

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

EXHIBIT "E"

**RULES REGULATING LEASING AND SUBLEASING
OF
MONTERRA OF FATE OWNERS ASSOCIATION, INC.**

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MONTERRA OF FATE OWNERS ASSOCIATION, INC.

A. Leasing of Dwelling Improvements on Units

Leasing of Dwelling Improvements on Units shall be governed by the following provisions (the "Leasing Rules"):

(1) Definition. "Leasing," as used in this Section, is defined as regular, exclusive occupancy of the Dwelling Improvement on a Unit by any person or entity other than the Owner or the Owner's immediate family (as hereinafter defined) 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 these Leasing Rules, if a Unit is owned by an entity (e.g. a corporation, partnership, limited liability company, trust, etc.), a Unit shall not be considered leased if the Unit is occupied regularly and exclusively by the owner(s) of the entity or such owner's immediate family or, in the case of a trust, by a beneficiary of the trust who is an immediate family member of the settlor(s) of the trust.

For purposes hereof, "immediate family member" shall include the mother, father, daughter, son, sister, brother, grandmother, grandfather, grandson, or granddaughter.

(2) General. Dwelling Improvements on Units may be leased only in their entirety. Owners are strictly prohibited from leasing individual rooms in the Dwelling Improvement. All leases shall be in writing and provide that the terms of the lease are subject to the provisions of the Declaration, Bylaws and Rules and Regulations. No transient tenants may be accommodated on a Unit. An Owner may not offer his or her Unit for lease for less than a one (1) year term, nor may an Owner list his or her Unit for lease on short-term rental websites such as www.airbnb.com, www.vrbo.com, www.homeaway.com or other vacation or short-term rental websites. All leases must be for an initial term of not less than one (1) year unless otherwise approved by the Board, in writing. Thereafter, a lease may be renewed on an annual basis for a term of one (1) year each provided that Owner has notified the Board of his or her intent to renew the lease no less than thirty (30) days prior to the commencement of each renewal term, and the Owner has obtained the Board's prior written approval that the lease, as renewed, meets the standards and criteria set out in these Leasing Rules. The Board shall have ten (10) days from receipt of the notice of the Owner's intent to renew to approve or disapprove the renewal. If the Board does not respond within this ten-day period, the renewal shall be deemed approved. The Owner must make available to the lessee copies

of the Declaration, Bylaws and the Rules and Regulations of the Association and must provide his or her lessee(s) with a copy of any amendment to the foregoing instruments within ten (10) days of the date that the Association notifies the Owners of the amendment.

(3) Leasing Limitations. Upon acquiring an ownership interest in a Unit, the Owner may not lease the Unit or Dwelling Improvement thereon, or any portion thereof, until the expiration of twenty-four (24) months from the date of the closing of the sale of the Unit or recording of the deed to the Unit which conveys title, whichever is earlier; provided that the Owner may lease the Unit or Dwelling Improvement thereon pursuant to Board approval of a hardship per Paragraph (5) below. After the expiration of the twenty-four (24) month period, the Owner may lease the Unit subject to the other terms contained in this Amendment. The Board may adopt and enforce reasonable rules regulating leasing and subleasing.

(4) Notice of Intent to Lease and Board Approval. Subsequent to the expiration of the twenty-four (24) month period described in Paragraph (3) above and from and after the effective date hereof, if an Owner of a Dwelling Improvement which is not already subject to a lease desires to lease his Dwelling Improvement, the Owner must comply with the following covenants and restrictions: All leases shall be in writing and Owners shall not enter into any lease of a Dwelling Improvement without first receiving the prior written approval of the Board pursuant hereto. Whenever the Owner of a Dwelling Improvement has received a bona fide offer to lease his or her Dwelling Improvement and desires to accept such offer, the Owner shall give the Board or its management company a copy of the lease along with the name, mailing address, phone number, and email address of the offeror and the identities of all persons intended to reside in the Dwelling Improvement. The Board shall have the power to adopt by resolution or rule the appropriate lease form to be used. The Association shall approve or disapprove of the lease within ten (10) days of receiving the copy of the lease and other information required herein. If an Owner fails to provide a copy of the lease and all other information required herein, the lease is automatically deemed to be disapproved. The Association shall respond in writing to the Owner with its approval or disapproval of the lease by placing into the custody of the U. S. mail or by hand delivery to the Owner its written response. The Association's approval or disapproval must be hand delivered or placed in the U. S. mail on or before the tenth (10th) day after the Association's receipt of the copy of the lease and all other information required herein. If the Association fails to respond in writing to the Owner with its approval or disapproval within ten (10) days of its receipt of the proposed lease and all information required by this resolution, then the lease shall be deemed to be approved.

(5) Hardship. Notwithstanding any provision to the contrary, the Board shall be empowered to allow leasing of one or more Units prior to the twenty-four (24) month leasing ban in Paragraph (3) above upon written application by an Owner to avoid undue hardship. By way of illustration and not by limitations, circumstances which would constitute undue hardship are those in which (i) an Owner must relocate his or her Dwelling Improvement and can not, within ninety (90) days from the date the Unit was placed on the market, sell the Unit while offering it for sale at a reasonable price no greater than its current appraised market value; (ii) the Owner dies and the Unit is being

administered by his or her estate; (iii) the Owner takes a leave of absence or temporarily relocates and intends to return to reside in the Unit; (iv) the Unit is to be leased to a member of the Owner's immediate family, which shall be deemed to encompass children, grandchildren, grandparents, brothers, sisters, parents, and spouses. Those Owners who have demonstrated that the inability to lease their Unit would result in undue hardship and have obtained the requisite approval of the Board may lease their Unit for such duration as the Board reasonably determines is necessary to prevent undue hardship.

(6) Contents of Lease. Each Owner acknowledges and agrees that any lease of his or her Unit shall be deemed to contain the following language and that if such language is not expressly contained in the lease, then such language shall be incorporated into the lease by existence of this section. In addition, the terms and requirements contained herein automatically become a part of any lease and/or an addendum to the lease. These provisions shall also be attached to any lease as an addendum and, again, are a part of the lease regardless of whether or not physically attached to the lease. Any lessee, by occupancy of a Unit, agrees to the applicability of this section and incorporation of the following language into the lease:

The lessee shall comply with all provisions of the Declaration, Bylaws and Rules and Regulations of the Association and shall control the conduct of all other occupants and guests of the leased Unit in order to ensure their compliance. Any violation of the Declaration, By-Laws or Rules and Regulations by the lessee, any occupant or any person living with the lessee, is deemed to be a default under the terms of the lease and authorizes the Owner to terminate the lease without liability and to evict the lessee in accordance with Texas law. The Owner hereby delegates and assigns to the Association, acting through the Board, the power and authority of enforcement against the lessee for breaches resulting from the violation of the Declaration, Bylaws and the Rules and Regulations of the Association, including the power and authority to evict the lessee as attorney-in-fact on behalf and for the benefit of the Owner.

The Owner transfers and assigns to the lessee, for the term of the lease, any and all rights and privileges that the Owner has to use the common area including, but not limited to, the use of all recreational facilities and other amenities.

The Owner must provide a copy of the lease to the Board of Directors.

(7) Compliance with Declaration, Bylaws and Rules and Regulations. Each Owner shall cause all occupants of his or her Unit to comply with the Declaration, Bylaws and the Rules and Regulations of the Association and shall be responsible for all violations and all losses or damage resulting from violations by such occupants, notwithstanding the fact that such occupants of the Unit are fully liable and may be personally sanctioned for any violation.

In the event that the lessee, or a person living with the lessee, violates the Declaration, Bylaws or a Rule or Regulation for which a fine is imposed, such fine shall

be assessed against the owner. The Owner shall pay the fine upon notice from the Association.

In the event the Association proceeds to evict the lessee, any costs, including attorney's fees and court costs, associated with the eviction shall be assessed as an assessment against the Unit and the Owner, such being deemed an expense which benefits the leased Unit and the Owner thereof.

(8) Exempt Owners. The leasing limitations shall not apply to the Declarant, the Association or to any institutional lender, insurer or guarantor of a mortgage who takes title to any Unit pursuant to the remedies set forth in its mortgage or security instrument; provided, however, that it shall apply to any leases by any purchaser from such mortgagee and any successor to such a purchaser. These Leasing Rules shall not apply to a seller's temporary lease of a Unit from the purchaser thereof provided that the term of the lease-back does not exceed ninety (90) days from the date of transfer of title to the Unit.

(9) Noncompliance. The Association shall have the power and authority to enforce this section in any legal manner available, as the Board deems appropriate, including, without limitation, taking action to evict the occupants of any Unit which does not comply with the requirements and restrictions hereof. EACH OWNER HEREBY APPOINTS THE ASSOCIATION AS ITS ATTORNEY-IN-FACT FOR THE PURPOSE OF TAKING LEGAL ACTION TO DISPOSSESS, EVICT OR OTHERWISE REMOVE THE OCCUPANTS OF HIS OR HER UNIT AS NECESSARY TO ENFORCE COMPLIANCE WITH THIS PARAGRAPH. Each Owner shall fully and truthfully respond to any and all requests by the Association for information regarding the occupancy of his or her Unit which in the judgment of the Board are reasonably necessary to monitor compliance with this section.

B. Ownership Restrictions and Sale of Units

Subject to the exceptions stated in sub-paragraphs (i) and (ii) below, in order to protect the equity of the individual property owners at Monterra and to preserve the character of the community as a homogeneous single-family residential property of predominantly owner-occupied homes, no person or entity shall own more than one (1) Unit. For purposes of this section, ownership of a Unit shall be attributed to and shall be deemed to be owned by persons and entities in accordance with the following:

- (1) A natural person shall be deemed to own a Unit owned or deemed to be owned by an immediate family member.
- (2) A corporation, limited liability company, trust, estate, or partnership shall be deemed to own a Unit owned or deemed to be owned by any one or more of the shareholders/members, managers/members, settlors/beneficiaries, grantor/beneficiaries and partners of such entities, respectively; and
- (3) The shareholders/members, managers/members, settlors/beneficiaries,

grantor/beneficiaries and partners of a corporation, limited liability company, trust, estate, or partnership, respectively, shall be deemed to own a Unit owned by or deemed to be owned by such entity.

Any sale of a Unit entered into which violates the terms herein shall be deemed void and of no force and effect and shall confer no title or interest in a Unit to the purported buyer, except as may be otherwise provided in the Declaration.

(i) This restriction shall not apply to preclude an Owner from purchasing more than one (1) Unit which is to be occupied by an immediate family member.

(ii) This restriction shall not apply to the Declarant, a Builder, the Association or to any institutional lender, insurer or guarantor of a mortgage who has only a mortgage or security interest in a Unit in the Property or who takes title to any Unit pursuant to the remedies set forth in its mortgage or security instrument.

**Electronically Filed and Recorded
Official Public Records
Jennifer Fogg, County Clerk
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A handwritten signature in cursive script, appearing to read "Jennifer Fogg".