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

ELDORADO ESTATES PHASE III

STATE OF TEXAS §
 COUNTY OF DENTON §

KNOW ALL MEN BY THESE PRESENTS

This DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR ELDORADO ESTATES PHASE III (this "Declaration"), is made on the date hereinafter set forth by LITTLE ELM/2000, LTD., a Texas limited partnership ("Declarant"), for the purpose of evidencing the covenants, conditions and restrictions contained herein.

WITNESSETH:

WHEREAS, Declarant, is the owner of that certain real property platted as ELDORADO ESTATES PHASE III, as approved by the Town of Little Elm and filed of record on April 11, 2003, in Cabinet U, Page 950 of the Plat Records of Denton County, Texas, said subdivision referred to as the "Development", and such plat as may be amended or replatted, being referred to as the "Plat", all of said real property being more specifically described on the Plat of the Development which are incorporated herein and made a part hereof for all purposes (the "Property").

NOW, THEREFORE, Declarant hereby declares that all of the Property shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property. These easements, covenants, restrictions and conditions shall run with the Property and be binding on all parties having or acquiring any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of Declarant and each owner thereof.

ARTICLE I

ADDITIONAL DEFINITIONS

1.1 Association. "Association" shall mean and refer to Eldorado Estates Phase III Homeowners' Association, Inc., its successors and assigns.

1.2 Areas of Common Responsibility. "Areas of Common Responsibility" shall mean those areas listed below in which the Association shall maintain, upkeep and repair:

(a) The five foot (5') Wall Maintenance Easements as depicted on the Plat for the Development.

(b) The fifteen foot (15') landscape buffer dedicated for landscaping as depicted on the Plat for the Development as Lot 1, Block X, including any landscaping, irrigation and/or sprinkler systems, screening walls, signage, fencing, lighting and other features of the Development located within said landscape buffer.

(c) The twenty foot (20') landscape buffer dedicated for landscaping as depicted on the Plat for the Development as Lots 2 and 3, Block X, including any landscaping, irrigation and/or sprinkler systems, screening walls, signage, fencing, lighting and other features of the Development located within said landscape buffer.

Provided, however, Areas of Common Responsibility shall specifically exclude sidewalls, street signs, traffic control devices or any other facility owned or operated by the Town or public utility companies.

1.3 Declarant. The term "Declarant" shall mean **Little Elm/2000, Ltd.**, a Texas limited partnership, and any party to whom it shall expressly assign in writing, its rights, powers, privileges and prerogatives hereunder.

1.4 Town. "Town" shall mean the Town of Little Elm, Texas.

1.5 Home. "Home" shall mean a single-family residential unit constructed on a Lot being a part of the Property, including the parking garage utilized in connection therewith and the Lot upon which the Home is located.

1.6 Lienholder. "Lienholder" or "Mortgagee" shall mean the holder of a first mortgage lien, either on any Home and/or any Lot.

1.7 Lot. "Lot" or "Lots" shall mean and refer to a portion of the Property designated as a Lot on the Plats of the Property, excluding Open Space, streets, alleys and any Area of Common Responsibility. Where the context requires or indicates, the term Lot shall include the Home and all other improvements which are or will be constructed on the Lot.

1.8 Member. "Member" shall mean and refer to every person or entity who holds membership in the Association. The Declarant and each Owner shall be a Member in the Association.

1.9 Owner. "Owner" shall mean and refer to the record Owner, other than Declarant whether one or more persons or entities, of a fee simple title to any Lot and shall include any homebuilder, but shall exclude those having such interest merely as security for the performance of an obligation. However, the term "Owner" shall include any Lienholder or Mortgagee who acquires fee simple title to any Lot which is a part of the Property, through deed in lieu of foreclosure or through judicial or nonjudicial foreclosure.

ARTICLE II

PROPERTY RIGHTS

2.1 Maintenance of Areas of Common Responsibility by the Declarant and the Association. Initially, the Declarant will be obligated to maintain and improve the Areas of Common

Responsibility in a prudent manner to enhance the safety, security and overall appearance of the Development, but at the cost and expense of the Association and/or Members. Upon the happening of either of the events set forth in Section 3.2(b) hereunder, the Association will be solely obligated to maintain and improve the Areas of Common Responsibility in a prudent manner to enhance the safety, security and overall appearance of the Development. As such, the Declarant and Association shall not, except as the Declarant or Association may reasonably deem appropriate to comply with applicable laws or to protect the health, safety or welfare of the Development or the Members, cause (i) any buildings or permanent structures to be constructed within the Areas of Common Responsibility, or (ii) allow any interference or conflict with the natural or planted vegetation or trees in the Areas of Common Responsibility. The Association shall have the following rights with regard to the Areas of Common Responsibility:

(a) the right to dedicate or transfer all of any part of the Areas of Common Responsibility to any public agency or authority subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless (i) an instrument of agreement to such dedication or transfer, signed by two-thirds (2/3) of each class entitled to vote (determined pursuant to Section 3.2 hereof) is properly recorded, in the Deed Records of Denton County, Texas, (ii) a written notice of proposed action under this Section is sent to every Owner (including Lienholder or Mortgagees) not less than thirty (30) days, nor more than sixty (60) days in advance of said action, and (iii) the Town consents in writing to the dedication or transfer;

(b) the right to borrow money to be secured by a lien against the Areas of Common Responsibility; however, the rights under such improvement mortgage shall be subordinate and inferior to the rights of the Owners hereunder; and

(c) the right to enter upon and make rules and regulations relating to the use of the Areas of Common Responsibility.

2.2 Title to Areas of Common Responsibility. Immediately upon the recordation of this Declaration, the Declarant shall dedicate and convey to the Association by separate deed, without consideration, the fee simple title to the Areas of Common Responsibility owned by Declarant free and clear of monetary liens and encumbrances other than those created in or subordinate to this Declaration.

ARTICLE III

ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

3.1 Membership. Declarant, during the time it owns any Lots, and each person or entity who is a record Owner of a fee or undivided fee interest in any Lot shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from any ownership of any Lot which is subject to assessment by the Association. Transfer of ownership, either voluntarily or by operation of law, shall terminate such Owner's membership in the Association, and membership shall be vested in the transferee; provided, however, that no such transfer shall relieve or release such Owner from any personal obligation with respect to assessments which have accrued prior to such transfer.

3.2 Voting Rights. The Association shall have two classes of voting membership.

(a) **Class "A".** The Class "A" Members shall be all Owners. The Class "A" Members shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

(b) **Class "B".** The Class "B" Member shall be Declarant. The Declarant shall be entitled to ten (10) votes for each Lot it owns; provided however that Declarant shall cease to be a Class "B" Member and shall become a Class "A" Member entitled to one vote per Lot on the happening of either of the following events:

- (i) when the total votes outstanding in the Class "A" membership equals the total votes outstanding in the Class "B" membership, or
- (ii) the expiration of ten (10) years from the recording date of this instrument in the Real Property Records of Denton County, Texas.

3.3 No Cumulative Voting. At all meetings of the Association, there shall be no cumulative voting. Prior to all meetings, the Board of Directors shall determine the total number of votes outstanding and entitled to vote by the Members.

3.4 Association's Powers. In addition to the rights of the Association set forth in other sections of this Declaration, the Association shall have the duty to enforce the covenants under this Declaration and maintain all Areas of Common Responsibility and shall have the right, power, and authority to do any act which is consistent with or required by the provisions of this Declaration or the Bylaws, whether the same be expressed or implied, including but not limited to the following:

- (a) The power to levy and collect Assessments (as hereinafter defined), of whatever nature for the maintenance, repair or replacement of the Areas of Common Responsibility existing on the Property and for such other purposes as are herein provided;
- (b) The power to keep accounting records with respect to the Association's activities;
- (c) The power to contract with and employ others for maintenance and repair; and
- (d) The power to adopt rules and regulations concerning the operation of the Association.

3.5 Town's Rights. Should the Declarant, the Association or its Board fail or refuse to maintain such Areas of Common Responsibility to Town specifications for an unreasonable time, not to exceed ninety days after written request to do so, the Town, by and through a majority of the Town Council members, shall have the same right, power and authority as is herein given to the Association and its Board to enforce this Declaration and levy Assessments in the manner set forth herein. It is understood that in such event, the Town may elect to exercise the rights and powers of the Association or its Board, to the extent necessary to take any action required and levy any Assessment that the

Association might have, either in the name of the Association, or otherwise, to cover the cost of maintenance of such Areas of Common Responsibility.

ARTICLE IV

ASSESSMENTS MAINTENANCE FUND AND ASSESSMENT LIENS

4.1 Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be expressed in any such deed or other conveyance, covenants and agrees to pay to the Association: (i) annual assessments or charges, and (ii) special assessments for capital improvements. Such assessments (collectively, the "Assessments") are to be fixed, established and collected as provided herein. Assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the Lot and shall be secured by a continuing lien which is hereby created and impressed for the benefit of the Association upon the Lot against which each such Assessment is made. Each such Assessment, together with such interest costs and reasonable attorney's fees shall also constitute a personal obligation of the person or entity who was the record Owner of such Lot at the time of the Assessment. The personal obligation for delinquent Assessments shall not pass to successors in title unless expressly assumed by such successors; however, the lien upon the Lot shall continue until paid.

4.2 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the Owners of the Lots, the improvement and maintenance of the Areas of Common Responsibility and any other property owned by the Association, and the performance and/or exercise of the rights and obligations of the Association arising hereunder. Assessments shall include, but not be limited to, funds to cover actual Association costs (including reasonable reserves) for all taxes, insurance, repair, replacement, maintenance and other activities as may from time to time be authorized by the Board of Directors; legal and accounting fees, and any fees for management services; expenses incurred in complying with any laws, ordinances or governmental requirements applicable to the Association or the Property; reasonable replacement reserves and the cost of other facilities and service activities, including, but not limited to, mowing grass, grounds care, sprinkler system, landscaping, and other charges required or contemplated by this Declaration and/or that which the Board of Directors of the Association shall determine to be necessary to meet the primary purpose of the Association, including the establishment and maintenance of a reserve for repair, maintenance, taxes and other charges as specified herein.

4.3 Basis and Maximum of Annual Assessments and Assessments on Sale of Lots.

(a) Commencing as of May 1, 2003, the regular maximum annual Assessment shall be an amount not to exceed \$240.00 per Lot.

(b) From and after January 1, 2004, the maximum regular annual assessment may be increased by an amount up to twenty percent (20%) over the preceding year's regular annual assessment solely by the Board of Directors. Any increase over and above 20% of the previous year's regular annual assessment shall be done only by the prior written approval of sixty-six and two-thirds percent (66-2/3 %) of the outstanding votes (determined pursuant to Section 3.2 hereof) held by the Members at a meeting at which a quorum is present.

(c) In addition to the regular annual assessment, each and every time a Lot in the Development is sold an additional assessment of \$100.00 and the pro-rata share of annual assessments due on such Lot shall be paid to the Association by the purchaser of the Lot at the closing of each sale of said Lot.

4.4 Special Assessments. In addition to the regular annual Assessment and Assessments on the sale of lots authorized above, the Association may levy, in any assessment year, a Special Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the costs incurred by the Association pursuant to the provisions of this Declaration, provided that any such Assessment shall have the prior written approval of sixty-six and two-thirds percent (66-2/3 %) of the outstanding votes (determined pursuant to Section 3.2 hereof) held by the Members at a meeting at which a quorum is present. Any Special Assessments shall be prorated based on the period of time the Owner owns the Lot during such year.

4.5 Notice and Quorum for any Action Authorized Under Sections 4.3 and 4.4. Written notice of any meeting called for the purpose of taking any action authorized under Sections 4.3 and 4.4 hereunder shall be given to all Members not less than ten (10) days nor more than twenty (20) days in advance of such meeting. At such meeting, the presence of Members or of written proxies entitled to cast sixty percent (60%) of all the votes entitled to be cast by the Members of the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting.

4.6 Uniform Rate of Assessment. Both the regular annual and Special Assessments shall be fixed at a uniform rate for all Lots, and shall commence and be due in accordance with the provisions of Section 4.7 hereof. Each Owner shall pay one hundred percent (100%) of the established Assessment for each Lot he or it owns.

4.7 Date of Commencement of Annual Assessments; Due Dates.

(a) The obligation to pay regular annual Assessments provided for herein shall commence no earlier than May 1, 2003. The Assessments shall then be due on such payment dates as may be established by the Association. Assessments shall be due and payable on an annual basis unless otherwise designated by the Association.

(b) As long as Declarant is a Class "B" Member pursuant to Section 3.2 hereof, Declarant shall pay the deficiency resulting in the event the cost of maintenance exceeds the amount of the Assessments received from the Owners; provided, however, in such event, Declarant shall not otherwise be required to pay Assessments with respect to portions of the Property owned by Declarant; and further, provided, however, in no event shall Declarant be required to pay an amount which is in excess of one hundred percent (100%) of the established Assessment for each Lot it owns. When the Declarant is converted to a Class "A" Member, the Declarant (i) shall no longer be responsible for contributing shortfalls outlined in the preceding sentence but rather, (ii) shall commence making regular annual and Special Assessments pursuant to Sections 4.3 and 4.4 hereof calculated on the number of Lots Declarant then owns.

(c) The annual Assessments for the first Assessment year shall be fixed by the Association prior to the sale of the first Lot to an Owner. Except for the first Assessment year, the Association shall fix the amount of the annual Assessment at least thirty days in advance of each Assessment year, which shall be the calendar year; provided, however, that the Association shall have the right to adjust the regular annual Assessment upon thirty days written notice given to each Owner, as long as any such adjustment does not exceed the maximum permitted pursuant to Section 4.3 hereof. Written notice of the regular annual Assessment shall be given as soon as is practicable to every Owner subject thereto. The Association shall, upon demand at any time, furnish a certificate in writing signed either by the President, Vice President or the Treasurer of the Association setting forth whether the annual and special Assessments on a specified Lot have been paid and the amount of any delinquency. A reasonable charge may be made by the Association for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

(d) No Owner may exempt himself from liability for Assessments by waiver of the use or enjoyment of any portion of the Development or Open Spaces or by abandonment of his Home.

4.8 Effect of Non-Payment of Assessments; Remedies of the Association.

(a) All payments of the Assessments shall be made to the Association at its principal place of business in Denton County, Texas, or at such other place as the Association may otherwise direct or permit. Payment shall be made in full regardless of whether any Owner has any dispute with Declarant, the Association, any other Owner or any other person or entity regarding any matter to which this Declaration relates or pertains. Payment of the Assessments shall be both a continuing affirmative covenant personal to the Owner and a continuing covenant running with the Lot.

(b) Any Assessment provided for in this Declaration which is not paid when due shall be delinquent. If any such Assessment is not paid within thirty (30) days after the date of delinquency, the Assessment shall bear interest from the date of delinquency (with no notice required to be given), until paid, at the rate of ten percent (10%) per annum or the maximum rate allowed by law, whichever is the lesser. The Association may, at its option, bring an action at law against the Owner personally obligated to pay the same, or, upon compliance with the notice provisions hereof, foreclose the lien against the Lot as provided in Subsection 4.8(d) hereof. There shall be added to the amount of such Assessment the costs of preparing and filing the complaint in such action, and in the event a judgment is obtained, such judgment shall include said interest and a reasonable attorney's fee, together with the costs of action. Each Owner vests in the Association or its assigns, the right and power to bring all actions at law or in equity foreclosing such lien against such Owner, and the expenses incurred in connection therewith, including interest, costs and reasonable attorney's fees shall be chargeable to the Owner in default. Under no circumstances, however, shall Declarant or the Association be liable to any Owner or to any other person or entity for failure or inability to enforce any Assessments.

(c) No action shall be brought to foreclose said Assessment lien or to proceed under the power of sale herein provided in less than thirty (30) days after the date a notice of claim of lien is deposited with the postal authority, certified or registered, postage prepaid, to the Owner of said Lot, and a copy thereof is recorded by the Association in the Office of the County Clerk of Denton County; said notice of claim must recite a good and sufficient legal description of any such Lot, the record Owner or reputed Owner thereof, the amount claimed (which may, at the Association's option, include interest

on the unpaid Assessment at the maximum legal rate, plus reasonable attorney's fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the Association.

(d) Any such sale provided for above is to be conducted in accordance with the provisions applicable to the exercise of powers of sale in mortgages and deeds of trust, as set forth in Section 51.002 of the Property Code of the State of Texas (as it may be amended from time to time), or in any other manner permitted by law. Each Owner, by accepting a deed to a Lot, expressly grants to the Association a power of sale as set forth in said Section 51.002 of the Property Code, in connection with the Assessment lien. The Association, through duly authorized agents, shall have the power to bid on the Lot at foreclosure sale and to acquire and hold, lease, mortgage and convey the same.

(e) Upon the timely curing of any default for which a notice of claim of lien was filed by the Association, the officers of the Association are hereby authorized to file or record, as the case may be, an appropriate release of such notice, upon payment by the defaulting Owner of a fee, to be determined by the Association but not to exceed the actual cost of preparing and filing or recording the lien and the release. The Assessment lien and the right to foreclosure sale hereunder shall be in addition to and not in substitution of all other rights and remedies which the Association and its successors or assigns may have hereunder and by law, including the right of suit to recover a money judgment for unpaid Assessments, as above provided.

4.9 Subordination of Lien to First Mortgages. The lien securing the Assessments provided for herein shall be expressly subordinate to the lien of any first lien mortgage on any Lot. The sale or transfer of any Lot shall not affect the Assessment lien. However, the sale or transfer of any first lien mortgage, pursuant to a decree of foreclosure or a non-judicial foreclosure under such first lien mortgage or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such Assessments as to payments thereof which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any Assessment thereafter becoming due, in accordance with the terms herein provided.

4.10 Management Agreements. The Association shall be authorized to enter into management agreements with third parties in connection with the operation and management of the development and the performance of its obligations hereunder. A copy of all such agreements shall be available to each Owner. Any and all management agreements entered into by the Association shall provide that said management agreement may be canceled with or without cause and without penalty by either party with thirty (30) days written notice. Any and all management agreements shall be for a term not to exceed one year and shall be made with a professional and responsible party or parties with proven management skills and experience managing a project of this type. The Association may, at its discretion, assume self management of the development by the Association.

4.11 Insurance Requirements. The Association shall obtain insurance policies covering the Areas of Common Responsibility and Open Spaces and covering all damage or injury caused by the negligence of the Association, any of its employees, officers, directors and/or agents, including, but not limited to, commercial general liability insurance, directors and officers liability insurance, and such other insurance as the Association may from time to time deem necessary or appropriate.

ARTICLE V

ARCHITECTURAL REVIEW COMMITTEE

5.1 Appointment of Members. The Declarant shall appoint an Architectural Control Committee (the "Committee"), which shall consist of three members who shall be natural persons and may be employed by Declarant. Notwithstanding the foregoing, the initial Committee shall be the members of the Board of Directors of the Association. All matters before the Committee shall be decided by majority vote of its members. After January 1, 2005, the Association shall assume all of the rights and powers of the Committee. In the event of death, incapacity or resignation of a member of the Committee, the successor for such member shall be appointed by the majority of the remaining members of the Committee if before the above date and by the Association if after such date.

5.2 Submission of Plans to Architectural Control Committee. No building, fence, wall, parking area, swimming pool, spa, pole, mail box, driveway, fountain, pond, tennis court, sign, exterior color or shape, or new or modification of a structure shall be commenced, erected or maintained upon any Lot or the patio or garage used in connection with any Lot after the purchase of any Lot from Declarant, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same are submitted to and approved by the Committee. Plans and specification shall be submitted to the Committee at least fourteen (14) days prior to the commencement of any construction or modification. The following shall be submitted for approval: a site plan showing the entire Lot with existing improvements, and floor plan and elevations of all faces of the proposed structure; and a description of all exterior construction materials. A copy of the above described plans and specifications may be retained by Declarant.

5.3 Approval of Plans. The Committee shall review the plans and specifications and notify the Owner in writing of its approval or disapproval. If the Committee fails to approve or disapprove said plans and specifications within fourteen (14) days after the same has been submitted to it, they will be deemed to have been approved by the Committee. Any disapproval shall set forth the elements disapproved and the reason or reasons thereof. The judgment of the Committee in this respect in the exercise of its sole and absolute discretion shall be final and conclusive and the Owner shall promptly correct the plans and specifications (if disapproved) and resubmit them for approval. No construction, alteration, change or modification shall commence until approval of the Committee is obtained. The Committee may approve any deviation from these covenants and restrictions as the Committee, in its sole and absolute discretion, deems consistent with the purpose hereof. No member of the Committee shall be liable to any Owner for any claims, causes of action or damages arising out of the denial of any submittal or grant of any deviation to an Owner. Future requests for deviations submitted hereunder shall be reviewed separately and apart from other such requests and the grant of a deviation to any Owner shall not constitute a waiver of the Committee's rights to strictly enforce the Declaration and the architectural standards provided herein against any other Owner. Approval by the Committee of the plans and specifications or its determination that the completed construction or modification has been constructed in accordance with the plans and specifications shall be deemed to be an acknowledgment by the Committee that such are in accordance with this Declaration and such acknowledgment shall be binding against the Owners of the Lots and the Property.

5.4 Committee Members' Liability. Neither the Declarant, the Association, the Board, the Committee nor any employees, officers, directors or members thereof shall be liable for damages or

otherwise to anyone submitting plans and specifications for approval or to any Owner affected by this Declaration by reason of mistake of judgment, negligence or nonfeasance arising out or in connection with the approval or disapproval or failure to approve or disapprove any plans or specifications. Any errors in or omissions from the plans of the site plan submitted to the Committee shall be the responsibility of the Owner of the Lot to which the improvements relate, and the Committee shall have no obligation to check for errors in or omissions from any such plans, or to check for such plans' compliance with the general provisions of this Declaration, Town codes, state statutes or the common law, whether the same relate to Lot lines, building lines, easements or any other issue.

5.5 Homebuilder Plans. Notwithstanding anything to the contrary contained herein, once a particular set of plans and specifications submitted by a homebuilder (which for purposes hereof shall be defined as any entity or person in the business of constructing single family residences for the purpose of sale to third parties) has been approved by the Committee or deemed approved, such homebuilder may construct homes in the Development on any Lot in accordance with such plans and specifications without the necessity of obtaining subsequent approvals therefor, so long as there are no major material changes in the plans and specifications and the Committee approves of the location of the plans and specifications to prevent unnecessary duplication thereof within the Development.

5.6 Design Guidelines. The Committee has the right to issue Design Guidelines from time to time which will contain the specific provisions applicable to all of the Lots regarding style, basic site design issues, aesthetics of each home, the use of quality exterior finish materials and minimum landscaping plans for the Lots. The Design Guidelines will be used by the Committee with the Declaration to determine the approval of all plans.

ARTICLE VI

CONSTRUCTION OF IMPROVEMENTS AND USE OF LOTS

6.1 Residential Use. The Property shall be used for single-family residential purposes only. No building shall be erected, altered, placed or permitted to remain on any Lot other than one (1) detached single family residence per Lot, which residence may not exceed two and one-half (2 ½) stories in height and a private garage as provided below, which residence shall be constructed to minimum Federal Housing Authority ("FHA") and Veteran's Administration ("VA") standards, unless otherwise approved in writing by the Committee.

6.2 Single Family Use. Each residence shall be limited to occupancy by only one family consisting of persons related by blood, adoption or marriage or no more than two unrelated persons residing together as a single housekeeping unit, in addition to any household or personal servant staff.

6.3 Garage Required. Each residence shall have an enclosed garage suitable for parking a minimum of two standard size automobiles, which garage shall conform in design and materials with the main structure.

6.4 Restrictions on Resubdivision. No Lot shall be subdivided into smaller Lots.

6.5 Driveways. All driveways shall be surfaced with concrete or similar substance approved by the Committee.

6.6 Uses Specifically Prohibited.

(a) No temporary dwelling shop, trailer or mobile home of any kind or any improvement of a temporary character (except children's playhouses, dog houses, greenhouses, gazebos and buildings for storage of lawn maintenance equipment which may be placed on a Lot only in places which are not visible from any street on which the Lot fronts) shall be permitted on any Lot except that the builder or contractor may have temporary improvements (such as a sales office and/or construction trailer) on a specifically permitted Lot during construction of the residence on that Lot. No building material of any kind or character shall be placed or stored upon the Property until construction is ready to commence, and then such material shall be placed totally within the property lines of the Lot upon which the improvements are to be erected.

(b) No boat, marine craft, hovercraft, aircraft, recreational vehicle, pick-up camper, travel trailer, motor home, camper body or similar vehicle or equipment may be parked for storage in the driveway or front yard of any dwelling or parked on any public street on the Property, nor shall any such vehicle or equipment be parked for storage in the side or rear yard of any residence unless properly concealed from public view. No such vehicle or equipment shall be used as a residence or office temporarily or permanently. This restriction shall not apply to any vehicle, machinery or equipment temporarily parked while in use for the construction, maintenance or repair of a residence in the Development.

(c) Trucks with tonnage in excess of one and one-half (1.5) tons and any commercial vehicle with painted advertisement shall not be permitted to park overnight on the Property except those used by a builder during the construction of improvements.

(d) No vehicle of any size which transports flammable or explosive cargo may be kept on the Property at any time.

(e) No motorized vehicle or similar equipment shall be parked or stored in an area visible from any street except passenger automobiles, passenger vans, motorcycles, pick-up trucks (including those with attached bed campers) that are in operating condition and have current license plates and inspection stickers and are in current use.

(f) No structure of a temporary character, such as a trailer, tent, shack, barn, underground tank or structure or other out-building shall be used on the Property at any time as a dwelling house; provided, however, that any builder may maintain and occupy model houses, sales offices and construction trailers during the construction period, but not as a residence.

(g) No oil drilling, oil development operation, oil refining, quarrying or mining operations of any kind shall be permitted in or on the Property, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any part of the Property. No derrick or other structure designed for use in quarrying or boring for oil, natural gas or other minerals shall be erected, maintained or permitted on the Property.

(h) No animals, livestock or poultry of any kind shall be raised, bred or kept on the Property except that dogs, cats or other qualified animals may be kept as household pets. Animals are

not to be raised, bred or kept for commercial purposes or for food. It is the purpose of these provisions to restrict the use of the Property so that no person shall quarter on the premises cows, horses, bees, hogs, sheep, goats, guinea fowls, ducks, chickens, turkeys, skunks or any other animals that may interfere with the peace and quiet and health and safety of the community. No more than four pets will be permitted on each Lot. Pets must be restrained or confined to the homeowner's rear yard within a secure fenced area or within the house. It is the pet owner's responsibility to keep the Lot clean and free of pet debris or odor noxious to adjoining Lots. All animals must be properly registered and tagged for identification in accordance with local ordinances.

(i) No Lot or other area of the Property shall be used as a dumping ground for rubbish or accumulation of unsightly materials of any kind, including without limitation, broken or rusty equipment, disassembled or inoperative cars and discarded appliances and furniture. Trash, garbage or other waste shall not be kept except in sanitary containers. All containers for the storage or other disposal of such material shall be kept in clean and sanitary condition. Materials incident to construction of improvements may only be stored on Lots during construction of the improvement thereon.

(j) No individual water supply system shall be permitted on any Lot.

(k) No individual sewage disposal system shall be permitted on any Lot.

(l) No garage, garage house or other out-building (except for sales offices and construction trailers during the construction period) shall be occupied by any Owner, tenant or other person prior to the erection of a residence.

(m) No air-conditioning apparatus shall be installed on the ground in front of a residence. No air-conditioning apparatus shall be attached to any front wall or window of a residence. No evaporative cooler shall be installed on the front wall or window of a residence.

(n) Except with the written permission of the Committee, no antennas, satellite dishes or other equipment for receiving or sending sound or video signals shall be permitted in or on the Property except antennas for AM or FM radio reception and UHF and VHF television reception. Such antennas shall be located inside the attic of the main residential structure except that, only upon the prior written permission of the Committee, one antenna may be permitted to be attached to the roof of the main residential structure not to extend above said roof more than a maximum of six (6.0) feet and one satellite dish or similar antenna may be placed in the rear yard of a Lot so long as it is completely screened from view from any adjacent street or other public area.

(o) No Lot or improvement thereon shall be used for a business, professional, commercial or manufacturing purposes of any kind for any length of time. No business activity shall be conducted on the Property which is not consistent with single family residential purposes. No noxious or offensive activity shall be undertaken on the Property, nor shall anything be done which is or may become an annoyance or nuisance to the neighborhood. Nothing in this subparagraph shall prohibit a builder's temporary use of a residence as a sales/construction office for so long as such builder is actively engaged in construction on the Property. Nothing in this subparagraph shall prohibit an Owner's use of a residence for quiet, inoffensive activities such as tutoring or giving art lessons so long as such activities do not materially increase the number of cars parked on the street or interfere with adjoining homeowners' peaceful use and enjoyment of their residences and yards.

(p) No fence, wall, hedge or shrub planting which obstructs sight lines at an elevation between three and six feet above the roadway shall be placed or permitted to remain on any corner Lot within the triangular area formed by the street right-of-way lines, or in the case of a rounded property corner, from the intersection of the street right-of-way lines as extended. The same sight-line limitations shall apply on any Lot within that area that is ten feet from the intersection of a street right-of-way line with the edge of a private driveway or alley pavement. No tree shall be permitted to remain within such distance of such intersections unless the foliage line is maintained at a minimum height of six feet above the adjacent ground line.

(q) Except for children's playhouses, dog houses, greenhouses, gazebos and buildings for storage of lawn maintenance equipment, no building previously constructed elsewhere shall be moved onto any Lot, it being the intention that only new construction be placed and erected on the Property.

(r) Within those easements on each Lot as designated on the Plat of the Development, no improvement, structure, planting or materials shall be placed or permitted to remain which might damage or interfere with the installation, operation and maintenance of public utilities, or which might alter the direction of flow within drainage channels or which might obstruct or retard the flow of water through drainage channels. The general grading, slope and drainage plan of a Lot as established by the Declarant's approved development plans may not be altered without the approval of the Town and/or other appropriate agencies having authority to grant such approval.

(s) No sign of any kind or character, including (a) any signs in the nature of a "protest" or complaint against Declarant or any homebuilder, (b) or that describe, malign or refer to the reputation, character or building practices of Declarant or any homebuilder, or (c) discourage or otherwise impact or attempt to impact anyone's decision to acquire a lot or residence in the Subdivision shall be displayed to the public view on any Lot or from any home on any Lot except for one professionally fabricated sign of not more than five square feet advertising the property for rent or sale, or signs used by a builder to advertise the property during the construction and sales period. Declarant, any home builder, or their agents shall have the right, without notice, to remove any sign, billboard or other advertising structure that does not comply with the above, and in so doing shall not be subject to any liability for trespass or any other liability in connection with such removal. The failure to comply with this restriction will also subject any Owner to a fine of \$100.00 per day (to be collected by Declarant) for each day that such Owner fails to comply with this restriction. The non-payment of such fine can result in a lien against said Lot, which lien may be foreclosed on in order to collect such fine.

(t) Outdoor clothes lines and drying racks visible to adjacent Properties are prohibited. Owners or residents of Lots where the rear yard is not screened by solid fencing or other such enclosures, shall construct a drying yard or other suitable enclosure or screening to shield from public view clothes drying racks, yard maintenance equipment and/or storage of materials.

(u) Except within fireplaces in the main residential dwelling and equipment for outdoor cooking, no burning of anything shall be permitted anywhere on the Property.

6.7 Minimum Floor Area. The total air-conditioned living area of the main residential structure, as measured to the outside of exterior walls (but exclusive of open porches, garages, patios

and detached accessory buildings) shall be not less than one thousand two hundred (1,200) square feet or the minimum floor area as specified by the Town, whichever is greater.

6.8 Building Materials. The total exterior wall area (excluding windows, doors and gables) of each residence constructed on a Lot shall not be less than seventy-five percent (75%) (but not less than the minimum percentage as established by the Town by ordinance or building code requirement) brick, brick veneer, stone, stone veneer, or other masonry material approved by the Committee. Windows, doors, other openings, gables or other areas above the height of the top of standard height first-floor windows are excluded from calculation of total exterior wall area. All roofing shall be 240 lb./square fiberglass material of the "Prestique II" or dimensional type, or approved equal, or variegated pitch in "Weathered Wood" or other Committee approved color and shall comply with requirements of the Town, the FHA, the VA and the Committee. All main residences shall have a minimum 7/12 roof pitch on the major portions of the building.

6.9 Setback Requirements. No dwelling shall be located on any Lot nearer to the front lot line or nearer to the side lot line than the minimum setback lines shown on the Plat or as required by the Town.

6.10 Waiver Of Setback Requirements. With the written approval of the Committee and subject to plat and zoning restrictions, any building may be located further back from the front property line of a Lot than provided above, where, in the opinion of the Committee, the proposed location of the building will enhance the value and appearance of the Lot and will not negatively impact the appearance of adjoining Lots.

6.11 Fences and Walls. All fences and walls shall be constructed of masonry, brick, wood or other material approved by the Committee. No fence or wall on any Lot shall extend nearer to any street than the front of the residence thereon. Except as otherwise specifically approved by the Committee, all streetside side yard fencing on corner Lots shall be set no closer to the abutting side street than the property line of such Lot. No portion of any fence shall exceed eight (8) feet in height. Any fence or portion thereof that faces a public street shall be constructed so that all structural members and, unless Declarant determines otherwise, support posts will be on the side of the fence away from the street and are not visible from any public right-of-way.

6.12 Sidewalks. All walkways along public right-of-ways shall conform to the minimum property standards of the Town, FHA and VA.

6.13 Mailboxes. Mailboxes shall be standardized and shall be constructed of a material and design approved by the Committee (unless gangboxes are required by the U.S. Postal Service).

6.14 Chimney Flues. Chimney stacks and/or flues shall have a finish that is consistent with the requirements established by the Town.

6.15 Windows. Windows, jambs and mullions shall be composed of anodized aluminum or wood. All front elevation windows shall have baked-on painted aluminum divided light windows (no mill finish).

6.16 Landscaping. Landscaping of each Lot shall be completed within sixty (60) days, subject to extension for delays caused by inclement weather, after the home construction is completed and shall include grassed front and side yards.

6.17 General Maintenance of Lots. Following occupancy of the Home upon any Lot, each Owner shall maintain and care for the Home, all improvements and all trees, foliage, plants, and lawns on the Lot and otherwise keep the Lot and all improvements thereon in good condition and repair and in conformity with the general character and quality of properties in the immediate area, such maintenance and repair to include but not be limited to: (i) the replacement of worn and/or rotted components, (ii) the regular painting of all exterior surface, (iii) the maintenance, repair and replacement of roofs, rain gutters, downspouts, exterior walls, windows, doors, walks, drives, parking areas and other exterior portions of the improvements to maintain an attractive appearance, and (iv) regular mowing and edging of lawn and grass areas. Upon failure of any Owner to maintain a Lot owned by him in the manner prescribed herein, the Declarant or the Association, or either of them, at its option and discretion, but without any obligation to do so, but only after ten days written notice to such Owner to comply herewith, may enter upon such Owner's Lot and undertake to maintain and care for such Lot to the condition required hereunder and the Owner thereof shall be obligated, when presented with an itemized statement, to reimburse said Declarant and/or Association for the cost of such work within ten days after presentment of such statement. This provision, however, shall in no manner be construed to create a lien in favor of any party on any Lot for the cost or charge of such work or the reimbursement for such work.

ARTICLE VII

GENERAL PROVISIONS

7.1 Easements. Easements for the installation and maintenance of utilities and drainage facilities are reserved as shown on the Plats. Easements are also reserved for the installation, operation, maintenance and ownership of utility service lines from the property lines to the residences, Declarant reserves the right to make changes in and additions to the above-referenced easements for the purpose of most efficiently and economically installing improvements to the Lots.

7.2 Enforcement. The Declarant or the Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, the By-Laws and Articles of Incorporation. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. With respect to any litigation hereunder, the prevailing party shall be entitled to recover reasonable attorneys fees from the nonprevailing party.

7.3 Severability. If any condition, covenant or restriction herein contained shall be invalid, which invalidity shall not be presumed until the same is determined by the final judgment or order of a court of competent jurisdiction, such invalidity shall in no way affect any other condition, covenant or restriction, each of which shall remain in full force and effect.

7.4 Term. The covenants and restrictions of this Declaration shall run with and bind the Property, and shall inure to the benefit of and be enforceable by Declarant (during the time it owns any

Lots), the Association, or the Owner of any Lot subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of twenty-five years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years, unless by vote, of the then Owners of 67% of the Lots (and the Town, if then a party hereto) agree in writing to terminate or change this Declaration in whole or in part and such writing is recorded in the Real Property Records of Denton County, Texas.

7.5 Amendment.

(a) This Declaration may be amended or modified upon the express written consent of at least sixty-six and two-thirds percent (66-2/3 %) of the outstanding votes (determined pursuant to Section 3.2 hereof) held by Members at a meeting at which a quorum is present. If the proposed amendment involves a modification of any of the Association's agreements, covenants or restrictions pertaining to the use, maintenance, operation, maintenance and/or supervision of any Areas of Common Responsibilities, the approval of the Town must also be obtained for such amendment. Any and all amendments, if any, shall be recorded in the office of the County Clerk of Denton County, Texas. Notwithstanding the foregoing, Declarant shall have the right to execute and record amendments to this Declaration without the consent or approval of any other party if the sole purpose of the amendment is for the purpose of correcting technical errors or for purposes of clarification.

(b) Declarant intends that this Declaration may be amended to comply (if not in compliance with all requirements of the Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), FHA and VA. Notwithstanding anything to the contrary contained herein, if this Declaration does not comply with FHLMC, FNMA, VA or FHA requirements, the Board and/or the Declarant shall have the power in its discretion (on behalf of the Association and each and every Owner) to amend the terms of this Declaration or to enter into any agreement with FHLMC, FNMA, VA, and FHA, or their respective designees, reasonably required by FHLMC, FNMA, VA or FHA to allow this Declaration to comply with such requirements. Should the FHLMC, FNMA, VA or FHA subsequently delete any of their respective requirements which necessitate any of the provisions of this Declaration or make any such requirements less stringent, the Board and/or the Declarant, without approval of the Owners, may, upon reasonable justification, cause an amendment to this Declaration to be executed and recorded to reflect such changes.

7.6 Gender and Grammar. The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, in all cases shall be assumed as though fully expressed in each case.

7.7 Remedies. Enforcement of these covenants and restrictions shall be by any proceeding at law or in equity, including, without limitation, an action for injunctive relief, it being acknowledged and agreed that a violation of the covenants, conditions and restrictions contained herein could cause irreparable injury to Declarant and/or the other Owners and that the Declarant's and/or the other Owner's remedies at law for any breach of the Owners' obligations contained herein would be inadequate. Enforcement may be commenced by the Association, the Declarant, the Town, or any Owner against any person or persons violating or attempting to violate them, and failure by the Association, the Declarant or any Owner to enforce any covenant or restriction herein contained shall in

no event be deemed a waiver of the right to do so thereafter. The rights created herein are unique and enforceable by specific performance.

7.8 Notices to Member/Owner. Any notice required to be given to any Member and/or Owner under the provisions of this Declaration shall be deemed to have been properly delivered forty-eight (48) hours after deposited in the United States Mail, postage prepaid, certified or registered mail, and addressed to the last known address of the person who appears as Member or Owner on the records of the Association at the time of such mailing.

7.9 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.

7.10 Formation of Association; Inspection of Documents, Books and Records. The Association shall be formed by Declarant as a non-profit corporation in accordance with the laws of the State of Texas. Management and governance of the Association shall be implemented and/or undertaken in accordance with its Articles of Incorporation, in accordance with this Declaration, and in accordance with the Bylaws which shall be adopted by the Association following its formation. The Association shall make available copies of the Declaration, Bylaws, Articles of Incorporation, rules and regulations governing the Association as well as the books, records and financial statements of the Association for inspection by Owners or any Mortgagee during regular business hours or other reasonable times.

7.11 Indemnity. The Association shall indemnify, defend and hold harmless the Declarant, the Board, the Committee and each director, officer, employee and agent of the Declarant, the Board and the Committee from all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including attorneys' fees) incurred by such indemnified person under or in connection with this Declaration or the Property to the fullest extent permitted by applicable law. Such indemnity shall include matters arising as a result of the sole or concurrent negligence of the indemnified party, to the extent permitted by applicable law.

7.12 FHA/VA Approval Requirement. As long as there remains any Class B membership and any first lien mortgage is in effect with respect to any Lot which is insured by FHA or VA, the following actions shall require prior approval of FHA or VA (if such approval is required under the then applicable FHA or VA regulations): amendment of the Articles of Incorporation, Declaration or Bylaws; annexation of additional property; mortgaging or dedication of the Open Space; and dissolution of the Association.

7.13 Failure of Declarant or Association to Perform Duties. Should the Declarant or the Association fail to carry out its duties as specified in this Declaration, the Town or its lawful agents shall have the right and ability, after due notice to the Declarant or the Association, to remove any landscape systems, features or elements that are the responsibility of and cease to be maintained by the Declarant or the Association; to perform the responsibilities of the Declarant or the Association if either party fails, to do so in compliance with any of the provisions of this Declaration or of any applicable Town codes or regulations; to assess the Declarant or the Association for all costs incurred by the Town in performing said responsibilities if the Declarant or the Association fails to do so; and/or to avail itself of any other enforcement actions available to the Town pursuant to state law or Town codes and regulations. Should

the Town exercise its rights as specified above, the Declarant or the Association shall indemnify and hold harmless the Town from any and all costs, expenses, suits, demands, liabilities or damages, including attorney's fees and costs of suit, incurred or resulting from the Town's removal of any landscape systems, features or elements that cease to be maintained by the Declarant or the Association or from the Town's performance of the aforementioned operations, maintenance or supervision responsibilities of the Declarant's or the Association's failure to perform said duties. The obligations described in this paragraph are solely obligations of the Association (and the Declarant if the Declarant remains so obligated), and no other party, including without limitation, the Declarant (assuming the Declarant is no longer so obligated) or any Owner, shall have any liabilities or obligations in connection therewith.

Section 7.14 Binding Effect. Each of the conditions, covenants, restrictions and agreements herein contained is made for the mutual benefit of, and is binding upon, each and every person acquiring any part of the Property, it being understood that such conditions, covenants, restrictions and agreements are not for the benefit of the owner of any land except land in the Development. This Declaration, when executed, shall be filed of record in the Real Property Records of Denton County so that each and every owner or purchaser of any portion of the Development is on notice of the conditions, covenants, restrictions and agreements herein contained.

Section 7.15 Recorded Plat; Other Authorities. All dedications, limitations, restrictions and reservations that are shown on the Plats are deemed to be incorporated herein and shall be construed as being adopted in each contract, deed or conveyance executed or to be executed by the Declarant, conveying the Lots, whether specifically referred to therein or not. If other authorities, such as the Town or Denton County, impose more demanding, expensive, extensive or restrictive requirements than those that are set forth herein (through zoning or otherwise), the requirements of such authorities shall be complied with. Other authorities' imposition of lesser requirements than those that are set forth herein shall not supersede or diminish the requirements that are set forth herein.

Section 7.16 Additions to the Development. Additional property may become subject to this Declaration in any of the following manners:

(a) The Declarant may add or annex additional real property to the scheme of this Declaration by filing of record a Supplementary Declaration of Covenants, Conditions and Restrictions with the Town and the Real Property Records of Denton County, Texas, which shall extend the scheme of this Declaration to such property, provided, however, that such Supplementary Declaration may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with this Declaration.

(b) In the event any person or entity other than the Declarant desires to add or annex additional residential and/or common areas to the scheme of this Declaration, such annexation must have the prior written consent and approval of the majority of the outstanding votes within each voting class of the Association. Any additions made pursuant to paragraphs (a) and (b) of this Section, when added, shall automatically extend the jurisdiction, functions, duties and membership of the Association to the properties added.

(c) The Declarant shall have the right and option, without the joinder, approval or consent of any person(s) or entity(ies) to cause the Association to merge or consolidate with any similar association then having jurisdiction over real property located (in whole or part) within 1 mile of any real property then subject to the jurisdiction of this Association. Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants and restrictions established by this Declaration within the Property together with the covenants and restrictions established upon any other properties as one scheme.

Section 7.17 No Warranty of Enforceability. While the Declarant has no reason to believe that any of the restrictive covenants or other terms or provisions contained in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenants. Any Owner acquiring a Lot in the Development in reliance on one or more of such restrictive covenants, terms or provisions shall assume all risks of the validity and enforceability thereof and, by acquiring the Lot, agrees to hold Declarant and the Committee harmless therefrom. The Declarant shall not be responsible for the acts or omissions of any individual, entity or other Owners.

Section 7.18 Right of Enforcement. The failure by Declarant or the Committee to enforce any provision of this Declaration shall in no event subject Declarant or the Committee to any claims, liability, costs or expense; it being the express intent of this Declaration to provide Declarant with the right (such right to be exercised at its sole and absolute discretion), but not the obligation to enforce the terms of this Declaration for the benefit of any Owner(s) of any Lot(s) in the Development.

Section 7.19 Residential Construction Liability Act. Without waiving any rights under law or equity, all Owners acknowledge, covenant and agree that residential construction defect claims regarding any Home against the Declarant or any homebuilder in Texas are controlled by the Texas Residential Construction Liability Act (Tex. Prop. Code §27.001 *et seq.*, as amended) which preempts the Texas Deceptive Trade Practices Act (Tex. Bus. & Com. Code § 17.41 *et seq.*, as amended) and any other law.

Section 7.20 Universal Easements. The Owner of each Lot (including Declarant so long as Declarant is the Owner of any Lot) is hereby granted an easement not to exceed two (2) foot in width over all adjoining Lots for the purpose of accommodating any encroachment or protrusion due to engineering or fence line errors, errors in original construction, surveying, settlement or shifting of any building, or any other cause. There shall be easements for the maintenance of said encroachment, protrusion, settling or shifting; provided, however, that in no event shall an easement for encroachment or protrusion be created in favor of an Owner or Owners of said encroachment or protrusion occurred due to willful misconduct of said Owner or Owners. In addition, the Owner of each Lot is hereby granted an easement for encroachments not to exceed three (3) feet in width by misplaced fences or fence lines and overhanging roofs, eaves or other improvements as originally constructed over each adjoining Lot and for the maintenance thereof. Each of the easements hereinabove referred to shall be deemed to be established upon the recordation of this Declaration and shall be appurtenant to each affected Lot and shall pass with each conveyance of said Lot.

Section 7.21 EPA Compliance. The Owner of each Lot agrees to comply with all EPA rules and regulations regarding erosion control and compliance with a Storm Water Pollution Prevention Plan affecting the Lots (the "Plan") which will include elements necessary for compliance with the nationwide general permit for construction activities administered by the EPA under the National Pollutant Discharge Elimination System. Each Owner acknowledges that the Declarant and any homebuilder will not bear any responsibility for complying with a Plan on any Lot upon the sale of each Lot in the subdivision.

Section 7.22 Soil Movement. EACH OWNER IS HEREBY NOTIFIED THAT THE SOIL COMPOSITION AND CONDITION OF THE LOTS MAY RESULT IN THE SWELLING AND/OR CONTRACTION OF THE SOIL IN AND AROUND THE LOT IF THE OWNER OF THE LOT DOES NOT EXERCISE THE PROPER CARE AND MAINTENANCE OF THE SOIL REQUIRED TO PREVENT SOIL MOVEMENT.

If the Owner fails to exercise the necessary precautions, damage, settlement, movement or upheaval to the foundation may occur. Owners are highly encouraged to install and maintain a full irrigation system around the home to ensure even, proportional, and prudent watering around the foundation.

Accordingly, by each Owner's acceptance of a warranty deed to any Lot, each Owner, on behalf of Owner and Owner's representatives, successors and assigns, hereby acknowledge that the developer, Declarant, all homebuilders in the Development, the Association, and Architectural Control Committee shall not be responsible or liable for any damage, settlement, movement or upheaval to the foundation or any other part of the residence constructed on said Lot and hereby releases and forever discharges, developer, all homebuilders in the Development, Declarant, Association, and Architectural Control Committee, and their respective shareholders, members, officers, directors, partners, employees, agents, representatives, affiliates, attorneys, successors and assigns, of and from any and all claim for the relief and/or causes of actions, liabilities, damages and claims whatsoever, known or unknown direct or indirect, arising from or relating to the foundation and/or the residence constructed upon the Lot, including but not limited to any damage thereto caused by and/or related in any fashion to the soil condition upon which the same are constructed, the presence of groundwater and any other subsurface condition affecting the Lot and/or from the failure or improper or uneven watering of the Lot, inadequate grading or drainage facilities to carry water away from the foundation, or planting of improper vegetation near the foundation or any action which affects the drainage of the Lot.

The Owner of any Lot, and the Owner's legal representatives, successors and assigns, shall assume all risk and consequences to the residential structure, including but not limited to those arising or relating to the subsurface and surface soil condition in and around the Lot, the failure of the Owner or any other person or entity to exercise prudent maintenance procedures and/or the Owner's negligence in protecting and maintaining the integrity of the foundation and structure of the residence.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereto set its hand this the 17th day of April, 2003.

LITTLE ELM/2000, LTD.,
a Texas limited partnership

By: J. Baker Corporation, a Texas corporation
Its: General Partner

By: John A. Baker
John A. Baker, President

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared John A. Baker, the President of J. Baker Corporation, a Texas corporation, the General Partner of Little Elm, Ltd., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same as the act of said partnership, for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 17th day of April, 2003.



Sheri Lyn Hodson
NOTARY PUBLIC, STATE OF TEXAS
Printed Name: _____
My Commission Expires: _____

AFTER RECORDING RETURN TO:

Michael D. Hesse, Esq.
HESSE & HESSE, L.L.P.
15303 Dallas Parkway
Suite 1040
Addison, Texas 75001

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR IT IS UNLAWFUL AND UNENFORCEABLE UNDER FEDERAL LAW.

I hereby certify that this instrument was filed in the File Number sequence or Index and that this instrument has been duly recorded in the Office of the County Clerk, Denton County, Texas.

APR 17 2003

Cynthia Mitchell

COUNTY CLERK
DENTON COUNTY, TEXAS



Filed for Record in:
DENTON COUNTY, TX
CYNTHIA MITCHELL, COUNTY CLERK

On Apr 17 2003
At 1:03pm

Receipt #: 22652
Recording: 45.00
Doc/Mgmt: 6.00
Doc/Num: 2003-R0057873
Doc/Type: RST
Deputy -ALVIN