

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

MONTERRA OF FATE OWNERS ASSOCIATION, INC.

TABLE OF CONTENTS

<u>ARTICLE</u>	<u>SECTION</u>	<u>Page</u>
I.	DEFINITIONS	1
	1. Area of Common Responsibility	1
	2. Association	1
	3. Base Assessment.....	1
	4. Benefited Assessment	1
	5. Board of Directors; Board.....	1
	6. Builder.....	1
	7. Certificate of Formation; Certificate	2
	8. City.....	2
	9. Class "B" Control Period	2
	10. Common Area	2
	11. Common Expenses.....	2
	12. Community-Wide Standard.....	2
	13. Declarant	2
	14. Development Period.....	2
	15. Development Period Rights	2
	16. Master Land Use Plan.....	2
	17. Member.....	3
	18. Mortgage.....	3
	19. Mortgagee.....	3
	20. Mortgagor	3
	21. Owner	3
	22. Person.....	3
	23. Properties	3
	24. Special Assessment	3
	25. Supplemental Declaration.....	3
	26. Unit.....	3
II.	PROPERTY RIGHTS	3
	1. Common Area	3
III.	ASSOCIATION FUNCTION, MEMBERSHIP AND VOTING RIGHTS	4
	1. Function of Association	4
	2. Membership.....	4
	3. Voting.....	5
IV.	RIGHTS AND OBLIGATIONS OF THE ASSOCIATION	5
	1. Common Area	5
	2. Personal Property and Real Property for Common Use.....	5
	3. Rules and Regulations	5
	4. Enforcement	6
	5. Implied Rights.....	6
	6. Governmental Interests.....	6

<u>ARTICLE</u>	<u>SECTION</u>	<u>Page</u>
IV.	7. Indemnification	6
	8. Dedication of Common Areas.....	6
	9. Security.....	7
V.	MAINTENANCE	7
	1. Association's Responsibility	7
	2. Owner's Responsibility	8
	3. Standard of Performance.....	8
	4. Party Walls and Party Fences.....	8
VI.	INSURANCE AND CASUALTY LOSSES	9
	1. Association Insurance	9
	2. Individual Insurance	11
	3. Damage and Destruction	11
	4. Disbursement of Proceeds.....	12
	5. Repair and Reconstruction	12
VII.	NO PARTITION	12
VIII.	CONDEMNATION	12
IX.	ANNEXATION AND WITHDRAWAL OF PROPERTY	12
	1. Annexation without Approval of Membership	13
	2. Annexation with Approval of Membership	13
	3. Withdrawal of Property	13
	4. Additional Covenants and Easements	13
	5. Amendments	13
X.	ASSESSMENTS	13
	1. Creation of Assessments	13
	2. Computation of Base Assessment	15
	3. Reserve Budget and Capital Contribution	15
	4. Special Assessments	15
	5. Benefited Assessments.....	16
	6. Lien for Assessments	16
	7. Date of Commencement of Assessments	17
	8. Failure to Assess	17
	9. Capitalization of Association	17
	10. Exempt Property.....	17
XI.	ARCHITECTURAL STANDARDS	17
	1. General.....	17
	2. Architectural Review.....	18
	3. Guidelines and Procedures.....	18

<u>ARTICLE</u>	<u>SECTION</u>	<u>Page</u>
XI.	4. No Waiver of Future Approvals.....	20
	5. Variance.....	20
	6. Limitation of Liability.....	20
	7. Enforcement.....	20
XII.	USE RESTRICTIONS	20
	1. Signs.....	21
	2. Parking and Prohibited Vehicles.....	21
	3. Occupants Bound.....	21
	4. Animals and Pets.....	22
	5. Quiet Enjoyment.....	22
	6. Unightly or Unkempt Conditions.....	22
	7. Antennas.....	22
	8. Clotheslines, Garbage Cans, Tanks, Etc.....	23
	9. Subdivision of Unit and Timesharing.....	23
	10. Firearms.....	23
	11. Pools.....	23
	12. Irrigation.....	23
	13. Tents, Mobile Homes, and Temporary Structures.....	23
	14. Grading, Drainage and Septic Systems.....	23
	15. Removal of Plants and Trees.....	24
	16. Sight Distance at Intersections.....	24
	17. Utility Lines.....	24
	18. Air Conditioning Units.....	24
	19. Lighting.....	24
	20. Artificial Vegetation, Exterior Sculpture, and Similar Items.....	24
	21. Energy Conservation Equipment.....	24
	22. Wetlands, Lakes, and Other Water Bodies.....	25
	23. Playground and Recreational Equipment.....	25
	24. Fences.....	25
	25. Business Use.....	25
	26. On-Site Fuel Storage.....	25
	27. Leasing of Units.....	25
	28. Laws and Ordinances.....	26
	29. Single-Family Occupancy.....	26
	30. Mineral Operations.....	26
	31. Standby Electric Generators.....	26
	32. Rain Barrels.....	27
	33. Roofing Materials.....	27
	34. Xeriscaping.....	27
	35. Security Measures.....	27
	36. Flags.....	27
	37. Religious Displays.....	28
XIII.	EASEMENTS	28
	1. Easements of Encroachment.....	28
	2. Easements for Utilities, Etc.....	28

<u>ARTICLE</u>	<u>SECTION</u>	<u>Page</u>
XIII.	3. Easement for Lakes and Pond Maintenance and Flood Water	29
	4. Easements to Serve Additional Property.....	29
	5. Right of Entry.....	30
	6. Retaining Walls/Drainage/Fence Easements.....	30
XIV.	DECLARANT'S RIGHTS	32
XV.	GENERAL PROVISIONS	33
	1. Term.....	33
	2. Amendment	33
	3. Severability	33
	4. Perpetuities.....	33
	5. Litigation.....	33
	6. Use of the "Monterra" Phrase and Mark.....	34
	7. Compliance.....	34
	8. Notice of Sale or Transfer of Title	34
	9. Dispute Resolution	34

**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTION
FOR
MONTERRA OF FATE OWNERS ASSOCIATION, INC.**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 18th day of April 2023, by WJ Monterra LP a Texas limited partnership (hereinafter referred to as "Declarant").

Declarant is the owner of the real property. Declarant intends by this Declaration to impose upon the Properties (as defined herein) mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of real property within the Properties. Declarant desires to provide a flexible and reasonable procedure for the overall development of the Properties, and to establish a method for the administration, maintenance, preservation, use and enjoyment of such Properties as are now or hereafter subjected to this Declaration.

Declarant hereby declares that all of the property and any additional property which is hereafter subjected to this Declaration by Supplemental Declaration (as defined herein) 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.

This Declaration does not and is not intended to create a condominium within the meaning of the Texas Condominium Act, Tex. Prop. Code Ann., Section 81.001, et seq. (Vernon 1984).

**Article I
DEFINITIONS**

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

Section 1. "Area of Common Responsibility" shall mean and refer to the Common Area, together with those areas, if any, which by the terms of this Declaration, or any Supplemental Declaration, become the responsibility of the Association.

Section 2. "Association" shall refer to Monterra of Fate Owners Association, Inc. a Texas corporation, its successors or assigns.

Section 3. "Base Assessment" shall refer to assessments levied on all Units subject to assessment under Article X to fund Common Expenses for the general benefit of all Units, as more particularly described in Article X, Sections 1 and 2.

Section 4. "Benefited Assessment" shall mean assessments levied in accordance with Article X, Section 6 of this Declaration.

Section 5. "Board of Directors" or "Board" shall be the body responsible for administration of the Association, and generally serving the same role as the board of directors under Texas corporate law.

Section 6. "Builder" shall mean any Person which purchases one or more Units or parcels of land within the Properties for the purpose of constructing improvements thereon for resale in the

ordinary course of such Person's business.

Section 7. "Certificate of Formation" or "Certificate" shall refer to the Certificate of Formation of Monterra of Fate Owners Association, Inc. as filed with the Secretary of State of the State of Texas.

Section 8. "City" shall mean the City of Fate, Texas, a municipal corporation.

Section 9. "Class 'B' Control Period" shall refer to the period of time during which the Class "B" Member is entitled to appoint a majority of the members of the Board of Directors.

Section 10. "Common Area" shall mean all real and personal property which the Association now or hereafter owns, leases or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners,

Section 11. "Common Expenses" shall mean the actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Unit Owners, including any reasonable reserve, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration and the Certificate of Formation of the Association, but shall not include any development costs incurred during the Class "B" Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by Members representing a majority of the total Class "A" vote of the Association.

Section 12. "Community-Wide Standard" shall mean the standard of conduct, maintenance, or other activity generally prevailing throughout the Properties. Such standard may be more specifically determined by the Board of Directors and the New Construction Committee.

Section 13. "Declarant" shall refer to WJ Monterra LP, a Texas limited partnership, qualified to do business in Texas, or any successor, successor-in-title, or assign who takes title to any portion of the real property for the purpose of development and/or sale in the ordinary course of such Person's business and who is (a) Declarant's lender under any financing obtained by Declarant for development of the Properties, or (b) designated as the Declarant in a recorded instrument executed by the immediately preceding Declarant.

Section 14. "Development Period" shall mean the period of time beginning on the date that this Declaration is recorded, and terminating on December 31, 2050 (unless the Declarant, in its sole discretion, terminates the Development Period prior to such time and declares so in a recorded instrument), during which time the Declarant may exercise its Development Period Rights.

Section 15. "Development Period Rights" shall mean generally those rights reserved to Declarant under this Declaration to (i) facilitate the development, construction, and marketing of the Development; or (ii) direct the size, shape and composition of the Development. Such rights include, without limitation, the right to: (i) adopt and amend Design Guidelines for the construction and modification of improvements within the Development pursuant to Article XI; (ii) amend the Governing Documents without the consent or approval of other Owners or Mortgagees pursuant to Article XV; and (iii) exercise the additional rights set forth in Article XI3V hereof and any other rights reserved to the Declarant during the Development Period pursuant to the Governing Documents.

Section 16. "Master Land Use Plan" shall refer to the master land use plan for the development of the Monterra community prepared by or on behalf of Declarant, as it may be amended from time to time, which plan includes the property and all or a portion of the property which Declarant may from time to time anticipate subjecting to this Declaration. Inclusion of property on the Master Land Use Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the

exclusion of property from the Master Land Use Plan bar its later annexation in accordance with Article IX.

Section 17. "Member" shall refer to a Person entitled to membership in the Association, as provided in Article III, Section 2.

Section 18. "Mortgage" shall refer to a mortgage, a deed of trust, a deed to secure debt, or any other form of security deed.

Section 19. "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

Section 20. "Mortgagor" shall refer to any Person who gives a Mortgage.

Section 21. "Owner" shall refer to one or more Persons who hold the record title to any Unit but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

Section 22. "Person" shall mean a natural person, a corporation, a partnership, a trustee, or any other legal entity.

Section 23. "Properties" shall mean and refer to the real property together with such additional property as is hereafter subjected to this Declaration in accordance with Article IX.

Section 24. "Special Assessment" shall mean and refer to assessments levied in accordance with Article X, Section 5 of this Declaration.

Section 25. "Supplemental Declaration" shall mean an amendment or supplement to this Declaration filed pursuant to Article IX which subjects additional property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein.

Section 26. "Unit" shall mean a portion of the Properties, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. The term shall include its meaning, by way of illustration but not limitation, condominium units, townhouse units, cluster homes, patio or zero lot line homes, and single-family detached houses on separately platted lots, as well as vacant land intended for development as such, but shall not include Common Areas, , or property dedicated to the public. In the case of a structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit.

In the case of a parcel of vacant land or land on which improvements are under construction, the parcel shall be deemed to contain the number of Units designated for residential use for such parcel on the Master Land Use Plan or the site plan approved by Declarant, whichever is more recent, until such time as a subdivision plat or condominium plat is filed of record on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall constitute a separate Unit or Units as determined above and the number of Units on the remaining land, if any, shall continue to be determined in accordance with this paragraph.

Article II **PROPERTY RIGHTS**

Section 1. "Common Area. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, subject to:

(a) This Declaration and any other applicable covenants, as they may be amended from time to time, and subject to any restrictions or limitations contained in any deed conveying such property to the Association;

(b) The right of the Board to adopt rules regulating the use and enjoyment of the Common Area, including rules restricting use of recreational facilities within the Common Area to the occupants of Units and their guests and rules limiting the number of guests who may use the Common Area;

(c) The right of the Board to suspend the right of an Owner to use recreational facilities within the Common Area (i) for any period during which any charge against such Owner's Unit remains delinquent, and (ii) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation, of the Declaration, any applicable Supplemental Declaration, or rules of the Association after notice and a hearing;

(d) The right of the Association, acting through the Board, to dedicate or transfer all or any part of the Common Area pursuant to Article IV, Section 8 hereof;

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

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

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

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

Article III
ASSOCIATION FUNCTION, MEMBERSHIP AND VOTING RIGHTS

Section 1. Function of Association. The Association shall be the entity responsible for management, maintenance, operation and control of the Common Area. In addition, the Association shall be responsible for the enforcement of this Declaration and such reasonable rules regulating use of the Properties as the Board may adopt, and for administering and enforcing the architectural standards and controls set forth in this Declaration pursuant to Article XI. The Association shall perform its functions in accordance with this Declaration, and Texas law.

Section 2. Membership. Every Owner shall be a Member of the Association. There shall be only one membership per Unit; if a Unit is owned by more than one Person, all co-Owners shall share the privileges of membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 3 of this Article, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights and privileges of an Owner who is a natural person may be exercised by the Member or the Member's spouse. The membership rights of an Owner which is a corporation, partnership or other legal entity may be exercised by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

Section 3. Voting. The Association shall have two classes of membership, Class "A" and Class "B".

(a) Class A. Class "A" Members shall be all Owners except the Class "B" Member, if any.

Class "A" Members shall be entitled to one equal vote for each Unit in which they hold the interest required for membership under Section 1 hereof; there shall be only one vote per Unit.

In any situation where there is more than one Owner of a particular Unit, the vote for such Unit shall be exercised as such co-Owners determine among themselves and advise the Secretary of the Association in writing prior to any meeting. In the absence of such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The rights of the Class "B" Member, including the right to approve, or withhold approval of, actions proposed under this Declaration, are specified elsewhere in the Declaration. Initially, the Class "B" Member shall be entitled to 2,200 votes; this number shall be decreased by one vote for each Class "A" membership outstanding at any given time. The Class "B" Member shall be entitled to appoint a majority of the members of the Board of Directors during the Class "B" Control Period. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove certain actions of the Board of Directors and committees.

The Class "B" membership shall terminate and become converted to Class "A" membership upon the earlier of:

- (i) expiration of the Class "B" control period pursuant to Article III of the By-Laws
- (ii) when, in its discretion, the Declarant so determines and declares in a recorded instrument.

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

Section 1. Common Area. The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Area and all improvements thereon (including, without limitation, furnishings, equipment, and common landscaped areas), and shall keep it in good, clean, attractive, and sanitary condition, order, and repair, consistent with this Declaration and the Community-Wide Standard.

Section 2. Personal Property and Real Property for Common Use. The Association, through action of its Board of Directors, may acquire, hold, and dispose of tangible and intangible personal property and real property, subject to such restrictions as are set forth herein. The Declarant may convey to the Association improved or unimproved real estate located within the properties, personal property, and leasehold or other property interests. Upon conveyance or dedication by the Declarant to the Association, such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the benefit of its Members, subject to any restrictions set forth in the deed of conveyance. The Declarant shall convey the initial Common Area to the Association prior to the conveyance of a Unit to any Person other than a Builder or developer holding title for the purpose of development and resale.

Section 3. Rules and Regulations. The Association, through its Board of Directors, may make and enforce reasonable rules and regulations governing the Properties, the Owners, occupants, invitees, and licensees, including, without limitation, rules relating to the collection of assessments (including,

without limitation, the application of payments received from Owners and the availability and terms of payment plans), the use and operation of the Units (including, without limitation, the use, enjoyment, occupancy, leasing, disposition, maintenance, repair, modification and appearance of Units) and the use and operation of the Common Area. Such rules and regulations shall be binding upon all Owners, occupants, invitees, and licensees, if any, until and unless overruled, canceled, or modified in a regular or special meeting of the Association by the vote of Members representing a majority of the total Class "A" votes in the Association and by the Class "B" Member, so long as such membership shall exist.

Section 4. Enforcement. The Association shall be authorized to impose sanctions for violations of this Declaration, or rules and regulations. Sanctions may include reasonable monetary fines and suspension of the right to vote (except for voting in the election of Board members or on any matter concerning the rights or responsibilities of the Owner) and to use any recreational facilities within the Common Area. In addition, the Association, through the Board, shall have the right to exercise self-help to cure violations, and shall be entitled to suspend any services provided by the Association to any Owner or such Owner's Unit in the event that such Owner is more than 30 days delinquent in paying any assessment or other charge due to the Association. The Board shall have the power to seek relief in any court for violations or to abate nuisances.

The Association, through the Board, by contract or other agreement, shall have the right to enforce county and city ordinances, if applicable, and to permit Rockwall County to enforce ordinances on the Properties for the benefit of the Association and its Members.

Section 5. Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration, or reasonably implied from the existence of or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in this Declaration, all rights and powers of the Association may be exercised by the Board of Directors without a vote of the membership.

Section 6. Governmental Interest. For so long as the Declarant owns any property, the Association shall permit the Declarant to designate and redesignate sites within the Properties for fire, police, water, and sewer facilities, public schools and parks, and other public facilities. The sites may include Common Areas owned by the Association, and in such case no membership approval shall be required, and the Association shall dedicate and convey the designated site as requested by the Declarant.

Section 7. Indemnification. The Association shall indemnify every officer, director, and committee member against any and all expenses, including counsel fees, reasonably incurred by or imposed upon such officer, director, or committee member in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been on officer, director, or committee member.

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

Section 8. Dedication of Common Areas. The Association, acting through the Board of Directors upon two-thirds (2/3) vote thereof, shall have the power to dedicate portions of the Common Areas to Rockwall County, Texas, or to any other local, state, or federal governmental entity, however, any such

dedication shall become effective only upon written acceptance by the prospective recipient governmental agency(ies).

Section 9. Security. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. NEITHER THE ASSOCIATION, THE DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE PROPERTIES, NOR SHALL ANY OF THEM BE HELD LIABLE FOR ANY LOSS OR DAMAGE BE REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR OF INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. NO REPRESENTATION OR WARRANTY IS MADE THAT ANY FIRE PROTECTION SYSTEM, BURGLAR ALARM SYSTEM OR OTHER SECURITY SYSTEM CAN NOT BE COMPROMISED OR CIRCUMVENTED, NOR THAT ANY SUCH SYSTEMS OR SECURITY MEASURES UNDERTAKEN WILL IN ALL CASES PREVENT LOSS OR PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH OWNER ACKNOWLEDGES, UNDERSTANDS AND COVENANTS TO INFORM ITS TENANTS THAT THE ASSOCIATION, ITS BOARD OF DIRECTORS AND COMMITTEES, DECLARANT, AND ANY SUCCESSORS DECLARANT ARE NOT INSURERS AND THAT EACH PERSON USING THE PROPERTIES ASSUMES ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO UNITS AND TO THE CONTENTS OF UNITS RESULTING FROM ACTS OF THIRD PARTIES.

Article V **MAINTENANCE**

Section 1. Association's Responsibility. The Association shall maintain and keep in good repair the Area of Common Responsibility, such maintenance to be funded as hereinafter provided. The Area of Common Responsibility shall include, but need not be limited to:

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

(b) screening walls constructed by the Declarant, whether located wholly or partially within the boundaries of a Unit;

(c) landscaping within public rights-of-way within or abutting the Properties, and landscaping and other flora within any public utility easement within the Properties (subject to the terms of any easement agreement relating thereto);

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

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

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

Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with the prior written approval of the Declarant and written acceptance by the City.

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

Except as otherwise specified provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Units as part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, any other recorded covenants, or agreements with the owner(s) thereof.

Section 2. Owner's Responsibility. Each Owner shall maintain his or her Unit and all landscaping, structures, parking areas, sidewalks, and other improvements within the boundaries of the Unit. All Units shall be kept in a well landscaped condition so as to produce the best aesthetic effect. Each Owner shall maintain the driveway serving his or her Unit whether or not lying entirely within the Unit boundaries and shall maintain all landscaping on that portion of the Common Area or public right-of-way between the Unit boundary and the nearest curb or pavement edge of the adjoining street(s). Owners of Units which are adjacent to any portion of the Common Area on which decorative walls or fences have been constructed shall also maintain that portion of the Common Area which lies between such wall or fence and the Unit boundary. Owners of Units which abut the bank or water's edge or abut a portion of the Common Area abutting the bank or water's edge, of any lake, pond, stream, or wetlands area within the Properties shall maintain all landscaping between the Unit boundary and such bank or water's edge; provided, there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article XI hereof. Boundary planting along front Unit lines or side Unit lines adjacent to a street, except trees with single trunks, shall not be permitted to grow higher than three (3) feet. No boundary planting shall be allowed outside rear Unit lines. Each Unit Owner shall cut and maintain all of his trees, shrubs and hedges so that no part thereof extends across any Unit boundary line without the permission of the Owner of the Unit across which the planting extends.

An Owner shall be excused from its responsibility hereunder to the extent that such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Unit. In addition to any other enforcement rights available to the Association, if any Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and Owner in accordance with Article X, Section 5(b) of this Declaration. However, the Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when immediate entry is required due to an emergency situation.

Section 3. Standard of Performance. Unless otherwise specifically provided herein or in other instruments assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary. All maintenance shall be performed in a manner consistent with the Community-Wide Standard and all applicable covenants. The Association and/or an Owner shall not be liable for any damage or injury occurring on, or arising out of the condition of, property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities hereunder.

Section 4. 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 Units which shall serve and/or separate any two adjoining Units shall constitute a party wall, party fence, or party driveway, as applicable. To the extent not inconsistent with the provisions of this Section, the general rule 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 wall, fence or driveway shall be shared equally by the Owners who make use of the wall, fence or driveway.

(c) Damage and Destruction. If a party wall, fence or driveway 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 wall, fence or driveway may restore it. If other Owners thereafter use the wall, fence or driveway, 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.

(e) Arbitration. In the event of any dispute arising concerning a party wall, fence, or driveway each party shall appoint one arbitrator. Should any party refuse to appoint an arbitrator within 10 days after written request by the Board of Directors, the Board 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.

Article VI **INSURANCE AND CASUALTY LOSSES**

Section 1. Association Insurance. The Association, acting through its Board of Directors or its duly authorized agent, shall have the authority to and shall obtain blanket "all-risk" property insurance, if reasonably available, for all insurable improvements on the Common Area and on other portions of the Area of Common Responsibility to the extent that the Association has assumed responsibility for maintenance, repair and/or replacement thereof in the event of a casualty. If blanket "all-risk" coverage is not reasonably available, then at a minimum an insurance policy providing fire and extended coverage, including coverage for vandalism and malicious mischief shall be obtained. The face amount of such insurance shall be sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any insured peril.

The Board also shall obtain a public liability policy covering the Area of Common Responsibility, insuring the Association and its Members for all damage or injury caused by the negligence of the Association, any of its Members, its employees, agents, or contractors while acting on behalf of the Association. If reasonably available, the public liability policy shall have a least a One Million (\$1,000,000.00) Dollar combined single limit as respects bodily injury and property damage, at least a Two Million (\$2,000,000.00) Dollar limit per occurrence and in the aggregate.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be incurred in the Base Assessment.

The policies may contain a reasonable deductible and the amount thereof shall not be

subtracted from the face amount of the policy in determining whether the insurance at least equals the coverage required hereunder. In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard, that the loss is the result of the negligence or willful conduct of one or more Unit Owners, then the Board may specifically assess the full amount of such deductible against such Owner(s) and their Units pursuant to Article X, Section 5(b).

All insurance coverage obtained by the Board of Directors shall be governed by the following provisions:

(a) All policies shall be written with a company authorized to do business in Texas which holds a Best's rating of A or better and is assigned a financial size category of IX or larger as established by A.M. Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating which is available.

(b) All insurance shall be written in the name of the Association as trustee for the benefited parties. Policies on the Common Area shall be for the benefit of the Association and its Members.

(c) Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Association's Board of Directors.

(d) In no event shall the insurance coverage obtained and maintained by the Association be brought into contribution with insurance purchased by individual Owners, occupants, or their Mortgagees.

(e) All property insurance policies shall have an inflation guard endorsement, if reasonably available. If the policy contains a co-insurance clause, it also shall have an agreed amount endorsement. The Association shall arrange for an annual review of the sufficiency of insurance coverage by one or more qualified persons, at least one of whom must be in the real estate industry and familiar with construction in the Rockwall County, Texas area.

(f) The Board of Directors shall be required to use reasonable efforts to secure insurance policies that will provide the following:

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

(ii) a waiver by the insurer of its right to repair and reconstruct instead of paying cash;

(iii) a statement that no policy may be canceled, invalidated, suspended, or subjected to nonrenewal on account of any one or more individual Owners;

(iv) a statement that no policy may be canceled, invalidated, suspended, or subjected to nonrenewal on account of any curable defect or violation without prior demand in writing delivered to the Association to cure the defect or violation and the allowance of a time thereafter as mandated by the State of Texas Department of Insurance for such events, within which it may be cured by the Association, its manager, any Owner, or Mortgagee;

(v) a statement that the Association will be given at least 30 days' prior written notice of any cancellation, substantial modification, or non-renewal.

In addition to other insurance required by this Section, the Association shall obtain, as a Common Expense, worker's compensation insurance, if and to the extent required by law, directors' and officers' liability coverage, if reasonably available, and flood insurance, if advisable.

The Association also shall obtain, as a Common Expense, a fidelity bond or bonds, if reasonably available, covering all persons responsible for handling Association funds. The amount of fidelity coverage shall be determined in the Board of Directors' best business judgment but, if reasonably available, may not be less than one-sixth (1/6) of the annual Base Assessments on all Units plus reserves on hand. Bonds shall include coverage for noncompensated persons and shall require at least 30 days' prior written notice to the Association of any cancellation, substantial modification or nonrenewal.

Section 2. Individual Insurance. By virtue of taking title to a Unit subject to the terms of this Declaration, each Owner covenants and agrees with all other Owners and with the Association that each Owner shall carry blanket "all-risk" property insurance on its Unit(s) and structures constructed thereon providing full replacement cost coverage (less a reasonable deductible), unless the Association carries such insurance (which they are not obligated to do hereunder).

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

Section 3. Damage and Destruction.

(a) Immediately after damage or destruction by fire or other peril to all or any part of the Properties covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent shall proceed with the filing and adjustment of all claims arising under such insurance and shall obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the same condition in which it existed prior to the fire or other peril, allowing for any changes or improvements necessitated by changes in applicable building codes.

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

If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such funds or information shall be made available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

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

Section 4. Disbursement of Proceeds. Any insurance proceeds remaining after defraying such costs of repair or reconstruction, or if no repair or reconstruction is made, any proceeds remaining after making such settlement as is necessary and appropriate with the affected Owner or Owners and their Mortgagee(s) as their interests may appear, shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of any Mortgagee of a Unit and may be enforced by such Mortgagee.

Section 5. Repair and Reconstruction. If the insurance proceeds are insufficient to defray the costs of repairing or reconstructing the damage to the Common Area, the Board of Directors may, without the necessity of a vote of the Members, levy a special assessment against those Unit Owners responsible for the premiums for the applicable insurance coverage under Section 1 of this Article. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction.

Article VII
NO PARTITION

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

Article VIII
CONDEMNATION

Whenever all or any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Voting Members representing at least sixty-seven (67%) percent of the total Class "A" votes in the Association and of the Declarant, as long as the Development Period has not expired) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice thereof. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, then the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area to the extent lands are available, unless within 60 days after such taking the Declarant, so long as the Development Period has not expired,, and Members representing at least seventy-five (75%) percent of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board of Directors of the Association. If such improvements are to be repaired or restored, the provisions in Article VI hereof regarding the disbursement of funds for the repair of casualty damage or destruction shall apply.

If the taking does not involve any improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board of Directors shall determine.

Article IX
ANNEXATION AND WITHDRAWAL OF PROPERTY

Section 1. Annexation Without Approval of Membership. The Declarant shall have the unilateral right, privilege, and option, from time to time at any time until the expiration of the Development Period or December 31, 2050, whichever is earlier, to subject to the provisions of this Declaration and the jurisdiction of the Association all or any portion of the real property. The Declarant shall have the unilateral right to transfer to any other Person the right, privilege, and option to annex additional property which is herein reserved to Declarant, provided that such transferee or assignee shall be the developer of at least a portion of the real property and that such transfer is memorialized in a written, recorded instrument executed by the Declarant.

Such annexation shall be accomplished by filing a Supplemental Declaration annexing such property in the County Clerk Official Records of Rockwall County, Texas. Such Supplemental Declaration shall not require the consent of Members, but shall require the consent of the owner of such property, if other than Declarant. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided herein.

Section 2. Annexation With Approval of Membership. Subject to the consent of the owner thereof, the Association may annex real property to the provisions of this Declaration and the jurisdiction of the Association. Such annexation shall require the affirmative vote of Members representing a majority of the Class "A" votes of the Association represented at a meeting duly called for such purpose and the consent of the Declarant, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 1 of this Article.

Annexation shall be accomplished by filing a Supplemental Declaration describing the property being annexed in the County Clerk Official Records of Rockwall County, Texas. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the property being annexed. Any such annexation shall be effective upon filing unless otherwise provided therein.

Section 3. Withdrawal of Property. The Declarant reserves the right to amend this Declaration unilaterally at any time so long as it holds an unexpired option to expand the community pursuant to Section 1 of this Article IX, without prior notice and without the consent of any Person, for the purpose of removing certain portions of the Properties then owned by the Declarant or its affiliates or the Association from the provisions of this Declaration, to the extent originally included in error or as a result of any changes whatsoever in the plans for the Properties desired to be effected by the Declarant, provided such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Properties.

Section 4. Additional Covenants and Easements. The Declarant may unilaterally subject any portion of the property submitted to this Declaration initially or by Supplemental Declaration to additional covenants and easements, including covenants obligating the Association to maintain and insure such property on behalf of the Owners and obligating such Owners to pay the costs incurred by the Association through assessments levied on such Owners and their property. Such additional covenants and easements shall be set forth in a Supplemental Declaration filed either concurrent with or after the annexation of the subject property and shall require the written consent of the owner(s) of such property, if other than the Declarant.

Section 5. Amendments. This Article shall not be amended without the prior written consent of Declarant during the Development Period.

Article X **ASSESSMENTS**

Section 1. Creation of Assessments. There are hereby created assessments for Association expenses as may from time to time specifically be authorized by the Board of Directors, to be

commenced at the time and in the manner set forth in Section 7 of this Article. There shall be three types of assessment: (a) Base Assessments to fund Common Expenses for the general benefit of all Units; (b) Special Assessments as described in Section 4 below; and (c) Benefited Assessments as described in Section 5 below. Each Owner, by acceptance of a deed or recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay these assessments.

All assessments, together with interest (at a rate not to exceed the highest rate allowed by Texas law) as computed from the date the delinquency first occurs, late charges, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon each Unit against which the assessment is made until paid, as more particularly provided in Section 6 of this Article. Each such assessment, together with interest, late charges, costs, and reasonable attorney's fees, also shall be the personal obligation of the Person who was the Owner of such Unit at the time the assessment arose. In the event of a transfer of title to a Unit, the grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance. However, no first Mortgagee who obtains title to a Unit pursuant to the remedies provided in the Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

The Association shall, upon demand at any time, furnish to any Owner liable for any type of assessment a certificate in writing signed by an officer of the Association setting forth whether such assessment has been paid as to any particular Unit. Such certificate shall be conclusive evidence of payment to the Association of such assessment therein stated to have been paid. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

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

No Owner may waive or otherwise exempt himself from liability for the assessments, including, by way of illustration and not limitation, by non-use of Common Area or abandonment of the Unit. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessment or set-off shall be claimed or allowed by reason of any alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this Declaration, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Association, or from any action taken to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority.

During the Class "B" Control Period, the Declarant may annually elect either to pay regular assessments on its unsold Units or to pay to the Association the difference between the amount of assessments collected on all other Units subject to assessment and the amount of actual expenditures required to operate the Association during the fiscal year. Unless the Declarant otherwise notifies the Board of Directors in writing at least 60 days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. Regardless of such election, the Association shall have a lien against all Units owned by the Declarant to secure the Declarant's obligations under this paragraph, which lien shall have the same attributes and shall be enforceable in the same manner as the Association's lien against other Units under this Article. The Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or a combination of these.

The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with the Declarant or other

entities for the payment of some portion of the Common Expenses.

Section 2. Computation of Base Assessment. It shall be the duty of the Board, at least 60 days before the beginning of each fiscal year, to prepare a budget covering the estimated Common Expense of the Association during the coming year. The budget shall include a capital contribution establishing a reserve fund in accordance with a budget separately prepared as provided in Section 3 of this Article.

The Base Assessment shall be levied equally against all Units and shall be set at a level which is reasonably expected to produce the total income of the Association equal to the total budgeted Common Expense, including reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board shall take into account the number of Units subject to assessment under Section 7 hereof on the first day of the fiscal year for which the budget is prepared and the number of Units reasonably anticipated to become subject to assessments during the fiscal year.

So long as the Declarant has the right unilaterally to annex additional property pursuant to Article IX hereof, the Declarant may elect on an annual basis, but shall not be obligated, to reduce the resulting Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 1 above), which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in the Declarant's discretion. Any such subsidy shall be conspicuously disclosed as a line item in the Common Expense budget and its characterization shall be made known to the membership. The payment of such subsidy in any year shall under no circumstance obligate the Declarant to continue payment of such subsidy in future years, unless provided for in a separate written agreement between Declarant and the Association.

The Board shall send a copy of the budget and notice of the amount of the Base Assessment to be levied against each Unit for the following year to be delivered to each Owner at least 30 days prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting by Members representing at least seventy-five (75%) percent of the total Class "A" votes in the Association, and by the Class "B" Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings, which petition must be presented to the Board within 10 days after delivery of the notice of assessments.

Notwithstanding the foregoing, however, in the event the proposed budget is disapproved, or the Board fails for any reason to determine the budget for any year, then and until such time as a budget shall have been determined, the budget in effect for the immediately preceding year shall continue for the current year.

Section 3. Reserve Budget and Capital Contribution. The Board of Directors shall prepare reserve budgets approximately every three years for general purposes which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown on the budget, with respect both to amount and timing by annual Assessments over the period of the budget. The capital contribution required, if any, shall be fixed by the Board and included within and distributed with the applicable budget and notice of assessments, as provided in Sections 2 and 3 of this Article.

Section 4. Special Assessments.

(a) Unbudgeted Expenses. In addition to other assessments authorized hereunder, the

Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Such Special Assessment shall be levied against the entire membership. Except as otherwise specifically provided in this Declaration, any Special Assessment shall have the affirmative vote or written consent of Members representing at least fifty-one (51%) percent of the total votes in the Association, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved, if the Board so determines.

(b) Costs to Cure Non-compliance. The Association may levy a Special Assessment against any Unit to reimburse the Association for costs incurred in bringing the Unit into compliance with the provisions of the Declaration, any applicable Supplemental Declaration, and the Association rules and regulations. Such Special Assessments may be levied upon the vote of the Board after notice to the Unit Owner.

Section 5. Benefited Assessments. The Board shall have the power to assess expenses of the Association in the amount of the benefit received against Units receiving benefits, items, or services not provided to all Units within the Properties (a) that are incurred upon request of the Owner of a Unit for specific items or services relating to the Unit or (b) that are incurred as a consequence of the conduct of less than all Owners, their licensees, invitees, or guests.

Section 6. Lien for Assessments. The Declarant does hereby establish, reserve, create and subject each Unit to a perfected contractual lien in favor for the Association to secure payment of delinquent assessments owed on account of such Unit, as well as interest (subject to the limitations of Texas law), late charges and costs of collection (including, without limitation, attorney's fees). Such lien shall be prior and superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior thereto, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Declarant hereby assigns such lien to the Association without recourse. The lien shall be self-operative and shall continue in inchoate form without being reserved or referenced in any deed or other document and without any other action required. Such lien, when delinquent, may be enforced by suit, judgement and judicial or nonjudicial foreclosure in accordance with Texas law.

Although no further action is required to create or perfect the lien, the Association may, as further evidence and notice of the lien, execute and record a document setting forth as to any Unit the amount of the delinquent sums due the Association at the time such document is executed and the fact that a lien exists to secure the repayment thereof. However, the failure of the Association to execute and record any such document shall not, to any extent, affect the validity, enforceability, or priority of the lien. The lien may be foreclosed through judicial or, to the extent allowed by law, nonjudicial foreclosure proceedings in accordance with Tex. Prop. Code Ann. Section 51.002 and Section 209.0092 (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 so expressed in the deed or other instrument conveying such Unit 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. At any foreclosure proceeding, any Person, including but not limited to Declarant, the Association, and any Owner shall have the right to bid for the Unit at foreclosure sale and to acquire and hold, lease, mortgage, and convey the same. During the period in which the Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association as a result of foreclosure. Suit to recover a money judgement for unpaid Common Expenses and attorney's fees shall be maintainable without foreclosing or waiving the lien securing the same.

The sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from

the lien for any assessments thereafter becoming due. However, the sale or transfer of any Unit pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien as to any installments of such assessments which became due prior to such sale or transfer. Where the Mortgagee holding a first Mortgage of record or other purchaser of a Unit obtains title pursuant to judicial or nonjudicial foreclosure of the Mortgage, it shall not be personally liable for the share of the Common Expenses or assessments by the Association chargeable to such Unit which became due prior to such acquisition of title. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 7 below, including such acquires, its successors and assigns.

Section 7. Date of Commencement of Assessments. The obligation to pay the assessments provided for herein shall commence as to each Unit on the first day of the month following: (a) the month in which the Unit is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. The first annual Base Assessment levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Section 8. Failure to Assess. The omission or failure of the Board to fix the assessment amounts or rates or to deliver or mail to each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is levied, at which time any shortfalls in collections may be assessed retroactively by the Association.

Section 9. Capitalization of Association. Upon acquisition of record title to a Unit by the first Owner thereof other than the Declarant or a Builder, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to five hundred dollars (\$500). This amount shall be in addition to, not in lieu of the annual Base Assessment levied on the Unit and shall not be considered an advance payment of any portion thereof. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to the terms of this Declaration.

Section 10. Exempt Property. Notwithstanding anything to the contrary herein, the following property shall be exempt from payment of Base Assessments and Special Assessments:

- (a) All Common Area; and
- (b) All property dedicated to and accepted by any governmental authority or public utility, including without limitation public schools, public streets, and public parks, if any.

Article XI **ARCHITECTURAL STANDARDS**

Section 1. General. No structure shall be placed, erected, or installed upon any Unit, and no construction or modification (which shall include staking, clearing, excavation, grading and other site work, exterior alteration or modification of existing improvements, and plantings or removal of plants, trees, or shrubs other than as may be permitted in Article XII, Section 15) shall take place except in strict compliance with this Article, until the requirements below have been fully met, and approval of the appropriate committee has been obtained pursuant to Section 2 below. No permission or approval shall be required to repaint in accordance with originally approved color scheme, or to rebuild in accordance with originally approved plans and specifications. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his Unit, or to paint the interior of his Unit any color desired. However, modifications or alterations to the interior of screened porches, patios, and similar portions of a Unit visible from outside the Unit shall be

subject to approval.

All dwellings constructed on any portion of the Properties shall be designed by and built in accordance with the plans and specifications of a licensed architect or professional building designer.

This Article shall not apply to the activities of the Declarant, nor to construction or improvements or modifications to the Common Area by or on behalf of the Association.

This Article may not be amended without the Declarant's written consent so long as the Declarant owns any land subject to this Declaration or subject to annexation to this Declaration.

Section 2. Architectural Review. Responsibility for administration of the Design Review Guidelines, as defined below, and review of all applications for construction and modifications under this Article shall be handled by one of two committees, as described in subsections (a) and (b) of this Section 2. The members of the committees need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Board of Directors. The Board of Directors may establish reasonable fees to be charged by the committees on behalf of the Association for review of applications hereunder and may require such fees to be paid in full prior to review of any application.

(a) New Construction Committee. The New Construction Committee (NCC) shall consist of at least three, but not more than five, persons and shall have exclusive jurisdiction over all original construction and all modifications, additions, or alterations made to existing structures on Units or structures containing Units and the open space, if any, appurtenant thereto, on any portion of the Properties unless and until the Board of Directors establishes a Modifications Committee (MC) under Section 2(b) below, at which time the NCC shall have exclusive jurisdiction over original construction only. Until expiration of the Development Period, the Declarant retains the right to appoint all members of the NCC who shall serve at the discretion of the Declarant. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration of such right, the Board of Directors shall appoint the members of the NCC, who shall serve and may be removed at the discretion of the Board of Directors; provided that after the expiration of the Development Period the Board may not appoint a person to the NCC who is also serving as a Board member, is the spouse of a Board member, or resides with a Board member. Members of the NCC may also serve as members of the MC.

(b) Modifications Committee. The Board of Directors may establish a Modifications Committee (MC) to consist of at least three and no more than five persons, all of whom shall be appointed by, and shall serve at the discretion of, the Board of Directors; provided that after the expiration of the Development Period the Board may not appoint a person to the MC who is also serving as a Board member, is the spouse of a Board member, or resides with a Board member. The MC, if established, shall have exclusive jurisdiction over modifications, additions, or alterations made to existing structures on Units or structures containing Units and the open space, if any, appurtenant thereto. The MC shall not take any action nor approve any plans which are inconsistent with the Design Review Guidelines and the NCC shall have the right to veto any action taken by the MC which the NCC determines, in its sole discretion, to be inconsistent with the Design Review Guidelines.

Section 3. Guidelines and Procedures.

(a) The Declarant shall prepare the initial design and development guidelines and application and review procedures (the "Design Review Guidelines") which shall be applicable to all construction activities within the Properties. The Design Review 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 the location, unique characteristics, and intended use thereof.

The NCC, acting on behalf of the Board of Directors, shall adopt such Design Review Guidelines at its initial organizational meeting. Until expiration of the Class 'B' Control Period, the Declarant may unilaterally amend the Design Review Guidelines. Thereafter, until expiration of the Development Period, the NCC shall have the unilateral authority to amend the Design Review Guidelines. Thereafter, the Board shall have unilateral authority to amend the Design Review Guidelines.

The Declarant or the Association shall record the Design Review Guidelines, and any amendments thereof, in the County Clerk Official Records of Rockwall County, Texas, and all Owners, Builders, and developers who seek to engage in development of or construction upon all or any portion of the Properties shall conduct their activities in strict accordance with such Design Review Guidelines. The latest recorded version, as it may unilaterally be amended from time to time by the NCC or the Board by recordation of amendments thereto, shall control in the event of any dispute as to which version of the Design Review Guidelines was in effect at any particular time.

Any amendments to the Design Review Guidelines adopted from time to time by the NCC or the Board in accordance with this Section shall apply to construction and modifications commenced after the date of such amendment only and shall not apply to require modifications to or removal of structures previously approved by the NCC or MC once the approved construction or modification has commenced.

The MC may promulgate detailed application and review procedures and design standards governing its area of responsibility and practice. Any such standards shall be consistent with those set forth in the Design Review Guidelines and shall be subject to review and approval or disapproval by the NCC during the Development Period and thereafter by the Board.

(b) Plans and specifications showing the nature, kind, shape, color, size, materials, and location of all proposed construction and modifications, shall be submitted to the appropriate committee for review and approval (or disapproval). In reviewing each submission, the committees may consider the quality of workmanship and design, harmony of external design with existing structures, and location in relation to surrounding structures, topography, and finish grade elevation, among other things. While the committees may also consider such factors as conformity to master drainage plans, they shall not be required to review drainage plans and neither the Association, the committees, nor the Declarant assume any responsibility for ensuring compliance with any master drainage plan, which responsibility shall be solely with the Builder or other applicant.

In the event that the NCC or MC fails to approve or to disapprove any application within 30 days after submission of all information and materials reasonably requested, the application shall be deemed approved. However, no approval, whether expressly granted or deemed granted pursuant to the foregoing, shall be inconsistent with the Design Review Guidelines unless a variance has been granted in writing by the NCC or the MC pursuant to Section 5 below.

In the event that the NCC or MC disapproves any application, the notice of denial must be provided to the Owner by certified mail, hand delivery, or electronic delivery. The notice must: (i) describe the basis for the denial in reasonable detail and changes, if any, to the application or improvement required as a condition to approval; and (ii) inform the Owner that the Owner may request a hearing under Subsection 3(c) on or before the 30th day after the date the notice was mailed to the Owner. This notice and right to a hearing is not required during the Development Period.

(c) The Board shall hold a hearing under this Section 3 not later than the 30th day after the date the Board receives the Owner's request for a hearing and shall notify the Owner of the date, time, and place of the hearing not later than the 10th day before the date of the hearing. Only one hearing is required under this Subsection 3(c). During a hearing, the Board or the designated representative of the Association

and the Owner or the Owner's designated representative will each be provided the opportunity to discuss, verify facts, and resolve the denial of the Owner's application or request for the construction of improvements, and the changes, if any, requested by the NCC or MC, as applicable, in the notice provided to the Owner under Subsection 3(b) above. The Board or the Owner may request a postponement. If requested, a postponement shall be granted for a period of not more than ten (10) days. Additional postponements may be granted by agreement of the parties. The Association or the Owner may make an audio recording of the meeting. The Board may affirm, modify, or reverse, in whole or in part, any decision of the NCC or MC, as applicable, as consistent with this Declaration.

Section 4. No Waiver of Future Approvals. The approval of either the NCC or MC of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval and consent of such committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings, or matters subsequently or additionally submitted for approval or consent.

Section 5. Variance. The NCC or the MC may authorize variances from compliance with any of their respective guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations requires. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to the restrictions set forth in this Declaration; or (c) stop the NCC or MC from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship requiring a variance.

Section 6. Limitation of Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and neither the NCC nor the MC shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, appropriateness or effectiveness of drainage or compliance with any master drainage plan, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board of Directors, any committee, or member of any of the foregoing shall be responsible for nor held liable for any injury, damages, or loss arising out of the manner or quality of approved construction or modifications to any Unit or for the performance or non-performance of any of the provisions of this Article XI.

Section 7. Enforcement. Any construction, alteration, or other work done in violation of this Article shall be deemed to be nonconforming. Upon written request from the Board or the Declarant, Owners shall, at their own cost and expense, remove such construction, alteration, or other work or bring it into compliance. Should an Owner fail to remove or correct as required hereunder, the Board or its designees shall have the right to enter the property, remove or cure the violation. All costs (including, without limitation, attorney's fees), together with the interest at the maximum rate then allowed by law, may be assessed against the benefited Unit and collected as a Special Assessment pursuant to Article X, Section 4(b) hereof.

Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Design Review Guidelines may be excluded by the Board from the Properties. In such event, neither the Association, its officers, or directors shall be held liable to any Person for exercising the rights granted by this paragraph.

In addition to the foregoing, the Board of Directors and/or Declarant shall have the authority and standing, on behalf of the Association, to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the NCC and MC.

Article XII
USE RESTRICTIONS

The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association or business offices for the Declarant or the Association consistent with this Declaration, any Supplemental Declaration, and amendments to either). The Association, acting through its Board of Directors, shall have standing and the power to enforce such standards.

Section 1. Signs. No sign of any kind shall be erected within the Properties without the written consent of the Board of Directors, except signs installed by Declarant. If permission is granted to any Person to erect a sign within the Properties, the Board reserves the right to restrict the size, color, lettering, and placement of such sign. The Board of Directors and the Declarant shall have the right to erect signs as they, in their discretion, deem appropriate. Except as provided above, no signs, flags, banners, or similar items advertising or providing directional information with respect to activities being conducted within or outside the Properties shall be displayed or posted within the Properties. However, an owner or resident may display, without the Board's consent, one or more signs advertising a political candidate or measure for an election on the owner or resident's Unit, provided the signs: (i) are not erected, installed or displayed more than ninety (90) days before the date of the election to which the sign relates; and (ii) are removed before the 10th day after the election date to which the sign relates. Additionally, (i) any political sign must be ground-mounted and cannot exceed 4' x 6' in size; (ii) an owner or resident may not install or display more than one political sign for each candidate or measure; (iii) any political sign may not contain roofing material, siding, paving materials, flora, one or more balloons or lights, or any other similar building, landscaping, or nonstandard decorative component, and may not involve the painting of architectural surfaces; (iv) any political sign may not be accompanied by music or other sounds or by streamers or is otherwise distracting to motorists; (v) an owner or resident may not attach a political sign in any way to plant material, a traffic control device, a light, a trailer, a vehicle, or any other existing structure or object; and (vi) any political sign may not contain language, graphics or any display that would be offensive to the ordinary person.

Section 2. Parking and Prohibited Vehicles.

(a) Parking. Vehicles shall be parked only in the garages or in the driveways, if any, serving the Units or other hard-surfaced areas which are not visible from the street. Vehicles shall be subject to such reasonable rules and regulations as the Board of Directors may adopt. The Declarant and/or the Association may designate certain on-street parking areas for visitors or guests subject to reasonable rules.

(b) Prohibited Vehicles. Commercial vehicles, vehicles with commercial writing on their exteriors, vehicles primarily used or designed for commercial purposes, tractors, mobile homes, recreational vehicles, trailers (either with or without wheels), campers, camper trailers, boats and other watercraft, and boat trailers shall be parked only in enclosed garages or areas, if any, designated by the Board. Stored vehicles and vehicles which are either obviously inoperable or do not have current operating licenses shall not be permitted on the Properties except within enclosed garages. For purposes of this Section, a vehicle shall be considered "stored" if it is put up on blocks or covered with a tarpaulin and remains on blocks or so covered for 14 consecutive days without the prior approval of the Board. Service and delivery vehicles may be parked in the Properties during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Areas. Any vehicle parked in violation of this Section or parking rules promulgated by the Board may be towed.

Section 3. Occupants Bound. All provisions of the Declaration, any applicable Supplemental Declaration, and rules and regulations which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all occupants, guests, and invitees of any Unit. Every Owner shall cause all occupants of his or her Unit to comply with the Declaration, any applicable Supplemental Declaration, and rules and regulations. Every Owner shall be responsible for all violations and losses to the Common Area caused by such occupants, notwithstanding the fact that such occupants of a Unit are fully liable and may be

sanctioned for any violation of the Declaration and rules and regulations.

Section 4. Animals and Pets. No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any portion of the Properties. However, a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Unit. The foregoing limitation on the number of pets shall not apply to hamsters, small birds, fish, or other constantly caged animals, nor shall it apply to require the removal of any litter born to a permitted pet prior to the time that the animals in such litter are three months old. However, those pets which are permitted to roam free, or, in the sole discretion of the Association, endanger the health, make objectionable noise, or constitute a nuisance or inconvenience to the Owners of other Units or the owner of any portion of the Properties shall be removed upon request of the Board. If the owner fails to honor such request, the pet may be removed by the Board. No pets shall be kept, bred, or maintained for any commercial purpose. All dogs shall at all times whenever they are outside a Unit be confined on a leash held by a responsible person. The Board shall also have the authority, but not the obligation, to restrict or prohibit the keeping of breeds of dogs with a known history of dangerous or vicious behavior.

Section 5. Quiet Enjoyment. Nothing shall be done or maintained on any part of a Unit which emits foul or obnoxious odors outside the Unit or creates noise or other conditions which tend to disturb the peace, quiet, safety, comfort, or serenity of the occupants and invitees of other Units. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties.

No noxious, illegal, or offensive activity shall be carried out upon any portion of the Properties, which in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants and invitees of other Units. No outside burning of trash or garbage shall be permitted within the Properties. No speaker, horn, whistle, bell, intercom, paging or other sound device audible from outside the Unit, except alarm devices and entryway intercoms used exclusively for security purposes, shall be installed or operated on any Unit. The use and discharge of firecrackers and other fireworks is prohibited within the Properties, except with prior approval of the Board.

Section 6. Unsightly or Unkempt Conditions. All portions of a Unit outside of enclosed structures shall be kept in a clean and tidy condition at all times. Nothing shall be done, maintained, stored, or kept outside of enclosed structures on a Unit which, in the determination of the Board of Directors, causes an unclean, unhealthy, or untidy condition to exist or is obnoxious to the senses. The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly, or unkempt conditions, shall not be pursued or undertaken on any part of the Properties. Notwithstanding the above, the disassembly and assembly of motor vehicles to perform repair work shall be permitted provided such activities are not conducted on a regular or frequent basis, and are either conducted entirely within an enclosed garage or, if conducted outside, are begun and completed within twelve hours.

No Person shall dump grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake, street or gutter, or anywhere on the Common Areas. Such materials shall not be disposed of on any portion of the Properties without the prior permission of the owner thereof.

Section 7. Antennas. No exterior antennas except a television antenna extending no more than twelve (12) feet above roof line, aerials, satellite dishes in excess of one meter (1) in diameter, or other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind shall be placed, allowed, or maintained upon any portion of the Properties, including any Unit, without the prior written consent of the Board or its designee, unless completely contained within the dwelling on the Unit so as not to

be visible from outside the dwelling. Any such apparatus permitted by the Board or its designee must be screened from view of adjacent Units by an approved fence or other approved structure no more than six feet in height. The Declarant and/or the Association shall have the right, without obligation, to erect or install an aerial, satellite dish, master antenna, cable system or other apparatus for the transmission of television, radio, satellite, or other signals for the benefit of all or a portion of the Properties. To the extent that receipt of an acceptable signal would not be impaired, permitted antennas shall be installed behind the dwelling on the Unit or on the side of the dwelling towards the rear, screened from view by the rear yard fencing, should not be attached to the roof of the dwelling, and, to the extent reasonably practicable, integrated with the dwelling and surrounding landscape. No antennas shall be permitted to be installed for AM/FM radio, amateur (ham) radio, citizen band (CB) radio or digital audio radio services (DARS) unless required by law.

Section 8. Clotheslines, Garbage Cans, Tanks, Etc. All clotheslines, garbage cans, mechanical equipment, and other similar items on Units shall be located or screened so as to be concealed from view of neighboring Units, streets, and property located adjacent to the Unit. All rubbish, trash, and garbage shall be stored in appropriate containers approved pursuant to Article XI hereof and shall regularly be removed from the Properties and shall not be allowed to accumulate.

Section 9. Subdivision of Unit and Time Sharing. No Unit shall be subdivided or its boundary lines changed except with the prior written approval of the Board of Directors of the Association. Declarant, however, hereby expressly reserves the right to subdivide, change the boundary line of, and replat any Unit(s) owned by Declarant. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations.

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

Section 10. Firearms. The discharge of firearms and use of bows and arrows within the Properties is prohibited. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size. Notwithstanding anything to the contrary contained herein, the Association shall not be obligated to take action to enforce this Section.

Section 11. Pools. No above-ground swimming pools shall be erected, constructed or installed on any Unit. Jacuzzis, whirlpools, or spas approved pursuant to Article XI shall not be considered an above-ground pool for the purposes of this Section.

Section 12. Irrigation. No sprinkler or irrigation systems of any type which draw upon water from creeks, streams, rivers, ponds, wetlands, or other surface waters within the Properties shall be installed, constructed or operated within the Properties. However, the Declarant and the Association shall have the right to draw water from such sources for the purpose of irrigating the Area of Common Responsibility. All private wells shall be subject to approval in accordance with Article XI of this Declaration.

Section 13. Tents, Mobile Homes, and Temporary Structures. Except as may be permitted by the Declarant or the NCC during initial construction within the Properties, no tent, shack, mobile home, storage shed or structure of a temporary nature shall be placed upon a unit or any part of the Properties without prior approval pursuant to Article XI hereof, except that party tents or similar temporary structures may be erected for a limited period of time for special events with prior written approval of the Board.

Section 14. Grading, Drainage and Septic Systems. No Person shall alter the grading of any Unit without prior approval pursuant to Article XI of this Declaration. Catch basins and drainage areas are for the purpose of natural flow of water only. No obstructions or debris shall be placed in these areas. The Declarant hereby reserves for itself and the Association a perpetual easement across the Properties for the purpose of altering drainage and water flow. However, the exercise of such easement shall not materially

diminish the value of or unreasonably interfere with the use of any adjacent property without the Owner's consent. Septic tanks and drain fields, other than those installed by or with the consent of the Declarant, are prohibited within the Properties. However, with the approval of the appropriate committee, an owner may install a rain barrel or rainwater harvesting system on the owner's Unit, so long as the device is not (i) located between the front of the owner's home and an adjoining or adjacent street; (ii) is of a color other than a color consistent with the color scheme of the owner's dwelling; or (iii) displays any language or other content that is not typically displayed by such a barrel or system as it is manufactured. The committee may regulate the size, type, and shielding of, and the materials used in the construction of, a rain barrel, rainwater harvesting device, or other appurtenance that is located on the side of a house or at any other location that is visible from a street, another Unit, or the Common Area if the restriction does not prohibit the economic installation of the device or appurtenance on the owner's Unit and there is a reasonably sufficient area on the owner's Unit in which to install the device or appurtenance.

Section 15. Removal of Plants and Trees. No trees or shrubs, except for those which are diseased or dead or create a safety hazard, shall be removed except in strict compliance with the Design Review Guidelines and upon prior approval in accordance with Article XI of this Declaration. In the event of an intentional or unintentional violation of this Section, the violator may be required by the committee having jurisdiction to replace the removed tree with one or more comparable trees of such size and number and in such locations as such committee may determine necessary, in its sole discretion, to mitigate the damage.

Section 16. Sight Distance at Intersections. All property located at street intersections shall be landscaped so as to permit safe sight across the street corners. No fence, wall, hedge, or shrub planting shall be placed or permitted to remain where it would create a traffic or sight problem.

Section 17. Utility Lines. No overhead utility lines, including lines for cable television, shall be permitted within the Properties, except for temporary lines as required during construction and high voltage lines.

Section 18. Air Conditioning Units. Except as may be permitted by the Board or its designee, no window air conditioning units may be installed in any Unit.

Section 19. Lighting. Except for traditional holiday decorative lights, which may be displayed for two months prior to and one month after any commonly recognized holiday for which such lights are traditionally displayed, all exterior lights must be approved in accordance with Article XI of this Declaration.

Section 20. Artificial Vegetation, Exterior Sculpture, and Similar Items. No artificial vegetation or permanent flagpoles shall be permitted on the exterior of any portion of the Properties. No exterior sculpture, fountains, flags and temporary flagpoles, birdhouses, birdbaths, other decorative embellishments, or similar items shall be permitted unless approved in accordance with Article XI of this Declaration.

Section 21. Energy Conservation Equipment. No solar energy collector panels or attendant hardware or other energy conservation equipment shall be constructed or installed on any Unit unless the device (i) is located either on the roof of the dwelling or other structure on the owner's Unit or in a fenced yard or patio on the owner's Unit. If mounted on the roof of the home, the device cannot extend higher than or beyond the roofline, and must be located in an area other than an area designated by the Association, unless the alternate location increases the estimated annual energy production of the device, as determined by using a publicly available modeling tool provided by the National Renewable Energy Laboratory, by more than ten percent (10%) above the energy production of the device if located in an area designated by the Association. Devices must conform to the slope of the roof and have a top edge that is parallel to the roofline, must have a frame, a support bracket, or visible piping or wiring that is in a silver, bronze, or black tone commonly available in the marketplace, and must have the prior written approval of the requisite committee. If located within a fenced yard or patio, the device cannot be taller than the fence line. No windmills, wind generators,

or other apparatus for generating power from the wind shall be erected or installed on any Unit.

Section 22. 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, swimming, boating, playing, or use of personal flotation devices, shall be permitted without the prior approval of the Board of Directors. 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 Declarant or the Association.

Section 23. Playground and Recreational Equipment. No jungle gyms, swing sets, similar playground equipment, basketball backboards, tennis courts, or such other recreational equipment shall be erected or installed on any Unit without prior written approval in accordance with Article XI hereof. 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 24. Fences. No hedges, walls, dog runs, animal pens, or fences of any kind shall be permitted on any Unit except as approved in accordance with Article XI of this Declaration.

Section 25. Business Use. No business, trade, garage sale, moving sale, rummage sale, or similar activity may be conducted in or from any Unit, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Unit; (b) the business activity conforms to all zoning requirements for the Properties; (c) the business activity does not involve regular visitation of the Unit by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Properties; and (d) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board.

The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (a) such activity is engaged in full or part-time, (b) such activity is intended to or does generate a profit, or (c) a license is required.

Notwithstanding the above, the leasing of a Unit 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 Units which it owns within the Properties.

Section 26. On-Site Fuel Storage. No on-site storage of gasoline, heating, or other fuels shall be permitted on any part of the Properties. However, up to five gallons of fuel may be stored on each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment.

Section 27. Leasing of Units. All leases must comply with the Rules Regulating Leasing and Subleasing of Monterra of Fate Owners Association, Inc., attached hereto as Exhibit "E." The Board may adopt reasonable rules regulating leasing and subleasing.

Section 28. Laws and Ordinances. Every Owner and occupant of any Unit, their guests and invitees, shall comply with all laws, statutes, ordinances, and rules of federal, state, and municipal governments applicable to the Properties. Any violation may be considered a violation of this Declaration. However, the Board shall have no obligation to take action to enforce such laws, statutes, ordinances, and rules.

Section 29. Single Family Occupancy. No Unit shall be occupied by more than a single family. For purposes of this restriction, a single family shall be defined as any number of persons related by blood, adoption, or marriage living with not more than one person who is not so related as a single household unit, or no more than two persons who are not so related living together as a single household unit, and the household employees of either such household unit; provided, however, nothing herein shall be interpreted to restrict the ability of one or more persons meeting the definition of a single family from residing with any number of person(s) under the age of eighteen (18) over whom such person has legal custody.

Section 30. Mineral Operations. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted on any Unit. No derrick or other structure designed for use in boring for water, oil, natural gas, or other minerals shall be erected and maintained or permitted on any Unit.

Section 31. Standby Electric Generators. All installations of a standby electric generator (the "device") must be approved prior to installation by the NCC or MC pursuant to Article XI of the Declaration. If the proposed device and installation meets or exceeds the requirements set forth as follows, such installation and continued operation of the device shall be approved: (i) the device and installation complies with all manufacturer's specifications and all applicable governmental health, safety, electrical and building codes; (ii) all electrical, plumbing and fuel line connections must be installed by licensed contractors; (iii) all electrical connections must be installed in accordance with applicable governmental health, safety, electrical and building codes; (iv) all natural gas, diesel fuel, biodiesel fuel or hydrogen fuel line connections must be installed in accordance with applicable governmental health, safety, electrical and building codes; (v) all liquefied petroleum gas fuel line connections must be installed in accordance with rules and standards promulgated and adopted by the Railroad Commission of Texas and other applicable governmental health, safety, electrical and building codes; (vi) nonintegral standby electric generator fuel tanks must be installed and maintained to comply with applicable municipal zoning ordinances and governmental health, safety, electrical and building codes; (vii) the standby electric generator and its electrical lines and fuel lines must be maintained in good condition; (viii) the Owner must timely repair, replace or remove any deteriorated or unsafe component of a standby electric generator, including electrical or fuel lines; (ix) the device must be screened from view if the generator is visible from the street faced by the dwelling, located in an unfenced side or rear yard of a residence and is visible either from an adjoining residence or from adjoining property owned by the Association, or located in a side or rear yard fenced by a wrought iron or residential aluminum fence and is visible through the fence either from an adjoining residence or from adjoining property owned by the Association; (x) all devices must be installed in the side or rear yard of a residence and may not be installed in the front yard of a residence or closer to the street than the corner of the residence located nearest the standby electric generator, unless such location will increase the cost of installing the device by more than ten (10%) or increase the cost of installing and connecting the electrical and fuel lines for the device by more than twenty percent (20%); (xi) devices may not be installed on property that is owned or maintained by the Association or owned in common by the Association's members.

Periodic testing of standby electric generators may be performed between the hours of 8:00 a.m. and 6:00 p.m., or at such other time as may be approved by the Board of Directors in accordance with the manufacturer's recommendations. Standby electric generators may not generate all or substantially all of the electrical power to a residence, except when utility-generated electrical power to the residence is not available or is intermittent due to causes other than nonpayment for utility services to the residence.

Section 32. Rain Barrels. An Owner may not install a rain barrel or rainwater harvesting system if (i) such device is to be installed in or on property owned by the Association, owned in common by the Members of the Association, or located between the front of the Owner's home and an adjoining or adjacent street; or (ii) the barrel or system is of a color other than a color consistent with the color scheme of the owner's home or displays any language or other content that is not typically displayed by such a barrel or system as it is manufactured.

The Association may regulate the size, type, and shielding of, and the materials used in the construction of, a rain barrel, rainwater harvesting device, or other appurtenance that is located on the side of a house or at any other location that is visible from a street, another Unit, or a Common Area if the restriction does not prohibit the economic installation of the device or appurtenance on the Owner's property and there is a reasonably sufficient area on the Owner's property in which to install the device or appurtenance.

In order for the Association to enforce these regulations against an Owner, an Owner must receive written approval from the NCC or MC prior to installing any rain barrel or rainwater harvesting system. Accordingly, prior to installation, an Owner must submit plans and specifications to and receive the written approval of the appropriate committee. The plans and specifications must show the proposed location, color, material, shielding devices, size and type of such system or device (and all parts thereof). The plans should also identify whether the device or any part thereof will be visible from any street, another Unit or Common Area.

Section 33. Roofing Materials. The Association shall not prohibit an Owner who is otherwise authorized to install shingles on the roof of the Owner's property from installing shingles that (i) are designed to be wind and hail resistant, provide heating and cooling efficiencies greater than those provided by customary composite shingles, provide solar generation capabilities; and (ii) when installed resemble the shingles used or otherwise authorized for use on property in the subdivision, are more durable than and are of equal or superior quality to the shingles described by subsection (i) above, and match the aesthetics of the property surrounding the Owner's property.

Section 34. Xeriscaping. Owners must receive written approval from the NCC or MC prior to planting any drought-resistant landscaping or water-conserving natural turf. Accordingly, prior to such modification, an Owner must submit plans and specifications to and receive the written approval of the appropriate committee. The plans and specifications must show the proposed location and plant material to be installed. In reviewing the plans, the NCC or MC may consider the harmony of the modification in light of the appearance of other property in the community but may not unreasonably determine that the proposed installation is aesthetically incompatible with other landscaping in the community. Owners may install drought-resistant landscaping and water-conserving natural turf. However, any artificial grass or other synthetic landscaping material is prohibited (i.e. "AstroTurf"). An owner may not install gravel, rocks, or cacti on any portion of the Owner's Unit which is visible from any public space, Common Area or any adjoining Unit without prior approval of the appropriate committee. The Association may restrict the type of turf used by an Owner in the planting of new turf to encourage or require water-conserving turf. The installation of drought-resistant landscaping or water-conserving natural turf does not relieve the Owner of the yard and landscaping maintenance restrictions contained in the Association's governing documents, including the Declaration and any rules or regulations adopted by the Board.

Section 35. Security Measures. An Owner may not install a security camera in any location other than the Owner's own Unit. Any and all perimeter fencing must comply with all covenants, conditions, restrictions and requirements contained in the Association's Governing Documents, including, but not limited to restrictions related to size, height, color, and material. Owners must submit plans to and obtain the prior approval of the NCC or MC where applicable before constructing or installing any perimeter fence.

Section 36. Flags. An Owner or resident may display: (i) the flag of the United States of

America; (ii) the flag of the State of Texas; or (iii) an official or replica flag of any branch of the United States armed forces (collectively, a "Permitted Flag"). An Owner may only display a Permitted Flag if such display meets the following criteria: (i) a flag of the United States must be displayed in accordance with 4 U.S.C. Sections 5-10; (ii) a flag of the State of Texas must be displayed in accordance with Chapter 3100 of the Texas Government Code; (iii) a flagpole attached to a dwelling or a freestanding flagpole must be constructed of permanent, long-lasting materials, with a finish appropriate to the materials used in the construction of the flagpole and harmonious with the dwelling; (iv) the display of a flag or the location and construction of the supporting flagpole must comply with applicable zoning ordinances, easements and setbacks of record; (v) a displayed flag and the flagpole on which it is flown must be maintained in good condition and any deteriorated flag or deteriorated or structurally unsafe flagpole must be repaired, replaced or removed.

In addition to the foregoing, the following additional restrictions on the display of flags on an Owner's Unit shall apply: (i) an Owner may not install a flagpole which is greater than twenty feet (20') in height; (ii) an Owner may not install more than one flagpole on the Owner's property; (iii) any flag displayed must not be greater than 3' x 5' in size; (iv) an Owner may not install lights to illuminate a displayed flag which, due to their size, location or intensity, constitute a nuisance; (v) an Owner may not locate a displayed flag or flagpole on property that is: (a) owned or maintained by the Association; or (b) owned in common by the Members of the Association.

Prior to erecting or installing a flag and/or flagpole, an Owner must first submit plans and specifications to and receive the written approval of the NCC or MC. The plans and specifications must show the proposed location, material, size and type of such flag and flagpole (and all parts thereof, including any lights to illuminate a displayed flag). No other type of flag, pennant, banner, kite, or similar items of display is permitted on a Lot if the display is visible from a street or Common Area.

Section 37. Religious Displays. An Owner or resident may not display or affix a religious item on the Owner's or resident's Unit or dwelling which: (i) threatens the public health or safety; (ii) violates a law other than a law prohibiting the display of religious speech; (iii) contains language, graphics, or any display that is patently offensive to a passerby for reasons other than its religious content; (iv) violates any applicable building line, right-of-way, setback, or easement; or (v) is attached to a traffic control device, street lamp, fire hydrant, or utility sign, pole, or fixture. An Owner or resident may not display or affix a religious item on property owned or maintained by the Association. Notwithstanding the foregoing, in displaying a religious item, an Owner or resident may not use a material or color for the Owner's or resident's dwelling or make an alteration to the Unit or dwelling without the prior written approval of the NCC or MC.

Article XIII **EASEMENTS**

Section 1. Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area and between adjacent Units due to the unintentional placement or setting or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, an Owner, occupant, or the Association.

Section 2. Easements for Utilities, Etc. There are hereby reserved unto Declarant, so long as the Declarant owns any property, the Association, and the designees of each (which may include, without limitation, Rockwall County, Texas and any utility) access and maintenance easements upon, across, over, and under all of the Properties to the extent reasonably necessary for the purpose of replacing, repairing, and maintaining cable television systems, master television antenna systems, security and similar systems, roads,

walkways, bicycle pathways, lakes, ponds, wetlands, drainage systems, street lights, signage, and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, gas, and electricity, and for the purpose of installing any of the foregoing on property which it owns or within easements designated for such purposes on recorded plats of the Properties. Notwithstanding anything to the contrary herein, these easements shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing dwelling on a Unit, and any damage to a Unit resulting from the exercise of these easements shall promptly be repaired by, and at the expense of, the Person exercising these easements. The exercise of these easements shall not unreasonably interfere with the use of any Unit.

Without limiting the generality of the foregoing, there are hereby reserved for the local water supplier, electric company, and natural gas supplier easements across all the Common Area for ingress, egress, installation, reading, replacing, repairing, and maintaining utility meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the dwelling on any Unit. Notwithstanding anything to the contrary contained in this Section, no sewers, electrical lines, water lines, or other utilities may be installed or relocated on the Properties, except as may be approved by the Association's Board of Directors or as provided by Declarant.

Section 3. Easements for Lake and Pond Maintenance and Flood Water. The Declarant reserves for itself and its successors, assigns, and designees the nonexclusive right and easement, but not the obligation, to enter upon any lakes, ponds, streams, and wetlands located within the Area of Common Responsibility to (a) install, keep, maintain, and replace pumps in order to provide water for the irrigation of any of the Area of Common Responsibility; (b) construct, maintain, and repair any bulkhead, wall, dam, or other structure retaining water; and (c) remove trash and other debris therefrom and fulfill their maintenance responsibilities as provided in this Declaration. The Declarant's rights and easements provided in this Section shall be transferred to the Association at such time as the Declarant shall cease to own any property subject to the Declaration, or such earlier time as Declarant may elect, in its sole discretion, to transfer such rights by a written instrument. The Declarant, the Association, and their designees shall have an access easement over and across any of the Properties abutting or containing any portion of any such 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 Declarant, the Association, and their designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Units (but not the dwellings thereon) adjacent to or within 50 feet of lake beds, ponds, and streams within the Properties, in order to (a) temporarily flood and back water upon and maintain water over such portions of the Properties; (b) fill, drain, dredge, deepen, clean, fertilize, dye, and generally maintain any lakes, ponds, streams, and wetlands within the Area of Common Responsibility; (c) maintain and landscape the slopes and banks pertaining to such lakes, ponds, streams, and wetlands; and (d) 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 Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural disasters.

Section 4. Easements to Serve Additional Property. The Declarant and its duly authorized agents, representatives, and employees, as well as its successors, assigns, licensees, and mortgagees, shall have and hereby reserves an easement over the Common Area for the purposes of enjoyment, use, access, and development of the additional property, whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. Declarant further agrees that if the easement is exercised for permanent access to the additional property and such property or any portion thereof is not made subject to this Declaration, the Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of maintenance of any access roadway serving the additional property. Such agreement shall provide for sharing of costs based on the ratio which the

number of residential dwellings on that portion of the additional property which is served by the easement and is not made subject to this Declaration bears to the total number of residential dwellings within the Properties and on such portion of the additional property.

Section 5. Right of Entry. The Association shall have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance pursuant to Article V hereof, and to inspect for the purpose of ensuring compliance with this Declaration, any Supplemental Declaration, and rules and regulations, which right may be exercised by the Association's Board of Directors, officers, agents, employees, managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter upon a Unit to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Board, but shall not authorize entry into any single family detached dwelling without permission of the Owner except by emergency personnel acting in their official capacities.

Section 6. Retaining Walls/Drainage/Fence Easements.

(a) Definitions. For purposes of this Section 6, capitalized terms not previously defined in Article I shall have the meanings set forth below.

(i) "Retaining Wall" shall be a wall structure running generally parallel to the Common Boundary, constructed generally on the Common Boundary for the purposes of supporting and benefiting the Dominant Estate (See typical illustration in this Section below.)

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

(iii) "Dominant Estate" shall mean, as between two adjoining Units or Common Areas, the Unit or Common Area which has the higher elevation. (The Dominant Estate is defined in the illustration below on the right.)

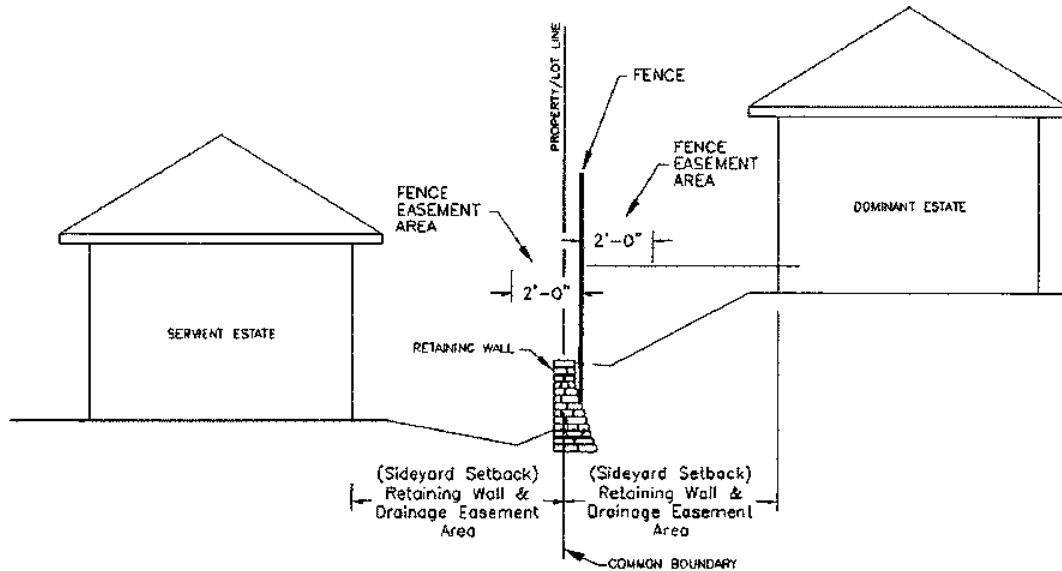
(iv) "Servient Estate" shall mean, as between two adjoining Units or Common Areas, the Unit or Common Area which has the lower elevation. (The Servient Estate is defined below on the left.)

(v) "Retaining Wall and Drainage Easement Area" shall mean an area on the Servient Estate which lies between the Common Boundary and a line generally parallel to the Common Boundary equivalent to the side yard setback required as per City zoning, as shown in the illustration below.

(vi) "Fence" shall be a structure constructed on the Common Boundary, or within two feet of the Common Boundary on the Dominant Estate.

(vii) "Fence Easement Area" shall mean a two-foot area on each side of the Fence, whether the fence is located on the Common Boundary, or within the Dominant Estate.

"Illustration"



(b) Use of Retaining Wall and Drainage Easement Area. A perpetual non-exclusive easement on, over and across the Easement Area of each adjoining Servient Estate is hereby granted to each Dominant Estate for ingress and egress by the Owner and occupants of the Dominant Estate and their agents, contractors and representatives, for construction, reconstruction and maintenance of the Retaining Wall serving the Dominant Estate, and for the purpose of maintaining, reconstructing, or constructing the storm water drainage runoff system from the Dominant Estate, subject to the restrictions set forth in this Declaration and approval of the New Construction Committee (NCC), and the Modification Committee (MC).

Nothing shall be done or permitted within the Easement Area which would constitute a threat or hazard to the health and Safety of the individuals occupying the Servient Estate, nor shall anything be done or permitted within the Easement Area which defaces the dwelling or the landscaping on the Servient Estate, or which adversely affects the integrity, structure or strength of the dwelling on the Servient Estate.

The uses permitted within each Easement Area by virtue of this Section shall be nonexclusive and the same may be subject to utility, access and drainage easements, as well as minor encroachments. The owner of the Servient Estate shall be entitled to such reasonable use or uses of the Easement Area as are not inconsistent with the rights of the Dominant Estate. In addition, the Easement Area is subject to any easements granted elsewhere in this Declaration, as it may be amended from time to time.

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

The NCC and/or MC are 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 Owners are, to the extent reasonably possible, harmonized and preserved.

(d) Maintenance of Retaining Wall and Drainage Easement Area; Damage and Destruction.

The Owner of the Servient Estate shall be responsible for maintaining landscaping, and other improvements within the Easement Area in a neat and attractive condition. Any damage to the Servient Estate caused by the Dominant Owner shall be reasonably restored at the Dominant Owner's expense to at least as good a condition as when the Dominant Owner initially entered the Servient Estate.

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.

(e) Use of Fence Easement Area. Any fence constructed or required to be constructed upon a Common Boundary shall be the shared maintenance responsibility of adjoining Unit Owners. Any fence constructed or required to be constructed on the Dominant Estate, due solely to the construction of a Retaining Wall along a Common Boundary, shall be the maintenance responsibility of the adjoining Unit owners.

(f) Arbitration. In the event of any dispute, disagreement or controversy between or among any Owners pertaining to either the Retaining Wall or Fence Easement Areas, then upon the written demand of any such Owner, the dispute, disagreement or controversy shall be fully and finally resolved in by arbitration before the Board, and, if necessary, judgment upon their decision may be entered in any court having jurisdiction thereof.

Article XIV
DECLARANT'S RIGHTS

Any or all of the special rights and obligations of the Declarant set forth in this Declaration may be transferred to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained in this Declaration, as applicable. Furthermore, no such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the County Clerk Official Records of Rockwall County, Texas. Nothing in this Declaration shall be construed to require the Declarant or any successor to develop any of the property in any manner whatsoever.

Notwithstanding any provisions contained in this Declaration to the contrary, so long as construction and sales of Units by Declarant and Builders shall continue, it shall be expressly permissible for the Declarant and Builders authorized by Declarant to maintain and carry on upon portions of the Common Area such facilities and activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the construction or sale of such units, including, but not limited to, business offices, signs, and sales offices. The Declarant and Builder(s) authorized by Declarant shall have easements for access to and use of such facilities. The right to maintain and carry on such facilities and activities shall include specifically, without limitation, the right to use Units owned or leased by the Declarant or a Builder and any clubhouse or community center which may be owned by the Declarant or the Association, as models and sales offices, respectively.

So long as the Declarant continues to have rights under this paragraph, no Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's review and written consent. Any attempted recordation without compliance herewith shall result in such declaration of covenants, conditions

and restrictions, or declaration of condominium or similar instrument being void and of no force and effect unless subsequently approved by written consent signed by the Declarant and recorded in the public records.

This Article may not be amended without the express written consent of the Declarant. However, the rights contained in this Article shall terminate upon the expiration of the Development Period.

Article XV GENERAL PROVISIONS

Section 1. Term. The covenants and restrictions of this Declaration shall run with and bind the Properties and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Properties, their respective legal representatives, heirs, successors, and assigns, for a term of 30 years from the date this Declaration is recorded. After such time the covenants and restrictions shall be automatically extended for successive periods of 10 years, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding the beginning of each successive period of 10 years, agreeing to change said covenants and restrictions, in whole or in part, or to terminate the same, in which case this Declaration shall be modified or terminated as specified therein.

Section 2. Amendment.

(a) By Declarant. Until the expiration of the Development Period, the Declarant may unilaterally amend this Declaration for any purpose. .

(b) By Owners. After expiration of the Development Period, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing sixty-seven (67%) percent of the total votes in the Association.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. To be effective, any amendment must be recorded in the County Clerk Official Records of Rockwall County, Texas.

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

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

Section 3. Severability. Invalidation of any provision or portion of a provision of this Declaration by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect.

Section 4. Perpetuities. If any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

Section 5. Litigation. Except as otherwise specifically provided below, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by Members representing seventy-five (75%) percent of the total Association vote. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including,

without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article X; (c) proceedings involving challenges to *ad valorem* taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

Section 6. Use of the "Monterra" Phrase and Mark. No person shall use the phrase "Monterra" or any logo or derivative in any printed or promotional material without the prior written consent of the Declarant. However, the Association shall be entitled to use the phrase "Monterra" in its name.

Section 7. Compliance. Every Owner and occupant of a Unit shall comply with all lawful provisions of this Declaration and the rules and regulations of the Association. Failure to comply shall be grounds for an action to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, maintainable by the Association or, in a proper case, by any aggrieved Unit Owner(s). In addition, the Association may avail itself of any and all remedies provided in this Declaration.

Section 8. Notice of Sale or Transfer of Title. In the event that any Owner desires to sell or otherwise transfer title to his or her Unit, such Owner shall give the Board of Directors at least seven days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board of Directors may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Unit coming due prior to the date upon which notice is received by the Board of Directors including assessment obligations, notwithstanding the transfer of title to the Unit.

Section 9. Dispute Resolution. Prior to filing a lawsuit against the Declarant, the Association, the Board, the NCC, the MC, or any officer, director, committee member, Member or property manager of the Association, an Owner or Occupant must request and attend a hearing with the Board of Directors. Any such request shall be in writing and shall be personally delivered to any member of the Board or the property manager, if any, of the Association. The Owner or Occupant shall, in such request and at the hearing, make a good faith effort to explain the grievance to the Board and resolve the dispute in an amicable fashion, and shall give the Board a reasonable opportunity to address the Owner's or Occupant's grievance before filing suit. Upon receiving a request for a hearing, the Board shall give notice of the date, time and place of the hearing to the person requesting the hearing. The Board shall schedule this hearing for a date not less than seven (7) nor more than twenty-one (21) days from the date of receipt of the request.

[SIGNATURE PAGE TO FOLLOW]

18th day of April, 2023. IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this

WJ Monterra LP
a Texas Limited Partnership
By: WJ Monterra GP LLC
A Texas limited liability company
Its general partner

By: *Christopher Jackson*
Its: Vice President

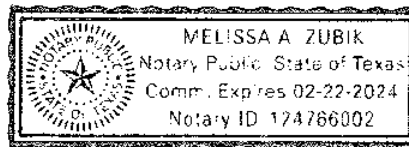
STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this 18th day of April, 2023, personally appeared Christopher Jackson known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged that he/she executed the same for the purposes and considerations therein expressed, and in the capacity therein stated.

Melissa A. Zubik
Notary Public, State of Texas

My Commission Expires: 2-22-2024

Notary's printed Name: Melissa A. Zubik



After recording, return to:

WJ Monterra LP
600 N. Pearl, Suite 2350, LB 149
Dallas, Texas 75201
Attn: Melissa Zubik

TABLE OF EXHIBITS

<u>Exhibit</u>	<u>Subject Matter</u>	Page First
"A"	Land Initially Submitted	
"B"	Land Subject to Annexation	
"C"	By-Laws of Monterra of Fate Owners Association, Inc.	
"D"	Design Review Guidelines	
"E"	Rules Regulating Leasing and Subleasing	

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

EXHIBIT "A"

Land Initially Submitted

BEING a tract of land situated in the William A. Coose Survey, Abstract No.55, City of Fate, Rockwall County, Texas and being a portion of a called 231.261-acre tract of land described in a Special Warranty Deed with Vendor's Lien to WJ Monterra LP, as recorded in Instrument No. 20210000018366, Official Public Records, Rockwall County, and being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8 inch iron rod with a yellow plastic cap, stamped "Petitt RPLS 4087", found in Ben Payne Road, an apparent public use road, no record found, and being on the west line of Tract 1, a called 55.764-acre tract, described in a Special Warranty Deed to First Texas Homes, Inc., as recorded in Instrument No. 20160000012761, said Official Public Records, for the most southerly southeast corner of said 231.261-acre tract, common to the northeast corner of Woodcreek Phase 8B, an addition to the City of Fate, Texas, according to the final plat, recorded in Instrument No. 20200000006528, said Official Public Records;

THENCE South 89°22'28" West, along the south line of said 231.261-acre tract, the north line of said Woodcreek Phase 8b, and the north line of a called "Tract 1" (160.619-acres), described in a Special Warranty Deed to The Fate 160 Investment Land, LLC, as recorded in Instrument No. 20160000021663, said Official Public Records, a distance of 1393.16 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

THENCE departing the south line of said 231.261-acre tract and the north line of said "Tract 1" (160.619-acres), and crossing said 231.261-acre tract the following courses and distances:

North 00°37'32" West, a distance of 175.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 89°22'28" West, a distance of 555.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 00°37'32" East, a distance of 8.50 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set at the beginning of a tangent curve to the right with a radius of 31.50 feet, a central angle of 90°00'00", and a chord bearing and distance of South 44°22'28" West, 44.55 feet;

In a southerly direction, with said tangent curve to the right, an arc distance of 49.48 feet

to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 89°22'28" West, a distance of 13.10 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 00°37'32" East, a distance of 135.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner on the south line of said 231.261-acre tract and the north line of said "Tract 1" (160.619-acres);

THENCE South 89°22'28" West, along the south line of said 231.261-acre tract and the north line of said "Tract 1" (160.619-acres), a distance of 2,879.36 feet to a 5/8-inch iron rod found for the southwest corner of said 231.261-acre tract, common to the most northerly northwest corner of said "Tract 1" (160.619-acres), same being the most northerly northeast corner of a called 3.73 acre tract described in a Special Warranty Deed to Craig William McCallum, as recorded in Instrument No. 20150000001421, said Official Public Records;

THENCE in a northerly direction, along the west line of said 231.261-acre tract, the following courses and distances:

North 01°16'29" West, a distance of 245.51 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner, from which a 1/2-inch iron rod found for reference bears South 88°45'20" West, a distance of 45.45 feet;

North 00°59'01" West, a distance of 1,181.22 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner, from which a 1/2-inch iron rod found for reference bears South 88°53'16" West, a distance of 8.37 feet;

North 00°40'32" East, a distance of 424.59 feet to a 5/8-inch iron rod with a red plastic cap, stamped "KHA" set for a corner;

THENCE departing the west line of said 231.261-acre tract and crossing said 231.261-acre tract the following courses and distances:

South 89°19'28" East, a distance of 438.38 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 8°08'49" East, a distance of 111.54 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 42°05'53" East, a distance of 32.55 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set at the beginning of a non-tangent curve to the right having a central angle of 59°47'35", a radius of 50.00 feet, a chord bearing and distance of North 77°47'55" East, 49.84 feet;

In a northeasterly direction, with said curve to the right, an arc distance of 52.18 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 81°51'11" East, a distance of 203.94 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set at the beginning of a tangent curve to the right having a central angle of 12°01'57", a radius of 525.00 feet, a chord bearing and distance of North 87°52'10" East, 110.05 feet;

In a northeasterly direction, with said curve to the right, an arc distance of 110.25 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for the end of said curve to the right;

South 86°06'52" East, a distance of 173.66 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 48°53'08" East, a distance of 14.14 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 3°53'08" East, a distance of 8.50 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 86°06'52" East, a distance of 50.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 3°53'08" West, a distance of 8.50 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 41°06'52" East, a distance of 14.14 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 86°06'52" East, a distance of 101.93 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set at the beginning of a tangent curve to the right having a central angle of 2°50'11", a radius of 525.00 feet, a chord bearing and distance of South 84°41'46" East, 25.99 feet;

In a southeasterly direction, with said curve to the right, an arc distance of 25.99 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for the end of said curve to the right;

South 83°16'41" East, a distance of 173.77 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set at the beginning of a tangent curve to the left having a central angle of 2°29'12", a radius of 375.00 feet, a chord bearing and distance of South 84°31'17"

East, 16.27 feet;

In a southeasterly direction, with said curve to the left, an arc distance of 16.27 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for the end of said curve to the left;

South $4^{\circ}14'08''$ West, a distance of 50.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set at the beginning of a non-tangent curve to the right having a central angle of $1^{\circ}12'33''$, a radius of 425.00 feet, a chord bearing and distance of North $85^{\circ}09'36''$ West, 8.97 feet;

In a northwesterly direction, with said curve to the right, an arc distance of 8.97 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for the end of said curve to the right;

South $51^{\circ}25'10''$ West, a distance of 14.22 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South $6^{\circ}43'19''$ West, a distance of 226.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South $38^{\circ}16'41''$ East, a distance of 14.14 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South $83^{\circ}16'41''$ East, a distance of 8.50 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South $6^{\circ}43'19''$ West, a distance of 50.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North $83^{\circ}16'41''$ West, a distance of 8.50 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South $51^{\circ}43'19''$ West, a distance of 14.14 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South $6^{\circ}43'19''$ West, a distance of 128.97 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set at the beginning of a tangent curve to the right having a central angle of $2^{\circ}25'44''$, a radius of 825.00 feet, a chord bearing and distance of South $7^{\circ}56'11''$ West, 34.97 feet;

In a southwesterly direction, with said curve to the right, an arc distance of 34.97 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for the end of said curve to the right;

South 9°09'03" West, a distance of 59.78 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 38°20'57" East, a distance of 13.51 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 85°50'57" East, a distance of 9.28 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 4°09'03" West, a distance of 50.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 85°50'57" West, a distance of 13.65 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 51°39'03" West, a distance of 14.75 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 9°09'03" West, a distance of 111.46 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 85°50'57" East, a distance of 86.17 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 86°02'46" East, a distance of 59.94 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

South 88°06'52" East, a distance of 58.70 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 88°09'52" East, a distance of 58.71 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 84°57'54" East, a distance of 58.73 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 80°00'00" East, a distance of 58.72 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 77°37'45" East, a distance of 58.68 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 74°03'57" East, a distance of 58.69 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 70°43'09" East, a distance of 58.71 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 66°28'36" East, a distance of 59.01 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 65°50'16" East, a distance of 300.00 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 69°24'46" East, a distance of 60.12 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 69°58'59" East, a distance of 58.26 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 73°56'51" East, a distance of 57.50 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 77°38'20" East, a distance of 57.39 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 80°57'36" East, a distance of 115.95 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 88°18'34" East, a distance of 60.01 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 89°22'28" East, a distance of 186.67 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner;

North 88°31'28" East, a distance of 139.98 feet to a 5/8-inch iron rod with plastic cap stamped "KHA" set for corner on the east line of said 231.261-acre tract, same being on the west line of and a tract conveyed in a Last Will and Testament to Herman Edward Wheeler, Jr., as recorded in Volume 2626, Page 281, said Official Public Records;

THENCE South 1°28'21" East, along the east line of said 231.261-acre tract and the west line of said Wheeler tract, a distance of 186.56 feet to a 5/8-inch iron rod with yellow plastic cap sound for the southwest corner of said Wheeler tract, common to the northwest corner of the aforementioned 55.764-acre tract;

THENCE South 0°53'25" East, continuing along the east line of said 231.261-acre tract and along the west line of said 55.764-acre tract, a distance of 1030.55 feet to the **POINT OF BEGINNING** and containing 90.488 acres (3,941,643 sq. ft.) of land, more or less.

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

EXHIBIT "B"

Land Subject to Annexation

ALL OR ANY TRACTS OR PARCELS OF LAND OR PLATTED LOTS LYING AND BEING IN ROCKWALL COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS ANY PROPERTY WITHIN A ONE (1) MILE RADIUS OF THAT PROPERTY DESCRIBED ON EXHIBIT "A".

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

EXHIBIT "C"

BY-LAWS

OF

MONTERRA OF FATE OWNERS ASSOCIATION, INC.

Table of Contents

	Page
Article I	
<u>Name, Principal Office and Definitions</u>	1
Section 1.1. Name	1
Section 1.2. Principal Office	1
Section 1.3. Definitions	1
Article II	
<u>Association: Membership, Meetings, Quorum, Voting, Proxies</u>	1
Section 2.1. Membership	1
Section 2.2. Place of Meetings	1
Section 2.3. Annual Meetings	1
Section 2.4. Special Meetings	1
Section 2.5. Notice of Meetings	1
Section 2.6. Waiver of Notice	2
Section 2.7. Adjournment of Meetings	2
Section 2.8. Voting Rights	2
Section 2.9. Voting Methods	2
Section 2.10. Majority	3
Section 2.11. Quorum	3
Section 2.12. Conduct of Meetings	3
Section 2.13. Telephonic and Electronic Meetings	4
Section 2.14. Adjournments of Meeting	4
Section 2.15. Action Without a Meeting	4
Section 2.16. Recount of Votes	4
Article III	
<u>Board of Directors; Number, Term, Powers, Meetings</u>	5
A. Composition and Selection	5
Section 3.1. Governing Body; Composition	5
Section 3.2. Number of Directors	5
Section 3.3. Election and Term of Office	6
Section 3.4. Nomination and Election Procedures	7
Section 3.5. Removal of Directors; Vacancies	8
B. Meetings	8
Section 3.6. Organizational Meetings	8
Section 3.7. Regular Meetings	8
Section 3.8. Special Meetings	8
Section 3.9. Notice to Members of Board Meetings	9

Section 3.10.	Action Outside Meeting.....	9
Section 3.11.	Board Meetings During Development Period.....	9
Section 3.12.	Waiver of Notice.....	10
Section 3.13.	Telephonic and Electronic Meetings	10
Section 3.14.	Quorum of Board	11
Section 3.15.	Adjournments of Board Meetings.....	11
Section 3.16.	Compensation	11
Section 3.17.	Conduct of Meetings.....	11
Section 3.18.	Open Meetings	11
Section 3.19.	Action Outside a Formal Meeting.....	12
C.	Powers and Duties.....	12
Section 3.20.	Powers.....	12
Section 3.21.	Duties	12
Section 3.22.	Management.....	13
Section 3.23.	Accounts and Reports	13
Section 3.24.	Borrowing	14
Section 3.25.	Rights of the Association	14
Section 3.26.	Enforcement.....	14
Section 3.27.	Solicitation of Bids	15
 Article IV		
<u>Officers</u>	16
Section 4.1.	Officers	16
Section 4.2.	Election and Term of Office	16
Section 4.3.	Removal and Vacancies	16
Section 4.4.	Powers and Duties.....	17
Section 4.5.	Resignation	17
Section 4.6.	Agreements, Contracts, Deeds, Leases, Checks, etc.....	17
Section 4.7.	Compensation	17
 Article V		
<u>Committees</u>	17
Section 5.1.	General	17
 Article VI		
<u>Miscellaneous</u>	17
Section 6.1.	Fiscal Year	17
Section 6.2.	Conflicts.....	17
Section 6.3.	Books and Records	17
Section 6.4.	Notices	19
Section 6.5.	Amendment.....	19

**BY-LAWS
OF
MONTERRA OF FATE OWNERS ASSOCIATION, INC.**

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

Section 1.1. **Name**. The name of the Association shall be Monterra of Fate Owners Association, Inc. (the "**Association**").

Section 1.2. **Principal Office**. The principal office of the Association in the State of Texas shall be located in Rockwall County. The Association may have such other offices, either within or outside the State of Texas, as the Board may determine or as the affairs of the Association may require.

Section 1.3. **Definitions**. The words used in these By-Laws shall be given their ordinary, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration of Covenants, Conditions and Restrictions for Monterra of Fate Owners Association, Inc. (said Declaration, as amended, renewed, or extended from time to time, is hereinafter sometimes referred to as the "**Declaration**"), unless the context shall otherwise require.

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

Section 2.1. **Membership**. Each Owner of a Unit shall be a Member of the Association, 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.

Section 2.3. **Annual Meetings**. Annual meetings of the Association shall be set by the Board so as to occur annually on a date and at a time set by the Board.

Section 2.4. **Special Meetings**. The President may call special meetings of the Association. 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 the Class "B" Member or by Class "A" Members representing at least ten percent (10%) of the total Class "A" votes in the Association.

Section 2.5. **Notice of Meetings**. Written or printed notice stating the place, day, and hour

of any meeting of the Members shall be delivered, either personally, by mail or by electronic mail, to each Member 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 Secretary or the officers or persons calling the meeting. Each Member must keep an updated electronic mail address registered with the Association.

In the case of a special meeting or when required by statute or these By-Laws, 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.

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. If electronically mailed, the notice of a meeting shall be deemed to be delivered when the Association electronically transmits the notice to the Member's registered electronic mail address as it appears on the records of the Association.

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, one additional meeting may be called, subject to the notice requirements set forth in **Section 2.5**, and the required quorum at such second meeting shall be one-half (1/2) of the required quorum at the preceding meeting; provided, however, that no such second meeting shall be held more than sixty (60) days following the first meeting.

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 the votes required to constitute a quorum.

Section 2.8. Voting Rights. The voting rights of the Members shall be as set forth in the Declaration these By-Laws and the Certificate of Formation (collectively the "Governing Documents"), and the Declaration's voting rights provisions are specifically incorporated herein.

Section 2.9. Voting Methods. Unless otherwise provided in the Governing Documents, Members may vote by one or more of the following methods: in person, by proxy, by absentee ballot or by electronic ballot. The Association is not required to provide Members with more than one voting method; provided, however, Members must be allowed to vote by absentee ballot or by proxy. Electronic ballot means a ballot given by (i) electronic mail, (ii) facsimile, or (iii) posting

on an Internet website, for which the identity of the Member can be confirmed and for which the Member may receive a receipt of the transmission and receipt of the Member's ballot. All proxies, absentee ballots and electronic ballots shall be in writing, dated, signed by the Member and filed with the Secretary or other person designated by the Board to receive proxies/ballots before the appointed time of each meeting. The Board may elect to allow Members to cast their votes by secret ballot. If so elected, the Board shall take measures to reasonably ensure that (i) a Member cannot cast more votes than the Member is eligible to cast in an election or vote; (ii) the Association counts each vote cast by a Member that the Member is eligible to cast; and (iii) in any election for the Board, each candidate may name one person to observe the counting of the ballots, provided that this does not entitle any observer to see the name of the person who cast any ballot, and that any disruptive observer may be removed from the area where the ballots are being counted. Each proxy must also identify the proxy holder and the purpose of the meeting for which the proxy is given. If an electronic ballot is posted on an Internet website, a notice of the posting shall be sent to each Member that contains instructions on obtaining access to the website posting. Proxies and absentee ballots shall be deemed to have been filed upon the Secretary's or other designated person's receipt of the proxy/absentee ballot by mail, facsimile or hand delivery. Ballots cast electronically shall be deemed to have been filed upon the Secretary's or other designated person's receipt of the electronic ballot as evidenced by a facsimile confirmation receipt or an electronic transmission receipt. The Board may establish rules governing when ballots must be filed with the Association in order to be valid for use at a meeting. Electronic ballots which are electronically mailed from the Member's registered electronic mail address shall be deemed to be signed by the Member.

Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of such Member's Unit, 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. Any proxy designated for a meeting which is adjourned, recessed or rescheduled, is valid for the reconvened meeting unless the proxy is revoked or terminated in writing prior thereto.

Section 2.10. **Majority.** As used in these By-Laws, 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.** The presence in person, by proxy, by absentee ballot or by electronic ballot of Members representing at least ten percent (10%) of the votes of all Members and, until expiration of the Development Period, the presence, in person, by proxy or absentee ballot, of a duly appointed representative of the Declarant, shall constitute a quorum at all meetings of the Association. Absentee or electronic ballots may be counted towards a quorum only for items appearing on the ballot.

Section 2.12. **Conduct of Meetings.** The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

Section 2.13. **Telephonic and Electronic Meetings.** Subject to Board approval, Members of the Association may participate in and hold meetings of the Members by means of conference telephone or similar communications equipment, or another suitable electronic communications system, including videoconferencing technology or the Internet, or any combination, if the telephone or other equipment or system permits each person participating in the meeting to communicate with all other persons participating in the meeting. If voting or an election is to take place outside of a meeting, including voting by electronic or telephonic means, the Board must (i) provide notice of the election or vote to all Members entitled to vote on any matter under consideration not later than the 20th day before the latest date on which a ballot may be submitted to be counted, (ii) implement reasonable measures to verify that every person voting at the meeting by means of remote communications is sufficiently identified; and (iii) keep a record of any vote or other action taken. Participation in the meeting constitutes presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 2.14 **Adjournment of Meeting.** At any meeting of the Association, at which a quorum is present, a majority of the Members present at the meeting, either in person or by proxy, may move to adjourn the meeting to another time or place.

Section 2.15. **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 ten (10) days following authorization of any action by written consent, the Association shall give notice to all Members of the material features of the authorized action.

Section 2.16. **Recount of Votes.** A Member may request a recount of the votes cast at a meeting of the Members no later than the 15th day after the later of (i) the date of the meeting of Members at which the election or vote was held, or (ii) the date of the announcement of the results of the election or vote. A demand for a recount must be submitted in writing either by verified mail or by delivery by the United States Postal Service with signature confirmation service to the Association's mailing address as reflected on the certificate required to be recorded pursuant to Section 209.004 of the Texas Property Code (the "**Code**") (the "**Management Certificate**"); or in person to the managing agent as reflected on the latest Management Certificate or to the address to which absentee and proxy ballots are mailed. Upon the Board's timely receipt of a written request for a recount, the Board shall estimate the costs for performance of the recount by a person qualified to tabulate votes under the Code and must send an invoice for the estimated costs to the requesting Member at the Member's last known address according to the Association's records

not later than the 20th day after the date the Association receives the Member's demand for the recount. The Member demanding a recount must pay the invoice in full to the Association on or before the 30th day after the date the invoice is sent to the Member. If the invoice is not paid by the deadline prescribed above, the Member's demand for a recount is considered withdrawn and a recount is not required. If the estimated costs are lesser or greater than the actual costs, the Association shall send a final invoice to the Member on or before the 30th business day after the date the results of the recount are provided. If the final invoice includes additional amounts owed by the Member, any additional amounts not paid to the Association before the 30th business day after the date the invoice is sent to the Member may be added to the Member's account as an assessment. If the estimated costs exceed the final invoice amount, the Member is entitled to a refund. The refund shall be paid to the Member at the time the final invoice is sent under this **Section 2.16.**

Following receipt of payment of the invoice for the cost of the recount, the Association shall engage the services of a person qualified to tabulate the votes. This person must (i) not be a Member of the Association or related to a Member of the Board; and (ii) be a current or former county judge, county elections administrator, justice of the peace, county voter registrar, or a person mutually agreed upon by the Board and each requesting Member. On or before the 30th day after the date of receipt of payment for the recount the recount must be completed and written notice of the results of the recount provided to each Member who requested the recount. If the recount changes the results of the election, the Association shall reimburse the requesting Member for the cost paid by the Member for the recount not later than the 30th day after the date the results of the recount are provided. Any action taken by the Board in the period between the initial election vote tally and the completion of the recount is not affected by any recount.

Article III

Board of Directors; Number, Term, Powers, Meetings

A. Composition and Selection.

Section 3.1. **Governing Body; Composition.** The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one vote. Except with respect to directors appointed by the Declarant during the Class "B" Control Period, directors shall be Members; provided, however, no two persons who cohabit at the same primary residence with each other may serve on the Board at the same time. In the case of a Member which is not a natural person, the person designated in writing to the Secretary of the Association as the representative of such Member shall be eligible to serve as a director. Members who have been convicted of a felony or crime involving moral turpitude not more than twenty (20) years before evidence of such conviction is presented to the Board are ineligible to serve as a Director.

Section 3.2. **Number of Directors.** The Board shall consist of not less than three (3) nor more than five (5) persons. The initial Board shall consist of the three (3) persons named in the Certificate of Formation. The Declarant may in its sole discretion change from time to time the number of Directors to no less than three (3) and no more than five (5) Directors until termination of the Class "B" Control Period. Thereafter, the Board may adopt a resolution selecting a number

of Directors between three (3) and five (5) persons. No decrease in the number of Directors shall shorten the term of any incumbent Director

Section 3.3. **Election and Term of Office.** Subject to the provisions of this **Section 3.3** below, the directors shall be selected by the Declarant acting in its sole discretion and shall serve at the pleasure of the Declarant until termination of the Class "B" Control Period. Notwithstanding any other provision contained herein:

(a) **Directors during Class "B" Control Period.** Except as otherwise provided in this subsection, the Class "B" Member may appoint, remove, and replace Board members until termination of the Class "B" Control Period. The Class "B" Control Period shall terminate upon the first to occur of the following: (a) 120 days after the date as of which ninety-five percent (95%) of the Lots permitted by the Master Land Use Plan for the Property described on **Exhibit "A"** and **Exhibit "B"** have been sold to Class "A" Members other than Builders; (b) December 31, 2050; or (c) when, in its discretion, the Class "B" Member so determines. Notwithstanding the foregoing, On or before the 120th day after the date that at least seventy-five percent (75%) of the total number of Units that may be created and made subject to the Declaration have been conveyed to Class "A" Members other than the Declarant or a Builder, or whenever the Declarant earlier determines (but in no event later than the 10th anniversary of the date the Declaration was recorded), a meeting shall be held at which Class "A" Members shall be entitled to elect one of the directors (if the Board is then comprised of 3 directors) or shall be entitled to elect two directors (if the Board is then comprised of 5 directors). Directors elected by the Class "A" Members shall be at-large directors. The remaining directors shall be appointees of the Declarant. The directors elected by the Class "A" Members shall not be subject to removal by the Declarant and each such director shall be elected for a term of two (2) years or until the happening of the event described in Subsection (b) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in Subsection (b) below, successors shall be elected in the same manner for a like term.

(b) **Directors after the Class "B" Control Period.** Not later than the termination of the Class "B" Control Period, the Association shall call a meeting at which all Members shall be entitled to elect the Directors. At each annual meeting following termination of the Class "B" Control Period, directors shall be elected for staggered terms with three (3) Directors being elected in odd-numbered years and two (2) Directors being elected in even numbered years if there are five (5) Directors, and two (2) Directors being elected in odd-numbered years and one (1) Director being elected in even numbered years if there are three (3) Directors. Directors shall hold office until their respective terms have expired and until his or her successor is duly elected and qualified. At the expiration of the term of office of each such member of the Board of Directors and at each annual meeting thereafter, a successor shall be elected to serve for a term of two (2) years.

(c) **Class "B" Member Approval of Board Actions.** Until one hundred percent (100%) of the Units have been developed and conveyed to Owners in the normal course of and sale, the Class "B" Member shall have a right to disapprove any action, policy or program of the Board of Directors or any committee appointed by the Board, that, in the Class "B" Member's sole judgment, would tend to impair rights of the Declarant under the Declaration or these By-Laws,

interfere with development or construction of any portion of the Properties, or diminish the level of services the Association provides. The Board shall not implement any action, policy or program subject to the right of disapproval set forth herein until the Association has given the Class "B" Member written notice of any such proposal and giving the Class "B" Member the opportunity to join in the discussion of any prospective action, policy or program which would be subject to the right of disapproval set forth herein. The Class "B" Member, its representatives or agents shall make its concerns, thoughts and suggestions known to the Board and/or the members of the committee. The Class "B" Member may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within ten (10) days following receipt of written notice of the proposed action.

Section 3.4. Nomination and Election Procedures.

(a) **Nominations.** Except with respect to Directors appointed by the Declarant, nominations for election to the Board may be made by any combination of the following: (i) from the floor, (ii) by written request of a Member to the Secretary or other officer, (iii) by the Board, and/or (iv) by a committee designated by the Board to accept nominations, such as a Nominating Committee. The existing Board of Directors shall determine whether to use a Nominating Committee. If it chooses to, then the Nominating Committee shall consist of a Chairman, and two (2) or more Members of the Association. The Nominating Committee, if created, shall be appointed by the Board not less than thirty (30) days prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at such annual meeting. At least ten (10) days before the date the Association disseminates absentee ballots or other ballots to the Members for purposes of voting in a Board member election, the Association must provide notice to the Members soliciting candidates interested in running for a position on the Board. The Board or Nominating Committee shall make as many nominations as it shall in its discretion determine, but in no event less than the number of vacancies or terms to be filled. The notice must contain instructions for an eligible candidate to notify the Association of the candidate's request to be placed on the ballot and the deadline to submit the candidate's request. The deadline may not be earlier than the tenth (10th) day after the date the Association provides the notice required hereunder. The notice must be provided to the Members in the same method as provided in **Section 3.9** of these Bylaws. Any Member whose nomination is received by the Secretary or other designated person or committee prior to the deadline to submit a request, shall be included on each absentee ballot or other ballot for a Board member election. Any Member whose nomination is received after this period as well as any Member nominated from the floor at the annual meeting shall be included among the nominees running for election to the Board. A change in the list of nominees after the date that the annual meeting notice is sent shall not constitute an amendment to the motion to elect director(s). All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes. The Board may adopt additional rules governing the procedures for the nomination of directors.

(b) **Election Procedures.** Each Member may cast all votes attributed to the Lots which such Member represents for each vacancy to be filled. A candidate, or his or her parent, child,

brother, sister, grandparent, grandchild, great grandparent, great grandchild, aunt, or uncle may not count the votes for an election. A person who is authorized to count votes (or who performs a recount under Section 2.16) may not disclose to any other person how a Member voted; provided, however, that in the event of a recount, the person conducting the recount may be provided access to the ballots for purposes of the recount. Each candidate for election to the Board may name one person to observe the counting of the ballots provided that this does not entitle any observer to see the name of the person who cast any ballot, and that any disruptive observer may be removed from the meeting. There shall be no cumulative voting. That 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 be elected to serve any number of consecutive terms.

Section 3.5. Removal of Directors; Vacancies. Any director elected by the Class "A" Members may be removed, with or without cause, by the vote of the Class "A" Members holding at least a majority of the votes entitled to be cast for the election of such director. Upon removal of a director by the Class "A" Members, a successor shall then and there be elected by the Class "A" Members to fill the vacancy for the remainder of the term of such director. Directors appointed by the Declarant during the Class "B" Control Period shall not be subject to removal by the Class "A" Members. Directors elected by the Class "A" Members shall not be subject to removal by the Class "B" Member. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose.

If the Board is presented with written, documented evidence from a database or other record maintained by a governmental law enforcement authority that a director was convicted of a felony or crime involving moral turpitude not more than twenty (20) years before the date the Board is presented with the evidence, then the director shall be automatically disqualified from service on the Board, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

In the event of a vacancy on the Board caused by the death, disability or resignation of a director elected by the Class "A" Members, 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 Class "A" Members shall be entitled to elect a successor to serve for the remainder of the term of such director.

B. Meetings.

Section 3.6. Organizational Meetings. The first meeting of the Board following each annual meeting of the Membership shall be held at such time and place as shall be fixed by the Board. The Board shall announce the actions taken at the organizational meeting, including the election of officers, at the next Board meeting and record those actions in the minutes of that meeting.

Section 3.7. 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. Following

expiration of the Class "B" Control Period, at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter. Regular meetings, except those held by electronic or telephonic means, must take place in Rockwall County or in any county adjacent thereto. Notice of the date, time and place of the meeting shall be communicated to directors no less than four (4) 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 3.8. **Special Meetings**. Special meetings of the Board shall be held when called by written notice signed in person or electronically by the President or by any two (2) directors. The notice shall specify the date and time of the meeting, and if the meeting is held solely by using a conference telephone or other communication system, the location of the meeting, and the nature of any special business to be considered. Special meetings, except those held by electronic or telephonic means, must take place in Rockwall County or in any county adjacent thereto. 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, computer, fiber-optics or other communication device. All such notices shall be given at the director's telephone number, facsimile number, registered 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. Notices given by personal delivery, telephone, text message, electronic mail or other device shall be delivered or transmitted at least seventy-two (72) hours before the time set for the meeting.

Section 3.9. **Notice to Members of Board Meetings**. Except as provided in **Section 3.10**, notice of the date, time, place, and general subject matter, including a general description of matters to be considered in executive session, of each Board meeting shall be given to each Member by one of the following methods: (i) by personal delivery of written notice; (ii) written notice by first-class mail, postage prepaid; (iii) by posting notice in a conspicuous manner in the community on the Common Area or on privately-owned property with the property owner's consent **and** by electronic mail to each Member who maintains a registered electronic mail address with the Association; or (iv) by posting notice on a website, if any, maintained by or on behalf of the Association **and** by electronic mail to each Member who maintains a registered electronic mail address with the Association. It is each Member's duty to keep an updated electronic mail address registered with the Association at all times. All such notices shall be given at the Member's mailing address or registered electronic mail address as shown on the records of the Association. Notices sent by personal delivery or by first-class mail shall be delivered or sent at least ten (10) days before the date of the meeting but not more than sixty (60) days before the date of the meeting. Notices posted in the conspicuous community location or on the Association's website shall be posted and emailed at least one-hundred and forty-four (144) hours before the start of a regular Board meeting and seventy-two (72) hours before the start of a special Board meeting.

Section 3.10. **Action Outside Meeting**. Except as provided in this **Section 3.10** below, the Board may take action outside a meeting, including voting by electronic or telephonic means, without prior notice to the Members pursuant to **Section 3.9** if each director is given a reasonable

opportunity to express the director's opinion to all other directors and to vote. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting. Any action taken without notice to Members must be summarized orally, including an explanation of any known actual or estimated expenditures approved at the meeting, and documented in the minutes of the next regular or special Board meeting.

Notwithstanding the above, the Board may not, unless done in an open meeting for which prior notice was given to the Members under **Section 3.9**, consider or vote on: (i) fines; (ii) damage assessments; (iii) initiation of foreclosure actions; (iv) initiation of enforcement actions (except actions that seek the issuance of a temporary restraining order or that relate to violations involving a threat to health or safety); (v) increases in assessments; (vi) levying of special assessments; (vii) appeals from a denial of architectural review approval; (viii) a suspension of a right of a particular Member; (ix) lending or borrowing money; (x) the adoption or amendment of a dedicatory instrument; (xi) the approval of an annual budget or the approval of an amendment of an annual budget; (xii) the sale or purchase of real property; (xiii) the filling of a vacancy on the Board; (xiv) the construction of capital improvements other than the repair, replacement, or enhancement of existing capital improvements; or (xv) the election of an officer.

Section 3.11. Board Meetings During Development Period. Notwithstanding any other provision contained in these Bylaws to the contrary, during the Development Period, the Board may (i) meet without notice to the Members, (ii) close the Board meeting to Members, and (iii) meet in any county or state other than Rockwall County, Texas. In addition, during the Development Period, the Board is not required to meet in person for any reason, unless a Board meeting is conducted for the purpose of: (i) adopting or amending the Governing Documents; (ii) increasing the amount of the Base Assessment or adopting or increasing a Special Assessment; (iii) electing non-developer Board members or establishing a process by which those members are elected; or (iv) changing the voting rights of the Members.

Section 3.12. Waiver of Notice. Notice of a Board meeting is not required to be given to a director or Member entitled to notice if the director or Member signs a written waiver of notice of the meeting either before or after the meeting. The waiver of notice or consent need not specify the purpose of the meeting. Attendance or participation of a director or Member at a meeting constitutes a waiver of notice of the meeting, unless the director or Member attends a meeting for the sole purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Attendance or participation of a director or a Member at a meeting constitutes a waiver of notice of a particular matter at the meeting that is not included in the purposes of the meeting described in the notice, unless the director or Member objects to considering the matter when it is presented.

Section 3.13. Telephonic and Electronic Meetings. Members of the Board or any committee may participate in a meeting of the Board or committee, respectively, by means of conference telephone, or similar communications equipment, or another suitable electronic communications system, including videoconferencing technology or the Internet, or any combination, if the telephone or other equipment or system permits each director to hear and be heard by every other director. Except for telephonic or electronic Board or committee meetings

conducted during the Development Period or any portion of a Board or committee meeting conducted in executive session, telephonic or electronic meetings must permit all Members in attendance to hear all directors, and Members are allowed to listen using electronic or telephonic communication method used or expected to be used by a director to participate, and the notice of the meeting includes instructions for Members to access any communication method required to be accessible hereunder.

Section 3.14. **Quorum of Board.** At all meetings of the Board, a majority of the directors, including at least one Declarant-appointed director if such meeting is held during the Class "B" Control Period, 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 date and time not less than ten (10) nor more than sixty (60) days from the date the original meeting was called, subject to the notice requirements set forth in **Section 3.9** and **Section 3.10**. 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 3.15. **Adjournments of Board Meetings.** If the Board recesses a regular or special Board meeting to continue the following regular business day, the Board is not required to post notice of the continued meeting if the recess is taken in good faith and not to circumvent the right of Members to notice of and attend Board meetings. If a regular or special Board meeting is continued to the following regular business day, and on that following day the Board continues the meeting to another day, the Board shall give notice of the continuation in at least one manner prescribed by **Section 3.9** within two (2) hours after adjourning the meeting being continued.

Section 3.16. **Compensation.** No director shall receive any compensation from the Association for acting as such; provided any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors.

Section 3.17. **Conduct of Meetings.** The 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.

Section 3.18. **Open Meetings.** Except as provided in **Section 3.11** of these Bylaws, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the Board may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss the following matters: (i) personnel matters; (ii) pending or threatened litigation; (iii) contract negotiations; (iv) enforcement actions; (v) confidential communications with attorneys; (vi) matters involving the invasion of privacy of

individual Members; or (vii) 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. Any decision made or expenditure approved shall be orally summarized (including a general explanation of expenditures) at the meeting and recorded in the minutes of the meeting in such a manner as to protect the sensitive or confidential nature of the information discussed.

Section 3.19. **Action Outside a Formal Meeting.** Except with respect to those matters which must be considered or voted upon at an open meeting of the Board pursuant to Section 209.0051(h) of the Code, actions may be taken outside a meeting of the Board, and without prior notice to the Members, electronically or telephonically. The Board shall orally summarize any action taken outside a meeting, including an explanation of any known actual or estimated expenditures approved, at the next Board meeting and shall record those actions in the minutes of that next meeting.

C. **Powers and Duties.**

Section 3.20. **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.

Section 3.21. **Duties.** The duties of the Board shall include, without limitation, the following:

(a) preparation and adoption, in accordance with 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 Admin Assessment and Base Assessment; provided, unless otherwise determined by the Board, the Admin Assessment and Base Assessment for each Unit's proportionate share of the common expenses shall be payable on the first day of each fiscal year;

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

(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 Area 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 Area in accordance with the other provisions of the Declaration and these By-Laws 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 upon written request to any prospective purchaser of a Unit, any Owner of a Unit, any First Mortgagee, and the holders, insurers and guarantors of a First Mortgage on a Unit, at the requesting parties' expense, 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 Area reasonably necessary to the ongoing development or operation of the Properties.

Section 3.22. **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. The management agent shall obtain and continue in effect during the term of the engagement, normal commercial insurance and crime insurance, naming the Association as an additional insured thereunder.

Section 3.23. **Accounts and Reports.** The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) accrual or cash accounting, as defined by generally accepted accounting

principles, shall be employed;

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

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

(d) 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;

(e) 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;

(f) an annual report consisting of at least the following shall be made available to all Members 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, reviewed or compiled basis, as determined by the Board, by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any First Mortgage on a Unit, the Association shall provide an audited financial statement at the expense of the requesting party.

Section 3.24. **Borrowing.** The Association shall have the power to borrow money for any legal purposes; provided the Board shall obtain the approval of the Declarant during the Development Period and the approval of a majority of the Members in the event that the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed twenty percent (20%) of the budgeted gross expenses of the Association for that fiscal year.

Section 3.25. **Rights of the Association.** With respect to the Common Area, and in accordance with the Certificate of Formation 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 3.26. **Enforcement.** The Association shall have the power to impose sanctions, including the levying of fines, for violations of the Governing Documents. 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 provided below, prior to suspending an Owner's right to use the Common Areas, filing an eviction lawsuit against an Owner's tenant as attorney-in-fact for the Owner, filing suit against an Owner (other than a lawsuit to collect an assessment or related charge or to foreclose the Association's assessment lien), charging an Owner for property damage, levying a fine for a violation of the Governing Documents, or reporting any delinquency of an Owner to a credit reporting service, the Board or its delegate shall serve the alleged violator with written notice by certified mail, notifying the Owner of the following: (i) the nature of the alleged violation or property damage and the amount, if any, due the Association from the Member, (ii) a reasonable time period in which the violator may cure the violation and avoid the proposed sanction (unless the violator was given notice and a reasonable opportunity to cure a similar violation within the preceding six months, or unless the violation is incurable or poses a threat to public health or safety), (iii) that the Owner may present a written request for a hearing on or before the 30th day after the date the notice was mailed to the Owner, and (iv) notice that the owner "may have special rights or relief related to the enforcement action under federal law, including the Servicemembers Civil Relief Act (50 U.S.C. app. Section 501 *et seq.*), if the owner is serving on active military duty."

The notice and hearing provisions of this **Section 3.26** 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.

(b) **Hearing.** If a hearing is requested within the allotted thirty (30) day period, the hearing shall be held before the Board in executive session. Not later than ten (10) days before the Association holds a hearing hereunder, the Association shall provide to an Owner a packet containing all documents, photographs, and communications relating to the matter the Association intends to introduce at the hearing. If the Association does not provide a packet within the ten-day period, an Owner is entitled to an automatic 15-day postponement of the hearing. During the hearing, a Board member or the Association's designated representative shall first present the Association's case against the Owner. An Owner or the Owner's designated representative is entitled to present the Owner's information and issues relevant to the appeal or dispute. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) **Additional Enforcement Rights.** Notwithstanding anything to the contrary herein contained, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking restrictions or rules and regulations) 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 procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry onto a Unit for purposes of exercising this power of self-help shall not be deemed a trespass.

Section 3.27 Solicitation of Bids. Except in the event of a need for work in the event of an emergency (as defined below), prior to entering into any contract for services that will cost more than \$50,000.00, the Board shall solicit bids from at least three (3) separate vendors/providers, if reasonably available. In the case of an emergency, the Board may enter into

a contract for services without soliciting or obtaining multiple bids so long as the terms of the contract appear fair and reasonable to the Association in the Board's sole and absolute discretion. The Board is excused from soliciting and/or obtaining at least three (3) bids in the event of an emergency or certain exigent circumstances, including the following:

a. An emergency exists such that there is insufficient time to solicit and obtain multiple bids.

b. The Association was not able to locate at least three (3) vendors/providers to provide the services.

c. The Association solicited bids from at least three (3) vendors/providers, but not all vendors/providers responded to the request for a bid.

An emergency, as used in this Section 3.27, shall be defined as, but not be limited to, an unexpected occurrence, condition, or circumstance that requires immediate action in order to address the risk of harm to individuals and/or property damage, or to satisfy any local, state, federal or other governmental order. In addition, other unforeseen circumstances may be deemed by the Board to constitute an emergency as determined by the Board in its sole and absolute discretion.

Any and all decisions to award a service contract to a particular vendor or provider must be a sound business decision based upon what is in the best interest of the Association at the time. Nothing in this Section 3.27 shall require the Board to award a service contract to the lowest bidder.

The Board may delegate the solicitation of bids procedures under this Section to the Association's management company.

Article IV **Officers**

Section 4.1. **Officers**. The officers of the Association shall be a President, Secretary and Treasurer, to be elected from among the members of the Board. The Board may appoint such other officers, including Vice President, 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**. 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.

Section 4.3. **Removal and Vacancies**. Any officer may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. A vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board for the unexpired portion of the term.

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 at least two (2) officers or by such other person or persons as may be designated by resolution of the Board.

Section 4.7. **Compensation.** Compensation of officers shall be subject to the same limitations as compensation of directors under **Section 3.16.**

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.

Article VI **Miscellaneous**

Section 6.1. **Fiscal Year.** The fiscal year of the Association shall be set by resolution of the Board. In the absence of a resolution, the fiscal year shall be the calendar year.

Section 6.2. **Conflicts.** If there are conflicts between the provisions of Texas law, the Certificate of Formation, the Declaration and these By-Laws, the provisions of Texas law, the Declaration, the Certificate of Formation and the By-Laws (in that order) shall prevail.

Section 6.3. **Books and Records.**

(a) **Inspection by Mortgagees.** Except for Confidential Records (as defined in **Section 6.3(e)** below), the books and records of the Association (including financial records) shall be made available for inspection and copying by any holder, insurer or guarantor of a First Mortgage on a Unit, or by the duly appointed representative of any of the foregoing, upon written request stating a proper purpose for the request. Such inspection shall take place during normal business hours at the office of the Association or at such other place within the Property as the

Board shall prescribe. The cost, including copy charges, document retrieval charges and a reasonable administrative fee, shall be at the expense of the requesting party and may be required to be paid in advance of the inspection.

(b) **Inspection or Production of Records.** Each Member of the Association may submit a written request to the Board or its representative by certified mail to the address of the Association or authorized representative as listed on the most current management certificate filed of record, to either inspect the books and records of the Association (including financial records) identified in the request or to have the Association deliver those books and records identified in the request to the Member or to a person designated in a writing signed by the Member as the Member's agent, attorney or certified public accountant. Except for Confidential Records (as defined in **Section 6.3(e)** below), the Member may inspect or the Association must produce the books and records identified in the request. If the Member requests to inspect the Association's books and records, the Association must, on or before ten (10) business days of receipt of a request, send written notice of the dates and times during normal business hours that the Member may perform the inspection to the extent that those books and records are in the possession, custody or control of the Association. If the Member requests that the Association produce the books and records, the Association must, to the extent that those books and records are in the possession, custody or control of the Association, either (i) produce the records requested on or before ten (10) business days from the date of receipt of the request; or (ii) if the Association cannot produce records on or before ten (10) business days, inform the Member of that fact on or before the ten (10) business day time period and then produce the records on or before fifteen (15) business days of providing that notice.

(c) **Inspection and Production Costs.** The Association shall adopt and record a records production and copying policy that prescribes the costs for compilation, production and copying of Association records in response to a Member's records request. Upon adoption and recordation of this policy, the Association may require the Member to pay, in advance, the estimated costs of the records inspection or production (subject to the cost limitations set forth under law). On or before the thirtieth (30th) business day following the completion of the document inspection or production, the Association shall send the Member a final accounting invoice for the inspection or production. If the actual costs exceed the estimated costs of the inspection or production, the Member must reimburse the Association on or before thirty (30) business days of the final accounting invoice. In the event that the Member fails to timely reimburse the Association, the unpaid balance of the invoice shall be added to and become a part of the Member's assessment obligation to the Association and a lien against the Member's Unit and may be collected in the same manner as any other assessment payable to the Association. If the actual costs are less than the estimated costs of the inspection or production of records, the Association shall refund the excess amount to the Member on or before the thirtieth (30th) business day after the date that the Association sends the final accounting invoice.

(d) **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 Property 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.

(e) **Confidential Records.** Except as hereinafter provided, Members are not entitled to inspect or to have produced to them Confidential Records. For purposes of these By-Laws, Confidential Records shall mean and include records that identify a Member's covenant violation history, a Member's personal financial information (including payment and delinquency information) with the Association, a Member's contact information (other than the Member's address in the development), employee records, attorney's files and records relating to the Association (excluding invoices requested by a Member under Section 209.008(d) of the Texas Property Code), or documents constituting attorney work product or attorney client communications. If a Member whose records are the subject of another Member's inspection or production request consents in writing to the release of his or her Confidential Records, the Association must allow the requesting Member to inspect the Confidential Records or the Association must produce the Confidential Records. In addition, the Association must allow an inspection or must produce Confidential Records if so ordered by a court of competent jurisdiction.

Section 6.4. **Notices.** Unless otherwise provided in these By-Laws, all notices, demands, bills, statements or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first-class postage prepaid:

(a) if to a Member, at the physical address which the Member has designated in writing and filed with the Secretary or, at the Member's registered electronic mail address, or, if no such physical or electronic address has been designated or registered, at the address of the Unit 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 the address listed in the most recent recorded management certificate, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 6.5. **Amendment.**

(a) **By Declarant.** During the Development Period, the Declarant may unilaterally amend these Bylaws at any time and from time to time for any purpose.

(b) **By Class "A" Members.** Except as provided above and otherwise specifically provided herein, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Class "A" Members representing at least fifty-one percent (51%) of the total Class "A" votes in the Association, and the consent of the Declarant during the Development Period. If a Member consents to any amendment to the Declaration or these By-Laws, it will be conclusively presumed that such Member has the authority so to consent and no contrary provision in any Mortgage or contract between the Member and a third party will affect the validity of such amendment. Any amendment to be effective must be recorded in the County Clerk Official Records of Rockwall County, Texas.

(c) **By Board.** The Board may unilaterally amend these By-Laws at any time and from time to time if such amendment is (i) for the purpose of correcting technical errors or for clarification only or (ii) necessary to bring any provision hereof into compliance with any

applicable governmental statutes, rule or regulation, or judicial determination. In addition to the foregoing, the Board may unilaterally amend these By-Laws if such amendment does not adversely affect the other Owners and is (i) necessary to enable any reputable title insurance company to issue title insurance coverage with respect to any portion of the Property; (ii) required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on any portion of the Property; or (iii) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure mortgage loans on any portion of the Property.

SECRETARY'S CERTIFICATE

I, the undersigned, am the duly elected and acting Secretary of Monterra of Fate Owners Association, Inc., a Texas non-profit corporation, and I do hereby certify:

That the within and foregoing By-Laws were adopted as the By-Laws of said corporation as of the 1st day of February, 2023, that the same do now constitute the By-Laws of said corporation, and that they have not been modified, amended nor rescinded.

IN WITNESS WHEREOF, I have hereunto subscribed my name as of April 15th, 2023.

Cindy O'Brien
Secretary

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

EXHIBIT "D"

DESIGN REVIEW GUIDELINES

OF

MONTERRA OF FATE OWNERS ASSOCIATION, INC.

Part One: Definitions

The words in these Design Review Guidelines shall be given their normal commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions, and Restrictions for Monterra of Fate Owners Association, Inc. (said Declaration, as amended, renewed or extended from time to time, is hereinafter sometimes referred to as the "Declaration") unless the context shall otherwise require.

Part Two: Submission of Plans

Prior to the commencement of any work, there shall be submitted to the appropriate committee two (2) complete sets of plans and specifications of any and all proposed construction of any dwelling, building, structure or improvements of any Unit and of any changes in the terrain of any Unit, and two (2) complete sets of plans and specifications of the proposed painting, remodeling, reconstruction, alterations, or additions to any dwelling, building, structure or improvements on any Unit which affect the exterior appearance or structural integrity of any such dwelling, building, structure or improvements. All plans and specifications for any dwelling, building, structure or improvements to be erected on any Unit shall include plot plans showing the exterior color schemes thereof. The approval of the appropriate committee must be obtained prior to the commencement of any such painting, remodeling, reconstruction, alterations, additions, new construction or changes in terrain thereon in the same manner as set forth in Part 3 below.

Part Three: Approval and Disapproval

Before any work is commenced on any Unit, the appropriate committee, as the same is from time to time composed, shall approve or disapprove plans and specifications by majority vote of the members then serving. One (1) set of said plans and specifications with the approval or disapproval endorsed thereon, shall be returned to the person submitting them and the other copy thereof shall be retained by the committee. The signature of any member of the committee on any such plans and specifications with "approved" or "disapproved" thereon written or stamped shall be prima facie evidence as to such approval or disapproval being the act of the full committee. In the event the committee fails to approve or disapprove any such plans or specifications within thirty (30) days after actual receipt of same by a member of the committee, the committee shall be deemed to have approved such plans and specifications.

Part Four: Criteria for Disapproval

The appropriate committee shall have the right to disapprove any plans and specifications submitted to it as aforesaid in the event such plans and specifications are not in accordance with all of the provisions of the Declaration and the Design Review Guidelines, if the external design, appearance, location or color scheme of the proposed dwelling, building, or other structure is not in harmony with the general surroundings of such Unit or with the adjacent dwellings, buildings, or structures or with the topography, if the plans and specifications submitted are incomplete, if the design, appearance or location of any landscaping is not in harmony with the general surroundings, or topography, or in the event the committee deems the plans and specifications, or any part thereof, to be contrary to the interests, welfare or rights of any or all parts of the Properties, or the Owners in general, all in the sole discretion of the committee. The decisions of the committee shall be final during the Development Period. Thereafter, the decision of the committee to deny an application may be appealed to the Board.

Part Five: Limitation of Committee Liability

The appropriate committee is authorized to accept whatever drawings, plans or specifications as it deems desirable within its sole discretion in satisfaction of this part of the Declaration. Neither the committee nor any architect or agent thereof or of Declarant shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the foregoing, nor for any structural or other defects in any work done according to such plans and specifications.

Part Six: Improvements

The following provisions are applicable to restrict all Units in the Properties:

Section 1. **Structure and Roof Section of Dwelling.** The exterior of all dwellings shall be constructed of brick, brick veneer, stone, stone veneer, masonry, and/or glass building materials of the kind customarily used for exterior walls to the extent that at least eighty (80%) of the area of the outside walls on all floors shall consist of the same. Masonry shall not include Hardiplank/cementitious board. All calculations of the minimum percentage of masonry shall exclude gables, windows, doors, and small areas above windows and doors. Corner Lots and Front Elevations shall have 100% masonry on all sides adjacent to the street, excluding gables, small exterior wall areas above roof sections, windows, and doors and other areas as may be approved by the appropriate committee. Any dwelling backing up to a street greater than fifty (50) feet in width shall have 100% masonry on the 1st and 2nd stories of the back side of the house adjacent to said street, excluding gables, windows, doors, and small exterior wall areas above roof sections and doors. In the event of a 6' masonry wall along said street adjacent to the back of the dwelling, then the requirements for masonry shall only apply to the 2nd story of the house. In the event that the City of Fate has stricter standards than the aforementioned, then the stricter City standards shall apply where applicable.

The width of the front of the main structure shall be in harmony with other dwellings in the Properties. No front elevations of a house may be built on a lot which is within 200 lineal feet on the same street of the nearest lot line of a lot on which a house with the same elevation has been built. No use of the same combination of brick, mortar color and sand color shall be allowed on a house on a lot which within 200 lineal feet on the same street of the nearest lot line of a lot on which a house with the same combination has been used.

Front porches are not required. Covered front porches are defined as an area of at least fifty (50) square feet covered by the main roof or an architectural extension of the residence. Covered front porches may extend over the front building setback line up to five (5) feet, but the garage door must remain at or behind the front setback line in all instances.

All dwellings shall have a roof of wood shingles, slate, tile or at least twenty (20) year composition singles with a weight of at least 240 pounds per 100 square feet and that have a weathered brown or gray look, unless some other material or color is approved by the appropriate committee. No use of "3-Tab" shingles shall be allowed. The roof pitch of any structure shall be 6:12 minimum. However, shingles may be installed that are designed to either (i) be wind and hail resistant; (ii) provide heating and cooling efficiencies greater than those provided by customary composite shingles; or (iii) provide solar generation capabilities, so long as the shingles, when installed, resemble the shingles used or otherwise authorized for use on lots within Monterra, are more durable than and are of equal or superior quality to the shingles authorized for use on lots within Monterra, and match the aesthetics of the property surrounding the owner's property.

Chimney flues on exterior walls shall be enclosed one hundred (100%) percent in masonry except for the side of the chimney that faces the roof.

Section 2. **Sewage Disposal.** No buildings or dwellings shall be constructed with plumbing fixtures, dishwashers,

toilets, or sewage disposal systems unless the same are connected to an established central sewage system unless specifically approved by the appropriate committee.

Section 3. **Parking Requirements.** Each single-family dwelling unit shall contain a minimum of two (2) enclosed parking spaces behind the front building line on the same lot as the main structure or rear building line where an alley exists, plus two (2) additional parking spaces on a paved driveway.

Front facing garages shall not extend in front of the house (including the front porch if applicable), except that attached garages that do not face the street (e.g., swing drive garages) may extend in front of the house. Front facing garages, other than attached garages that do not face the street, shall be located at least twenty (20) feet from the property line and contain at least one of the following features:

- a) Garage doors shall be recessed a minimum twelve (12) inch recess from the front of the house or porch.
- b) Single garage doors separated by a masonry column. If the garage has more than a two (2) vehicle width, then either: i) each garage door shall be a single garage door separated by masonry columns, or ii) a double garage door may be used in conjunction with a single garage door if the double garage door is separated from the other door by a masonry column.
- c) Garage doors shall have divided windows in the door's top panel.
- d) Garage doors shall be constructed with wood or aluminum with simulated wood panels and shall have wood or simulated wood trim similar to carriage style garage doors.
- e) Accent lighting shall be installed on both sides of the garage door.

No carports shall be allowed unless: (i) it is constructed of the same exterior masonry material and color as the house on the same lot; (ii) it shall have the same roof type, material, composition, and pitch; and (iii) it is attached to and a part of the house.

Section 4. **Fences and Boundary Plantings.** No wall, coping or fence shall extend nearer to any street than the front line of the dwelling on any Unit. No wire or woven fence is permitted on any portion of any Unit that exposes it to view from the streets or surrounding Units. No fence may be constructed or erected on any Unit without approval of the appropriate committee as to materials, appearance, and height.

Individual Lot Fencing

Fencing on individual lots shall conform to the following minimum requirements and to any stricter standards as may be set forth by the City of Fate.

1. Connected with the side of the house on the lot.
2. Shall be located immediately inside the building line of a lot, except that fencing may be located on the property line if the adjacent house to the rear faces in the opposite direction from the house with the fencing.
3. Constructed of wood, brick, or decorative metal (may not be wire, mesh, chain link or other similar material). If constructed of wood, then the following further standards apply:
 - a) For Fencing Adjacent to a Street:
 - a. Western red cedar or any other wood as approved by the Committee
 - b. Metal Posts
 - c. 3 – 2x4 Stringers
 - d. 1 x 6 Board on Board fencing
 - e. 2 x 6 Cap and 1 x 4 Trim
 - f. Stain in accordance with a standard stain to be established by the Committee. Such stain must be maintained at a level acceptable to the Association.

- b) For Fencing Between Lots:
 - a. Spruce, pine or any other wood as approved by the Committee
 - b. Metal Posts
 - c. 3 – 2x4 Stringers
 - d. 1 x 4 Board to Board fencing
 - e. 2 x 6 Cap and 1 x 4 Trim
 - f. Stain in accordance with a standard stain to be established by the Committee. Such stain must be maintained at a level acceptable to the Association.
- 4. Minimum of six feet in height. Maximum of eight feet in height. All individual lot fences must taper down appropriately to meet the height of a smaller fence or wall as prescribed in these guidelines.
- 5. Constructed so that the side of the fence containing the structural supports is not visible from any public right-of-way.
- 6. Private residential fences situated between residential lots shall consist of stained wood pickets on metal posts or wrought iron.
- 7. Any fence constructed on the portion of any lot which is adjacent to any Open Space shall be constructed as follows:
 - a) Wrought iron, steel, metal, or similar material in a decorative style as approved by the Committee or;
 - b) Cedar wood, six (6) feet in height board on board with cap design, metal posts anchored with concrete and constructed so that the side of the fence containing the structural support is not visible from the Open Space and stained in accordance with a standard stain to be established by the Committee.

This section shall not apply to any lots that side or back to open space that is adjacent to a street right of way or public easements.

Section 5. Construction Periods. The work of construction, painting, altering or remodeling any building or improvements on any Unit shall be prosecuted diligently from the commencement until the completion thereof and in any event shall be completed within nine months after commencement of the work.

Section 6. Landscaping. Each Unit shall have planted prior to the conveyance of the Unit to any person other than a builder or developer holding title for the purpose of development and resale:

- 1. For Lots designated as having a minimum lot width of fifty (50) or 60 (sixty) feet:
 - a. Minimum of two (2), three (3) inch caliper canopy trees; one must be planted in front of the house.
 - b. Minimum of twenty (20) shrubs totaling thirty (30) gallons and at least one (1) ornamental tree in addition to the required canopy tree in front of the house.
- 2. For Lots designated as having a minimum lot width of seventy (70) feet:
 - a. Minimum of three (3), three (3) inch caliper canopy trees; one must be planted in front of the house.
 - b. Minimum of twenty (20) shrubs totaling thirty (30) gallons and at least one (1) ornamental tree in addition to the required canopy tree in front of the house.

Trees shall be measured six (6) inches above ground at the time of planting. For all Lot types, a minimum of one (1) four inch (4") caliper tree shall be planted at least every fifty feet (50') of fraction thereof along the block between the curb and the sidewalk. All trees intended to meet this requirement shall be a species approved by the City of Fate for the intended use. All required landscaping shall be selected from the approved plant list by the City of Fate. Front yards and side yards shall be fully irrigated and sodded. Rear yards shall be fully sodded or hydro mulched.

Section 7. Retaining Walls. Any retaining walls built within the development shall be of a material other than wood

or similar material. Use of milsap stone or similar stone shall be required.

Section 9.

NOTWITHSTANDING ANYTHING IN THE FOREGOING, DECLARANT RESERVES AND SHALL HAVE THE AUTHORITY TO MODIFY ANY OF THE DESIGN REVIEW GUIDELINES UNTIL EXPIRATION OF THE CLASS 'B' CONTROL PERIOD. Additionally, the New Construction Committee may amend the design review guidelines following the period of Declarant control until the expiration of the Development Period at which time the Board shall have the authority to amend them.

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

EXHIBIT "E"

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

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

EXHIBIT "E"

RULES REGULATING LEASING AND SUBLEASING

OF

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
Rockwall County, Texas
04/19/2023 09:41:19 AM
Fee: \$358.00
20230000006198**



A handwritten signature in black ink, appearing to read "Jennifer Fogg".