



70 2016 00077284

Denton County
Juli Luke
County Clerk
Denton, TX 76202

Instrument Number: 2016-77284

As

Recorded On: June 29, 2016

Misc General Fee Doc

Parties: LAER TRAMS THE RIVERWALK FLOWER MOUND

To

Billable Pages: 134

Number of Pages: 134

Comment:

(Parties listed above are for Clerks reference only)

**** THIS IS NOT A BILL ****

Misc General Fee Doc	558.00
Total Recording:	558.00

***** DO NOT REMOVE. THIS PAGE IS PART OF THE INSTRUMENT *****

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY
because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number: 2016-77284

Receipt Number: 1446488

Recorded Date/Time: June 29, 2016 12:18:11P

Record and Return To:

ESSEX ASSOC

1512 CRESCENT DR

STE 112

CARROLLTON TX 75006

User / Station: S Parr - Cash Station 3



THE STATE OF TEXAS }
COUNTY OF DENTON }

I hereby certify that this instrument was FILED in the File Number sequence on the date/time
printed herein, and was duly RECORDED in the Official Records of Denton County, Texas.

Juli Luke

County Clerk
Denton County, Texas

**SUBORDINATE DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS**

FOR

**THE PINNACLE AT RIVERWALK TOWNHOMES
DENTON COUNTY, TEXAS**

**Return after recording
Essex Association Management, L.P.
1512 Crescent Drive, Suite 112
Carrollton, Texas 75006**

**SUBORDINATE DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
THE PINNACLE AT RIVERWALK TOWNHOMES**

THE STATE OF TEXAS §
 §
COUNTY OF DENTON §

KNOW ALL MEN BY THESE PRESENTS:

This Declaration of Covenants, Conditions & Restrictions for The Pinnacle at Riverwalk Townhomes (this "Declaration") is made by LAER Trams – The Riverwalk Flower Mound, LLC, a Texas limited liability company ("Declarant"), on the date signed below. Declarant owns the real property described in Appendix A of this Declaration, together with the improvements thereon (the "Property").

Declarant desires to establish a general plan of development for the planned community developed within the Property to be known as "The Pinnacle at Riverwalk Townhomes" (the "Subdivision") to be governed by the Association (as hereinafter defined). Declarant also desires to provide a reasonable and flexible procedure by which Declarant may expand the Property to include additional real property, and to maintain certain development rights that are essential for the successful completion and marketing of the Property. In accordance with the terms of Section 2.2b of the Master Declaration, the Declarant (as "Owner," as such term is defined in the Master Declaration, as defined below) desires to establish the Association (as hereinafter defined) as a Sub- Association (as defined in the Master Declaration) to govern the Subdivision and perform the rights, duties and obligations of the Association set forth in this Declaration and, accordingly, has executed this Declaration to impose the covenants, conditions, restrictions, and easements herein described upon the Property.

The Property is subject to the terms of that certain Declaration of Covenants, Conditions and Restrictions for The River Walk at Central Park dated September 16, 2008, and recorded on September 17, 2008, under Instrument No. 2008-102188 of the Real Property Records of Denton County Texas, as modified, amended and supplemented by that certain First Amendment to Declaration of Covenants, Conditions and Restrictions for The River Walk at Central Park dated and recorded on January 15, 2009, under Instrument No. 2009-5273 of the Real Property Records of Denton County Texas, that certain Second Amendment to Declaration of Covenants, Conditions and Restrictions for The River Walk at Central Park dated March 22, 2010, and recorded on April 5, 2010, under Instrument No. 2010-30949 of the Real Property Records of Denton County Texas, that certain First Supplement to Declaration of Covenants, Conditions and Restrictions for The River Walk at Central Park Creating Medical Shared Parking Area dated May 3, 2010, and recorded on May 4, 2010, under Instrument No. 2010-41657 of the Real Property Records of Denton County Texas, and that certain Second Supplement to Declaration of Covenants, Conditions and Restrictions for The River Walk at Central Park Creating Medical Shared Parking Area dated and recorded on May 4, 2010, under Instrument No. 2010-41954 of the Real Property Records of Denton County Texas, and as may be further modified, amended and/or supplemented from time to time (the "Master Declaration").

Declarant further desires to provide for the preservation, administration, and maintenance of portions of Subdivision, and to protect the value, desirability, and attractiveness of the Property therein. As an integral part of the development plan, Declarant deems it advisable to create the Association to perform these functions and activities more fully described in this Declaration and the other Documents described below.

Declarant DECLARES that the Property, and any additional property made subject to this Declaration by recording one or more amendments of or supplements to this Declaration, will be owned, held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, and easements of this Declaration, including Declarant representations and reservations in the attached Appendix B, which run with the real property and bind all parties having or acquiring any right, title, or interest in any part of the property, their heirs, successors, and assigns, and inure to the benefit of each Owner of any part of the Property. The Declarant acknowledges and agrees that this Declaration is subordinate to the terms of the Master Declaration and the Assessment Lien (as hereinafter defined) established hereunder is in addition to and subordinate to the lien and other rights of the Master Association (as hereinafter defined) as set forth in the Master Declaration, except as otherwise expressly provided herein or in the Master Declaration and/or Master Association Documents.

ARTICLE 1 DEFINITIONS

The following words and phrases, whether or not capitalized, have specified meanings when used in the Documents, unless a different meaning is apparent from the context in which the word or phrase is used.

1.1. "Applicable Law" means the statutes and public laws and ordinances in effect at the time a provision of the Documents is applied, and pertaining to the subject matter of the Document provision. Statutes and ordinances specifically referenced in the Documents are "Applicable Law" on the date of the Document, and are not intended to apply to the Project if they cease to be applicable by operation of law, or if they are replaced or superseded by one or more other statutes or ordinances.

1.2. "Architectural Reviewer" means the entity having jurisdiction over a particular application for architectural approval. During the Development Period, the Architectural Reviewer is Declarant, Declarant's designee, or Declarant's delegate. Thereafter, the Board-appointed ACC is the Architectural Reviewer.

1.3. "Area of Common Responsibility" means that portion of the Property and those components of the Townhomes for which the Association has maintenance responsibilities, as described with more particularity in Article 5 of this Declaration and Appendix C.

1.4. "Assessment" means any charge levied against a Lot or Owner by the Association, pursuant to the Documents or State law, including but not limited to Regular Assessments, Special Assessments, Insurance Assessments, Master Assessments, Individual Assessments, and Deficiency Assessments, as defined in Article 9 of this Declaration.

1.5. "Association" means the association of Owners of all Lots in the Property, initially organized as The Pinnacle at Riverwalk Townhome Owners Association, Inc., a Texas nonprofit corporation, and serving as the "property owners' association" defined in Section 202.001(2) of the Texas Property Code. The failure of the Association to maintain its corporate charter from time to time does not affect the existence or legitimacy of the Association, which derives its authority from this Declaration and the Bylaws.

1.6. "Board" means the board of directors of the Association. During the Declarant Control Period, the Declarant shall maintain the sole right to appoint and remove directors of the Board.

1.7. "Bylaws" means the Bylaws of Pinnacle at Riverwalk Townhome Owners Association, Inc., which have been adopted by the Board to satisfy the intent of the Town of Flower Mound ordinance, Section 90-185(2) and as defined in Texas Property Code Section 202 and is or shall be recorded in Denton County, Texas.

1.8. "Common Area" means portions of real property and improvements thereon that are owned and/or maintained by the Association, as described in Article 4 below and which may be referenced in Appendixes attached hereto and which are not part of a Lot and/or dedicated to and maintained by the Master Association pursuant to the Master Declaration, by the Town or any other governmental authority as a public right-of-way, and/or any real property and/or Lot within the Subdivision comprising or on which any Common Amenities are located. Notwithstanding anything to the contrary contained herein, in no event shall the Common Area include any portion of the Property to be maintained by the Town as part of the PID, if applicable.

1.9. "Declarant" means LAER Trams – The Riverwalk Flower Mound, LLC, a Texas limited liability company, which is developing the Property, or any party which acquires any portion of the Property for the purpose of development and which is designated a Successor Declarant in accordance with Appendix B, Section B.6 hereof, or by any such successor and assign, in a recorded document.

1.10. "Declarant Control Period" means that period of time during which Declarant controls the operation and management of the Association, pursuant to Appendix B of this Declaration.

1.11. "Declaration" means this document, as it may be amended, modified and/or supplemented from time to time. In the event this Declaration contains a provision which is contrary to an applicable mandatory provision of the Texas Property Code, the Texas Property Code provision controls.

1.12. "Development Period" means that certain fifty (50) year period beginning the date this Declaration is recorded, during which Declarant has certain rights pursuant to Appendix B hereto. The Development Period is for a term of years and does not require that Declarant own land described in Appendix A. Declarant may terminate the Development Period at any time by recording a notice of termination.

1.13. "Documents" means, singly or collectively as the case may be, this Declaration, the Plat, the Bylaws of the Association, the Association's Certificate of Formation and the Rules of the Association, as any of these may be amended from time to time. An appendix, exhibit, schedule, or certification accompanying a Document is a part of that Document. All Documents are to be recorded in every county in which all or a portion of the Property is located. The Documents are Dedicatory Instruments as defined in Texas Property Code Section 202. Resolutions which may be established by the Board shall be binding documents upon the Association so long as they are duly recorded in the minutes of the meeting of the Board of Directors and shall not be required to be recorded. The Board shall cause all Resolutions to be mailed to each Owner of record and/or they shall be posted to the Association's website, if applicable, for review and access by all Owners' of record.

1.14. "Lot" means a portion of the Property intended for independent ownership, on which there is or will be constructed a Townhome, as shown on the Plat. As a defined term, "Lot" does not refer to Common Areas, Master Common Areas, or areas owned by the City and to be maintained by the City as part of the PID Improvements, even if platted and numbered as a lot. Where the context indicates or requires, "Lot" includes all improvements thereon and any portion of a right-of-way that customarily is used exclusively by and in connection with the Lot.

1.15. "Majority" means more than half. A reference to "*a Majority of Owners*" in any Document or applicable law means "*Owners of at least a Majority of the Lots*," unless a different meaning is specified.

1.16. "Master Association" means River Walk Association, Inc., a Texas non-profit corporation, or such other property owners' association name selected and available at the time of formation and established as provided in the Master Declaration.

1.17. "Master Association Documents" means the Certificate of Formation and the Bylaws of the Master Association, as amended and modified from time to time, and the resolutions and certifications, the rules and regulations adopted by the Master Association from time to time, and the Master Declaration.

1.18. "Master Common Areas" means those Common Areas to serve and benefit all Owners of Lots within the Subdivision and all Members of the Master Association, if applicable, and which are to be dedicated and/or conveyed to the Master Association to be maintained by the Master Association in accordance with the terms of the Master Declaration, including, without limitation, Section 4.3(xvi) and Section 4.3(xvii) of the Master Declaration, and which specifically include, without limitation, the "*River Walk Facilities*" (as such term is defined in the Master Declaration). All Master Common Areas shall be maintained by the Master Association.

1.19. "Member" means a member of the Association, each Member being an Owner of a Lot, unless the context indicates that member means a member of the Board or a member of a committee of the Association. In the context of votes and decision-making, each Lot has only one membership, although it may be shared by co-owners of a Lot.

1.20. "Owner" means a holder of recorded fee simple title to a Lot. Declarant is the initial Owner of all Lots. Contract sellers and mortgagees who acquire title to a Lot through a deed in lieu of foreclosure or through judicial or nonjudicial foreclosure are "Owners." Persons or entities having ownership interests merely as security for the performance of an obligation are not "Owners." Every Owner is a Member of the Association. A reference in any Document or applicable law to a percentage or share of Owners or Members means Owners of at least that percentage or share of the Lots, unless a different meaning is specified. For example, "*a Majority of Owners*" means Owners of at least a majority of the Lots.

1.21. "PID" or "Public Improvement District" means the Riverwalk Public Improvement District Number One established by the Town of Flower Mound.

1.22. "PID/ PID Improvements" means those structures and improvements located within the Property which, if applicable, are specifically to be maintain by the Town as part of obligations and duties of the PID.

1.23. "Plat" means all plats, singly and collectively, recorded in the Real Property Records of Denton County, Texas, and pertaining to the real property described in Appendix A of this Declaration or any real property subsequently annexed into the Property in accordance with the terms of this Declaration (including, by Declarant pursuant to its rights under Appendix B hereof), including all dedications, limitations, restrictions, easements, notes, and reservations shown on the plat(s), as may be amended from time to time. The plat of The Pinnacle at Riverwalk Townhomes. was recorded in the Plat Records, Denton County, Texas.

1.24. "Property" means all the land subject to this Declaration and all improvements, easements, rights, and appurtenances to the land. The Property has been subdivided as a Subdivision known as the "The Pinnacle at Riverwalk Townhomes". The Property is located on land described in Appendix A to this Declaration, and includes every Lot and any Common Area thereon, and may include Annexed Land (as defined in Appendix B) annexed into the Property subject to this Declaration by supplemental declaration filed by Declarant in accordance with Appendix B.

1.25. "Resident" means an occupant of a Townhome, regardless of whether the person owns the Lot.

1.26. "Rules" means rules and regulations of the Association adopted in accordance with the Documents or applicable law. The initial Rules may be adopted by Declarant for the benefit of the Association and Declarant may, from time to time, amend rules and regulations as it is deemed necessary.

1.27. "Sub-Association Representative" If applicable, shall mean and refer to the one (1) individual appointed by the Board of Directors of the Association to represent the Members in matters pertaining to the Master Association with respect to such Members' voting and/or consent rights as members of the Master Association, including, without limitation, casting the Members votes as members of the Master Association at any regular or special meeting of the members of the Master Association called pursuant to the Master Association Documents.

1.28. "Town" means the Town of Flower Mound, Texas, in which the Property is located.

1.29. "Townhome" means the attached single-family dwelling on each individually-owned Lot.

1.30. "Townhome Building" means the structure containing multiple Townhomes.

ARTICLE 2

PROPERTY SUBJECT TO DOCUMENTS

2.1. PROPERTY. The real property described in Appendix A is held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered subject to the terms, covenants, conditions, restrictions, liens, and easements of this Declaration, including Declarant's representations and reservations in the attached Appendix B, which run with the Property and bind all parties having or acquiring any right, title, or interest in the Property, their heirs, successors, and assigns, and inure to the benefit of each Owner of the Property.

2.2. FLOWER MOUND ORDINANCE. The Town of Flower Mound may have ordinances pertaining to planned developments with property owners associations. No amendment of the Documents or any act or decision of the Association may violate the requirements of the ordinance. Should this Declaration differ with a Town Ordinance, the Town Ordinance shall prevail notwithstanding, if the restriction in this Declaration is more strict than that of the Town Ordinance, then this Declaration shall prevail. The Association should stay informed about the Town's requirements.

2.3. ADJACENT LAND USE. Declarant makes no representations of any kind as to current or future uses - actual or permitted - of any land that is adjacent to or near the Property, regardless of what the Plat shows as potential uses of adjoining land.

2.4. SUBJECT TO ALL OTHER DOCUMENTS. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by all the Documents which are publicly recorded or which are made available to Owners by the Association, expressly including this publicly recorded Declaration.

2.5. PLAT DEDICATIONS, EASEMENTS & RESTRICTIONS. In addition to the easements and restrictions contained in this Declaration, the Property is subject to the dedications, limitations, notes, easements, restrictions, and reservations shown or cited on the Plat, which are incorporated herein by reference. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by the Plat, and further agrees to maintain any easement that crosses his Lot and for which the Association does not have express responsibility.

2.6. STREETS WITHIN PROPERTY. Because streets, alleys, and cul-de-sacs within the Property (hereafter "Streets") are capable of being converted from publicly dedicated to privately owned, and vice versa, this Section addresses both conditions. If the Property has privately owned Streets, the Streets are part of the Common Area which is governed by the

Association. Streets dedicated for public use are part of the Common Area only to the extent they are not maintained or regulated by the Master Association, the Town or Denton County, Texas. In no event shall streets that are maintained by the Master Association or maintained by the Town as part of the PID Improvements or otherwise be included in the Common Areas or Area of Common Responsibility. To the extent not prohibited by public law, the Association, acting through the Board, is specifically authorized to adopt, amend, repeal, and enforce Rules for use of the Streets - whether public or private - including but not limited to:

- a. Identification of vehicles used by Owners and Residents and their guests.
- b. Designation of speed limits and parking or no-parking areas.
- c. Limitations or prohibitions on curbside parking.
- d. Removal or prohibition of vehicles that violate applicable Rules.
- e. Fines for violations of applicable Rules.

ARTICLE 3

PROPERTY EASEMENTS AND RIGHTS

3.1. **GENERAL.** In addition to other easements and rights established by the Documents, the Property is subject to the easements and rights contained in this Article. No use shall be permitted on the Property which is not allowed under applicable public codes, ordinances and other laws either already adopted or as may be adopted by the Town or other controlling public authorities. Each Owner, occupant or other user of any portion of the Property, shall at all times comply with this Declaration and all laws, ordinances, policies, rules, regulations and orders of all federal, state, county and municipal governments, and other agencies having jurisdictional control over the Property, specifically including, but not limited to, applicable zoning placed upon the Property, as they exist from time to time (collectively "Governmental Requirements"). IN SOME INSTANCES REQUIREMENTS UNDER THE MASTER DECLARATION AND/OR THE GOVERNMENTAL REQUIREMENTS MAY BE MORE OR LESS RESTRICTIVE THAN THE PROVISIONS OF THIS DECLARATION. IN THE EVENT A CONFLICT EXISTS BETWEEN ANY SUCH REQUIREMENTS UNDER ANY MASTER DECLARATION, THE GOVERNMENTAL REQUIREMENT AND ANY REQUIREMENT OF THIS DECLARATION, THE MOST RESTRICTIVE REQUIREMENT SHALL PREVAIL, EXCEPT IN CIRCUMSTANCES WHERE COMPLIANCE WITH A MORE RESTRICTIVE PROVISION WOULD RESULT IN A VIOLATION OF MANDATORY APPLICABLE GOVERNMENTAL REQUIREMENTS, IN WHICH EVENT THOSE GOVERNMENTAL REQUIREMENTS SHALL APPLY. COMPLIANCE WITH MANDATORY GOVERNMENTAL REQUIREMENTS WILL NOT RESULT IN THE BREACH OF THIS DECLARATION EVEN THOUGH SUCH COMPLIANCE MAY RESULT IN NON-COMPLIANCE WITH PROVISIONS OF THIS DECLARATION. WHERE A GOVERNMENTAL REQUIREMENT OR REQUIREMENT UNDER ANY MASTER DECLARATION DOES NOT CLEARLY CONFLICT WITH THE PROVISIONS OF THIS DECLARATION BUT PERMITS ACTION THAT IS DIFFERENT FROM THAT REQUIRED

BY THIS DECLARATION, THE PROVISIONS OF THE MASTER DECLARATION AND THEN THIS DECLARATION (IN ORDER OF PRIORITY) SHALL PREVAIL AND CONTROL. The Property and all Lots therein shall be developed in accordance with this Declaration, as this Declaration may be amended or modified from time to time as herein provided.

3.2. OWNER'S EASEMENT OF ENJOYMENT. Every Owner is granted a right and easement of enjoyment over the Common Areas and to use of improvements therein, subject to other rights and easements contained in the Documents. An Owner who does not occupy a Lot delegates this right of enjoyment to the Residents of his Lot. Notwithstanding the foregoing, if a portion of the Common Area, such as a recreational area, is designed for private use, the Association may temporarily reserve the use of such area for certain persons and purposes.

3.3. OWNER'S MAINTENANCE EASEMENT. Every Owner is granted an access easement over adjoining Lots, Common Areas, and Areas of Common Responsibility for the maintenance or reconstruction of his Townhome and other improvements on his Lot, provided exercise of the easement does not damage or materially interfere with the use of the adjoining Townhome or Common Area. Requests for entry to an adjoining Townhome or Common Area must be made to the Owner of the adjoining Townhome, or the Association in the case of Common Areas, in advance for a time reasonably convenient for the adjoining Owner, who may not unreasonably withhold consent. If an Owner damages an adjoining Townhome, Area of Common Responsibility, or Common Area in exercising this easement, the Owner is obligated to restore the damaged property to its original condition as existed prior to the Owner performing such maintenance or reconstruction work, at his expense, within a reasonable period of time.

3.4. TOWNHOME EASEMENT. Every Owner of a Townhome is granted a perpetual easement over, under, and through every other Lot that is part of the same Townhome Building in which his Townhome is located for the limited purpose of installing, maintaining, and replacing wires, cables, conduit, and pipes, that serve his Townhome, but only to the extent that use of this easement is reasonable and necessary. In the event of dispute, the Board is the arbiter of whether the anticipated use of this easement is reasonable and necessary. Reciprocally, the Owner of a Townhome that contains wire, cables, conduit, or pipes that serve one or more other Townhomes has a duty to refrain from interfering with or damaging those items. This easement and reciprocal responsibility anticipates that the electrical meters for all the Townhomes in one Townhome Building may be grouped at one end of the Townhome Building. It also anticipates that attic or roofline installations of wiring may be the most cost effective and least unsightly way of accommodating future needs for cable services.

3.5. OWNER'S INGRESS/EGRESS EASEMENT. Every Owner is granted a perpetual easement over the Streets within the Property, as may be reasonably required, for vehicular ingress to and egress from his Lot.

3.6. OWNER'S ENCROACHMENT EASEMENT. Every Owner is granted an easement for the existence and continuance of any encroachment by his Townhome on any adjoining Lot or Common Area now existing or which may come into existence hereafter, as a result of construction, repair, shifting, settlement, or movement of any portion of a Townhome

Building, or as a result of condemnation or eminent domain proceedings, so that the encroachment may remain undisturbed so long as the improvement stands.

3.7. RIGHTS OF TOWN. The Town, including its agents and employees, has the right of immediate access to the Common Areas at all times if necessary for the welfare or protection of the public, to enforce Town ordinances, or for the preservation of public property. If the Association fails to maintain the Common Areas to a standard acceptable to the Town, the Town may give the Association a written demand for maintenance. If the Association fails or refuses to perform the maintenance within a reasonable period of time after receiving the Town's written demand (at least ninety (90) days), the Town may maintain the Common Areas at the expense of the Association after giving written notice of its intent to do so to the Association. To fund or reimburse the Town's cost of maintaining the Common Areas, the Town may levy an Assessment against every Lot in the same manner as if the Association levied a Special Assessment against the Lots. The Town may give its notices and demands to any officer, director, or agent of the Association, or alternatively, to each Owner of a Lot as shown on the Town's tax rolls. The rights of the Town under this Section are in addition to other rights and remedies provided by law.

3.8. ASSOCIATION'S ACCESS EASEMENT. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, grants to the Association an easement of access and entry over, across, under, and through the Property, including without limitation all Common Areas and the Owner's Lot and all improvements thereon - including the Townhome and yards - for the below-described purposes.

3.8.1. Purposes. Subject to the limitations stated below, the Association may exercise this easement of access and entry for the following express purposes:

- a. To inspect the Property for compliance with maintenance and architectural standards.
- b. To perform maintenance that is permitted or required of the Association by the Documents or by applicable law.
- c. To perform maintenance that is permitted or required of the Owner by the Documents or by applicable law, if the Owner fails or refuses to perform such maintenance.
- d. To enforce architectural standards.
- e. To enforce use restrictions.
- f. The exercise of self-help remedies permitted by the Documents or by applicable law.
- g. To enforce any other provision of the Documents.
- h. To respond to emergencies.

i. To grant easements to utility providers as may be necessary to install, maintain, and inspect utilities serving any portion of the Property.

j. To perform any and all functions or duties of the Association as permitted or required by the Documents or by applicable law.

3.8.2. No Trespass. In exercising this easement on an Owner's Lot, the Association is not liable to the Owner for trespass.

3.8.3. Limitations. If the exercise of this easement requires entry onto an Owner's Lot, including into an Owner's fenced yard, the entry will be during reasonable hours and after written notice to the Owner. This Subsection does not apply to situations that - at time of entry - are deemed to be emergencies that may result in imminent damage to or loss of life or property, which entry for such emergencies may be made without notice to an Owner.

3.9. UTILITY EASEMENT. The Association may grant permits, licenses, and easements over Common Areas for utilities, roads, and other purposes necessary for the proper operation of the Property. A company or entity, public or private, furnishing utility service to the Property, is granted an easement over the Property for ingress, egress, meter reading, installation, maintenance, repair, or replacement of utility lines and equipment, and to do anything else necessary to properly maintain and furnish utility service to the Property; provided, however, this easement may not be exercised without prior notice to the Board. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, master or cable television, and security.

3.10. SECURITY. The Association may, but is not obligated to, maintain or support certain activities within the Property designed, either directly or indirectly, to improve safety in or on the Property. Each Owner and Resident acknowledges and agrees, for himself and his guests, that Declarant, the Association, and their respective directors, officers, committees, agents, and employees are not providers, insurers, or guarantors of security within the Property. Each Owner and Resident acknowledges and accepts his sole responsibility to provide security for his own person and property, and assumes all risks for loss or damage to same. Each Owner and Resident further acknowledges that Declarant, the Association, and their respective directors, officers, committees, agents, and employees have made no representations or warranties, nor has the Owner or Resident relied on any representation or warranty, express or implied, including any warranty of merchantability or fitness for any particular purpose, relative to any fire, burglar, and/or intrusion systems recommended or installed, or any security measures undertaken within the Property. Each Owner and Resident acknowledges and agrees that Declarant, the Association, and their respective directors, officers, committees, agents, and employees may not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

3.11. RISK. Each Owner, Owners' immediate family, guests, agents, permittees, licensees and Residents shall use all Common Areas at his/her own risk. All Common Areas are unattended and unsupervised. Each Owner, Owners' immediate family, guests, agents, permittees, licensees and Residents is solely responsible for his/her own safety. The

Association disclaims any and all liability or responsibility for injury or death occurring from use of the Common Areas.

ARTICLE 4 COMMON AREA

4.1. **OWNERSHIP.** The designation of any portion of the Property as a Common Area is determined by the Plat and this Declaration, and not by the ownership of such portion of the Property. This Declaration contemplates that the Association will eventually hold title to every Common Area, facility, structure, improvement, system, or other property that are capable of independent ownership by the Association. The Declarant may install, construct, or authorize certain improvements on Common Areas in connection with the initial development of the Property, and the cost thereof is not a Common Expense of the Association. The Common Area shall be maintained by the Association following completion of initial improvements thereon by Declarant, whether or not title to such Common Area is conveyed to the Association. All costs attributable to Common Areas, including maintenance, property taxes, Insurance, and enhancements, are automatically and perpetually the responsibility of the Association, regardless of the nature of title to the Common Areas, unless this Declaration elsewhere provides for a different allocation for a specific Common Area.

4.2. **ACCEPTANCE.** By accepting an interest in or title to a Lot, each Owner is deemed (1) to accept the Common Area of the Property, and any improvement thereon, in its then-existing "as is" condition; (2) to acknowledge the authority of the Association, acting through its Board, for all decisions pertaining to the Common Area; (3) to acknowledge that transfer of a Common Area's title to the Association by or through the Declarant is a ministerial task that does not require acceptance by the Association; and (4) to acknowledge the continuity of maintenance of the Common Area, regardless of changes in the Association's Board or management.

4.3. **COMPONENTS.** The Common Area of the Property consists of the following components on or adjacent to the Property, even if located on a Lot or a public right-of-way:

a. All of the Property, save and except the Lots or portions of the Property owned and maintained by the Town or Master Association.

b. Any area shown on the Plat as Common Area or an area to be maintained by the Association.

c. The formal entrances to the Property, including (if any) the signage, landscaping, electrical and water installations, planter boxes and fencing related to the entrance.

d. Any screening walls, fences, or berms along the side of the Property.

e. Any landscape buffers.

f. Landscaping on any Street within or adjacent to the Property, to the extent it is not maintained by the Town or Master Association.

g. Any property adjacent to the Subdivision, if the maintenance of same is deemed to be in the best interests of the Association and if not prohibited by the Owner or operator of said property.

h. Any modification, replacement, or addition to any of the above-described areas and improvements.

i. Personal property owned by the Association, such as books and records, office equipment, and supplies.

4.4. No Obligation to Maintain Master Common Areas. The Association shall have no liability or obligation with respect to the maintenance, operation, repair and/or use of any PID Improvements to be maintained by the Town or any Master Common Areas (which include certain public parks and/or open space) to be maintained by the Master Association pursuant to the Master Declaration, the Master Association Documents or any applicable zoning or other Town requirements.

ARTICLE 5

LOTS, TOWNHOMES & AREA OF COMMON RESPONSIBILITY

5.1. LOTS. The Property is platted into Lots, the boundaries of which are shown on the Plat, and which may not be obvious on visual inspection of the Property. Portions of the Lots are designated by this Declaration to be Areas of Common Responsibility, and are burdened with easements for the use and benefit of the Association, Owners, and Residents. Although the Property is platted into individually owned Lots, portions of the Lots are maintained by the Association.

NOTE: WHILE YOU OWN YOUR LOT AND TOWNHOME, PORTIONS ARE CONTROLLED AND MAINTAINED BY THE ASSOCIATION.

5.2. TOWNHOMES. Each Lot is to be improved with a Townhome. The Owner of a Lot owns every component of the Lot and Townhome, including all the structural components and exterior features of the Townhome and is responsible for the maintenance of the Townhome and Lot, except for the Areas of Common Responsibility set forth in this Declaration.

5.3. AREA OF COMMON RESPONSIBILITY. Areas of Common Responsibility within a Lot to be maintained by the Association include the following:

5.3.1. Surface Water Drainage Systems. All aspects of surface water drainage on a Lot are maintained by the Association, including collection drains and drain systems.

5.3.2. Front Lawns (if any). All trees, shrubs and lawns on a Lot outside of fenced areas are maintained by the Association, including irrigation system and

replacement of dead plants and vegetation. The foregoing applies only to the area outside of fenced in areas between the Townhome and the adjacent public Street. No synthetic turf of any kind is allowed in the front, back or side portions of any lawn.

5.3.3. Areas Relating to Townhomes. All portions of the Townhomes marked as an Area of Common Responsibility on Appendix C are to be maintained by the Association.

5.4. ALLOCATION OF INTERESTS. The interests allocated to each Lot are calculated by the following formulas.

5.4.1. Common Expense Liabilities. The percentage or share of liability for Common Expenses allocated to each Lot is uniform for all Lots, regardless of the value, size, or location of the Lot or Townhome.

5.4.2. Votes. The one vote appurtenant to each Lot is uniform and weighted equally with the vote for every other Lot, regardless of any other allocation appurtenant to the Lot.

ARTICLE 6

ARCHITECTURAL COVENANTS AND CONTROL

6.1. PURPOSE. Because the Lots are part of a single, unified community, this Declaration creates rights to regulate the design, use, and appearance of the Lots and Common Areas in order to preserve and enhance the Property's value and architectural harmony. One purpose of this Article is to promote and ensure the level of taste, design, quality, and harmony by which the Property is developed and maintained. Another purpose is to prevent improvements and modifications that may be widely considered to be radical, curious, odd, bizarre, or peculiar in comparison to the existing improvements. A third purpose is to regulate the appearance of every aspect of proposed or existing improvements on a Lot, including but not limited to Townhomes, fences, landscaping, retaining walls, yard art, sidewalks and driveways, and further including replacements or modifications of original construction or installation. During the Development Period, a primary purpose of this Article is to reserve and preserve Declarant's right of architectural control. No exterior modification is allowed without the prior written consent of the Architectural Reviewer.

6.2. ARCHITECTURAL CONTROL DURING THE DEVELOPMENT PERIOD. During the Development Period, neither the Association, the Board of directors, nor a committee appointed by the Association or Board (no matter how the committee is named) may involve itself with the approval of plans and specifications for new Townhomes to be constructed on vacant Lots. During the Development Period, the Architectural Reviewer for plans and specifications for new Townhomes to be constructed on vacant Lots is the Declarant or its delegates.

6.2.1. Declarant's Rights Reserved. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees that Declarant has a substantial interest in ensuring that the improvements within the Property enhance Declarant's reputation as a community developer and do not

impair Declarant's ability to market its property or the ability of Builders (as defined in Appendix B) to sell Townhomes in the Property. Accordingly, each Owner agrees that - during the Development Period - no improvements will be started or progressed on any Owner's Lot without the prior written approval of Declarant, which approval may be granted or withheld at Declarant's sole discretion. In reviewing and acting on an application for approval, Declarant may act solely in its self-interest and owes no duty to any other person or any organization. Declarant may designate one or more persons from time to time to act on its behalf in reviewing and responding to applications.

6.2.2. Delegation by Declarant. During the Development Period, Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under this Article to (1) an ACC (as defined in Section 6.3 hereof) appointed by the Board, or (2) a committee comprised of architects, engineers, or other persons who may or may not be Members of the Association. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Declarant (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated, and (2) to veto any decision which Declarant in its sole discretion determines to be inappropriate or inadvisable for any reason.

6.2.3. Limits on Declarant's Liability. The Declarant has sole discretion with respect to taste, design, and all standards specified by this Article during the Development Period. The Declarant, and any delegate, officer, member, director, employee or other person or entity exercising Declarant's rights under this Article shall have no liability for its decisions made and in no event shall be responsible for: (1) errors in or omissions from the plans and specifications submitted, (2) supervising construction for the Owner's compliance with approved plans and specifications, or (3) the compliance of the Owner's plans and specifications with governmental codes and ordinances, state and federal laws.

NOTE: YOU CANNOT INDIVIDUALIZE THE OUTSIDE OF YOUR TOWNHOME. PLAN APPROVAL IS REQUIRED. No Plat or plans for Townhomes or other improvements shall be submitted to the Town or other applicable governmental authority for approval until such Plat and/or related construction plans have been approved in writing, if applicable, by the Master Association (or applicable committee thereof) or the Master Declarant as may be provided for in the Master Declaration. Furthermore, no Townhome or other improvements shall be constructed on any Lot within the Property until plans therefore have been approved in writing by the ACC or the Declarant as provided in this Article 6; provided that the Townhome or other improvements in any event must comply with the requirements and restrictions set forth in the Master Declaration and the design guidelines established thereby.

6.3. ARCHITECTURAL CONTROL BY ASSOCIATION. Unless and until such time as Declarant delegates all or a portion of its reserved rights to the architectural control committee (the "ACC"), or the Development Period is terminated or expires, the Association has no jurisdiction over architectural matters. On termination or expiration of the Development Period, or earlier if delegated in writing by Declarant, the Association, acting through the ACC will assume jurisdiction over architectural control.

6.3.1. ACC. The ACC will consist of at least 3 but not more than 5 persons appointed by the Board, pursuant to the Bylaws. Members of the ACC serve at the pleasure of the Board and may be removed and replaced at the Board's discretion. At the Board's option, the Board may act as the ACC, in which case all references in the Documents to the ACC are construed to mean the Board. Members of the ACC need not be Owners or Residents, and may but need not include architects, engineers, and design professionals whose compensation, if any, may be established from time to time by the Board.

6.3.2. Limits on Liability. The ACC has sole discretion with respect to taste, design, and all standards specified by this Article. The members of the ACC have no liability for the ACC's decisions made in good faith, and which are not arbitrary or capricious. The ACC is not responsible for: (1) errors in or omissions from the plans and specifications submitted to the ACC, (2) supervising construction for the Owner's compliance with approved plans and specifications, or (3) the compliance of the Owner's plans and specifications with governmental codes and ordinances, state and federal laws.

6.4. PROHIBITION OF CONSTRUCTION, ALTERATION & IMPROVEMENT. Without the Architectural Reviewer's prior written approval, a person may not construct a Townhome or make an addition, alteration, improvement, installation, modification, redecoration, or reconstruction of or to a Townhome or any other part of the Property, if it will be visible from a Street, another Townhome, or the Common Area. The Architectural Reviewer has the right but not the duty to evaluate every aspect of construction, landscaping, and property use that may adversely affect the general value or appearance of the Property. The review of plans pursuant to this Declaration may, if applicable, be subject to all review and approval procedures set forth in the Master Declaration and other Master Association Documents, and the standards, guidelines, restrictions and/or requirements set forth in the Master Declaration, the Master Association Documents, applicable zoning or otherwise established by the Master Association or the Town may be taken into consideration by the Architectural Reviewer in its review of plans pursuant hereto.

6.5. ARCHITECTURAL APPROVAL. To request architectural approval, an Owner must make written application and submit to the Architectural Reviewer two identical sets of plans and specifications showing the nature, kind, shape, color, size, materials, and locations of the work to be performed. In support of the application, the Owner may but is not required to submit letters of support or non-opposition from Owners of Lots that may be affected by the proposed change. The application must clearly identify any requirement of this Declaration for which a variance is sought. The Architectural Reviewer will return one set of plans and specifications to the applicant marked with the Architectural Reviewer's response, such as "Approved," "Denied," or "More Information Required." The Architectural Reviewer will retain the other set of plans and specifications, together with the application, for the Association's files.

6.5.1. No Verbal Approval. Verbal approval by an Architectural Reviewer, the Declarant, an Association director or officer, a member of the ACC, or the Association's manager does not constitute architectural approval by the appropriate Architectural Reviewer, which must be in writing.

6.5.2. No Deemed Approval. The failure of the Architectural Reviewer to respond to an application may NOT be construed as approval of the application. Under no circumstance may approval of the Architectural Reviewer be deemed, implied, or presumed.

6.5.3. No Approval Required. Approval is not required for an Owner to remodel or repaint the interior of a Townhome, provided the work does not impair the structural soundness of the Townhome Building.

6.5.4. Building Permit. If the application is for work that requires a building permit from a governmental body, the Architectural Reviewer's approval is conditioned on the issuance of the appropriate permit. The Architectural Reviewer's approval of plans and specifications does not mean that they comply with the requirements of the governmental body. Alternatively, governmental approval does not ensure Architectural Reviewer approval.

6.5.5. Neighbor Input. The Architectural Reviewer may solicit comments on the application, including from Owners or Residents of Townhomes that may be affected by the proposed change, or from which the proposed change may be visible. Whether to solicit comments, from whom to solicit comments, and whether to make the comments available to the applicant is solely at the discretion of the Architectural Reviewer. The Architectural Reviewer is not required to respond to the commenter in ruling on the application.

6.5.6. Declarant Approved. Notwithstanding anything to the contrary in this Declaration, any improvement to the Property made or approved in writing by Declarant during the Development Period is deemed to have been approved by the Architectural Reviewer.

ARTICLE 7

CONSTRUCTION AND USE RESTRICTIONS

7.1. VARIANCE. The use of the Property is subject to the restrictions contained in this Article, and subject to Rules adopted pursuant to this Article. The Board or the Architectural Reviewer, as the case may be, may grant a variance or waiver of a restriction or Rule on a case-by-case basis when unique circumstances dictate, and may limit or condition its grant. To be effective, a variance must be in writing. The grant of a variance does not affect a waiver or estoppel of the Association's right to deny a variance in other circumstances. Approval of a variance or waiver may not be deemed, implied, or presumed under any circumstance.

7.2. PROHIBITION OF CONSTRUCTION, ALTERATION & IMPROVEMENT. Without the Architectural Reviewer's prior written approval, a person may not commence or continue any construction, alteration, addition, improvement, installation, modification, redecoration, or reconstruction of or to the Property, or do anything that affects the appearance, use, or structural integrity of the Property. The Architectural Reviewer has the right but not the duty to evaluate every aspect of construction and property use that may adversely affect the general value or appearance of the Property.

7.3. LIMITS TO RIGHTS. No right granted to an Owner by this Article or by any provision of the Documents is absolute. The Documents grant rights with the expectation that the rights will be exercised in ways, places, and times that are customary for the Subdivision. This Article and the Documents as a whole do not try to anticipate and address every creative interpretation of the restrictions. The rights granted by this Article and the Documents are at all times subject to the Board's determination that a particular interpretation and exercise of a right is significantly inappropriate, unattractive, or otherwise unsuitable for the Subdivision, and thus constitutes a violation of the Documents. In other words, the exercise of a right or restriction must comply with the spirit of the restriction as well as with the letter of the restriction.

7.4. ASSOCIATION'S RIGHT TO PROMULGATE RULES. The Association, acting through its Board, is granted the right to adopt, amend, repeal, and enforce reasonable Rules, and penalties for infractions thereof, regarding the occupancy, use, disposition, maintenance, appearance, and enjoyment of the Property. In addition to the restrictions contained in this Article, each Lot is owned and occupied subject to the right of the Board to establish Rules, and penalties for infractions thereof, governing:

- a. Use of Common Areas and Areas of Common Responsibility.
- b. Hazardous, illegal, or annoying materials or activities on the Property.
- c. The use of Property-wide services provided through the Association.
- d. The consumption of utilities billed to the Association.
- e. The use, maintenance, and appearance of exteriors of Townhomes and Lots.
- f. Landscaping and maintenance of yards, an Owner having no right to perform such activities in an Area of Common Responsibility.
- g. The occupancy and leasing of Townhomes.
- h. Animals. Restrictions as to the type and number of household pets shall be strictly enforced.
- i. Vehicles. Vehicle regulations shall be strictly enforced. The Association shall have the right to contact a towing company for any vehicle that blocks driveways, fire hydrants, or presents a safety hazard at any time.
- j. Disposition of trash and control of vermin, termites, and pests.
- k. Anything that interferes with maintenance of the Property, safety of the Owners, tenants, or guests, operation of the Association, administration of the Documents, or the quality of life for Residents.

7.5. **ANIMALS. DOMESTIC ANIMALS ONLY.** No wild animal, animal, bird, fish, reptile, or insect of any kind may be kept, maintained, raised, or bred anywhere on the Property for a pet, commercial purpose or for food. Customary domesticated household pets may be kept subject to the Rules. The Board may adopt, amend, and repeal Rules regulating the types, sizes, numbers, locations, and behavior of animals at the Property. The Board may require or effect the removal of any animal determined to be in violation of this Section or the Rules. Unless the Rules provide otherwise:

7.5.1. **Number. No more than two pets** (total weight of both pets no greater than one hundred (100) pounds) may be maintained in each Townhome. Of the two pets, no more than two may be cats or dogs. Permission to maintain other types or additional numbers of household pets must be obtained in writing from the Board.

7.5.2. **Disturbance.** Pets must be kept in a manner that does not disturb the peaceful enjoyment of Residents of other Lots. No pet may be permitted to bark, howl, whine, screech, or make other loud noises for extended or repeated periods of time. Owner shall ensure that their pet(s) comply with these rules at all times. Pets must be kept on a leash when outside the Townhome unit. The Board is the sole arbiter of what constitutes a threat or danger, disturbance or annoyance and may upon written notice require the immediate removal of the animal(s) should the Owner fail to be able to bring the animal into compliance with these CC&R's or any rules and regulations.

7.5.3. **Indoors/Outdoors.** *A permitted pet must be maintained inside the Townhome, and may not be kept on a patio or in a yard area. No pet is allowed on the Common Area unless carried or leashed.*

7.5.4. **Pooper Scooper.** Resident is responsible for the removal of his pet's wastes from the Property. Unless the Rules provide otherwise, a Resident must prevent his pet from relieving itself on the Common Area, the Area of Common Responsibility, or the Lot of another Owner. The Association may levy fines up to \$100.00 per occurrence for any Owner who violates this section and does not comply with the rules as set forth herein.

7.5.5. **Liability.** An Owner is responsible for any property damage, injury, or disturbance caused or inflicted by an animal kept on the Lot. The Owner of a Lot on which an animal is kept is deemed to indemnify and to hold harmless the Board, the Association, and other Owners and Residents, from any loss, claim, or liability resulting from any action of the animal or arising by reason of keeping the animal on the Property.

7.6. **ANNOYANCE.** No Lot or Common Area may be used in any way that: (1) may reasonably be considered annoying to neighbors; (2) may be calculated to reduce the desirability of the Property as a residential neighborhood; (3) may endanger the health or safety of Residents of other Lots; (4) may result in the cancellation of insurance on the Property; or (5) violates any law or Governmental Requirement, the Master Declaration or the Documents. The Board has the sole authority to determine what constitutes an annoyance.

7.7. APPEARANCE. Both the Lot and the Townhome must be maintained in a manner so as not to be unsightly when viewed from the Street or neighboring Lots or Common Areas. The Architectural Reviewer is the arbitrator of acceptable appearance standards.

7.8. ACCESSORY STRUCTURES AND SHEDS. Accessory structures and sheds - such as dog houses, gazebos, metal storage sheds, playhouses, play sets and greenhouses - are not allowed on any Lot.

7.9. BARBECUE. Exterior fires are prohibited on the Property unless contained in commercial standard grilling device approved by the Board.

7.10. COLOR CHANGES. The colors of Townhome Buildings, fences, exterior decorative items, window treatments, and all other improvements on a Lot are subject to regulation and approval by the Architectural Reviewer. Because the relative merits of any color are subjective matters of taste and preference, the Architectural Reviewer determines the colors that are acceptable to the Association. A Resident may not change or add colors that are visible from the Street, a Common Area, or another Lot without the prior written approval of the Architectural Reviewer.

7.11. YARDS. This Section applies to a Townhome yard that is visible from the Common Areas, adjacent Lots or any Street, and not part of the Areas of Common Responsibility. An Owner will maintain his yard in a neat and attractive manner that is consistent with the Subdivision and shall water his yard with the appropriate amounts of water needed to keep the yard healthy and alive. The Association shall consider water restrictions should any such restriction apply. The Association shall be responsible for the routine maintenance of the front yards, flower beds, trees and shrubs. Periodic trimming of trees and shrubs as well as the installation of annual or perennial flowers to the front yards of a Townhome. The kind of annual or perennial flowers shall be determined by the Board of Directors who may rely on recommendations of the landscaper contracted to perform such duties. An Owner shall not remove any landscape items or interfere with the maintenance and upkeep of their front yard. If an Owner desires to not have certain periodic color changes done to their front yard a written request must be submitted to the Board of Directors and Owner must provide specific details to the Board outlining the reasons why no such color changes are desired. The Board has the sole right to determine if no such color change shall take place. *If the Board of Directors or Architectural Reviewer perceives that the appearance of yards detracts from the overall appearance of the Property, the Board may limit the colors, numbers, sizes, or types of furnishings, plantings, and other items kept in the yard. A yard may never be used for storage. All sports or play items as well as barbeque grills or other items or structures must be stored out of view at all times when not in use. No basketball goals may be used without the express written permission of the ACC. No basketball goal may be mounted to the exterior of the Townhome or placed as a permanent structure. No synthetic turf of any kind is allowed in any portion of the front, rear or sides of any yard.*

7.12. DECLARANT PRIVILEGES. In connection with the development and marketing of the Property, Declarant has reserved a number of rights and privileges to use the Property in ways that are not available to other Owners and Residents, as provided in Appendix B of this Declaration. Declarant's exercise of a Development Period right that appears to violate a

Rule or a use restriction of this Article does not constitute waiver or abandonment of the restriction by the Association.

7.13. **DECORATION.** Residents are prohibited from individualizing and decorating the exteriors of their Townhomes. What is appealing and attractive to one person, may be objectionable to another. For that reason, the Association prohibits exterior "decorations" by Owners without the prior written approval of the Architectural Reviewer. Examples of exterior decorations are windsocks, potted plants, and benches, name signs on tiles, hanging baskets, bird feeders, awnings, window sill birdfeeders, yard gnomes, and clay frogs.

7.14. **DRAINAGE.** No person may interfere with the established drainage pattern over any part of the Property unless an adequate alternative provision for proper drainage has been approved by the Board.

7.15. **DRIVEWAYS.** The driveway portion of a Lot may not be used for any purpose that interferes with its ongoing use as a route of vehicular access to the garage. Without the Board's prior approval, a driveway may not be used: (1) for storage purposes, including storage of boats, trailers (of any kind), sports vehicles of any kind, and inoperable vehicles; or (2) for any type of repair or restoration of vehicles. Barbeque grills must be removed when not in use. Basketball goals, if approved by written permission of the ACC, must be removed when not in use and may be stored by laying on its side in the rear fenced yard of the Townhome, if applicable.

7.16. **FIRE SAFETY.** No person may use, misuse, cover, disconnect, tamper with, or modify the fire and safety equipment of the Property, including the sprinkler heads and water lines in and above the ceilings of the Townhome, or interfere with the maintenance and/or testing of same by persons authorized by the Association or by public officials.

7.17. **GARAGES.** Without the Board's prior written approval, the original garage area of a Townhome may not be enclosed or used for any purpose that prohibits the parking of two (2) standard-size operable vehicles therein. Garage doors are to be kept closed at all times except when a vehicle is entering or leaving.

7.18. **GUNS.** Hunting and shooting are not permitted anywhere on or from the Property.

7.19. **LANDSCAPING.** *No person may perform landscaping, planting, or gardening on the Common Area or Areas of Common Responsibility, without the Board's prior written authorization. No synthetic turf is allowed in any portion of the front, rear or sides of any yard.*

7.20. **LEASING OF TOWNHOMES.** An Owner may lease the Townhome on his Lot. Whether or not it is so stated in a lease, every lease is subject to the Documents the Master Declaration and all Governmental Requirements. An Owner is responsible for providing his tenant with copies of the Documents and notifying him of changes thereto. Failure by the tenant or his invitees to comply with the Documents, the Master Declaration, federal or state law, or local ordinance or other Governmental Requirements is deemed to be a default under the lease. When the Association notifies an Owner of his tenant's violation, the Owner will promptly

obtain his tenant's compliance or exercise his rights as a landlord for tenant's breach of lease. If the tenant's violation continues or is repeated, and if the Owner is unable, unwilling, or unavailable to obtain his tenant's compliance, then the Association has the power and right to pursue the remedies of a landlord under the lease or state law for the default, including eviction of the tenant. The Owner of a leased Lot is liable to the Association for any expenses incurred by the Association in connection with enforcement of the Documents, the Master Declaration and/or any Governmental Requirements against his tenant. The Association is not liable to the Owner for any damages, including lost rents, suffered by the Owner in relation to the Association's enforcement of the Documents against the Owner's tenant.

7.21. NOISE & ODOR. A Resident must exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb or annoy Residents of neighboring Townhomes. The Rules may limit, discourage, or prohibit noise-producing activities and items in the Townhomes and on the Area of Common Responsibility.

NOTE: TOWNHOMES ARE NOT SOUND PROOFED. BE A GOOD NEIGHBOR.

7.22. OCCUPANCY - NUMBERS. The Board may adopt Rules regarding the occupancy of Townhomes. If the Rules fail to establish occupancy standards, no more than one person per bedroom may occupy a Townhome, subject to the exception for familial status. The Association's occupancy standard for Residents who qualify for familial status protection under the fair housing laws may not be more restrictive than the minimum (i.e., the fewest people per Townhome) permitted by the U. S. Department of Housing and Urban Development. Other than the living area of the Townhome, no thing or structure on a Lot, such as the garage, may be occupied as a residence at any time by any person.

7.23. OCCUPANCY - TYPES. A person may not occupy a Townhome if the person constitutes a direct threat to the health or safety of other persons, or if the person's occupancy would result in substantial physical damage to the property of others. This Section does not and may not be construed to create a duty for the Association or a selling Owner to investigate or screen purchasers or prospective purchasers of Townhomes. By owning or occupying a Townhome, each person acknowledges that the Subdivision is subject to local, state, and federal fair housing laws and ordinances. Accordingly, this Section may not be used to discriminate against classes or categories of people.

7.24. RESIDENTIAL USE. The use of a Townhome is limited exclusively to residential purposes or any other use permitted by this Declaration. This residential restriction does not, however, prohibit a Resident from using a Townhome for personal business or professional pursuits provided that: (1) the uses are incidental to the use of the Townhome as a residence; (2) the uses conform to applicable Governmental Requirements; (3) there is no external evidence of the uses; (4) the uses do not entail visits to the Townhome by employees or the public in quantities that materially increase the number of vehicles parked on the Street; and (5) the uses do not interfere with Residents' use and enjoyment of neighboring Townhomes or Common Areas.

7.25. SIGNS. No signs, including signs advertising the Townhomes for sale or lease, or unsightly objects may be erected, placed, or permitted to remain on the Property or to be visible from windows in the Townhome without written authorization of the Board. If the Board authorizes signs, the Board's authorization may specify the location, nature, dimensions, number, and time period of any advertising sign. As used in this Section, "sign" includes, without limitation, lettering, images, symbols, pictures, shapes, lights, banners, and any other representation or medium that conveys a message. The Association may affect the immediate removal of any sign or object that violates this Section or which the Board deems inconsistent with neighborhood standards without liability for trespass or any other liability connected with the removal. **Notwithstanding the foregoing, if public law - such as Texas Property Code Section 202.009 and local ordinances - grants an Owner the right to place political signs on the Owner's Lot, the Association may not prohibit an Owner's exercise of such right. The Association may adopt and enforce Rules regulating every aspect of political signs on Owners' Lots to the extent not prohibited or protected by public law. Unless the Rules or public law provide otherwise (1) a political sign may not be displayed more than 90 days before or 10 days after an election to which the sign relates; (2) a political sign must be ground-mounted; (3) an Owner may not display more than one political sign for each candidate or ballot item; and (4) a political sign may not have any of the attributes itemized in Texas Property Code Section 202.009(c), to the extent that statute applies to the Lot.**

7.26. STRUCTURAL INTEGRITY. No person may directly or indirectly impair the structural soundness or integrity of a Townhome Building or another Townhome, nor do any work or modification that will impair an easement or real property right.

7.27. TELEVISION. Each Resident of the Property will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, electronic, microwave, cable, or satellite reception on the Property. Antennas, satellite or microwave dishes, and receiving or transmitting towers that are visible from a Street or from another Lot are prohibited within the Property, except (1) reception-only antennas or satellite dishes designed to receive television broadcast signals, (2) antennas or satellite dishes that are one meter or less in diameter and designed to receive direct broadcast satellite service (DBS), or (3) antennas or satellite dishes that are one meter or less in diameter or diagonal measurement and designed to receive video programming services via multipoint distribution services (MDS) (collectively, the "Antenna") are permitted if located (a) inside the Townhome (such as in an attic or garage) so as not to be visible from outside the Townhome, (b) in a fenced yard, or (c) attached to or mounted on the rear wall of a Townhome below the eaves. If an Owner determines that an Antenna cannot be located in compliance with the above guidelines without precluding reception of an acceptable quality signal, the Owner may install the Antenna in the least conspicuous location on the Lot or Townhome thereon where an acceptable quality signal can be obtained. The Association may adopt reasonable Rules for the location, appearance, camouflaging, installation, maintenance, and use of the Antennas to the extent permitted by public law. An Owner must have written permission of the Association or ACC to install any apparatus to the roof of the structure.

7.28. TRASH. Each Resident will endeavor to keep the Property clean and will dispose of all refuse in receptacles designated specifically by the Association or by the Town for that purpose. Trash must be placed entirely within the designated receptacle. The Board may adopt,

amend, and repeal Rules regulating the disposal and removal of trash from the Property. If the Rules fail to establish hours for curbside trash containers, the container may be in the designated area from dusk on the evening before trash pick-up day until dusk on the day of trash pick-up. *At all other times, trash containers must be kept inside the garage and may not be visible from a Street or another Townhome.*

7.29. VARIATIONS. Nothing in this Declaration may be construed to prevent the Architectural Reviewer from (1) establishing standards for one Townhome Building, type of Townhome Building, or phase in the Property that are different from the standards for other Townhome Buildings or phases, or (2) approving a system of controlled individualization of Townhome exteriors.

7.30. VEHICLES. All vehicles on the Property, whether owned or operated by the Residents or their families and guests, are subject to this Section and Rules adopted by the Board. The Board may adopt, amend, and repeal Rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on the Property. The Board may affect the removal of any vehicle in violation of this Section or the Rules without liability to the owner or operator of the vehicle.

7.30.1. Parking in Street. Vehicles that are not prohibited below may park on public Streets only if the Town allows curbside parking, and in designated parking areas, subject to the continuing right of the Association to adopt reasonable Rules if circumstances warrant.

7.30.2. Prohibited Vehicles. Without prior written Board approval, the following types of vehicles and vehicular equipment - mobile or otherwise - may not be kept, parked, or stored anywhere on the Property - including overnight parking on Streets, driveways, and visitor parking spaces - if the vehicle is visible from a Street or from another Townhome: mobile homes, motor homes, buses, trailers, boats, inoperable vehicles, commercial truck cabs, trucks with tonnage over one ton, vehicles which are not customary personal passenger vehicles, and any vehicle which the Board deems to be a nuisance, unsightly, or inappropriate. This restriction does not apply to vehicles and equipment temporarily on the Property in connection with the construction or maintenance of a Townhome. Vehicles that transport inflammatory or explosive cargo are prohibited from the Property at all times.

7.31. WINDOW TREATMENTS. Each Townhome Building in Subdivision is designed to have a uniform window appearance. Therefore, the color and condition of all windows panes, window screens, and window treatments must conform to the Building Standard of such Townhome Building. All window treatments within the Townhome Building, that are visible from the Street or another Townhome, must be maintained in good condition and must not detract from the appearance of the Property. All window treatments within a Townhome Building must be uniform, although styles of window treatments may vary from Townhome Building to Townhome Building. The Architectural Reviewer may require an Owner to change or remove a window treatment, window film, window screen, or window decoration that the Architectural Reviewer determines to be inappropriate, unattractive, or inconsistent with the Property's uniform window standard. The Architectural Reviewer may prohibit the use of certain

colors or materials for window treatments. If the Rules fail to establish a different standard, all window treatments - as seen from the Street - must be white in color and the style must be 2-inch Venetian horizontal blinds.

NOTE: BEFORE YOU BUY THOSE WINDOW COVERINGS, GET ARCHITECTURAL APPROVAL.

7.32. FLAGS. Each Owner and Resident of the Subdivision has a right to fly the flag on his Lot. The United States flag ("Old Glory") and/or the Texas state flag ("Lone Star Flag"), and/or an official or replica flag of any branch of the United States armed forces, may be displayed in a respectful manner on each Lot, subject to reasonable standards adopted by the Association for the height, size, illumination, location, and number of flagpoles, all in compliance with section 202.012 of the Texas Property Code. All flag displays must comply with public flag laws. No other types of flags, pennants, banners, kites, or similar types of displays are permitted on a Lot if the display is visible from a Street or Common Area. Unless the Rules provide otherwise, a flag must be wall-mounted to the first floor facade of the house, and no in-ground flag pole is permitted on a Lot.

ARTICLE 8

ASSOCIATION AND MEMBERSHIP

RIGHTS

8.1. ASSOCIATION. By acquiring an ownership interest in a Lot, a person is automatically and mandatorily a Member of the Association.

8.2. BOARD. Unless the Documents expressly reserve a right, action, or decision to the Owners, Declarant, or another party, the Board acts in all instances on behalf of the Association. Unless the context indicates otherwise, references in the Documents to the "*Association*" may be construed to mean "*the Association acting through its board of directors.*"

8.3. THE ASSOCIATION. The duties and powers of the Association are those set forth in the Documents, primarily the Bylaws, together with the general and implied powers of a property owners association and a nonprofit corporation organized under the laws of the State of Texas. Generally, the Association may do any and all things that are lawful and necessary, proper, or desirable in operating for the peace, health, comfort, and general benefit of its Members, subject only to the limitations on the exercise of such powers as stated in the Documents. Among its duties, the Association levies and collects Assessments, maintains the Common Areas and Areas of Common Responsibility, and pays the expenses of the Association, such as those described in Section 9.4 below. The Association comes into existence on the earlier of (1) filing of its Certificate of Formation of the Association with the Texas Secretary of State or (2) the initial levy of Assessments against the Lots and Owners. The Association will continue to exist at least as long as the Declaration is effective against the Property, regardless of whether

its corporate charter lapses from time to time. Notwithstanding the foregoing, the Association may not be voluntarily dissolved without the prior written consent of the Town.

8.4. GOVERNANCE. The Association will be governed by a Board of directors elected by the Members. Unless the Association's Bylaws or Certificate of Formation provide otherwise, the Board will consist of at least 3 persons elected at the annual meeting of the Association, or at a special meeting called for that purpose. The Association will be administered in accordance with the Bylaws. Unless the Documents provide otherwise, any action requiring approval of the Members may be approved in writing by Owners of at least a Majority of all Lots, or at a meeting by Owners of at least a Majority of the Lots that are present at such meeting (subject to quorum requirements being met).

8.5. MEMBERSHIP. Each Owner and all successive Owners are mandatory Members of the Association, ownership of a Lot being the sole qualification for membership. Membership is appurtenant to and may not be separated from ownership of the Lot. The Board may require satisfactory evidence of transfer of ownership before a purported Owner is entitled to vote at meetings of the Association. If a Lot is owned by more than one person or entity, the co-owners shall combine their vote in such a way as they see fit, but there shall be no fractional votes and no more than one (1) vote with respect to any Lot. A Member who sells his Lot under a contract for deed may delegate his membership rights to the contract purchaser, provided a written assignment is delivered to the Board. However, the contract seller remains liable for all Assessments attributable to his Lot until fee title to the Lot is transferred. A Member shall be considered to be a "Member in Good Standing" (herein so called) and eligible to vote on Association related matters if such Member:

(i) Has, at least ten (10) days prior to the taking of any vote by the Association, fully paid all Assessments or other charges levied by the Association, as such Assessments or charges are provided for hereunder, and any Assessments or charges levied by the Master Association, as provided for under the Master Declaration and Master Association Documents;

(ii) Does not have a Notice of Unpaid Assessments or similar notice filed by the Association or the Master Association against the Lot owned by such Owner;

(iii) Has not received any notice of a violation of this Declaration, the Master Declaration or any notice of violation of the Design Guidelines or any design guidelines promulgated hereunder or under the Master Declaration, which violation is continuing and has not been cured by such Member in violation; and

(iv) Has discharged all other obligations to the Association and the Master Association as may be required of Members hereunder or under the Association Documents, or under the Master Declaration or Master Association Documents.

The Board shall have the right and authority, in the Board's sole and absolute discretion, to waive the ten (10) day prior payment requirement hereof and require only that such payment be made at any time before such vote is taken if the Board shall determine, in the Board's sole and exclusive judgment, that extenuating circumstances exist which have prevented prior payment. Any

Member not conforming with the provisions of this Section shall be declared by the Board not to be a Member in Good Standing and any such Member's vote shall not be entitled to be exercised on matters before the Association or by the by the Sub-Association Representative with respect to the Master Association, until such time as Member in Good Standing status is attained and so declared by the Board. **Notwithstanding the foregoing or anything to the contrary contained herein, for as long as required under the Texas Residential Property Owners Protection Act, as amended from time to time (Texas Property Code, Section 209.001 *et seq.*), nothing contained in this Section shall prohibit a Member's vote (whether or not such Member is a Member in Good Standing) from being exercised by such Member to elect directors of the Board or Master Board or on matters that affect such Member's rights or responsibilities with respect to the Lot owned by it, at any meeting of or action taken by the Members of the Association, or by the Sub-Association Representative at any meeting of or action taken by the members of the Master Association.**

8.6. **VOTING.** One vote is appurtenant to each Lot. The total number of votes equals the total number of Lots in the Property. If additional property is made subject to this Declaration, the total number of votes will be increased automatically by the number of additional Lots included in the property annexed into the Property subject to this Declaration. Each vote is uniform and equal to the vote appurtenant to every other Lot, except during the Declarant Control Period as permitted in Appendix B. Cumulative voting is not allowed. Votes may be cast by written proxy, according to the requirements of the Association's Bylaws.

8.7. **VOTING BY CO-OWNERS.** The one vote appurtenant to a Lot is not divisible. If only one of the multiple co-owners of a Lot is present at a meeting of the Association, that person may cast the vote allocated to the Lot. If more than one of the co-owners is present, the Lot's one vote may be cast with the co-owners' unanimous agreement. Co-owners are in unanimous agreement if one of the co-owners casts the vote and no other co-owner makes prompt protest to the person presiding over the meeting. Any co-owner of a Lot may vote by ballot or proxy, and may register protest to the casting of a vote by ballot or proxy by the other co-owners. If the person presiding over the meeting or balloting receives evidence that the co-owners disagree on how the one appurtenant vote will be cast, the vote will not be counted.

8.8. **BOOKS & RECORDS.** The Association will maintain copies of the Documents and the Association's books, records, and financial statements. Books and records of the Association will be made available for inspection and copying pursuant to Section 209.005 of the Texas Property Code.

8.9. **INDEMNIFICATION.** THE ASSOCIATION INDEMNIFIES EVERY OFFICER, DIRECTOR, COMMITTEE CHAIR, AND COMMITTEE MEMBER (FOR PURPOSES OF THIS SECTION, "LEADERS") AGAINST EXPENSES, INCLUDING ATTORNEY'S FEES, REASONABLY INCURRED BY OR IMPOSED ON THE LEADER IN CONNECTION WITH AN ACTION, SUIT, OR PROCEEDING TO WHICH THE LEADER IS A PARTY BY REASON OF BEING OR HAVING BEEN A LEADER. A LEADER IS NOT LIABLE FOR A MISTAKE OF JUDGMENT, NEGLIGENCE OR OTHERWISE. A LEADER IS LIABLE FOR HIS WILLFUL MISFEASANCE, MALFEASANCE, MISCONDUCT, OR BAD FAITH. THIS RIGHT TO INDEMNIFICATION DOES NOT EXCLUDE ANY OTHER RIGHTS TO WHICH PRESENT OR FORMER LEADERS MAY BE ENTITLED. THE

ASSOCIATION MAY MAINTAIN GENERAL LIABILITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE TO FUND THIS OBLIGATION. ADDITIONALLY, THE ASSOCIATION MAY INDEMNIFY A PERSON WHO IS OR WAS AN EMPLOYEE, TRUSTEE, AGENT, OR ATTORNEY OF THE ASSOCIATION, AGAINST ANY LIABILITY ASSERTED AGAINST HIM AND INCURRED BY HIM IN THAT CAPACITY AND ARISING OUT OF THAT CAPACITY. ADDITIONALLY, THE ASSOCIATION MAY INDEMNIFY A PERSON WHO IS OR WAS AN EMPLOYEE, TRUSTEE, AGENT, OR ATTORNEY OF THE ASSOCIATION, AGAINST ANY LIABILITY ASSERTED AGAINST HIM AND INCURRED BY HIM IN THAT CAPACITY AND ARISING OUT OF THAT CAPACITY.

8.10. OBLIGATIONS OF OWNERS. Without limiting the obligations of Owners under the Documents, each Owner has the following obligations:

8.10.1. Pay Assessments. Each Owner will pay Assessments properly levied by the Association and/or the Master Association against the Owner or his Lot, and will pay Regular Assessments without demand or written statement by the Association.

8.10.2. Comply. Each Owner will comply with the Documents as amended from time to time.

8.10.3. Reimburse. Owner will pay for damage to the Property caused by the negligence or willful misconduct of the Owner, a Resident of the Owner's Lot, or the Owner or Resident's family, guests, employees, contractors, agents, or invitees.

8.10.4. Liability. Each Owner is liable to the Association for violations of the Documents by the Owner, a Resident of the Owner's Lot, or the Owner or Resident's family, guests, employees, agents, or invitees, and for costs incurred by the Association to obtain compliance, including attorney's fees whether or not suit is filed.

8.11. HOME RESALES. This Section applies to every sale or conveyance of a Lot or an interest in a Lot by an Owner other than Declarant or a Builder:

8.11.1. Resale Certificate. An Owner intending to sell his home will notify the Association and will request a Resale Certificate (herein so called) from the Association. The Resale Certificate shall include such information as may be required under Section 207.003(b) of the Texas Property Code; provided, however, that the Association or its agents may charge a fee in connection with preparation of the Resale Certificate to cover its administrative costs or otherwise, which fee must be paid upon the earlier of (i) delivery of the Resale Certificate to an Owner, or (ii) the Owner's closing of the sale or transfer of his/her Townhome. Declarant is exempt from any and all Resale Certificate fees.

8.11.2. No Right of First Refusal. The Association does not have a right of first refusal and may not compel a selling Owner to convey the Owner's Lot to the Association.

8.11.3. Reserve Fund Contribution. At time of transfer of a Lot (other than by Declarant), a "Reserve Fund Contribution" (herein so called) shall be paid to the Association in the amount of three hundred and No/100 Dollars (\$300.00). Reserve Fund Contributions shall be deposited in the Association's "Reserve Fund" (herein so called). The Reserve Fund Contribution may be paid by the seller or buyer, and will be collected at closing of the transfer of a Lot, provided in no event shall any Reserve Fund Contribution be due or owing in connection with a transfer by Declarant. If the Reserve Fund Contribution is not collected at closing, the buyer remains liable to the Association for the Reserve Fund Contribution until paid. The Reserve Fund Contribution is not refundable and may not be regarded as a prepayment of or credit against Regular Assessments or Special Assessments. Per the Town's Ordinances, the Association shall have the right to the use of funds allocated to the Reserve Fund for the maintenance and upkeep of any area of the grounds, Common Areas, Areas of Common Responsibility or any portion of the development, at any time and from time to time, as needed so long as the Association is the responsible party for said maintenance and upkeep.

8.11.4. Other Transfer-Related Fees. A number of independent fees may be charged in relation to the transfer of title to a Lot, including but not limited to fees for Resale Certificates, estoppel certificates, copies of Documents, compliance inspections, ownership record changes, and priority processing, provided the fees are customary in amount, kind, and number for the local marketplace are not refundable and may not be regarded as a prepayment of or credit against Regular Assessments or Special Assessments. Transfer fees and fees for the issuance of Resale Certificates shall in no event exceed \$500.00 for each Townhome then being conveyed. Transfer-related fees may and probably will be charged by the Association or by the Association's managing agent, provided there is no duplication. Transfer-related fees charged by or paid to a managing agent are not subject to the Association's Assessment Lien, and are not payable by the Association. Declarant is exempt from transfer related fees.

8.11.5. Notice of Obligation to Pay Public Improvement District Assessment to the Town. By the deed or other document conveying any portion of the Property subject to this Declaration, upon taking title to any portion of the Property, each Owner shall be obligated to pay an assessment to a municipality or county for an improvement project undertaken by a public improvement district (the PID) under Subchapter A, Chapter 372, Local Government Code, or Chapter 382, Local Government Code. The assessment may be due annually or in periodic installments and shall be in addition to the Assessments levied hereunder by the Association or any assessments or charges levied by the Master Association under the Master Declaration. More information concerning the amount of the assessment and the due dates of that assessment with respect to the PID may be obtained from the Town or county levying the assessment. The amount of the assessments levied against Property within the PID is subject to change. An Owner's failure to pay the PID assessments could result in a lien on and the foreclosure of Property owned by it, which lien shall be in addition to the Assessment Lien hereunder.

8.11.6. Information. Within thirty days after acquiring an interest in a Lot, an Owner will provide the Association with the following information: a copy of the settlement statement or deed by which Owner has title to the Lot; the Owner's email

address (if any), U. S. postal address, and phone number; any mortgagee's name, address, and loan number; the name and phone number of any Resident other than the Owner; the name, address, and phone number of Owner's managing agent, if any.

ARTICLE 9

COVENANT FOR ASSESSMENTS

9.1. **POWER TO ESTABLISH ASSESSMENTS AND PURPOSE OF ASSESSMENTS.** The Association is empowered to establish and collect Assessments as provided in this Article 9 for the purpose of obtaining funds to maintain the Common Area and/or Areas of Common Responsibility, perform its other duties, and otherwise preserve and further the operation of the Property as a first-class, quality residential subdivision. The purposes for which Assessments may be used to fund the costs and expenses of the Association (the "**Common Expenses**") in performing or satisfying any right, duty or obligation of the Association hereunder or under any of the Documents, including, without limitation, maintaining, operating, managing, repairing, replacing or improving the Common Area, Areas of Common Responsibility or any improvements thereon; mowing grass and maintaining grades and signs; paying legal fees and expenses incurred in enforcing this Declaration; paying expenses incurred in collecting and administering Assessments; paying insurance premiums for liability and fidelity coverage for the ACC, the Board and the Association; paying operational and administrative expenses of the Association; and satisfying any indemnity obligation under the Association Documents. The Board may reject partial payments and demand payment in full of all amounts due and owing the Association. The Board is specifically authorized to establish a policy governing how payments are to be applied. The Assessments due hereunder shall be in addition to any assessments levied or collected by the Master Association pursuant to the Master Declaration and/or Master Association Documents (the "**Master Assessments**"), to the extent such Master Assessments levied or collected by the Master Association are not included in the Common Expenses on which the Assessments are based. The Association will use Assessments for the general purposes of preserving and enhancing the Property, and for the common benefit of Owners and Residents, including but not limited to maintenance of real and personal property, management and operation of the Association, and any expense reasonably related to the purposes for which the Property was developed. If made in good faith, the Board's decision with respect to the use of Assessments is final.

9.2. **PERSONAL OBLIGATION.** An Owner is obligated to pay Assessments levied by the Board against the Owner or his Lot. An Owner makes payment to the Association at its principal office or at any other place the Board directs. Payments must be made in full regardless of whether an Owner has a dispute with the Association, another Owner, or any other person or entity regarding any matter to which this Declaration pertains. No Owner may exempt himself from his Assessment liability by waiver of the use or enjoyment of the Common Area or by abandonment of his Lot. An Owner's obligation is not subject to offset by the Owner, nor is it contingent on the Association's performance of the Association's duties. Payment of Assessments is both a continuing affirmative covenant personal to the Owner and a continuing covenant running with the Lot.

9.3. **CONTROL FOR ASSESSMENT INCREASES.** This Section of the Declaration may not be amended without the approval of Owners of at least two-thirds (2/3) of the Lots. In

addition to other rights granted to Owners by this Declaration, Owners have the following powers and controls over the Association's budget:

9.3.1. Veto Increased Dues. At least 30 days prior to the effective date of an increase in Regular Assessments wherein the Regular Assessments due will increase more than twenty-five percent (25%) from the previous year's Regular Assessments (excluding any portion of the Regular Assessments levied to fund Master Assessments levied by the Master Association pursuant to the Master Declaration), the Board will notify an Owner of each Lot of the amount of, the budgetary basis for, and the effective date of the increase. The increase will automatically become effective unless Owners of at least a Majority of the Lots disapprove the increase by petition or at a meeting of the Association, subject to rights of the Board under Section 9.4.1 below. In that event, the last-approved budget will continue in effect until a revised budget is approved. Increases of twenty percent (25%) or less shall not require a vote of the Owners, and may be approved by Declarant during the Development Period or, thereafter, by the Board.

9.3.2. Veto Special Assessment. At least 30 days prior to the effective date of a Special Assessment, the Board will notify an Owner of each Lot of the amount of, the budgetary basis for, and the effective date of the Special Assessment. The Special Assessment will automatically become effective unless Owners of at least a Majority of the Lots disapprove the Special Assessment by petition or at a meeting of the Association.

9.4. TYPES OF ASSESSMENTS. There are six types of Assessments: Regular Assessments (which may include Master Assessments), Special Assessments, Insurance Assessments, Individual Assessments, and Deficiency Assessments. Regular Assessments (which may include amounts levied as Master Assessments) shall be reoccurring Assessments payable as defined in this Section 9.4 and more particularly as described in Section 9.4.1 and 9.4.4 below.

9.4.1. Regular Assessments. Regular Assessments are based on the annual budget, which budget shall include any Master Assessments levied by the Master Association pursuant to the Master Declaration not invoiced separately to each Owner. Each Lot is liable for its equal share of the annual budget. If the Board does not approve an annual budget or fails to determine new Regular Assessments for any year, or delays in doing so, Owners will continue to pay the Regular Assessment as last determined. The Regular Assessment has been set at One Thousand, Six Hundred Fifty Two, and 40/100 Dollars (\$1,652.40) per lot, per year for the 1st year after recording of this Declaration. Regular Assessments shall be paid on a quarterly basis; every January, April, July, October of a calendar year (unless the Board determines a different schedule). Regular Assessments shall be due on the first (1st) day of the month in which they are due and shall be considered late if not paid by the tenth (10th) day of the month in which they are due.

If during the course of a year and thereafter the Board determines that Regular Assessments are insufficient to cover the estimated Common Expenses for the remainder of the year, the Board may increase Regular Assessments for the remainder of the fiscal

year in an amount that covers the estimated deficiency up to twenty-five percent (25%) (excluding any portion of the Regular Assessments levied to fund Master Assessments) without a vote of the Owners as set forth in Section 9.3.1 above. Notwithstanding the foregoing or the terms of Section 9.3.1 above, in the event that either (i) the Board determines that due to unusual circumstances the maximum annual Regular Assessment even as increased by twenty-five percent (25%) will be insufficient to enable the Association to pay the Common Expenses, or (ii) the Master Assessment increases resulting in an increase in excess of twenty-five percent (25%) above the previous year's Regular Assessment, then in such event, the Board shall have the right to increase the maximum annual Regular Assessment by the amount necessary to provide sufficient funds to cover the Common Expenses (including, without limitation, the Master Assessment) without the approval of the Members as provided herein; provided, however, with respect to any such increases in the Regular Assessment not attributable to increases in the Master Assessment, the Board shall only be allowed to make one (1) such increase per calendar year pursuant to this Section 9.4.1 and the terms of Section 9.3.1 shall apply for any additional increases of the Regular Assessment in a calendar year.

Regular Assessments are used for Common Expenses related to the reoccurring, periodic, and anticipated responsibilities of the Association, including but not limited to:

- a. Maintenance, repair, and replacement, as necessary, of the Common Area, including any private Streets.
- b. Maintenance, repair, and replacement, as necessary, of the Area of Common Responsibility.
- c. Utilities billed to the Association.
- d. Services billed to the Association and serving all Lots.
- e. Taxes on property owned by the Association and the Association's income taxes.
- f. Management, legal, accounting, auditing, and professional fees for services to the Association.
- g. Costs of operating the Association, such as telephone, postage, office supplies, printing, meeting expenses, and educational opportunities of benefit to the Association.
- h. Premiums and deductibles on insurance policies and bonds required by this Declaration or deemed by the Board to be necessary or desirable for the benefit of the Association, including fidelity bonds and directors' and officers' liability insurance.
- i. Contributions to the reserve funds.

j. Any other expense which the Association is required by law or the Documents to pay, or which in the opinion of the Board is necessary or proper for the operation and maintenance of the Property or for enforcement of the Documents.

9.4.2. Special Assessments. In addition to Regular Assessments, and subject to the Owners' control for certain Assessment increases, the Board may levy one or more Special Assessments against all Lots for the purpose of defraying, in whole or in part, Common Expenses not anticipated by the annual budget or the Reserve Funds. Special Assessments do not require the approval of the Owners, except that Special Assessments for the following purposes must be approved by Owners of least a Majority of the Lots:

a. Acquisition of real property, other than the purchase of a Lot at the sale foreclosing the Association's lien against the Lot.

b. Construction of additional capital improvements within the Property, but not replacement of existing improvements.

c. Any expenditure that may reasonably be expected to significantly increase the Association's responsibility and financial obligation for operations, insurance, maintenance, repairs, or replacement.

9.4.3. Insurance Assessments. The Association's insurance premiums are Common Expenses that must be included in the Association's annual budget. Nevertheless, the Board may levy an Insurance Assessment - separately from the Regular Assessment - to fund (1) insurance premiums, (2) insurance deductibles, and (3) expenses pertaining to the Fire Riser Closets and the fire sprinkler system for the Townhomes. If the Association levies an Insurance Assessment, the Association must disclose the Insurance Assessment in Resale Certificates prepared by the Association.

9.4.4. Master Assessments. The Association may, and probably will, serve as a conduit for payment of the Owners' Master Assessments to the Master Association. At its sole discretion, the Board may include the Owners' collective obligation for Master Assessments to the Master Association in the Association's annual operating budget to be paid by Regular Assessment, or as a separate dedicated Assessment. If the Association levies a Master Assessment, the Association must disclose the Master Assessment in Resale Certificates prepared by the Association. If the Association collects money from the Owners for the Master Association, the Association is not required to make payment to the Master Association for the account of an Owner who is delinquent in payment of Assessments to the Association. Money received by the Association from such Owner will be applied first to cure the Owner's account with the Association. Any surplus may be paid to the Master Association for the Owner's account. Effective as of the filing date of this Declaration, Master Assessments are **Four Hundred Fifty Two and 40/100 Dollars, (\$452.40)** per Lot per year, subject to modification in accordance with the terms of the Master Declaration.

9.4.5. Individual Assessments. In addition to Regular Assessments, Special Assessments, and Insurance Assessments, the Board may levy an Individual Assessment against a Lot and its Owner. Individual Assessments may include, but are not limited to: interest, late charges, and collection costs on delinquent Assessments; reimbursement for costs incurred in bringing an Owner or his Lot into compliance with the Documents; fines for violations of the Documents; insurance deductibles; transfer-related fees and Resale Certificate fees; fees for estoppel letters and project documents; reimbursement for damage or waste caused by willful or negligent acts; Common Expenses that benefit fewer than all of the Lots, which may be assessed according to benefit received; fees or charges levied against the Association on a per-Lot basis; and "pass through" expenses for services to Lots provided through the Association and which are equitably paid by each Lot according to benefit received.

9.4.6. Deficiency Assessments. The Board may levy a Deficiency Assessment against all Lots for the purpose of defraying, in whole or in part, the cost of repair or restoration if insurance proceeds or condemnation awards prove insufficient.

9.5. BASIS & RATE OF ASSESSMENTS. The share of liability for Common Expenses allocated to each Lot is uniform for all Lots, regardless of a Lot's location or the value and size of the Lot or Townhome; subject, however, to the exemption for Declarant provided below and in Appendix B.

9.6. DECLARANT OBLIGATION. Declarant's obligation for an exemption from Assessments is described in Appendix B. Unless Appendix B creates an affirmative assessment obligation for Declarant, a Lot that is owned by Declarant during the Development Period is exempt from mandatory assessment by the Association. Declarant has a right to reimbursement for any Assessment paid to the Association by Declarant during the Development Period, but only after the Declarant Control Period. This provision may not be construed to prevent Declarant from making a loan or voluntary monetary donation to the Association, provided it is so characterized.

9.7. ANNUAL BUDGET. The Board will prepare and approve an estimated annual budget for each fiscal year. For each calendar year or a part thereof during the term of this Declaration and after recordation of the initial final Plat of any portion of the Property, the Board shall establish an estimated budget of the Common Expenses to be incurred by the Association for the forthcoming year in performing and satisfying its rights, duties and obligations, which Common Expenses may include, without limitation, amounts due from Owners as Master Assessments under the Master Declaration or otherwise due to the Master Association and which are to be remitted by the Association in accordance with the terms of the Master Declaration. Based upon such budget, the Association shall then assess each Lot an annual fee which shall be paid by each Owner in advance in accordance with Section 9.4.1 hereof. The Association shall notify each Owner of the Regular and Master Association Assessments for the ensuing year by December 31st of the preceding year, but failure to give such notice shall not relieve any Owner from its obligation to pay Assessments. Any Assessment not paid within thirty (30) days of the date due shall be delinquent and shall thereafter bear interest at the rate of twelve percent (12%) per annum or the maximum rate permitted by Applicable Law, whichever ever is less (the "Default Interest Rate"). As to any partial year, Assessments on any Lot shall be appropriately prorated.

9.8. **DUE DATE.** The Board may levy Regular Assessments and Master Assessments on any periodic basis - quarterly or monthly. Regular Assessments and Master Assessments are due on the first day of the period for which levied. Special Assessments, Insurance Assessments, Individual Assessments and Deficiency Assessments are due on the date stated in the notice of such Assessment or, if no date is stated, within 10 days after notice of the Assessment is given. Assessments are delinquent if not received by the Association on or before the due date.

9.9. **ASSOCIATION'S RIGHT TO BORROW MONEY.** The Association is granted the right to borrow money, subject to the consent of Owners of at least a Majority of Lots and the ability of the Association to repay the borrowed funds from Assessments. To assist its ability to borrow, the Association is granted the right to encumber, mortgage, pledge, or deed in trust any of its real or personal property, and the right to assign its right to future income, as security for money borrowed or debts incurred, provided that the rights of the lender in the pledged property are subordinate and inferior to the rights of the Owners hereunder.

9.10. **LIMITATIONS OF INTEREST.** The Association, and its officers, directors, managers, and attorneys, intend to conform strictly to the applicable usury laws of the State of Texas. Notwithstanding anything to the contrary in the Documents or any other Document or agreement executed or made in connection with the Association's collection of Assessments, the Association will not in any event be entitled to receive or collect, as interest, a sum greater than the maximum amount permitted by Applicable Law. If from any circumstances whatsoever, the Association ever receives, collects, or applies as interest a sum in excess of the maximum rate permitted by Applicable Law, the excess amount will be applied to the reduction of unpaid Special Assessments and Regular Assessments, or reimbursed to the Owner if those Assessments are paid in full.

ARTICLE 10 **ASSESSMENT LIEN**

10.1. **ASSESSMENT LIEN.** Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay Assessments to the Association. Each Assessment is a charge on the Lot and is secured by a continuing Assessment Lien (as defined below) on the Lot. Each Owner, and each prospective Owner, is placed on notice that his title may be subject to the continuing Assessment Lien for Assessments attributable to a period prior to the date he purchased his Lot.

10.2. **SUPERIORITY OF ASSESSMENT LIEN.** The Assessment Lien is superior to all other liens and encumbrances on a Lot, except only for (1) real property taxes and assessments levied by governmental and taxing authorities, (2) a deed of trust or vendor's lien recorded before this Declaration, (3) a recorded deed of trust lien securing a loan for construction of the original Townhome, and (4) a first or senior purchase money vendor's lien or deed of trust lien recorded before the date on which the delinquent Assessment became due.

The Assessment Lien is subordinate and inferior to a recorded deed of trust lien that secures a first or senior purchase money mortgage, an FHA-insured mortgage, or a VA-guaranteed mortgage.

10.3. EFFECT OF MORTGAGEE'S FORECLOSURE. Foreclosure of a superior lien extinguishes the Association's claim against the Lot for unpaid Assessments that became due before the sale, but does not extinguish the Association's claim against the former Owner. The purchaser at the foreclosure sale of a superior lien is liable for Assessments coming due from and after the date of the sale, and for the Owner's pro rata share of the pre-foreclosure deficiency as an Association expense.

10.4. NOTICE AND RELEASE OF NOTICE. The Association's lien for Assessments is created by recordation of this Declaration, which constitutes record notice and perfection of the lien. No other recordation of a lien or notice of lien is required. However, the Association, at its option, may cause a notice of the lien to be recorded in the county's Real Property Records. If the debt is cured after a notice has been recorded, the Association will record a release of the notice at the expense of the curing Owner.

10.5. POWER OF SALE. By accepting an interest in or title to a Lot, each Owner grants to the Association a private power of nonjudicial sale in connection with the Association's Assessment Lien. The Board may appoint, from time to time, any person, including an officer, agent, trustee, substitute trustee, or attorney, to exercise the Association's lien rights on behalf of the Association, including the power of sale. The appointment must be in writing and may be in the form of a resolution recorded in the minutes of a Board meeting.

10.6. FORECLOSURE OF LIEN. The Assessment Lien may be enforced by judicial or nonjudicial foreclosure. A foreclosure must comply with the requirements of applicable law, such as Chapter 209 of the Texas Property Code. A nonjudicial foreclosure must be conducted in accordance with the provisions applicable to the exercise of powers of sale as set forth in Section 51.002 of the Texas Property Code, or in any manner permitted by law. In any foreclosure, the Owner is required to pay the Association's costs and expenses for the proceedings, including reasonable attorneys' fees, subject to applicable provisions of the Bylaws and Applicable Law, such as Chapter 209 of the Texas Property Code. The Association has the power to bid on the Lot at foreclosure sale and to acquire, hold, lease, mortgage, and convey same. The Association may not foreclose the Assessment Lien if the debt consists solely of fines and/or a claim for reimbursement of attorney's fees incurred by the Association.

ARTICLE 11

EFFECT OF NONPAYMENT OF ASSESSMENTS

An Assessment is delinquent if the Association does not receive payment in full by the Assessment's due date. The Association, acting through the Board, is responsible for taking action to collect delinquent Assessments. The Association's exercise of its remedies is subject to Applicable Laws, such as Chapter 209 of the Texas Property Code, and pertinent provisions of the Bylaws. From time to time, the Association may delegate some or all of the collection procedures and remedies, as the Board in its sole discretion deems appropriate, to the Association's manager, an attorney, or a debt collector. Neither the Board nor the Association, however, is liable to an Owner or other person for its failure or inability to collect or attempt to collect an Assessment. The following remedies are in addition to and not in substitution for all other rights and remedies which the Association has:

11.1. RESERVATION, SUBORDINATION, AND ENFORCEMENT OF ASSESSMENT LIEN. Declarant hereby reserves for the benefit of itself and the Association, a continuing contractual lien (the "Assessment Lien") against each Lot located on such Declarant's portion of the Property to secure payment of (1) the Assessments imposed hereunder and (2) payment of any amounts expended by such Declarant or the Association in performing a defaulting Owner's obligations as provided for in Section 4.3. THE OBLIGATION TO PAY ASSESSMENTS IN THE MANNER PROVIDED FOR IN THIS ARTICLE, TOGETHER WITH INTEREST FROM SUCH DUE DATE AT THE DEFAULT INTEREST RATE SET FORTH (IF APPLICABLE), THE CHARGES MADE AS AUTHORIZED IN THIS DECLARATION, ALL VIOLATION FINES AND THE COSTS OF COLLECTION, INCLUDING, BUT NOT LIMITED TO, REASONABLE ATTORNEYS' FEES, IS SECURED BY A CONTINUING CONTRACTUAL ASSESSMENT LIEN AND CHARGE ON THE LOT COVERED BY SUCH ASSESSMENT, WHICH SHALL BIND SUCH LOT AND THE OWNERS THEREOF AND THEIR HEIRS, SUCCESSORS, DEVISEES, PERSONAL REPRESENTATIVES AND ASSIGNEES. The continuing contractual Assessment Lien shall attach to the Lots as of the date of the recording of this Declaration in the Official Public Records of Denton County, Texas, and such Assessment Lien shall be superior to all other liens except as otherwise provided in this Declaration. Each Owner, by accepting conveyance of a Lot, shall be deemed to have agreed to pay the Assessments herein provided for and to the reservation of the Assessment Lien. The Assessment Lien shall be subordinate only to the liens of any valid first lien mortgage or deed of trust encumbering a particular Lot and the Assessment Lien established by the terms of the Master Declaration. Sale or transfer of any Lot shall not affect the Assessment Lien. However, the sale or transfer of any Lot pursuant to a first mortgage or deed of trust foreclosure (whether by exercise of power of sale or otherwise) or any proceeding in lieu thereof, shall only extinguish the Assessment Lien as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability and the Assessment Lien for any Assessments thereafter becoming due. The Assessment Lien may be non-judicially foreclosed by power of sale in accordance with the provisions of Section 51.002 of the Texas Property Code (or any successor provision) or may be enforced judicially. Each Owner, by accepting conveyance of a Lot, expressly grants the Association a power of sale in connection with the foreclosure of the Assessment Lien. The Board is empowered to appoint a trustee, who may be a member of the Board, to exercise the powers of the Association to non-judicially foreclose the Assessments Lien in the manner provided for in Section 51.002 of the Texas Property Code (or any successor statute). The Association, through duly authorized agents, shall have the power to bid on the Lot at foreclosure sale and to acquire and hold, lease, mortgage and convey the same. The rights and remedies set forth in this Declaration are subject to the Texas Residential Property Owners Protection Act, as amended from time to time (Texas Property Code, Section 209.001 *et seq.*).

11.1.1. Notices of Delinquency or Payment. The Association, the Association's attorney or the Declarant may file notice (a "Notice of Unpaid Assessments") of any delinquency in payment of any Assessment in the Records of Denton County, Texas. THE ASSESSMENT LIEN MAY BE ENFORCED BY FORECLOSURE OF THE ASSESSMENT LIEN UPON THE DEFAULTING OWNER'S LOT BY THE ASSOCIATION SUBSEQUENT TO THE RECORDING OF THE NOTICE OF UNPAID ASSESSMENTS EITHER BY JUDICIAL FORECLOSURE OR BY

NONJUDICIAL FORECLOSURE THROUGH A PUBLIC SALE IN LIKE MANNER AS A MORTGAGE ON REAL PROPERTY IN ACCORDANCE WITH THE TEXAS PROPERTY CODE, AS SUCH MAY BE REVISED, AMENDED, SUPPLEMENTED OR REPLACED FROM TIME TO TIME. Upon the timely curing of any default for which a notice was recorded by the Association, the Association, through its attorney, is hereby authorized to file of record a release of such notice upon payment by the defaulting Owner of a fee, to be determined by the Association but not to exceed the actual cost of preparing and filing a release. Upon request of any Owner, any title company on behalf of such Owner or any Owner's mortgagee, the Board, through its agents, may also issue certificates evidencing the status of payments of Assessments as to any particular Lot (i.e., whether they are current or delinquent and if delinquent, the amount thereof). The Association or its Managing Agent may impose a reasonable fee for furnishing such certificates or statements.

11.1.2. Suit to Recover. The Association may file suit to recover any unpaid Assessment and, in addition to collecting such Assessment and interest thereon, may also recover all expenses reasonably expended in enforcing such obligation, including reasonable attorneys' fees and court costs.

11.2. INTEREST. Delinquent Assessments are subject to interest from the due date until paid, at the Default Interest Rate.

11.3. LATE AND OTHER FEES. Delinquent Assessments are subject to late fees which shall be Twenty-Five and No/100 Dollars (\$25.00) per month for each month any portion of Assessments due are not paid and is payable to the Association. This amount may be reviewed and adjusted by the Board from time to time as needed to compensate the Association with any rise in costs and expenses associated with the collection of delinquencies to an account. Late fees will be assessed to the delinquent Owner's account. Bank fees for non-sufficient funds or for any other reason charged to the Association which is in relation to a payment received by an Owner and not honored by the Owner's bank or any other financial institution and/or source shall be charged back to the Owner's account for reimbursement to the Association.

11.4. COSTS OF COLLECTION. The Owner of a Lot against which Assessments are delinquent is liable for reimbursement of reasonable costs incurred to collect the delinquent Assessments, including attorney's fees and processing fees charged by the managing agent. There shall be a late charge in the amount of Twenty-Five and No/100 Dollars (\$25.00) payable to the Association which shall be for the reimbursement of costs and fees incurred by the Association for the processing and collection of delinquent accounts. The managing agent shall have the right to charge a monthly collection fee in the amount of Fifteen and No/100 Dollars (\$15.00) for each month an account is delinquent. Additional fees for costs involving the processing of demand letters and notice of intent of attorney referral shall apply; a fee of not less than Ten and No/100 dollars (\$10.00) shall be charged for each demand letter or attorney referral letter prepared and processed. Other like notices requiring extra processing and handling which include but, are not limited to certified and/or return receipt mail processing shall also be billed back to the Owner's account for reimbursement to the Association or its managing agent. Collection fees and costs shall be added to the delinquent Owner's account.

11.5. ACCELERATION. If an Owner defaults in paying an Assessment that is payable in installments, the Association may accelerate the remaining installments on 10 days' written notice to the defaulting Owner. The entire unpaid balance of the Assessment becomes due on the date stated in the notice. The Association is not required to offer an Owner who defaults on a payment plan the option of entering into a second or other payment plan for a minimum of two (2) years.

11.6. SUSPENSION OF USE AND VOTE. The Association may suspend the right of Owners and Residents to use Common Areas and common services (if any) during the period of delinquency, pursuant to the procedures established in the Bylaws. The Association may not suspend the right to vote appurtenant to the Lot to the extent such suspension would be prohibited under the Texas Residential Property Owners Protection Act, as amended from time to time (Texas Property Code, Section 209.001 *et seq.*). Suspension does not constitute a waiver or discharge of the Owner's obligation to pay Assessments. Further procedures for membership voting are located in Article 8 hereof or in the Bylaws.

11.7. MONEY JUDGMENT. The Association may file suit seeking a money judgment against an Owner delinquent in the payment of Assessments, without foreclosing or waiving the Association's Assessment Lien.

11.8. NOTICE TO MORTGAGEE. The Association may notify and communicate with the holder of any lien against a Lot regarding the Owner's default in payment of Assessments.

11.9. FORECLOSURE OF ASSESSMENT LIEN. As provided by this Declaration, the Association may foreclose its lien against the Lot by judicial or nonjudicial means.

11.10. APPLICATION OF PAYMENTS. The Board may adopt and amend policies regarding the application of payments. The Association may refuse to accept partial payment, i.e., less than the full amount due and payable. The Association may also refuse to accept payments to which the payer attaches conditions or directions contrary to the Board's policy for applying payments. The Association's policy may provide that endorsement and deposit of a payment does not constitute acceptance by the Association, and that acceptance occurs when the Association posts the payment to the Lot's account.

ARTICLE 12

ENFORCING THE DOCUMENTS

12.1. NOTICE AND HEARING. Before the Association may exercise its remedies for a violation of the Documents or damage to the Property, the Association must give an Owner written notice and an opportunity for a hearing, according to the requirements and procedures in this Declaration, the Bylaws and in Applicable Law, such as Chapter 209 of the Texas Property Code, as amended from time to time. Notices are also required before an Owner is liable to the Association for certain charges, including reimbursement of attorney's fees incurred by the Association. A minimum of two (2) notices of not less than ten (10) days each shall be required for most violations except prior notice is not required with respect to entry onto a Lot by the Association to cure violations that are an emergency or hazardous in nature or pose a threat or nuisance to the Association or another Owner.

12.2. **REMEDIES.** The remedies provided in this Article for breach of the Documents are cumulative and not exclusive. In addition to other rights and remedies provided by the Documents and by law, the Association has the following right to enforce the Documents, subject to applicable notice and hearing requirements (if any):

12.2.1. **Nuisance.** The result of every act or omission that violates any provision of the Documents is a nuisance, and any remedy allowed by law against a nuisance, either public or private, is applicable against the violation.

12.2.2. **Fine.** The Association may levy reasonable charges, as an individual Assessment, against an Owner and his Lot if the Owner or Resident, or the Owner or Resident's family, guests, employees, agents, or contractors violate a provision of the Documents. Fines may be levied for each act of violation or for each day a violation continues, and does not constitute a waiver or discharge of the Owner's obligations under the Documents. Fines shall be as follows: \$25.00 for the first fine, \$50.00 for the second fine, and \$75.00 for the third fine. After the third fine, the fine amount shall increase in increments of \$25.00 each week until the violation is remedied.

12.2.3. **Suspension.** The Association may suspend the right of Owners and Residents to use Common Areas for any period during which the Owner or Resident, or the Owner or Resident's family, guests, employees, agents, or contractors violate the Documents, pursuant to the procedures as outlined in the Bylaws. A suspension does not constitute a waiver or discharge of the Owner's obligations under the Documents.

12.2.4. **Self-Help.** The Association has the right to enter any part of the Property, including Lots, to abate or remove, using force as may reasonably be necessary, any erection, thing, animal, person, vehicle, or condition that violates the Documents. In exercising this right, the Board is not trespassing and is not liable for damages related to the abatement. The Board may levy its costs of abatement against the Lot and Owner as an Individual Assessment. The Board will make reasonable efforts to give the violating Owner at least one ten (10) day prior notice of its intent to exercise self-help. The notice may be given in any manner likely to be received by the Owner. Prior notice is not required (1) in the case of emergencies, (2) to remove violative signs, (3) to remove violative debris, or (4) to remove any other violative item or to abate any other violative condition that is easily removed or abated and that is considered a nuisance, dangerous, or an eyesore to the Subdivision.

12.2.5. **Suit.** Failure to comply with the Documents will be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Prior to commencing any legal proceeding, the Association will give the defaulting party reasonable notice and an opportunity to cure the violation.

12.3. **BOARD DISCRETION.** The Board may use its sole discretion in determining whether to pursue a violation of the Documents, provided the Board does not act in an arbitrary or capricious manner. In evaluating a particular violation, the Board may determine that under the particular circumstances (1) the Association's position is not sufficiently strong to justify taking any or further action; (2) the provision being enforced is or may be construed as

inconsistent with Applicable Law; (3) although a technical violation may exist, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or (4) that enforcement is not in the Association's best interests, based on hardship, expense, or other reasonable criteria.

12.4. NO WAIVER. The Association and every Owner has the right to enforce all restrictions, conditions, covenants, liens, and charges now or hereafter imposed by the Documents and/or Master Declaration. Failure by the Association or by any Owner to enforce a provision of the Documents or Master Declaration is not a waiver of the right to do so thereafter. If the Association does waive the right to enforce a provision, that waiver does not impair the Association's right to enforce any other part of the Documents or Master Declaration at any future time. No officer, director, or Member of the Association is liable to any Owner for the failure to enforce any of the Documents or Master Declaration at any time.

12.5. RECOVERY OF COSTS. The costs of curing or abating a violation are at the expense of the Owner or other person responsible for the violation. At the Board's sole discretion, a fine may be levied against a renter or lessee other than the Owner however, should the renter or lessee fail to pay the fine within the time allotted, the Owner shall be responsible for the fine which shall be added to the Owner's account. If legal assistance is obtained to enforce any provision of the Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Documents or the restraint of violations of the Documents, the prevailing party is entitled to recover from the non-prevailing party all reasonable and necessary costs incurred by it in such action, including reasonable attorneys' fees.

ARTICLE 13

MAINTENANCE AND REPAIR OBLIGATIONS

13.1. OVERVIEW. Generally, the Association maintains the Common Areas, and the Owner maintains his Lot and Townhome. If an Owner fails to maintain his Lot, the Association may perform the work at the Owner's expense. However, this Declaration permits Owners to delegate some of their responsibilities to the Association. For example, during one span the Owners may want the Association to handle the periodic repainting of exterior trim on all the Townhomes, which otherwise is the responsibility of each Lot Owner. During the next period, the Owners may prefer to handle repainting on an individual basis. They have that option under this Declaration's concept of "Areas of Common Responsibility," as described below. A comprehensive view of the Maintenance Responsibility Chart is shown under Appendix C.

13.2. ASSOCIATION MAINTAINS. The Association's maintenance duties will be discharged when and how the Board deems appropriate. The Association maintains, repairs, and replaces, as a Common Expense, the portions of the Property listed below, regardless of whether the portions are on Lots or Common Areas.

- a. The Common Areas.
- b. The Areas of Common Responsibility as designated on the Maintenance Chart attached herein as Appendix C, if any.

c. Any real and personal property owned by the Association but which is not a Common Area, such as a Lot owned by the Association.

d. Any property adjacent to the Subdivision if maintenance of same is deemed to be in the best interests of the Association, and if not prohibited by the Owner or operator of said property.

e. Any area, item, easement, or service - the maintenance of which is assigned to the Association by this Declaration or by the Plat.

The Town or its lawful agents, after due notice to the Association and opportunity to cure, may maintain the Common Areas, landscape systems and any other features or elements that are required to be maintained by the Association and the Association fails to do so. The Town or its lawful agents, after due notice to the Association and opportunity to cure, may also perform the responsibilities of the Association and its Board if the Association fails to do so in compliance with any provisions of the agreements, covenants or restrictions of the Association or of any applicable Town codes or regulations. All costs incurred by the Town in performing said responsibilities as addressed in this paragraph shall be the responsibility of the Association. The Town may also avail itself of any other enforcement actions available to the Town pursuant to state law or Town codes or regulations, with regard to the items addressed in this paragraph. **THE ASSOCIATION AGREES TO INDEMNIFY AND HOLD THE TOWN HARMLESS FROM ANY AND ALL COSTS, EXPENSES, SUITS, DEMANDS, LIABILITIES OR DAMAGES INCLUDING ATTORNEY FEES AND COSTS OF SUIT, INCURRED OR RESULTING FROM THE TOWN'S MAINTENANCE OF THE COMMON AREAS AND/OR REMOVAL OF ANY LANDSCAPE SYSTEMS, FEATURES OR ELEMENTS THAT CEASE TO BE MAINTAINED BY THE ASSOCIATION.**

13.3. AREA OF COMMON RESPONSIBILITY. The Association, acting through its Members only, has the right but not the duty to designate, from time to time, portions of Lots or Townhomes as Areas of Common Responsibility to be treated, maintained, repaired, and/or replaced by the Association as a Common Expense. A designation applies to every Lot having the designated feature. The cost of maintaining components of Lots or Townhomes as Areas of Common Responsibility is added to the annual budget and assessed uniformly against all Lots as a Regular Assessment, unless the Board determines such maintenance benefits some but not all Lots and thereby decides to assess the costs as Individual Assessments.

13.3.1. Change in Designation. The Association may, from time to time, change or eliminate the designation of components of Lots or Townhomes as Areas of Common Responsibility. Any such change must be approved in writing by Owners of a Majority of the Lots, or by vote of the Owners of a majority of the Lots present at a meeting of the Members of the Association called for the purpose of changing the Area of Common Responsibility at which a quorum is present. Notwithstanding the foregoing or anything to the contrary contained herein, no change in the Areas of Common Responsibility during the Development Period shall be effective without the prior written consent of the Declarant, and Declarant may unilaterally change the Areas of Common Responsibility during the Development Period. Although the Maintenance Responsibility Chart is

attached to this Declaration as Appendix C, it may be amended, restated and published as a separate instrument. The authority for amending it is contained in this Section.

Any amended or restated Maintenance Responsibility Chart must be (1) published and distributed to an Owner of each Lot, (2) reflected in the Association's annual budget and reserve funds.

13.3.2. Initial Designation. On the date of this Declaration, the initial designation of components of Lots and Townhomes as Areas of Common Responsibility is shown on Appendix C of this Declaration.

13.4. OWNER RESPONSIBILITY. Every Owner has the following responsibilities and obligations for the maintenance, repair, and replacement of the Property, subject to the architectural control requirements of Article 6 and the use restrictions of Article 7.

13.4.1. Townhome Building Repairs. Unless the Property was designed for diversity and exterior expressions of individuality, all Townhomes within the same Townhome Building will be maintained with an eye towards uniformity and architectural harmony. This Section is necessitated by periods during which the Association may be lax about enforcing architectural uniformity, or during periods in which the Area of Common Responsibility is limited.

a. The exterior of each Townhome must be maintained and repaired in a manner that is consistent for the entire Townhome Building of which it is part.

b. If an Owner desires to upgrade a component of the exterior, such as replacing aluminum windows with wood windows, the decision to change a standard component of the Townhome Building must be approved by the Owners of more than half the Townhomes in the Townhome Building, in addition to the Architectural Reviewer. Thereafter, the new Building Standard for such Townhome Building will apply to repairs or replacement of the component, as needed, on other Townhomes in such Townhome Building.

c. Unless a change of component has been approved, repairs, replacement, and additions to the exteriors of the Townhomes must conform to the original construction. For example, if the Townhome Building was constructed with bronze colored window frames, replacement windows with white frames may not be used unless white frames have been approved as the new standard for the Townhome Building. Similarly, the siding on one Townhome may not be replaced with wood, while another is replaced with vinyl, and a third is replaced with cement fiberboard.

d. Ideally, all the Townhome Buildings in the Property will have the same architectural requirements, without building-to-building individuality. Nothing in this Section may be construed to prevent the Association from requiring uniform architectural standards for the entire Property. This Section

may not be construed as authority for one Townhome Building to "do its own thing."

13.4.2. Townhome Foundation. Each Owner of a Townhome constructed on a Lot is solely responsible for the maintenance and repair of the foundation on his Lot. However, if a licensed structural engineer determines that the failure to repair the foundation under one Townhome may adversely affect one or more other Townhomes in the Townhome Building, then the cost of the foundation repair will be divided by the number of Townhomes in the Townhome Building, and the Owner of each of those Townhomes will pay an equal share. If an Owner fails or refuses to pay his share of costs of repair of the foundation, the Owner advancing monies has a right to file a claim of lien for the monies advanced in the county's real property records, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an Owner to contribution from another Owner under this Section is appurtenant to the land and passes to the Owner's successors in title.

13.4.3. Townhome Roofs. The Association shall maintain certain aspects of the Townhome Roof as set forth in the Maintenance Chart attached herein as Appendix C. Each Owner of a Townhome is solely responsible for the maintenance, replacement and upkeep of all components as listed under Owner Responsibility as set forth in the Maintenance Chart attached herein as Appendix C. However, if a roofing professional determines that the failure to repair the structural components of the roof of one Townhome may adversely affect one or more other Townhomes in the Townhome Building of which it is part, then the cost of the structural roof work will be divided by the number of Townhomes in such Townhome Building, and the Owner of each Townhome will pay an equal share. If an Owner fails or refuses to pay his share of costs of repair of the roof, the Owner advancing monies has a right to file a claim of lien for the monies advanced in the county's real property records, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an Owner to contribution from another Owner under this Section is appurtenant to the land and passes to the Owner's successors in title. Should an Owner fail to maintain his Townhome and portions of the roof or roof attachments in a satisfactory manner and damages affect neighboring units, the Owner responsible may be held solely liable for the damages and repairs for the neighboring unit without the weight of the burden being divided by the number of Townhomes as set forth above. The Association reserves the right to call out a roofing professional to inspect the damages and render an opinion as to the cause of any rooftop damages prior to initiating repairs. If the roofing professional finds that the cause of damages are the direct result of an Owners failure to maintain structural components of the roof as required within any section of these CC&R's or if an Owner has installed an unauthorized apparatus of any kind which is determined to be the cause of any such damages, the Association shall provide to the Owner in writing a copy of the roofing professionals findings and the Owner shall be solely liable for the costs of all repairs to his unit or any neighboring units which may be affected.

13.4.4. Townhome Cooperation. Each Owner of a Townhome will endeavor to cooperate with the Owners of the other Townhomes in the same Townhome Building to affect the purposes and intent of the two preceding sections on Townhome foundations

and Townhome roofs. If the Owners of Townhome Lots that share a Townhome Building cannot cooperate, they may ask the Association to coordinate the required repairs.

13.4.5. Townhome Maintenance. Each Owner, at the Owner's expense, must maintain all improvements on the Lot, including but not limited to the Townhome, fences, sidewalks, and driveways, except any area designated as an Area of Common Responsibility. Maintenance includes preventative maintenance, repair as needed, and replacement as needed. Each Owner is expected to maintain his Lot's improvements at a level, to a standard, and with an appearance that is commensurate with the Subdivision. Specifically, each Owner must repair and replace worn, rotten, deteriorated, and unattractive materials with like materials and color, and must regularly repaint all painted surfaces.

13.4.6. Avoid Damage. An Owner may not do any work or to fail to do any work which, in the reasonable opinion of the Board, would materially jeopardize the soundness and safety of the Property, reduce the value of the Property, adversely affect the appearance of the Property, or impair any easement relating to the Property.

13.4.7. Responsible for Damage. An Owner is responsible for his own willful or negligent acts and those of his or the Resident's family, guests, agents, employees, or contractors when those acts necessitate maintenance, repair, or replacement to the Common Areas, the Area of Common Responsibility, or the property of another Owner.

13.5. OWNER'S DEFAULT IN MAINTENANCE. If the Board determines that an Owner has failed to properly discharge his obligation to maintain, repair, and replace items for which the Owner is responsible, the Board may give the Owner written notice of the Association's intent to provide the necessary maintenance at Owner's expense. The notice must state, with reasonable particularity, the maintenance deemed necessary and a reasonable period of time in which to complete the work. If the Owner fails or refuses to timely perform the maintenance, the Association may do so at Owner's expense, which is an Individual Assessment against the Owner and his Lot. In case of an emergency, however, the Board's responsibility to give the Owner written notice may be waived and the Board may take any action it deems necessary to protect persons or property, the cost of the action being the Owner's expense.

13.6. WARRANTY CLAIMS. If the Owner is the beneficiary of a warranty against major structural defects of the Area of Common Responsibility, the Owner irrevocably appoints the Association, acting through the Board, as his attorney-in-fact to file, negotiate, receive, administer, and distribute the proceeds of any claim against the warranty that pertains to the Area of Common Responsibility.

13.7. CONCRETE. Minor cracks in poured concrete, including foundations, garage floors, sidewalks, driveways, and patio slabs, are inevitable as a result of the natural movement of soil (expansion and contraction), shrinkage during the curing of the concrete, and settling of the Townhome Building. Such minor cracking is typically an aesthetic consideration without structural significance. The Association is not required to repair non-structural cracks in concrete components of the Area of Common Responsibility.

13.8. SHEETROCK. Notwithstanding anything to the contrary in the Documents, the Association is not responsible for the repair and replacement of sheetrock in any Townhome, or for any surface treatments on the sheetrock, regardless of the source of damage and the availability of insurance. This provision is provided for the benefit of the Association and is warranted by the difficulty of scheduling interior sheetrock work and the possibility that the Owner may not be satisfied with the quality or appearance of spot repairs. If the Association receives insurance proceeds for sheetrock damage to a Townhome and chooses to not perform the repairs, the Owner of the damaged Townhome is entitled to the proceeds in exchange for identification of the damage and a release from future claims for the same damage.

13.9. MOLD. In the era in which this Declaration is written, the public and the insurance industry have a heightened awareness of and sensitivity to anything pertaining to mold. Because many insurance policies do not cover damages related to mold, Owners should be proactive in identifying and removing visible surface mold, and in identifying and repairing sources of water leaks in the Townhome. To discourage mold in his Townhome, each Resident should maintain an inside humidity level under sixty percent. For more information about mold, the Owner should consult a reliable source, such as the U. S. Environmental Protection Agency.

13.10. PARTY WALLS. A Townhome wall located on or near the dividing line between two Lots and intended to benefit both Lots constitutes a Party Wall (herein so called) and, to the extent not inconsistent with the provisions of this Section, is subject to the general rules of law regarding party walls and liability for property damage due to negligence, willful acts, or omissions.

13.10.1. Encroachments & Easement. If the Party Wall is on one Lot or another due to an error in construction, the Party Wall is nevertheless deemed to be on the dividing line for purposes of this Section. Each Townhome sharing a Party Wall is subject to an easement for the existence and continuance of any encroachment by the Party Wall as a result of construction, repair, shifting, settlement, or movement in any portion of the Party Wall, so that the encroachment may remain undisturbed as long as the Party Wall stands. Each Lot is subject to a reciprocal easement for the maintenance, repair, replacement, or reconstruction of the Party Wall.

13.10.2. Right to Repair. If the Party Wall is damaged or destroyed from any cause, the Owner of either Lot may repair or rebuild the Party Wall to its previous condition, and the Owners of both Lots, their successors and assigns, have the right to the full use of the repaired or rebuilt Party Wall.

13.10.3. Maintenance Costs. The Owners of the adjoining Lots share equally the costs of repair, reconstruction, or replacement of the Party Wall, subject to the right of one Owner to call for larger contribution from the other under any rule of law regarding liability for negligence or willful acts or omissions. If an Owner is responsible for damage to or destruction of the Party Wall, that Owner will bear the entire cost of repair, reconstruction, or replacement. If an Owner fails or refuses to pay his share of costs of repair or replacement of the Party Wall, the Owner advancing monies has a right to file a claim of lien for the monies advanced in the county's Real Property Records, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an Owner to

contribution from another Owner under this Section is appurtenant to the land and passes to the Owner's successors in title.

13.10.4. Alterations. The Owner of a Lot sharing a Party Wall may not cut openings in the Party Wall or alter or change the Party Wall in any manner that affects the use, condition, or appearance of the Party Wall to the adjoining Townhome. Unless both Owners reach a mutual decision to the contrary, the Party Wall will always remain in the same location as where initially erected.

ARTICLE 14

INSURANCE

14.1. GENERAL PROVISIONS. All insurance affecting the Property is governed by the provisions of this Article, with which the Owners and the Board will make every reasonable effort to comply. Insurance policies and bonds obtained and maintained by the Owners must be issued by responsible insurance companies authorized to do business in the State of Texas. Each insurance policy maintained by the Owner should contain a provision requiring the insurer to endeavor to give at least 10 days' prior written notice to the Board before the policy may be canceled, terminated, materially modified, or allowed to expire, by either the insurer or the insured.

14.2. INSURANCE RATIONALE. A Townhome development provides many complex issues and opportunities for insurance. There are valid reasons for having the individual Owners should insure their own Townhomes. All Owners must insure their Townhome and Lot to the extent necessary (1) to preserve the appearance of the Property, (2) to maintain the structural integrity of the Townhome Building and the Townhomes therein, (3) to maintain systems that serve multiple Townhomes in a Townhome Building, such as pest control tubing and fire safety sprinklers, and (4) to maintain the perimeter shells of the Townhomes. The Owner must insure all aspects of his Townhome and its Lot and such Owner's personal property thereon and therein.

14.3. PROPERTY INSURANCE BY OWNER(S). To the extent it is reasonably available; the Owners will obtain property insurance for all improvements and property within a Townhome or Lot owned by such Owner insurable by the Owner. This insurance must be in an amount sufficient to cover the replacement cost of any repair or reconstruction in event of damage or destruction from any insured hazard. In insuring the Townhome and Lot owned by it, the Owner may be guided by types of policies and coverage's customarily available for similar types of properties. As used in this Article, "Building Standard" refers to the typical Townhome for the Property, as originally constructed, and as modified over time by changes in replacement materials and systems that are typical for the market and era.

14.3.1. Townhome Insured By Owner. As applicable towards the Owner's individual Townhome and Lot, each Owner will maintain property insurance on the following components of Townhome Building of which that Owner's Townhome is part, to the Building Standard. The Association may carry insurance on certain exterior components of the Townhome which shall, in part, be governed by the Maintenance Chart set forth herein as Appendix C. The Association shall determine the extent of its responsibility for coverage and shall carry the required coverage's for Townhomes

accordingly. An Owner should check with the Association prior to obtaining coverage to determine what coverage the Association provides on behalf of the exterior portions of a Townhome.

a. All structural components of the Townhome Building, such as foundations, load bearing walls, and roof trusses.

b. The exterior construction of the Townhome Building, such as the roof and roof stacks; exterior walls, windows, and doors; and roof top patios, balconies, and decks *notwithstanding, if the Association covers through a master policy any of the exterior portions as described herein the Owner may opt out of carrying such coverage however, an Owner shall be solely responsible for confirming all coverage's carried by the Association, if any. An Owner shall be responsible for confirming the type of coverage which may be provided by the Association on an annual basis at least thirty (30) days prior to the renewal date of their personal policy. An Owner shall be responsible for obtaining coverage for any area of their Townhome, exterior or interior, that is NOT covered by the Association. The Association shall not be liable for any loss sustained by an Owner failing to follow the provisions as set forth in this section. Upon request the Association shall provide a copy of the policy which shall provide to the Owner a comprehensive look at the type of coverage's provided by the Association, if any.*

c. The Party Walls of the Townhome Building, from unfinished sheetrock on one side of the Party Wall, to unfinished sheetrock on the other side of the Party Wall.

d. The structural components of the floor/ceiling assemblies that partition the Townhome into levels or floors, including stairs connecting the floors.

e. Partition walls, countertops, cabinets, furr downs, interior doors, and fixtures within the Townhome.

f. Finish materials on walls, floors, and ceilings, such as carpet, paint, tile, mirror, and wallpaper.

g. Window treatments, lighting fixtures, tub enclosures, and decorative hardware.

h. Appliances and plumbing fixtures.

i. All utility systems and equipment serving the Townhome, including water heaters, air conditioning and heating equipment, electric wiring, ducts, and vents.

Each Owner and Resident is solely responsible for insuring his personal property in his Townhome and on the Property, including furnishings and vehicles. The Association strongly recommends that each Owner and Resident purchase and maintain insurance on his personal belongings.

14.3.2. Limitation of Liability. The Association shall not be liable: (i) for injury or damage to any person or property caused by the elements or by the Owner or Resident of any Townhome, or any other person or entity, or resulting from any utility, rain, snow or ice which may leak or flow from or over any portion of the Common Areas or Areas of Common Responsibility, or from any pipe, drain, conduit, appliance or equipment which the Association is responsible to maintain hereunder; or (ii) to any Owner or Resident of any Townhome for any damage or injury caused in whole or in part by the Association's failure to discharge its maintenance responsibilities hereunder, to the extent not covered by available insurance proceeds.

14.4. LIABILITY INSURANCE BY OWNER. Notwithstanding anything to the contrary in this Declaration, to the extent permitted by Applicable Law, each Owner is liable for damage to the Property caused by the Owner or by persons for whom the Owner is responsible. Each Owner is hereby required to obtain and maintain general liability insurance to cover this liability as well as occurrences within his Townhome, in amounts sufficient to cover the Owner's liability for damage to the property of others in the Property and to the Area of Common Responsibility, whether such damage is caused willfully and intentionally, or by omission or negligence.

14.5. OWNER'S GENERAL RESPONSIBILITY FOR INSURANCE. Each Owner, at his expense, will maintain all insurance coverage's required of Owners by the Association pursuant to this Article. Each Owner will provide the Association with proof or a certificate of insurance on request by the Association from time to time. If an Owner fails to maintain required insurance, or to provide the Association with proof of same, the Board may obtain insurance on behalf of the Owner who will be obligated for the cost as an Individual Assessment. The Board may establish additional minimum insurance requirements, including types and minimum amounts of coverage, to be individually obtained and maintained by Owners if the insurance is deemed necessary or desirable by the Board to reduce potential risks to the Association or other Owners. Each Owner and Resident is solely responsible for insuring his Townhome and his personal property in his Townhome and on his Lot, including furnishings, vehicles, and stored items.

ARTICLE 15

RESERVED

ARTICLE 16 AMENDMENTS

16.1. **CONSENTS REQUIRED.** As permitted by this Declaration, certain amendments of this Declaration may be executed by Declarant alone, or by the Board alone. Amendment of the Maintenance Responsibility Chart, initially recorded as Appendix B of this Declaration, is subject to the terms of Section 13.3. Otherwise, amendments to this Declaration must be approved by Owners of at least a Majority of the Lots. To the extent required by the Town, any proposed amendment which is for the purpose of either amending the provisions of this Declaration or the Associations agreements pertaining to the use, operation, maintenance and/or supervision of any facilities, structures, improvements, systems, Common Areas, private Streets or grounds that are the responsibility of the Association, the Association shall obtain prior written consent from the Town.

16.2. **METHOD OF AMENDMENT.** For an amendment that requires the approval of Owners, this Declaration may be amended by any method selected by the Board from time to time, pursuant to the Bylaws, provided the method gives an Owner of each Lot the substance if not exact wording of the proposed amendment, a description of the effect of the proposed amendment, and an opportunity to vote for or against the proposed amendment.

16.3. **EFFECTIVE.** To be effective, an amendment approved by the Owners or by the Board must be in the form of a written instrument (1) referencing the name of the Property, the name of the Association, and the recording data of this Declaration and any amendments hereto; (2) signed and acknowledged by an officer of the Association, certifying the requisite approval of Owners or directors and, if required, any mortgagees under a first lien mortgage or deed of trust encumbering a Lot; and (3) recorded in the Real Property Records of every county in which the Property is located, except as modified by the following section.

16.4. **DECLARANT PROVISIONS.** Declarant has an exclusive right to unilaterally amend this Declaration for the purposes stated in Appendix B. An amendment that may be executed by Declarant alone is not required to name the Association or to be signed by an officer of the Association. No amendment may affect Declarant's rights under this Declaration without Declarant's written and acknowledged consent, which must be part of the recorded amendment instrument. This Section may not be amended without Declarant's written and acknowledged consent.

16.5. **ORDINANCE COMPLIANCE.** When amending the Documents, the Association must consider the validity and enforceability of the amendment in light of current public law, including without limitation applicable zoning or other Town requirements.

16.6. **MERGER.** Merger or consolidation of the Association with another association must be evidenced by an amendment to this Declaration. The amendment must be approved by Owners of at least a Majority of the Lots. Upon a merger or consolidation of the Association with another association, the property, rights, and obligations of another association may, by operation of law, be added to the properties, rights, and obligations of the Association as a surviving corporation pursuant to the merger. The surviving or consolidated association may administer the provisions of the Documents within the Property, together with the covenants and

restrictions established upon any other property under its jurisdiction. No merger or consolidation, however, will affect a revocation, change, or addition to the covenants established by this Declaration within the Property.

16.7. TERMINATION. Termination of the terms of this Declaration is according to the following provisions. In the event of substantially total damage, destruction, or public condemnation of the Property, an amendment to terminate must be approved by Owners of at least two-thirds of the Lots. In the event of public condemnation of the entire Property, an amendment to terminate may be executed by the Board without a vote of Owners. In all other circumstances, an amendment to terminate must be approved by Owners of at least eighty percent (80%) of the Lots. Any termination of the terms of this Declaration shall require the written approval of the Town.

16.8. CONDEMNATION. In any proceeding, negotiation, settlement, or agreement concerning condemnation of the Common Area, the Association will be the exclusive representative of the Owners. The Association may use condemnation proceeds to repair and replace any damage or destruction of the Common Area, real or personal, caused by the condemnation. Any condemnation proceeds remaining after completion, or waiver, of the repair and replacement will be deposited in the Association's Reserve Funds.

ARTICLE 17

DISPUTE RESOLUTION

17.1. INTRODUCTION & DEFINITIONS. The Association, the Owners, Declarant, all persons subject to this Declaration, and any person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, the "Parties") agree to encourage the amicable resolution of disputes involving the Property and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, each Party hereby covenants and agrees that this Article applies to all Claims as hereafter defined. As used in this Article only, the following words, when capitalized, have the following specified meanings:

17.1.1. "Claim" means any claim, grievance, or dispute between Parties involving the Properties, except Exempt Claims as defined below, and including without limitation:

- a. Claims arising out of or relating to the interpretation, application, or enforcement of the Documents.
- b. Claims relating to the rights and/or duties of Declarant as Declarant under the Documents.
- c. Claims relating to the design, construction, or maintenance of the Property.

17.1.2. "Claimant" means any Party having a Claim against any other Party.

17.1.3. "Exempt Claims" means the following Claims or actions, which are exempt from this Article:

a. The Association's Claim for Assessments and any action by the Association to collect Assessments.

b. An action by a Party to obtain a temporary restraining order or equivalent emergency equitable relief, and such other ancillary relief as the court deems necessary to maintain the status quo and preserve the Party's ability to enforce the provisions of this Declaration.

c. Enforcement of the easements, architectural control, maintenance, and use restrictions of this Declaration.

d. A suit to which an applicable statute of limitations would expire within the notice period of this Article, unless a Party against whom the Claim is made agrees to toll the statute of limitations as to the Claim for the period reasonably necessary to comply with this Article.

17.1.4. "Respondent" means the Party against whom the Claimant has a Claim.

17.2. MANDATORY PROCEDURES. Claimant may not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of its Claim until Claimant has complied with the procedures of this Article.

17.3. NOTICE. Claimant must notify Respondent in writing of the Claim (the "Notice"), stating plainly and concisely: (1) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim; (2) the basis of the Claim (i.e., the provision of the Documents or other authority out of which the Claim arises); (3) what Claimant wants Respondent to do or not do to resolve the Claim; and (4) that the Notice is given pursuant to this Section.

17.4. NEGOTIATION. Claimant and Respondent will make every reasonable effort to meet in person to resolve the Claim by good faith negotiation. Within sixty days after Respondent's receipt of the Notice, Respondent and Claimant will meet at a mutually-acceptable place and time to discuss the Claim. At such meeting or at some other mutually-agreeable time, Respondent and Respondent's representatives will have full access to the Property that is subject to the Claim for the purposes of inspecting the Property. If Respondent elects to take corrective action, Claimant will provide Respondent and Respondent's representatives and agents with full access to the Property to take and complete corrective action.

17.5. MEDIATION. If the Parties negotiate but do not resolve the Claim through negotiation within 120 days from the date of the Notice (or within such other period as may be agreed on by the Parties), Claimant will have thirty additional days within which to submit the Claim to mediation under the auspices of a mediation center or individual mediator on which the Parties mutually agree. The mediator must have at least five years of experience serving as a mediator and must have technical knowledge or expertise appropriate to the subject matter of the Claim. If Claimant does not submit the Claim to mediation within the thirty-day period, Claimant is deemed to have waived the Claim, and Respondent is released and discharged from any and all liability to Claimant on account of the Claim.

17.6. TERMINATION OF MEDIATION. If the Parties do not settle the Claim within 30 days after submission to mediation or within a time deemed reasonable by the mediator, the mediator will issue a notice of termination of the mediation proceedings indicating that the Parties are at an impasse and the date that mediation was terminated. Thereafter, Claimant may file suit or initiate administrative proceedings on the Claim, as appropriate.

17.7. ALLOCATION OF COSTS. Except as otherwise provided in this Section, each Party bears all of its own costs incurred prior to and during the proceedings described in the Notice, Negotiation, and Mediation sections above, including its attorneys fees. Respondent and Claimant will equally divide all expenses and fees charged by the mediator.

17.8. ENFORCEMENT OF RESOLUTION. Any settlement of the Claim through negotiation or mediation will be documented in writing and signed by the Parties. If any Party thereafter fails to abide by the terms of the agreement, then the other Party may file suit or initiate administrative proceedings to enforce the agreement without the need to again comply with the procedures set forth in this Article. In that event, the Party taking action to enforce the agreement is entitled to recover from the non-complying Party all costs incurred in enforcing the agreement, including, without limitation, attorneys fees and court costs.

17.9. GENERAL PROVISIONS. A release or discharge of Respondent from liability to Claimant on account of the Claim does not release Respondent from liability to persons who are not Party to Claimant's Claim. A Party having an Exempt Claim may submit it to the procedures of this Article.

17.10. LITIGATION APPROVAL & SETTLEMENT. To encourage the use of alternate dispute resolution and discourage the use of costly and uncertain litigation, the initiation of any judicial or administrative proceeding by the Association is subject to the following conditions in addition to and notwithstanding the above alternate dispute resolution procedures. Each Owner, by accepting an interest in or title to a Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by this Section. This Section may not be amended without the approval of Owners of at least seventy five percent (75%) of the Lots.

17.10.1. Owner Approval. The Association may not initiate any judicial or administrative proceeding without the prior approval of Owners of at least a Majority of the Lots, except that no such approval is required (1) to enforce provisions of this Declaration, including collection of Assessments; (2) to challenge condemnation proceedings; (3) to enforce a contract against a contractor, vendor, or supplier of goods or services to the Association; (4) to defend Claims filed against the Association or to assert counterclaims in a proceedings instituted against the Association; or (5) to obtain a temporary restraining order or equivalent emergency equitable relief when circumstances do not provide sufficient time to obtain the prior consents of Owners in order to preserve the status quo.

17.10.2. Suit Against Declarant. Also, the Association may not initiate any judicial or administrative proceeding against Declarant without the approval of Owners representing at least seventy-five percent (75%) of the Lots.

17.10.3. Funding Litigation. Except in the case of a temporary restraining order or equivalent emergency equitable relief when circumstances do not provide sufficient time to levy a Special Assessment, the Association must levy a Special Assessment to fund the estimated costs of litigation prior to initiating a judicial or administrative proceeding. The Association may not use its annual operating income, reserve funds, or savings to fund litigation, unless the Association's annual budget or a savings account was established and funded from its inception as a litigation reserve fund.

17.10.4. Settlement. The Board, on behalf of the Association and without the consent of Owners, is hereby authorized to negotiate settlement of litigation, and may execute any document related thereto, such as settlement agreements and waiver or release of Claims.

ARTICLE 18

GENERAL PROVISIONS

18.1. COMPLIANCE. The Owners hereby covenant and agree that the administration of the Association will be in accordance with the provisions of the Documents and Applicable Laws, regulations, and ordinances, as same may be amended from time to time, of any governmental or quasi-governmental entity having jurisdiction over the Association or Property.

18.2. HIGHER AUTHORITY. The Documents are subordinate to federal and state law, and local ordinances. Generally, the terms of the Documents are enforceable to the extent they do not violate or conflict with local, state, or federal law or ordinance.

18.3. NOTICE. All demands or other notices required to be sent to an Owner or Resident by the terms of this Declaration may be sent by ordinary or certified mail, postage prepaid, to the party's last known address as it appears on the records of the Association at the time of mailing. If an Owner fails to give the Association an address for mailing notices, all notices may be sent to the Owner's Lot, and the Owner is deemed to have been given notice whether or not he actually receives it. A minimum of two (2) notices informing an Owner of an existing violation (emergency violations excluded) will be required. Each notice shall provide the Owner not less than ten (10) days to cure the violation. If Owner does not cure the violation after two (2) notices are delivered, the Association shall proceed with a fine notice and subsequent fines or with self-help whichever the Association deems appropriate.

18.4. LIBERAL CONSTRUCTION. The terms and provision of each Document are to be liberally construed to give effect to the purposes and Intent of the Document. All doubts regarding a provision, including restrictions on the use or alienability of Property, will be resolved in favor of the operation of the Association and its enforcement of the Documents, regardless which party seeks enforcement.

18.5. SEVERABILITY. Invalidation of any provision of this Declaration by judgment or court order does not affect any other provision, which remains in full force and effect. The effect of a general statement is not limited by the enumeration of specific matters similar to the general.

18.6. CAPTIONS. In all Documents, the captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer. Boxed notices are inserted to alert the reader to certain provisions and are not to be construed as defining or modifying the text.

18.7. APPENDIXES. The following appendixes are attached to this Declaration and incorporated herein by reference:

- A – Description of Subject Land
- B – Declarant Representations & Reservations
- C – Maintenance Responsibility chart

18.8. INTERPRETATION. Whenever used in the Documents, unless the context provides otherwise, a reference to a gender includes all genders. Similarly, a reference to the singular includes the plural, the plural the singular, where the same would be appropriate.

18.9. DURATION. Unless terminated or amended by Owners as permitted herein, the provisions of this Declaration shall run with and bind the Property, and will remain in effect initially for 25 years from the date this Declaration is recorded, and shall automatically renew without any action from the Association for successive ten (10) year periods to the extent permitted by law, unless previously terminated in accordance with Section 16.7 hereof.

18.10. AMPHITHEATER DISCLOSURE. Each Owner, by acceptance of a deed to a Lot acknowledges that the Property and all Lots and Townhomes located therein are in the vicinity of an outdoor performance center and amphitheater (the "Amphitheater Facilities"), which is part of the River Walk Facilities and Master Common Areas, and related facilities and improvements, including, without limitation "Timber Trail Park", to be owned, operated and maintained by the Master Association. In this regard, each Owner acknowledges and agrees that the use and operation of the Amphitheater may result in irregular vehicle and pedestrian traffic patterns, increased vehicular and pedestrian traffic, increases in parking of vehicles on Streets within or in the vicinity of the Property, and noise and lights which may not be typical of a residential subdivision. **IN NO EVENT SHALL THE PROXIMITY OF THE LOTS TO THE AMPHITHEATER AND ANY RESULTING TRAFFIC, PARKING, NOISE, LIGHTS OR OTHER CONDITIONS RELATED TO THE OPERATION AND USE THEREOF BE CONSIDERED A NUISANCE OR A VIOLATION OF ANY OF THE COVENANTS, CONDITIONS AND/OR RESTRICTIONS HEREUNDER OR UNDER THE MASTER DECLARATION**

SIGNED on this 28 day of June, 2016.

DECLARANT:

LAER Trams – The Riverwalk Flower Mound, LLC
a Texas limited liability company

By: [Signature],
a Texas limited liability company
Its ~~Sole~~ Manager & ~~Sole~~ Member

STATE OF TEXAS §
 §
COUNTY OF Collin §

BEFORE ME, the undersigned authority, on this day personally appeared David Dellinger, the ~~sole~~ Manager and Member of Laer Trams - The Riverwalk Flowermound LLC a Texas limited liability company, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the act and deed of said limited liability companies, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, on this 28 day of June, 2016.

[Signature]
Notary Public, State of Texas

[SEAL]



APPENDIX "A"
Legal description subject land
REAL PROPERTY LEGAL DESCRIPTION

Parcel 8 03/2015, Lot 1, Block A, & Lot 1, Block B located in the J.T. Stewart Survey, Abstract No 1161, Town of Flower Mound, Denton County, Texas

APPENDIX "B"

DECLARANT REPRESENTATIONS & RESERVATIONS

B.1. GENERAL PROVISIONS.

B.1.1. Introduction. Declarant intends the Declaration to be perpetual and understands that provisions pertaining to the initial development, construction, marketing, and control of the Property will become obsolete when Declarant's role is complete. As a courtesy to future users of the Declaration, who may be frustrated by then-obsolete terms, Declarant is compiling the Declarant-related provisions in this Appendix.

B.1.2. General Reservation & Construction. Notwithstanding other provisions of the Documents to the contrary, nothing contained therein may be construed to, nor may any mortgagee, other Owner, or the Association, prevent or interfere with the rights contained in this Appendix which Declarant hereby reserves exclusively unto itself and its successors and assigns. In case of conflict between this Appendix and any other Document, this Appendix controls. This Appendix may not be amended without the prior written consent of Declarant. To the extent any proposed amendment is for the purpose of either amending the provisions of this Declaration or the Association's Agreements pertaining to the use, operation, maintenance and/or supervision of any facilities, structures, improvements, systems, Common Areas, private Streets or grounds that are the responsibility of the Association, prior written consent of the Town may be required. The terms and provisions of this Appendix must be construed liberally to give effect to Declarant's intent to protect Declarant's interests in the Property.

B.1.3. Purpose of Development and Declarant Control Periods. This Appendix gives Declarant certain rights during the Development Period and the Declarant Control Period to ensure a complete and orderly build out and sellout of the Property, which is ultimately for the benefit and protection of Owners and mortgagees. Declarant may not use its control of the Association and the Property for an advantage over the Owners by way of retention of any residual rights or interests in the Association or through the creation of any contractual agreements which the Association may not terminate without cause with ninety days' notice.

B.1.4. Definitions. As used in this Appendix and elsewhere in the Documents, the following words and phrases, when capitalized, have the following specified meanings:

a. "Builder" means a person or entity which purchases, or contracts to purchase, a Lot from Declarant or from a Builder for the purpose of constructing a Townhome for resale or under contract to an Owner other than Declarant. As used in this Declaration, Builder does not refer to Declarant or to any home building or home marketing company that is an affiliate of Declarant.

b. "Declarant Control Period" means that period of time during which Declarant controls the operation of this Association. The duration of the Declarant Control Period will be from the date this Declaration is recorded for a maximum period not to exceed the earlier of:

- (1) fifty (50) years from date this Declaration is recorded.

- (2) the date title to the Lots and all other portions of the Property has been conveyed to Owners other than Builders or Declarant.

B.1.5. Builders. Declarant, through its affiliates, intends to construct Townhomes on the Lots in connection with the sale of the Lots. However, Declarant may, without notice, sell some or all of the Lots to one or more Builders to improve the Lots with Townhomes to be sold and occupied.

B.2. DECLARANT CONTROL PERIOD RESERVATIONS. Declarant reserves the following powers, rights, and duties during the Declarant Control Period:

B.2.1. Officers & Directors. During the Declarant Control Period, the Board may consist of three persons. During the Declarant Control Period, Declarant may appoint, remove, and replace any officer or director of the Association, none of whom need be Members or Owners, and each of whom is indemnified by the Association as a "Leader;" provided, however, that on or before the date which is the earlier of (i) one hundred twenty (120) days after Declarant has sold seventy five percent (75%) of the Lots that may be developed within the Property, or (ii) ten (10) years after the date of recordation of this Declaration, at least one-third (1/3) of the directors on the Board shall be elected by non-Declarant Owners.

B.2.2. Weighted Votes. During the Declarant Control Period, the vote appurtenant to each Lot owned by Declarant is weighted twenty (20) times that of the vote appurtenant to a Lot owned by another Owner. In other words, during the Declarant Control Period, Declarant may cast the equivalent of twenty (20) votes for each Lot owned by Declarant on any issue before the Association. On termination of the Declarant Control Period and thereafter, the vote appurtenant to Declarant's Lots is weighted uniformly with all other votes.

B.2.3. Budget Funding. During the Declarant Control Period only, Declarant is responsible for the difference between the Association's operating expenses and the Regular Assessments received from Owners other than Declarant, and will provide any additional funds necessary to pay actual cash outlays of the Association. At the Declarant's sole discretion, funds provided for the purpose of offsetting a deficit may be treated as a loan. On termination of the Declarant Control Period, Declarant will cease being responsible for the difference between the Association's operating expenses and the Assessments received from Owners other than Declarant.

B.2.4. Declarant Assessments. During the Declarant Control Period, any real property owned by Declarant is not subject to Assessments by the Association.

B.2.5. Builder Obligations. During the Declarant Control Period only, Declarant has the right but not the duty (1) to reduce or waive the Assessment obligation of a Builder, and (2) to exempt a Builder from any or all liabilities for transfer-related fees charged by the Association or its manager, provided the agreement is in writing. Absent such an exemption, any Builder who owns a Lot is liable for all Assessments and other fees charged by the Association in the same manner as any Owner.

B.2.6. Commencement of Assessments. During the initial development of the Property, Declarant may elect to postpone the Association's initial levy of Regular Assessments until a certain number of Lots are sold. During the Declarant Control Period, Declarant will determine

when the Association first levies Regular Assessments against the Lots. Prior to the first levy, Declarant will be responsible for all operating expenses of the Association.

B.2.7. Expenses of Declarant. Expenses related to the completion and marketing of the Property will be paid by Declarant and are not expenses of the Association.

B.2.8. Budget Control. During the Declarant Control Period, the right of Owners to veto Assessment increases or Special Assessments is not effective and may not be exercised.

B.2.9. Organizational Meeting. Within sixty days after the end of the Declarant Control Period, or sooner at the Declarant's option, Declarant will call an organizational meeting of the Members of the Association for the purpose of electing, by vote of the Owners, directors to the Board. Written notice of the organizational meeting must be given to an Owner of each Lot at least ten days but not more than sixty (60) days before the meeting. For the organizational meeting, Owners of ten percent (10%) of the Lots constitute a quorum. The directors elected at the organizational meeting will serve as the Board until the next annual meeting of the Association or a special meeting of the Association called for the purpose of electing directors, at which time the staggering of terms will begin. At this transition meeting, the Declarant will transfer control over all utilities related to the Common Areas owned by the Association and Declarant will provide information to the Association, if not already done so, relating to the total costs to date related to the operation and maintenance of the Common Areas and Areas of Common Responsibility.

B.3. DEVELOPMENT PERIOD RESERVATIONS. Declarant reserves the following easements and rights, exercisable at Declarant's sole discretion, at any time during the Development Period:

B.3.1. Changes in Development Plan. Declarant may modify the initial development plan to respond to perceived or actual changes and opportunities in the marketplace. Subject to approval by (1) a governmental entity, if applicable, and (2) the Owner of the land or Lots to which the change would directly apply (if other than Declarant), Declarant may (a) change the sizes, dimensions, and configurations of Lots and Streets; (b) change the minimum Townhome size; (c) change the building setback requirements; and (d) eliminate or modify any other feature of the Property.

B.3.2. Builder Limitations. Declarant may require its approval (which may not be unreasonably withheld) of all documents and materials used by a Builder in connection with the development and sale of Lots, including without limitation promotional materials; deed restrictions; forms for deeds, Lot sales, and Lot closings. Without Declarant's prior written approval, a Builder may not use a sales office or model in the Property to market homes, Lots, or other products located outside the Property.

B.3.3. Architectural Control. During the Development Period, Declarant has the absolute right to serve as the Architectural Reviewer pursuant to Article 6. Declarant may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under Article 6 and this Appendix to (1) an ACC appointed by the Board, or (2) a committee comprised of architects, engineers, or other persons who may or may not be Members of the Association. Any such delegation is at all times subject to the unilateral rights of Declarant (1) to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (2) to

veto any decision which Declarant in its sole discretion determines to be inappropriate or inadvisable for any reason. Declarant also has the unilateral right to exercise architectural control over vacant Lots in the Property. **The Association, the Board of directors, nor a committee appointed by the Association or Board (no matter how the committee is named) may involve itself with the approval of new homes and related improvements on vacant Lots.**

B.3.4. Amendment. During the Development Period, Declarant may amend this Declaration and the other Documents, without consent of other Owners or mortgagee, for any purpose, including without limitation the following purposes:

- c. To create Lots, easements, and Common Areas within the Property.
- d. To modify the designation of the Area of Common Responsibility.
- e. To subdivide, combine, or reconfigure Lots.
- f. To convert Lots into Common Areas and Common Areas back to Lots.
- g. To modify the construction and use restrictions of Article 7 of this Declaration.
- h. To merge the Association with another property owners association.
- i. To comply with the requirements of an underwriting lender.
- j. To resolve conflicts, clarify ambiguities, and to correct misstatements, errors, or omissions in the Documents.
- k. To enable any reputable title insurance company to issue title insurance coverage on the Lots.
- l. To enable an institutional or governmental lender to make or purchase mortgage loans on the Lots.
- m. To change the name or entity of Declarant.
- n. To change the name of the addition in which the Property is located.
- o. To change the name of the Association.
- p. For any other purpose, provided the amendment has no material adverse effect on any right of any Owner.

B.3.5. Completion. During the Development Period, Declarant has (1) the right to complete or make improvements indicated on the Plat; (2) the right to sell or lease any Lot owned by Declarant; and (3) an easement and right to erect, construct, and maintain on and in the Common Area, Area of Common Responsibility, and Lots owned or leased by Declarant whatever Declarant determines to be necessary or advisable in connection with the construction, completion, management, maintenance, leasing, and marketing of the Property, including, without limitation, parking areas, temporary buildings, temporary fencing, portable toilets, storage areas, dumpsters, trailers, and commercial vehicles of every type.

B.3.6. Easement to Inspect & Right to Correct. During the Development Period, Declarant reserves for itself the right, but not the duty, to inspect, monitor, test, redesign, correct, and relocate any structure, improvement or condition that may exist on any portion of the Property, including the Lots, and a perpetual nonexclusive easement of access throughout the Property to the extent reasonably necessary to exercise this right. Declarant will promptly repair, at its sole expense, any damage resulting from the exercise of this right. By way of illustration but not limitation, relocation of a screening wall located on a Lot may be warranted by a change of circumstance, imprecise siting of the original wall, or desire to comply more fully with public codes and ordinances. This Section may not be construed to create a duty for Declarant or the Association.

B.3.7. Promotion. During the Development Period, Declarant reserves for itself an easement and right to place or install signs, banners, flags, display lighting, potted plants, exterior decorative items, seasonal decorations, temporary window treatments, and seasonal landscaping on the Property, including items and locations that are prohibited to other Owners and Residents, for purposes of promoting, identifying, and marketing the Property and/or Declarant's homes, Lots, developments, or other products located outside the Property. Declarant reserves an easement and right to maintain, relocate, replace, or remove the same from time to time within the Property. Declarant also reserves the right to sponsor marketing events – such as open houses, MLS tours, and broker's parties – at the Property to promote the sale of Lots. During the Development Period, Declarant also reserves (1) the right to permit Builders to place signs and promotional materials on the Property and (2) the right to exempt Builders from the sign restriction in this Declaration.

B.3.8. Offices. During the Development Period, Declarant reserves for itself the right to use Townhomes owned or leased by Declarant as models, storage areas, and offices for the marketing, management, maintenance, customer service, construction, and leasing of the Property and/or Declarant's developments or other products located outside the Property. Also, Declarant reserves for itself the easement and right to make structural changes and alterations on and to Lots and Townhomes used by Declarant as models, storage areas, and offices, as may be necessary to adapt them to the uses permitted herein.

B.3.9. Access. During the Development Period, Declarant has an easement and right of ingress and egress in and through the Property for purposes of constructing, maintaining, managing, and marketing the Property and the Property Subject to Annexation (as hereinafter defined), and for discharging Declarant's obligations under this Declaration.

Declarant also has the right to provide a reasonable means of access for the home buying public through any existing or future gate that restricts vehicular access to the Property in connection

with the active marketing of Lots and homes by Declarant or Builders, including the right to require that the gate be kept open during certain hours and/or on certain days. This provision may not be construed as an obligation or intent to gate the Property.

B.3.10. Utility Easements. During the Development Period, Declarant may grant permits, licenses, and easements over, in, on, under, and through the Property for utilities, roads, and other purposes necessary for the proper development and operation of the Property. Declarant reserves the right to make changes in and additions to the easements on any Lot, as shown on the Plat, to more efficiently or economically install utilities or other improvements. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, television, cable, internet service, and security. To exercise this right as to land that is not a Common Area or not owned by Declarant, Declarant must have the prior written consent of the Owner.

B.3.11. Assessments. For the duration of the Development Period, any Lot owned by Declarant is not subject to mandatory assessment by the Association until the date Declarant transfers title to an Owner other than Declarant. If Declarant owns a Lot on the expiration or termination of the Development Period, from that day forward Declarant is liable for Assessments on each Lot owned by Declarant in the same manner as any Owner.

B.3.12. Land Transfers. During the Development Period, any transfer of an interest in the Property to or from Declarant is not subject to any transfer-related provision in the Documents, including without limitation on an obligation for transfer or Resale Certificate fees, and the transfer-related provisions of Article 8 of this Declaration. The application of this provision includes without limitation Declarant's Lot take-downs, Declarant's sale of Lots to Builders, and Declarant's sale of Lots to homebuyers.

B.4. COMMON AREAS. Declarant will convey title to the Common Areas, including any and all facilities, structures, improvements and systems of the Common Areas owned by Declarant, to the Association by one or more deeds – with or without warranty. Any initial Common Area improvements will be installed, constructed, or authorized by Declarant, the cost of which is not a Common Expense of the Association. At the time of conveyance to the Association, the Common Areas will be free to encumbrance except for the property taxes accruing for the year of conveyance the terms of this Declaration and the Master Declaration and matters reflected on the Plat. Declarant's conveyance of title is a ministerial task that does not require and is not subject to acceptance by the Association or the Owners. The transfer of control of the Association at the end of the Declarant Control Period is not a transfer of Common Areas requiring inspection, evaluation, acceptance, or approval of Common Area improvements by the Owners.

B.5. WORKING CAPITAL FUND. Declarant may (but is not required to) establish a working capital fund for the Association by requiring purchasers of Lots to make a one-time contribution to this fund, subject to the following conditions:

a. The amount of the contribution to this fund will be \$300.00 and will be collected on the closing of the sale of the Lot to any Owner other than Declarant, a Successor Declarant, Declarant-affiliate or a Builder.

b. Subject to the foregoing Builder provision, a Lot's contribution should be collected from the Owner at closing upon sale of Lot from Builder to Owner; Declarant

acknowledges that this condition may create an inequity among the Owners, but deems it a necessary response to the diversification of marketing and closing Lot sales.

d. Contributions to the fund are not advance payments of Regular Assessments or Special Assessments and are not refundable to the contributor by the Association or by Declarant. This may not be construed to prevent a selling Owner from negotiating reimbursement of the contribution from a purchaser.

e. Declarant will transfer the balance of the working capital fund to the Association on or before termination of the Declarant Control Period. Declarant may not use the fund to defray Declarant's personal expenses or construction costs however, Declarant may, if necessary, utilize funds for the Association's operating needs in the event of a deficit in the Association's operating budget.

B.6. SUCCESSOR DECLARANT. Declarant may designate one or more Successor Declarants' (herein so called) for specified designated purposes and/or for specified portions of the Property, or for all purposes and all of the Property. To be effective, the designation must be in writing, signed and acknowledged by Declarant and Successor Declarant, and recorded in the Real Property Records of Denton County, Texas. Declarant (or Successor Declarant) may subject the designation of Successor Declarant to limitations and reservations. Unless the designation of Successor Declarant provides otherwise, a Successor Declarant has the rights of Declarant under this Section and may designate further Successor Declarants.

B.7. Declarant's Right to Annex Adjacent Property. Declarant hereby reserves for itself and its affiliates and/or any of their respective successors and assigns the right to annex any real property in the vicinity of the Property and subject to the Master Declaration (the "Property Subject to Annexation") into the scheme of this Declaration as provided in this Declaration. Notwithstanding anything herein or otherwise to the contrary, Declarant and/or such affiliates, successors and/or assigns, subject to annexation of same into the real property subject to the Master Declaration, shall have the exclusive unilateral right, privilege and option (but never an obligation), from time to time, for as long as Declarant owns any portion of the Property or Property Subject to Annexation, to annex (a) all or any portion of the Property Subject to Annexation owned by Declarant, and (b) subject to the provisions of this Declaration and the jurisdiction of the Association, any additional property located adjacent to or in the immediate vicinity of the Property (collectively, the "Annexed Land"), by filing in the Official Public Records of Denton County, Texas, a Supplemental Declaration expressly annexing any such Annexed Land. Such Supplemental Declaration shall not require the vote of the Owners, the Members of the Association, or approval by the Board or other action of the Association or any other Person, subject to the prior annexation of such Annexed Land into the real property subject to the Master Declaration. Any such annexation shall be effective upon the filing of such Supplemental Declaration in the Official Public Records of Denton County, Texas (with consent of Owner(s) of the Annexed Land, if not Declarant). Declarant shall also have the unilateral right to transfer to any successor Declarant, Declarant's right, privilege and option to annex Annexed Land, provided that such successor Declarant shall be the developer of at least a portion of the Annexed Land and shall be expressly designated by Declarant in writing to be the successor or assignee to all or any part of Declarant's rights hereunder.

B.7.1. Procedure for Annexation. Any such annexation shall be accomplished by the execution by Declarant, and the filing for record by Declarant (or the other Owner of the property being added or annexed, to the extent such other Owner has received a written assignment from Declarant of the right to annex hereunder) of a Supplemental Declaration which must set out and provide for the following:

- (i) A legally sufficient description of the Annexed Land being added or annexed, which Annexed Land must as a condition precedent to such annexation be included in the real property subject to the Master Declaration;
- (ii) That the Annexed Land is being annexed in accordance with and subject to the provisions of this Declaration, and that the Annexed Land being annexed shall be developed, held, used, sold and conveyed in accordance with, and subject to, the provisions of this Declaration as theretofore and thereafter amended; provided, however, that if any Lots or portions thereof being so annexed are to be treated differently than any of the other Lots (whether such difference is applicable to other Lots included therein or to the Lots now subject to this Declaration), the Supplemental Declaration should specify the details of such differential treatment and a general statement of the rationale and reasons for the difference in treatment, and if applicable, any other special or unique covenants, conditions, restrictions, easements or other requirements as may be applicable to all or any of the Lots or other portions of Annexed Land being annexed;
- (iii) That all of the provisions of this Declaration, as amended, shall apply to the Annexed Land being added or annexed with the same force and effect as if said Annexed Land were originally included in this Declaration as part of the Initial Property, with the total number of Lots increased accordingly;
- (iv) That an Assessment Lien is therein created and reserved in favor of the Association to secure collection of the Assessments as provided in this Declaration, and as provided for, authorized or contemplated in the Supplemental Declaration, and setting forth the first year Maintenance Assessments and the amount of any other then applicable Assessments (if any) for the Lots within the Annexed Land being made subject to this Declaration; and
- (v) Such other provisions as the Declarant therein shall deem appropriate.

B.7.2. Amendment. The provisions of this B.7. or its sub-sections may not be amended without the express written consent of Declarant (and Declarant's successors and assigns in accordance with the terms hereof).

B.7.3. No Duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any Member to annex any property to this Declaration and no Owner of the property excluded from this Declaration shall have any right to have such property annexed thereto.

B.7.4. Effect of Annexation on Class B Membership. In determining the number of Lots owned by the Declarant for the purpose of Class B Membership status the total number of Lots covered by this Declaration and located in such Declarant's portion of the Property, including all Lots acquired by the Declarant and annexed thereto, shall be considered. If Class B Membership has previously lapsed but annexation of additional property restores the ratio of Lots owned by the Declarant to the number required by Class B Membership, such Class B Membership shall be reinstated until it expires pursuant to the terms of the Declaration.

[End of Appendix B]

APPENDIX "C"
MAINTENANCE RESPONSIBILITY CHART

"all aspects" includes maintenance, repair and replacement, as needed"

Component of Property	Area of Common Responsibility	Owner Responsibility
Roofs	Shingles, flashing, decking, felt/tarpaper and parapet	all other aspects, including roof top deck finished surface
Roof-mounted attachments	None	All aspects
Exterior vertical walls of Townhome Buildings, other exterior features of Townhome Buildings not specifically listed in chart	Outermost materials only, such as siding, stucco and brick, and any coatings or surface treatments on the material, such as paint or sealant	All other aspects, including wall cavities and insulation
Townhome Building foundations, patio slabs and A/C slabs	None	All aspects, including tolerance for minor cracks that are inevitable results of the natural movement of soil (expansion and contraction), shrinkage during the curing of the concrete and settling of the Townhome Building
Concrete driveways and sidewalks	All structural aspects	Routine cleaning and tolerance for minor cracks that are inevitable results of the natural expansion and contraction of soil, shrinkage during the curing of the concrete and settling of the Townhome Building
Retaining walls	All aspects	None
Displays of street numbers on exterior doors or Townhome Building surfaces	All aspects	None
Gutters and downspouts	All aspects	None
Grounds – outside the fenced yards (if any).	All aspects	None
Yard irrigation system (sprinkler)	All aspects	None
Exterior light fixtures on Townhome Buildings	None	All aspects

Component of Property	Area of Common Responsibility	Owner Responsibility
Garages	None	All aspects. Includes routine interior cleaning, interior wall and ceiling materials, garage door, pedestrian door, automatic garage door opener, remote controls, interior light fixture, interior electrical outlets.
Insulation and weather-stripping	None	All aspects
Chimneys and fireplaces	None	All aspects
Fences and gates around private Townhome yards (if any)	None	All aspects
Townhome interiors, including improvements, fixtures, partition walls and floors within Townhome	None	All aspects including but not limited to all electrical and plumbing components
Sheetrock in Townhomes (walls and ceilings) and treatments on walls	None	All aspects
Improvements and grounds in private patio/yards	None	All aspects
Exterior doors of Townhomes	None	All aspects of the garage door, and all aspects of other doors, including paint, door frame, door, glass panes, hardware, locks, peep-holes, thresholds, weather stripping and doorbells
Windows	Periodic exterior caulking in connection with exterior painting	All other aspects, including window frames, window sill flashings, window seals and sealants, screens, window locks, glass panes, glazing, interior caulking
Water, sewer, electrical lines and systems	None for lines and systems serving the Lots	All aspects of lines and systems serving the Lot
Heating and cooling systems and water heaters	None	All aspects
Intrusion alarms on doors/windows, smoke/heat detectors, monitoring equipment	None	All aspects

Component of Property	Area of Common Responsibility	Owner Responsibility
Cable for television or Internet	Standards for location and appearance of cable and/or conduit	All other aspects
Television Antennas and satellite dishes	Standards for location and appearance of exterior-mounted devices	All other aspects

Note 1: The components listed in the first column are applicable only if they exist, and may not be construed to create a requirement to have such a component.

Note 2: If the Owner is responsible for a component of the Townhome Building that is shared with one or more other Townhomes in the Townhome Building, such as roof trusses and the foundation, the responsibility is shared by the Owners of all the Townhomes in the Townhome Building. If the Owners of the Townhomes in the Townhome Building cannot agree on an equitable division of the costs based on the circumstances, the division will be equal among the Townhomes although one Townhome may be more affected than the others. If the Owners of the Townhomes cannot agree on any aspect of maintenance that requires their joint participation, the matter will be decided by a 3-person ad hoc committee appointed by the Board.

Note 3: If an Owner fails or refuses to perform necessary maintenance, repair, or replacement, the Association may perform the work after giving required notices to the Owner.

Note 4: This Maintenance Responsibility Chart may be revised by the Association, with the approval of Owners representing at least a Majority of the Lots in the Property. A revised Chart must be recorded in the Real Property Records of Denton County, Texas. The Declarant may revise this Maintenance Responsibility Chart at any time during the Development Period without consent or joinder of the Owners. After the period of Declarant control the Board may revise this Maintenance Responsibility Chart at any time and from time to time with a majority vote of the Board. Revisions to the Maintenance Chart must be provided to the Owners by delivering a copy of the revised Chart by U.S. mail, and if applicable, must be posted to the Association's website.

**EXHIBIT D
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE PINNACLE AT RIVERWALK TOWNHOME
OWNERS ASSOCIATION, INC., AN ADDITION TO
THE TOWN OF FLOWER MOUND, DENTON COUNTY, TEXAS

DESIGN GUIDELINES**

PART ONE:

SECTION 1.1 FLAGS AND FLAGPOLES

- 1.1.1 The only flags which may be displayed are: (i) the flag of the United States of America; (ii) the flag of the State of Texas; and (iii) an official or replica flag of any branch of the United States armed forces. No other types of flags, pennants, banners, kits or similar types of displays are permitted on a Lot if the display is visible from a Street or Common Area.
- 1.1.2 The flag of the United States must be displayed in accordance with 4 U.S.C. Sections 5-10.
- 1.1.3 The flag of the State of Texas must be displayed in accordance with Chapter 3100 of the Texas Government Code.
- 1.1.4 Any freestanding flagpole, or flagpole attached to a Residence, shall be constructed of permanent, long-lasting materials. The materials used for the flagpole shall be harmonious with the Residence, and must have a silver finish with a gold or silver ball at the top. The flagpole must not exceed three (3) inches in diameter.
- 1.1.5 The display of a flag, or the location and construction of the supporting flagpole, shall comply with applicable Zoning, easements, and setbacks of record.
- 1.1.6 A displayed flag, and the flagpole on which it is flown, shall be maintained in good condition at all times. Any flag that is deteriorated must be replaced or removed. Any flagpole that is structurally unsafe or deteriorated shall be repaired, replaced, or removed.
- 1.1.7 Only one flagpole will be allowed per Lot. No such limitation applies in Common Areas or Neighborhood Common Areas. A flagpole can either be securely attached to the face of the Residence (no other Structure) or be a freestanding flagpole. A flagpole attached to the Residence may not exceed 4 feet in length. A freestanding flagpole may not exceed twenty (20) feet in height. Any freestanding flagpole must be located in either the front yard or backyard of a Lot, and there must be a distance of at least five (5) feet between the flagpole and the property line.

- 1.1.8 Any flag flown or displayed on a freestanding flagpole may be no smaller than 3'x5' and no larger than 4'x6'.
- 1.1.9 Any flag flown or displayed on a flagpole attached to the Residence may be no larger than 3'x5'.
- 1.1.10 Any freestanding flagpole must be equipped to minimize halyard noise. The preferred method is through the use of an internal halyard system. Alternatively, swivel snap hooks must be covered or "Quiet Halyard" Flag snaps installed. Neighbor complaints of noisy halyards are a basis to have flagpole removed until Owner resolves the noise complaint.
- 1.1.11 The illumination of a flag is allowed so long as it does not create a disturbance to other residents in the community. Solar powered, pole mounted light fixtures are preferred as opposed to ground mounted light fixtures. Compliance with all municipal requirements for electrical ground mounted installations must be certified by Owner. Flag illumination may not shine into another Residence. Neighbor complaints regarding flag illumination are a basis to prohibit further illumination until Owner resolves complaint.
- 1.1.12 Flagpoles shall not be installed in any Common Area or property maintained by the Association or any Sub-Association, except by Declarant or the applicable Sub-Declarant or Developer.
- 1.1.13 All freestanding flagpole installations must receive prior written approval from the Declarant, the ACC or other reviewing authority established under any Sub-Declaration.

SECTION 1.2 GUTTERING, RAIN BARRELS OR RAINWATER HARVESTING SYTEMS

- 1.2.1 All Residences shall be fully guttered with copper, galvanized steel, aluminum or painted if exposed to the Street or any Common Area. This requirement applies regardless of whether rain barrels or rain water harvesting systems are installed on the Lot.
- 1.2.2 Rain barrels or rain water harvesting systems and related system components (collectively, "Rain Barrels") may only be installed after receiving the written approval of the Declarant, the ACC or other reviewing authority established under any Sub-Declaration.
- 1.2.3 Rain barrels may not be installed upon or within the Common Areas, except by Declarant or any Sub-Declarant or Developer, or with written approval of the Declarant or ACC.

- 1.2.4 Under no circumstances shall rain barrels be installed or located in or on any area within a Lot that is in-between the front of the Owner's Residence and an adjoining or adjacent street.
- 1.2.5 The rain barrel must be of color that is consistent with the color scheme of the Owner's Residence and may not contain or display any language or other content that is not typically displayed on such rain barrels as manufactured.
- 1.2.6 Rain barrels may be located in the back-yard of Lot so long as such rain barrel(s) may not be seen from a street, another Lot or any Neighborhood Common Area.
- 1.2.7 In the event the installation of Rain Barrels in the back-yard of an owner's property in compliance with paragraph 1.2.6 above is impossible, the Declarant, the ACC or other reviewing authority established under any Sub-Declaration may impose limitations or further requirements regarding the size, number and screening of Rain Barrels with the objective of screening the Rain Barrels from public view to the greatest extent possible. **The owner must have sufficient area on their Lot to accommodate the Rain Barrels.**
- 1.2.8 Rain Barrels must be properly maintained at all times or removed by the Owner.
- 1.2.9 Rain Barrels must be enclosed or covered.
- 1.2.10 Rain Barrels which are not properly maintained, become unsightly or could serve as a breeding pool for mosquitoes must be removed by the Owner from the Lot, at such Owner's sole cost and expense.

SECTION 1.3 CERTAIN RELIGIOUS DISPLAYS

- 1.3.1 By statute, an Owner is allowed to display or affix on the entry to the Owner's Residence one or more religious items, the display of which is motivated by the Owner's or occupant's sincere religious belief. Such display is limited according to the provisions contained herein.
- 1.3.2 If displaying or affixing of a religious item on the entry to the Owner's or occupant's Residence violates any of the following covenants, the Association (or applicable Sub-Association) may remove the item displayed:
 - (1) threatens the public health or safety;
 - (2) violates a law;
 - (3) contains language, graphics, or any display that is patently offensive to a passerby;
 - (4) is permanently installed in a location other than the entry door or door frame or extends past the outer edge of the door frame of the Owner's or occupant's Residence; or

- (5) individually or in combination with each other religious item displayed or affixed on the entry door or door frame has a total size of greater than 25 square inches
- 1.3.3 No owner or resident is authorized to use a material or color for an entry door or door frame of the Owner's or occupant's Residence or make an alteration to the entry door or door frame that is not authorized by the Declaration or otherwise expressly approved by the Declarant, the ACC or other reviewing authority established under any Sub-Declaration.

SECTION 1.4 SOLAR PANELS

- 1.4.1 Solar energy devices, including any related equipment or system components (collectively, "**Solar Panels**") may only be installed after receiving the written approval of the Declarant, the ACC or other reviewing authority established under any Sub-Declaration.
- 1.4.2 Solar Panels may not be installed upon or within Common Areas or any area which is maintained by the Association or any Sub-Association, except by Declarant or any Sub-Declarant or Developer, or with written approval of the Declarant or ACC.
- 1.4.3 Solar Panels may only be installed on designated locations on the roof of a Residence, on any structure allowed under any subdivision or Association dedicatory instrument, or within any fenced rear-yard or fenced-in patio of an Owner's Lot, but only as allowed by the Declarant, the ACC or other reviewing authority established under any Sub-Declaration. **Solar Panels may not be installed on the front elevation of the Residence.**
- 1.4.4 If located on the roof of a Residence, Solar Panels shall:
 - (1) not extend higher than or beyond the roofline;
 - (2) conform to the slope of the roof;
 - (3) have a top edge that is parallel to the roofline; and
 - (4) have a frame, support bracket, or wiring that is black or painted to match the color of the roof tiles or shingles of the roof. Piping must be painted to match the surface to which it is attached, i.e. the soffit and wall. Panels must blend with the color of the roof to the greatest extent possible.
- 1.4.5 If located in the fenced rear-yard or patio, Solar Panels **shall not be** taller than the fence line or visible from any adjacent Lot, Common Area or Street.
- 1.4.6 The Declarant, the ACC or other reviewing authority established under any Sub-Declaration may deny a request for the installation of Solar Panels if it determines that the placement of the Solar Panels, as proposed by the Owner, will create an interference with the use and enjoyment of any adjacent Lot or Common Area.

- 1.4.7 Owners are hereby placed on notice that the installation of Solar Panels may void or adversely affect roof warranties. Any installation of Solar Panels which voids material warranties is not permitted and will be cause for the Solar Panels to be removed by the Owner.
- 1.4.8 Solar Panels must be properly maintained at all times or removed by the Owner.
- 1.4.9 Solar Panels which become non-functioning or inoperable must be removed by the Owner.

SECTION 1.5 CERTAIN ROOFING MATERIALS

- 1.5.1 Roofing shingles covered by this Section are exclusively those designed primarily to: (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 (collectively, "Roofing Shingles").
- 1.5.2 Roofing Shingles allowed under these Guidelines shall:
 - (1) resemble the shingles used or otherwise authorized for use in the Property;
 - (2) be more durable than and are of equal or superior quality to the shingles used or otherwise authorized for use in the Property; and
 - (3) match the aesthetics of other roofs throughout the Subdivision and surrounding properties.
- 1.5.3 The Owner requesting permission to install the Roofing Shingles will be solely responsible for accrediting, certifying and demonstrating to the Declarant, the ACC or other reviewing authority established under any Sub-Declaration that the proposed installation is in full compliance with paragraphs 1.5.1 and 1.5.2 above.
- 1.5.4 Roofing Shingles shall be installed only after receiving the written approval of the Declarant, the ACC or other reviewing authority established under any Sub-Declaration.
- 1.5.5 Owners are hereby placed on notice that the installation of Roofing Shingles may void or adversely affect other warranties.
- 1.5.6 Roof Materials. A minimum of 8:12 roof pitch is required. Some other roof pitches may be allowed but, shall require the prior written approval of the ACC. Shingles shall consist of glass fiber shingles however; other roofing materials may be considered and shall require the prior written approval of the ACC before use. Roofs require a minimum twenty (20) year warranty shingle or equivalent. Color of shingles shall be driftwood or gray in color. Other colors shall require the prior written consent of the ACC prior to use. Other roofing material shall not be used without the express written approval of the ACC. All roofing materials must be fireproof and conform to City requirements, and are subject to approval of the ACC. Roof

materials shall in any event be in compliance with the Design Guidelines and the Declaration. Dormers above roof structure and roofing materials may be finished with an approved exterior grade siding material.

SECTION 1.6 SIGNAGE

1.6.1 No sign or signs of any kind or character shall be displayed to the Streets or otherwise to the public view on any Lot or neighborhood Common Area, except for the Declarant's signs or Builders' signs approved by the Declarant for such Declarant's Property, and except that:

(A) Any Builder, during the applicable initial construction and sales period, may utilize two (2) professionally fabricated signs (of not more than six [6] square feet in size) per Lot for advertising and sales purposes, and two (2) professionally fabricated signs (of not more than thirty-two [32] square feet in size) in the Property advertising a model home or advertising the Subdivision, provided that such signs shall first have been approved in writing by the ACC;

(B) A professionally fabricated "for sale" or "for rent" or "for lease" sign (of not more than six [6] square feet in size) may be utilized by the Owner of a Lot for the applicable sale or rent situation, ONLY providing that such sign first shall have been approved in writing by the ACC and provided further that no "for rent" or "for Lease" signs shall be permitted to be place on a Lot in the two (2) year period immediately following the first sale of a Residence to an end-use homebuyer;

(C) Development related signs owned or erected by Declarant (or any Builder with Declarant's prior written consent) shall be permitted;

(D) Signs displaying the name of a security company shall be permitted, provided that such signs are (i) ground mounted, (ii) limited to one (1) in number per Lot, and (iii) of a size not in excess of two (2) square feet in size;

(E) Each Owner may display flags on or at a Residence in conformity with Section 1.1 of these Design Guidelines, and otherwise a manner otherwise consistent with the covenants, conditions and restrictions contained in the Declaration. Owners should keep in mind the close proximity of other Owners and/or businesses. Some flags may not be conducive to the aesthetic harmony of the neighborhood, street or block upon which the Townhome is located. The ACC reserves the right to request the prompt removal of flags and should the Owner not comply, the ACC reserves the right to remove the flag. Such removal shall not constitute trespassing and the ACC or the Association shall not be responsible for the return of or replacement of flag in the event of damage or loss;

(F) Each Residence may display up to two (2) spirit signs or other signs in support of athletic events and/or teams during the applicable sport season which are not otherwise consistent with the covenants, conditions and restrictions contained in the Declaration; and

(G) Seasonal decorations (including lights, lawn ornamentation, flags and banners) must be approved in advance in writing by the ACC. If approved, use may not exceed six (6) weeks during the applicable season and provided that such decoration is in any event consistent with the covenants, conditions and restrictions contained in this Declaration and do not constitute or cause disharmony amount the Owners or Businesses surrounding the Townhome and must be removed within ten (10) days following the applicable season or holiday; and

(H) One (1) sign for each candidate and/or ballot item on advertising such political candidate(s) or ballot item(s) for an election shall be permitted in accordance with Section 202.009 of the Texas Property Code, provided that:

(i) such signs may not be displayed (A) prior to the date which is ninety (90) days before the date of the election to which the sign relates, and (B) after the date which is ten (10) days after that election date;

(ii) such signs must be ground-mounted; and

(iii) such signs shall in no event (A) contain roofing material, siding, paving materials, flora, one or more balloons or lights, or any other similar building, landscaping, or nonstandard decorative component, (B) be attached in any way to plant material, a traffic control device, a light, a trailer, a vehicle, or any other existing Structure or object, (C) include the painting of architectural surfaces, (D) threaten the public health or safety, (E) be larger than four feet (4') by six feet (6'), (F) violate a law, (G) contain language, graphics, or any display that would be offensive to the ordinary person, or (H) be accompanied by music or other sounds or by streamers or is otherwise distracting to motorists.

PART TWO:

SECTION 2.1 DESIGN AND CONSTRUCTION MATERIALS

2.1.1 Residence Size and Height. The minimum square footage of air conditioned living space shall be 1,600 square feet. The maximum height of any townhome shall be three (3) stories.

2.1.2 Minimum Set Back and Yard Restrictions. All setbacks shall comply with the plat and all applicable city restrictions. Builder shall be responsible for compliance with the minimum set back and front and rear yard restrictions.

2.1.3 Exterior Materials. The exterior walls (excluding doors and windows) of each Residence constructed or placed on a Lot shall have the minimum City required coverage or a minimum of 80% masonry for structures facing right of ways (ROW), and 60% percent for interior structures, courtyards and alley facing wall areas, whichever is greater, and must otherwise be in compliance with this Declaration, the Master Declaration and

these Design Guidelines. No material on the exterior of any building or other improvement except approved wood, hardboard or stucco, shall be stained or painted without the prior written approval of the ACC. No materials other than the following may be used in the exterior construction of a Residence constructed on a Lot (excluding roofing materials, window frames and exterior fixtures): brick, brick veneer, stone, cast stone, and up to twenty percent (20%) stucco, exclusive of windows, doors, dormers and gables over the entrance of an extended garage or any wall area above a first floor roof where the exterior masonry veneer cannot directly bear upon the foundation (for example wall area above a shed roof or an attached garage) notwithstanding, the interior courtyard and alley facing wall areas may include hardi-plank as an acceptable form of masonry material. All wood, hardboard or stucco used on the exterior of a Residence must be painted or stained in a color compatible with the exterior design and materials used in the exterior construction of such Residence, and as approved by the ACC.

Materials other than those listed above may be appropriate for architectural trim and accent applications only including but not limited to: cornices and decorative brackets, frieze panels, decorative lintels, shutters, and porch or balcony railings and is subject to the approval of the ACC; and

- 2.1.3.1 All chimney and fireplace flues shall be enclosed and finished and portions located above the roof structure and roofing materials shall be finished as required by the Design Guidelines or applicable ordinances of the City, provided that in any event such exterior portions of the chimney visible from the adjacent Street or Common Area (at grade level) shall be finished with one hundred percent (100%) masonry materials matching that of the primary structure. Exposed pre-fabricated metal flue piping is prohibited. Chimney flues not visible from the street may be enclosed by materials approved by the building code for exterior exposure and in compliance with the flue manufacturer's recommendations.

2.1.3.2 Garage Requirements: Rear loading garages may be built to the minimum rear yard Lot and constructed of a decorative metal and must be regularly maintained. Each residence erected on a Lot shall provide off-street parking space (inclusive of garage space) for a minimum of two (2) automobiles.

SECTION 2.2 LANDSCAPING:

Upon completion of each Residence, the following landscape elements shall be installed prior to occupancy of the Residence. No synthetic or fake sod, plants, flowers or trees are allowed:

2.2.1 Sod/Irrigation: The front yard of each Lot shall have full sod installed with the exception of any paved areas of the Lot. All Lots must have underground irrigation systems installed providing coverage for all non-paved areas of the Lot in accordance with City requirements, and specifically include, without limitation, irrigation of Street Trees located within any public right-of-way adjacent to the Lot. Drip irrigation systems or an acceptable alternative must be installed in the front planter beds and tree wells as applicable by city ordinances. Some hardscape landscaping which may include the use of river rock shall be

allowed in certain beds or areas where the regular and healthy growth of plants or trees will be difficult due to lack of sun or soil depth. The Association shall be responsible for the regular maintenance and upkeep of the front lawn areas of each unit.

2.2.2 Trees: All trees installed on a Lot to meet the Minimum Landscaping Requirements for such Lot shall be selected from the list of "Approved Shade Trees" as identified in paragraph 2.2.6 below. Trees located on corner Lots which may impede line of sight must maintain a canopy a minimum of nine (9) feet above grade. Owner shall promptly notify the Association or its Managing Agent of any signs of distress in trees. The Association shall be responsible for the maintenance and upkeep of Trees.

2.2.3 Shrubbery and Planting Beds: Each Lot shall have the minimum number of shrubs as required by applicable city ordinance in a mulched planting bed; the planting bed shall have edging materials to separate the sod and bed mulch areas. Each planting bed shall also contain a minimum of ten one (1) gallon shrubs and two flats of flowers, and depending on the bed size, this number may be adjusted by the Builder upon written permission from the ACC. The Association shall be responsible for the regular maintenance and upkeep of the front lawn areas of each unit.

2.2.4 Initial Installations and Maintenance. Upon completion of any Residence within the Property and prior to the final inspection, the Builder must install the street trees according to the specifications outlined in these Design Guidelines and/or City ordinances (Exceptions as to timing may be granted at the sole discretion of the Declarant and/or the Association due to inclement weather). All the trees in the Neighborhood Common Areas are the responsibility of the Association to maintain at the sole discretion of the Association. All grounds outside any fenced areas of each townhome unit shall be the responsibility of the Association to maintain. The minimum clearance of any overhanging vegetation over any sidewalk shall be nine (9) feet.

2.2.5 Trees. Trees shall be planted in locations approved by the City or authorized designee of the City.

2.2.6 List of Allowed Landscaping: All landscaping installed on a Lot (other than sod) shall be selected from the following which includes a list of approved trees, shrubs ground cover, vines perennial and annual flowers meeting current City Ordinances. An Owner shall not remove, change or otherwise add to the landscaping without the prior written approval of the ACC.

(a) Approved Street Trees: Street trees shall be installed according to the applicable City Building and Zoning Ordinances. Landscaping shall have subsurface irrigation and drainage systems. Street trees, if required, shall have a minimum of six inch (6") caliper with a seven foot (7') clear trunk and planted based upon a targeted average spacing of twenty-five to thirty-five feet on center of a block length, determined by measuring from right-of-way line to right-of-way line. Spacing can be adjusted as necessary to accommodate block length, curb cuts, crosswalks, vaults, pedestrian and vehicular block breaks and comparable features. Allowed street trees are:

Live Oak

Lacebark Elm

Chinquapin Oak

Red Oak

Water Oak

(b) Approved Shade Trees:

Afghan Pine

American Elm

Arizona Cypress

Bald Cypress

Bigelow Oak

Bur Oak

Caddo Maple

Cedar Elm

Chinquapin Oak

Durrand Oak

Lacebrook Elm

Lacy Oak

Live Oak

Pecan

Shumard Oak

Southern Live Oak

Southern Magnolia

Texas Ash

Texas Red Oak

Western Soapberry

(c) Approved Accent trees (range from 10 to 20 feet):

Blackhaw, Rusty

Buckeye, Mexican

Buckthorn, Carolina

Chitalpa

Crab Apple

Crepe Myrtle

Deciduous Holly

Dogwood, Rough-leaf

Flameleaf Sumac

Hawthorn, Downy

Hawthorn, Washington

Maple, Japanese

Mesquite

Persimmon, Texas

Plum, Mexican

Redbud

Smoke tree

Texas Sophora (Eve's Necklace)

Wild Plum

Willow, Desert

Yaupon Holly

(d) Approved Shrubs (range from 3 to 5 feet):

Beautyberry

Dwarf Buford Holly

Dwarf Chinese Holly

Dwarf Crepe Myrtle

Dwarf Yaupon Holly

Fountain Grass

Juniper supp.

Purple Leaf Japanese Barberry

Purple Sage

Sumac species

Yucca, Red

(e) Approved Ground cover (range from 18 inches):

Asian Jasmine

Buffalo Grass

Confederate Star Jasmine

Juniper supp.

Liriope

Monkey Grass

Periwinkle

Thyme, Creeping

Wood Fern

(f) Approved Vines:

Boston Ivy

Carolina Yellow Jasmine (Jessamine)

Coral Honeysuckle

Mandevilla

Virginia Creeper

(g) Approved Perennial and annual flowers:

Caladium

Canna

Chrysanthemum

Copper Leaf

Gayfeather

Iris

Lantana

Marigold

Moss Rose or Portulaca

Periwinkle

Petunia

Plumbago

Salvia

Tulip

Wild Flowers

Zinnia

SECTION 2.3 FENCES:

2.3.1 Wooden Fencing: NO FRONT FENCING ALLOWED. **Fencing may be optional at the sole discretion of the Declarant.** No vinyl or chain link fencing allowed. All wooden fencing shall be stained and preserved as follows:

Manufacturer: Sherwin Williams

Color: Banyan Brown – Apply per instructions

Color: Sable Brown – Apply per Instructions.

Color: Medium Brown – Apply per Instructions.

Fences must be kept in good repair at all times. Broken fences and/or pickets must be repaired. Fallen fence panels must be repaired. All lots must be fully fenced on all sides. Leans in fences

of more than five inches (5") must be repaired. Fences with faded or fading stain must be restained to maintain consistency of color and aesthetic appearance at all times.

2.3.2 Fences Facing Street (front or side): All fencing on such Lots that are facing a street shall be constructed of cedar, board-on-board with steel posts, a 2" x 4" continuous cap and 1" x 4" ledger strip/band. Steel posts shall not be visible from the Street or any Common Area adjacent to a Lot. The maximum fence height is six feet (6').

2.3.3 Standard Side and Rear Yard Fences: Side and rear yard fences not facing the street shall be no less than 6' in height from grade, and shall be constructed of cedar with steel posts. Posts must not be visible on any fence facing the street. Fence planks shall be at least 5/8" thick and maintain at least one inch (1") gap between the ground and wood to prevent rotting or decay. Vertical posts spacing should be no more than eight feet (8') on center or less and set in concrete post footings of a minimum of 24" deep footings for six foot (6') high fences, Cedar top caps, spruce ledger strips 1" x 4" and board-on-board construction are required. All portions of the fence that are viewable from the street shall be stained with the color specified above at Section 2.3.1.

2.3.4 Fences Adjacent to Common Areas: All fencing adjacent to Common Areas shall be at least 5' wrought iron or tubular steel painted black. Any wooden fence intersecting a wrought-iron fence must transition to wrought-iron at the corner of the Lot, with the wooden fence sloping gradually (stepped transition design is only allowed if specifically approved by the ACC), to five feet (5'). The transition shall commence at a maximum of ten feet (10') and minimum of two feet (2') prior to the point of intersection between the wooden fence and the wrought-iron fence. All fences shall be consistent; no variation of design shall be permitted. Fence areas shall be unobstructed by screening or other materials unless specifically approved by the Association.

SECTION 2.4 OTHER REQUIREMENTS

2.4.1 All Lots, Common Areas, Residences and/or other Structures developed, constructed and/or installed within the Property shall conform to the requirements set forth in the Master Declaration and Design Standards established by the Master ACC and any City Ordinance to the extent the foregoing or any other restrictions set forth in this Declaration are not more restrictive. The Association reserves the right to initiate self help actions based on Section 12.2.4 of the Declaration should an Owner fail to comply with the restrictions as set forth in the Declaration or these Design Guidelines.

SECTION 2.5 MAILBOXES

2.5.1 Mailboxes may be cluster mailboxes notwithstanding, should a cluster style mailbox not be used, the mailbox must conform in type and style to the Exhibit 1.3.1 attached or of a type and design as may be approved by the Declarant or the ACC. Any variation must receive prior written approval by the ACC or Declarant. All design and construction must be in accordance with any applicable guidelines and/or requirements of the City and/or United States Postal Service.

APPENDIX "E"

BYLAWS

**PINNACLE AT THE RIVERWALK TOWNHOME
OWNERS ASSOCIATION, INC.**

BYLAWS
OF
PINNACLE AT RIVERWALK TOWNHOME OWNERS
ASSOCIATION, INC.

(A Texas Property Owners Association)

PROPERTY

These Bylaws pertain to Pinnacle at Riverwalk Townhomes, an addition to the City of Flower Mound, Texas, according to the Plat recorded in the Real Property Records, Denton County, Texas. These Bylaws are to be recorded in the Real Property Records of Denton County, Texas.

**BYLAWS
OF
PINNACLE AT RIVERWALK TOWNHOME OWNERS ASSOCIATION, INC.
(A Texas Property Owners Association)**

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1 - INTRODUCTION	1
1.1. PROPERTY	1
1.2. DECLARATION	1
1.3. DEFINITIONS	1
1.4. DECLARANT CONTROL	1
1.5. PARTIES TO BYLAWS	1
1.6. TYPE OF ORGANIZATION	1
1.7. APPLICABLE LAW	1
1.8. GENERAL POWERS AND DUTIES	2
ARTICLE 2 - BOARD OF DIRECTORS	2
2.1. NUMBER AND TERM OF OFFICE	2
2.2. STAGGERED TERMS	2
2.3. QUALIFICATION	2
2.4. ELECTION	3
2.5. VACANCIES	3
2.6. REMOVAL OF DIRECTORS	3
2.7. MEETINGS OF THE BOARD	4
2.8. ACTION WITHOUT MEETING OR TELEPHONIC MEETING	6
2.9. POWERS AND DUTIES	7
2.10. EMERGENCIES	7
2.11. FIDELITY BONDS	8
ARTICLE 3 - OFFICERS	8
3.1. DESIGNATION	8
3.2. ELECTION OF OFFICERS	8
3.3. REMOVAL AND RESIGNATION OF OFFICERS	9
3.4. DESCRIPTION OF PRINCIPAL OFFICES	9
3.5. AUTHORIZED AGENTS	9
ARTICLE 4 - STANDARDS	9
4.1. SEPARATE LIABILITY	9
4.2. GENERAL STANDARDS	10
4.3. RELIANCE	10
4.4. COMPENSATION	10
4.5. LOANS	10
4.6. CONFLICT OF INTERESTS	11
ARTICLE 5 - MEETINGS OF THE ASSOCIATION	11
5.1. ANNUAL MEETING	11
5.2. SPECIAL MEETINGS	11
5.3. PLACE OF MEETINGS	11

5.4.	NOTICE OF MEETINGS	11
5.5.	RECORD DATE.....	11
5.6.	ELIGIBILITY	12
5.7.	QUORUM	12
5.8.	LACK OF QUORUM	12
5.9.	VOTES.....	12
5.10.	VOTING.....	13
5.11.	PARTICIPATION.....	13
5.12.	PROXIES	13
5.13.	CONDUCT OF MEETINGS	14
5.14.	ORDER OF BUSINESS	14
5.15.	ADJOURNMENT OF MEETING	14
5.16.	ACTION WITHOUT MEETING	14
5.17.	MEETINGS BY REMOTE COMMUNICATIONS	14
5.18.	VOTE TABULATION AND RECOUNTS.....	15
ARTICLE 6 - <u>RULES</u>		15
6.1.	RULES	15
6.2.	ADOPTION AND AMENDMENT	15
6.3.	NOTICE AND COMMENT	15
6.4.	DISTRIBUTION	15
ARTICLE 7 - <u>ENFORCEMENT</u>		16
7.1.	ACTIONS REQUIRING NOTICE AND HEARING	16
7.2.	NOTICE	16
7.3.	HEARING.....	17
7.4.	ACTIONS EXEMPT FROM NOTICE AND HEARING REQUIREMENTS	17
7.5.	IMPOSITION OF FINE.....	18
7.6.	REIMBURSEMENT OF EXPENSES AND LEGAL FEES	18
7.7.	ADDITIONAL ENFORCEMENT RIGHTS	19
ARTICLE 8 - <u>OBLIGATIONS OF THE OWNERS</u>		19
8.1.	NOTICE OF SALE	19
8.2.	PROOF OF OWNERSHIP	19
8.3.	OWNERS' INFORMATION	19
8.4.	MAILING ADDRESS	19
8.5.	REGISTRATION OF MORTGAGEES	19
8.6.	ASSESSMENTS	20
8.7.	COMPLIANCE WITH DOCUMENTS.....	20
ARTICLE 9 - <u>ASSOCIATION RECORDS</u>		20
9.1.	INSPECTION OF BOOKS AND RECORDS	20
9.2.	RESALE CERTIFICATES	21
9.3.	MANAGEMENT CERTIFICATE.....	21
9.4.	MEMBERSHIP LIST	21
ARTICLE 10 - <u>NOTICES</u>		23
10.1.	CO-OWNERS	23
10.2.	DELIVERY OF NOTICES	23
10.3.	WAIVER OF NOTICE	23

ARTICLE 11 - <u>INDEMNIFICATION</u>	23
11.1. GENERAL	23
11.2. MANDATORY INDEMNIFICATION	23
11.3. EXCEPTIONS TO MANDATORY INDEMNIFICATION	24
11.4. EXPENSES	24
11.5. INDEMNIFICATION OF OTHER PERSONS	25
ARTICLE 12 - <u>DECLARANT PROVISIONS</u>	25
12.1. CONFLICT	25
12.2. BOARD OF DIRECTORS.....	25
12.3. TRANSITION MEETING.....	25
ARTICLE 13 - <u>AMENDMENTS TO BYLAWS</u>	25
13.1. AUTHORITY	25
13.2. AMENDMENTS BY MEMBERS.....	26
13.3. EFFECTIVE.....	26
13.4. MORTGAGEE PROTECTION	26
13.5. DECLARANT PROTECTION.....	26
ARTICLE 14 - <u>GENERAL PROVISIONS</u>	27
14.1. DRAFTER'S INTENT	27
14.2. CONFLICTING PROVISIONS.....	27
14.3. SEVERABILITY	27
14.4. CONSTRUCTION	27
14.5. EFFECTIVE COMMUNICATIONS	27
14.6. FISCAL YEAR	28
14.7. WAIVER	28
14.8. EXHIBIT	28
14.9. PREPARER.....	28
CERTIFICATION & ACKNOWLEDGMENT.....	29
EXHIBIT A - RECORDS PRODUCTION AND COPYING POLICY	
EXHIBIT B - RECORD RETENTION POLICY	

**BYLAWS
OF
PINNACLE AT RIVERWALK TOWNHOME OWNERS ASSOCIATION, INC.
(A Texas Property Owners Association)**

**ARTICLE I
INTRODUCTION**

1.1 PROPERTY. These Bylaws provide for the governance of the Pinnacle at Riverwalk Townhome Owners Association, Inc., an addition to the City of Flower Mound, Texas, according to the Plat(s) recorded on in the Real Property Records, Denton County, Texas (the "**Property**").

1.2 DECLARATION. The Property is subject to a number of publicly recorded documents, including the Declaration of Covenants, Conditions & Restrictions for Pinnacle at Riverwalk Townhomes, recorded or to be recorded in the Real Property Records of Denton County, Texas (the "**Declaration**") and the Master Declaration River Walk Association, Inc., a Texas non-profit corporation.

1.3 DEFINITIONS. Words and phrases defined in the Declaration have the same meanings when used in these Bylaws.

***During the Declarant Control & Development Periods,
Appendix B of the Declaration has priority over these Bylaws.***

1.4 DECLARANT CONTROL. Notwithstanding anything to the contrary in these Bylaws, a number of provisions in these Bylaws are modified by Declarant's rights and reservations under the Declaration during the Declarant Control Period and the Development Period, such as the number, qualification, appointment, removal, and replacement of directors, as well as the weight of votes allocated to lots owned by Declarant.

1.5 PARTIES TO BYLAWS. All present or future lot owners and all other persons who use or occupy the Property in any manner are subject to these Bylaws, the Declaration, and the other Governing Documents as defined in the Declaration. The mere acquisition of a lot or occupancy of a dwelling will signify that these Bylaws are accepted, ratified, and will be strictly followed.

1.6 TYPE OF ORGANIZATION. As an organization of lot owners, the Association is created by the Declaration and these Bylaws. The Association is a nonprofit organization, and may be incorporated or unincorporated.

1.7 APPLICABLE LAW. The Association is a legal entity governed by the Texas Business Organizations Code (the "**Code**"). If the Association is not incorporated, it is an unincorporated nonprofit association subject to Chapter 252 of Title 6 of the Code, the Texas Uniform Unincorporated Nonprofit Association Act. If the Association is incorporated, it is a domestic nonprofit corporation subject to Chapter 22 of Title 2 of the Code, the Texas Nonprofit Corporation Law. If not incorporated, the Association, at its discretion, may use the Texas Nonprofit Corporation Law for guidance in governing the Association. Sections of the Code that are cited in these Bylaws

are incorporated herein by reference, whether or not the Association is incorporated. Nothing in these Bylaws is to be interpreted to supersede mandatory provisions of applicable law, including Section 209 of the Texas Property Code.

1.8 GENERAL POWERS AND DUTIES. The Association, acting through the board, has the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Property as may be required or permitted by the Governing Documents and applicable law. The Association may do any and all things that are lawful and which are necessary, proper, or desirable in operating for the best interests of its members, subject only to limitations upon the exercise of such powers as may be contained in applicable law or the Governing Documents.

1.8 (a) RULES AND REGULATIONS. Rules and/or Regulations established by the Board shall be enforceable upon all Owners' of lots within the Association upon the successful completion of the following: A majority of the Board votes in the affirmative, the documents are signed by the President and/or the President and Secretary of the Board and all actions regarding the Rules and/or Regulations and the general reason and use of same have been recorded in the official minutes of the meeting; and the adopted Rules and/or Regulations are published in a newsletter, on the Association's website, or in any form or medium that is circulated or available to the members. The board may, but is not required to, give similar notice to residents who are not members. In the event that none of the above publishing methods are available, the Board shall mail or cause to be mailed a copy of the Rules and/or Regulations to each Owner of record.

ARTICLE II

BOARD OF DIRECTORS

2.1 NUMBER AND TERM OF OFFICE. After the Declarant Control Period, the board will consist of not more than five persons. The number of directors may be changed by amendment of these Bylaws, but may not be less than three. Upon election, two directors shall serve a term of two years and one director shall serve a term of one year. A director takes office upon the adjournment of the meeting or balloting at which he is elected or appointed and, unless a director is absent for three consecutive meetings, becomes deceased, by reason of ineligibility, resignation, or removal, will hold office until his successor is elected or appointed. A director may not hold office for more than two consecutive terms at one time. Upon the conclusion of such two consecutive terms tenure, a director may not hold office again for a period of one year before being eligible to become a director again. In the event that a meeting for the purpose of election fails to make quorum or hold elections for any reason, the Board of Directors currently serving shall continue to serve until such time an election can be held and new Directors are appointed through the process of election as required in these Bylaws.

2.2 STAGGERED TERMS. Terms shall be staggered as set forth in section 2.1 above. Directors with the highest number of votes will hold the longer terms. The Board of Directors by majority vote may use any reasonable fashion to establish alternate staggered terms by which the election and/or re-election of members is performed however, no Director shall serve a term longer than three years. The Board must set forth any change to staggered terms by Resolution which shall be recorded in the official minutes of the meeting of the Board. The Board must seek after continuity when considering any change to the staggered terms.

*See Appendix B of the Declaration for the number
and qualifications of directors during the Declarant Control Period.*

2.3 QUALIFICATION. The following qualifications apply to the election or appointment of persons to the board to the extent candidates is available and qualified. The following qualifications may be waived or modified on an election by election basis only if an insufficient number of qualified candidates are available.

2.3.1 Owners. At least a majority of the directors must be members of the Association, spouses of members, or residents of the Property.

2.3.2 Entity Member. If a lot is owned by a legal entity, such as a partnership or corporation, any officer, partner, agent, or employee of that entity member is eligible to serve as a director and is deemed to be a member for the purposes of this Section. If the relationship between the entity member and the director representing it terminates, that directorship will be deemed vacant.

2.3.3 Co-Owners. Co-owners of a lot, such as spouses, may not serve on the board at the same time.

2.3.4 Ineligibility. If the board is presented with written, documented evidence from a database or other record maintained by a governmental law enforcement authority that a board member has been convicted of a felony or crime involving moral turpitude, the board member is immediately ineligible to serve on the board of the property owners' association, automatically considered removed from the board, and prohibited from future service on the board.

2.4 ELECTION. Directors will be elected by the members of the Association. The election of directors will be conducted at the annual meeting of the Association, at any special meeting called for that purpose, or by any method permitted by applicable law.

2.5 VACANCIES. Subject to the exceptions below, vacancies on the board caused by any reason are filled by a vote of the majority of the remaining directors, even though less than a quorum, at any meeting of the board. Each director so elected serves the remainder of the unexpired term of the predecessor board member. The exceptions to board-elected replacements are (1) the removal of a director by a vote of the Association's members, who will elect a replacement, and (2) a vacancy occurring because of an increase in the number of directors, which also will be filled by election of the members.

2.6 REMOVAL OF DIRECTORS.

2.6.1 Removal by Members. At any annual meeting of the Association or at any special meeting of the Association called for the purpose of removing a director, any one or more of the directors may be removed with or without cause by members representing at least two-thirds of the votes present in person or by proxy at the meeting, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the members must be given an opportunity to be heard at the meeting.

2.6.2 Removal by Directors. A director may not be removed by the officers or by the remaining directors, except for the following limited reasons for which a director may be

removed by at least a majority of the other directors at a meeting of the board called for that purpose:

- 2.6.2.1 The director is a party adverse to the Association, the board, or a committee of the Association in pending litigation to which the Association, board, or committee is a party, provided the Association did not file suit to effect removal of the director.
- 2.6.2.2 The director's account with the Association has been delinquent for at least 90 days or has been delinquent at least 3 times during the preceding 12 months, provided he was given notice of the default and a reasonable opportunity to cure.
- 2.6.2.3 The director has refused or failed to attend 3 or more meetings of the board during the preceding 12 months, provided he was given proper notice of the meetings.
- 2.6.2.4 The director has refused or failed to cure a violation of the Governing Documents for which he has been given notice, a reasonable opportunity to cure, and an opportunity to request a hearing before the board.
- 2.6.2.5 The director was an "interested person" in the outcome of a contract, decision, or transaction considered by the board, and (1) failed to fully or timely disclose same to the board, or (2) failed to abstain from voting on the matter.

2.6.3 No Removal by Officers. A director may not be removed by officers of the Association, acting in their capacity of officers of the Association, under any circumstance.

2.7 MEETINGS OF THE BOARD.

2.7.1 Organizational Meeting of the Board. Within thirty (30) days after the annual meeting, the directors will convene an organizational meeting for the sole purpose of electing officers. The time and place of the meeting will be fixed by the board and announced to the directors.

2.7.2 Place of Board Meetings. Except for meetings held by electronic or telephonic means, the board will conduct its meetings at a location in the county which all or part of the property of the subdivision is located, or in an adjacent county thereto, that is reasonably convenient for the greatest number of directors, and at a place or facility that is sufficiently large to accommodate the number of owners who typically attend board meetings as observers. The decision of where to meet may be made on a meeting basis by the officer or director who calls the meeting, by board resolution, or by any other practice that is customary for property owners associations. The board is not required to conduct its meetings at the Property, to maintain a fixed place for its meetings, to select a location that is convenient to owners, or to select a facility that accommodates a larger number of spectator members than is customary.

2.7.3 Types of Board Meetings. Regular meetings of the board must be held at least annually. Special meetings of the board may be called, by the president or, if he is absent or refuses to act, by the secretary, or by any 2 directors. In case of emergency, the board may convene an emergency meeting for the purpose of dealing with the emergency after making a diligent attempt to notify each director by any practical method.

2.7.4 Notice to Directors of Board Meetings. Notice is not required for regular meetings of the board, provided all directors have actual or constructive knowledge of the meeting date, time, and place. Notice of a special meeting must be given at least one day in advance of the meeting. If notice is given, it may be given by any method or combination of methods that is likely to impart the information to the directors.

2.7.5 Notice to Members of Board Meetings. Members shall be given notice of the date, hour, place, and general subject of a regular or special board meeting, the agenda of a Board meeting being an acceptable source of notification, including a general description of any matter to be brought up for deliberation in executive session. The notice shall be (1) mailed to each property owner not later than the 10th day or earlier than the 60th day before the date of the meeting; or (2) *provided at least 72 hours before the start of the meeting by: (A) posting the notice in a conspicuous manner reasonably designed to provide notice to property owners' association members: (i) in a place located on the association's common property or, with the property owner's consent, on other conspicuously located privately owned property within the subdivision; or (ii) on any Internet website maintained by the association or other Internet media; and (B) sending the notice by e-mail to each owner who has registered an e-mail address with the association. It is an owner's duty to keep an updated e-mail address registered with the property owners' association.*

2.7.6 Notice to Members of Elections or Votes. Not later than the 10th day or earlier than the 60th day before the date of an election or vote, the board shall give written notice of the election or vote to (1) each owner of property in the property owners' association, for purposes of an association-wide election or vote; or (2) each owner of property in the property owners' association entitled under the dedicatory instruments to vote in a particular representative election, for purposes of a vote that involves election of representatives of the association who are vested under the dedicatory instruments of the property owners' association with the authority to elect or appoint board members of the property owners' association

2.7.7 Conduct of Meetings. The president presides over meetings of the board and the secretary keeps, or causes to be kept, the written minutes. When not in conflict with applicable law or the Governing Documents, the then current edition of Robert's Rules of Order governs the conduct of the meetings of the board. No video or audio taping of meetings is ever allowed without the express written consent of a majority vote of the Board.

2.7.8 Quorum. At meetings of the board, a majority of directors constitutes a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present are the acts of the board. If less than a quorum is present at a meeting of the board, the majority of those present may adjourn the meeting from time to time. At any reconvened meeting at which a quorum is present, any business that may have been transacted at the meeting as originally called may be transacted without further notice.

2.7.9 Minutes. The record of resolutions adopted by the board and a record of transactions and proceedings occurring at meetings are to be kept by the Secretary, or at the Secretary's direction. Such record is not the minutes of the meeting until approved by the directors at a future meeting. The minutes must generally report actions taken by the board. Following an executive session, any decision made in the executive session must be summarized orally and placed in the minutes, in general terms, without breaching the privacy of individual owners, violating any privilege, or disclosing information that was to remain confidential at the request of the affected parties.

2.7.10 Voting. A director who is also an officer of the Association, even the presiding officer, is expected to participate and to vote in the manner of every other director. The president of the Association is not prohibited from voting and is not limited to tie-breaking votes. Directors may not participate by proxy at meetings of the board.

2.7.11 Open Meetings. Regular and special meetings of the board are open to members of the Association, subject to the following provisions to the extent permitted or required by applicable law:

2.7.11.1 No audio or video recording of the meeting may be made, except by the board or with the board's prior express written consent.

2.7.11.2 Members who are not directors may not participate in board deliberations under any circumstances, and may not participate in board discussions unless the board expressly so authorizes at the meeting.

2.7.11.3 Executive sessions are not open to members.

2.7.11.4 The board may prohibit attendance by non-members, including representatives, proxies, agents, and attorneys of members.

2.7.11.5 The board may prohibit attendance by any member who disrupts meetings or interferes with the conduct of board business.

2.7.12 Executive Session. The board may adjourn any regular or special meeting of the board and reconvene in executive session, subject to the following conditions:

2.7.12.1 The nature of business to be considered in executive session will first be announced in open session.

2.7.12.2 No action may be taken nor decision made in executive session, which is for discussion and informational purposes only.

2.7.12.3 To consider actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, confidential communications with the property owners' association's attorney, matters involving the invasion of privacy of individual owners, or matters that are to remain confidential by request of the affected parties and agreement of the board.

2.7.12.4 At the end of the executive session, the board must return to the open meeting and summarize orally the general nature of the business that was considered in executive session. Any vote, act, or decision that would have been made in executive session (but for this requirement) must be made in the open meeting.

2.7.13 **Development Period Board Meetings.** This section 2.7 applies to meeting requirements of the board during the development period only. A meeting shall only be required if the meeting is conducted for the purpose of (1) adopting or amending the governing documents, including declarations, bylaws, rules, and regulations of the association; (2) increasing the amount of regular assessments of the association or adopting or increasing a special assessment; (3) electing non-developer board members of the association or establishing a process by which those members are elected; or (4) changing the voting rights of members of the association. Should the same or similar provisions be outlined in Appendix B of the Declaration and those provisions are in favor of the Declarant, then the provisions as they are set forth in Appendix B shall control.

2.8 **ACTION WITHOUT MEETING OR TELEPHONIC MEETING.** A board may meet by any method of communication, including electronic and telephonic, without prior notice to owners, if each director may hear and be heard by every other director, or the board may take action by unanimous written consent to consider routine and administrative matters or a reasonably unforeseen emergency or urgent necessity that requires immediate board action. Any action taken without notice to owners under Subsection (e) 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. The board may not, without prior notice to affected owners under Subsection (e), consider or vote on: (1) fines; (2) damage assessments; (3) initiation of foreclosure actions; (4) initiation of enforcement actions, excluding temporary restraining orders or violations involving a threat to health or safety; (5) increases in assessments; (6) levying of special assessments; (7) appeals from a denial of architectural control approval; or (8) a suspension of a right of a particular owner before the owner has an opportunity to attend a board meeting to present the owner's position, including any defense, on the issue. If at least a majority of the directors, individually or collectively, consent in writing to such action, the written consents have the same force and effect as approval by a majority of the directors at a meeting. Prompt notice of the action so approved must be delivered to each non-consenting director.

2.9 **POWERS AND DUTIES.** The board has all the powers and duties necessary for the administration of the Association and for the operation and maintenance of the Property. The board may do all acts and things except those which, by applicable law or the Governing Documents, are reserved to the members and may not be delegated to the board. Without prejudice to the general and specific powers and duties set forth in applicable law or the Governing Documents, or powers and duties as may hereafter be imposed on the board by resolution of the Association, the powers and duties of the board include, but are not limited to, the following:

2.9.1 **Appointment of Committees.** The board, by resolution, may from time to time designate standing or ad hoc committees to advise or assist the board with its responsibilities. The resolution may establish the purposes and powers of the committee created, provide for the appointment of a chair and committee members, and may provide for reports, termination, and other administrative matters deemed appropriate by the board. Members of committees

will be appointed from among the owners and residents. The board may not appoint a committee to act in its place in managing the affairs of the Association.

2.9.2 Manager. The board may employ a manager or managing agent for the Association, at a compensation established by the board, to perform duties and services authorized by the board. *A contract entered into with a managing agent by the Declarant cannot be annulled or terminated by the Board of Directors after the period of Declarant control regardless of the terms within the contract. The Board shall have the authority and option not to renew said contract upon its termination with the managing agent.*

2.10 EMERGENCIES. In the throes of a dire emergency, leaders of the Association may find themselves responding to the emergency without benefit of consulting these Bylaws. One purpose of this Section is to encourage directors to do what is necessary under certain circumstances to protect health, life, and property within Pinnacle at Riverwalk Townhomes. Another purpose is to insulate responsive directors from later claims that they failed to adhere to the formalities for board meetings and notices that are fundamental to decision-making within the Association.

2.10.1 Types. For purposes of these Bylaws, there are two categories of emergencies - public emergencies, and private emergencies. As a general rule, if the directors are divided or uncertain as to whether a circumstance arises to the level of an emergency, as defined below, the situation is not an emergency. The board may not declare an emergency for the purpose of evading the meeting and notice requirements of these Bylaws.

2.10.1.1 A "public emergency" is when a local, state, or national government or governmental entity declares a disaster, catastrophe, state of emergency, or state of war in the area in which the Property is located, or if imminent or actual conditions in the area in which the Property is located are of a type and magnitude for which a local, state, or national government or governmental entity may be expected to declare a disaster, catastrophe, or state of emergency, whether or not the declaration is made. To illustrate, an earthquake that ruptures utility lines, makes roads impassable, and causes buildings to collapse is a public emergency.

2.10.1.2 A "private emergency" is when a condition within or around the Property or a situation to which the Association is a party presents an imminent and substantial threat to health, life, or property of a magnitude that warrants immediate action, although the condition or situation does not rise to the level of a public emergency. Examples of private emergencies are an overturned truck carrying toxic waste, or a Pinnacle at Riverwalk Townhomes resident or worker diagnosed with a lethal and highly contagious disease.

2.10.2 Emergency Board Meetings. For the sole purpose of responding to a public or private emergency, the board may convene an emergency board meeting after making a diligent attempt to notify each director and officer by any practical method, without formal notice to the directors or members. At such emergency board meeting, the directors participating constitute a quorum. The directors who participate in the emergency board meeting will

make a record of their meeting and the decisions made, for inclusion with the minutes of the next regular or special meeting of the board.

2.10.3 Emergency Powers. In anticipation of, during, or in the aftermath of a public or private emergency, the officers, directors, employees, and agents of the Association - collectively or individually - may take or authorize any action they deem necessary to protect health, lives, and property within Pinnacle at Riverwalk Townhomes for so long as emergency conditions exist. A decision or action made in good faith under emergency conditions and for the sole purpose of dealing with the emergency may not be used to impose liability on an officer, director, employee, or agent of the Association.

2.11 FIDELITY BONDS. Any person handling or responsible for Association funds, including officers, agents, and employees of the Association, must furnish adequate fidelity bonds. The premiums on the bonds may be a common expense of the Association.

ARTICLE III **OFFICERS**

3.1 DESIGNATION. The principal officers of the Association are the president, the vice-president, the secretary, and the treasurer. The board may appoint one or more vice-presidents and other officers and assistant officers as it deems necessary. The president and secretary must be directors. Other officers may, but need not, be members or directors. Any two offices may be held by the same person, except the offices of president and secretary. If an officer is absent or unable to act, the board may appoint a director or a committee to perform the duties of that officer and to act in place of that officer, on an interim basis.

3.2 ELECTION OF OFFICERS. The officers are elected no less than annually by the directors at the organizational meeting of the board and hold office at the pleasure of the board. Except for resignation or removal, officers hold office until their respective successors have been designated by the board.

3.3 REMOVAL AND RESIGNATION OF OFFICERS. A majority of directors may remove any officer, with or without cause, at any regular meeting of the board or at any special meeting of the board called for that purpose. A successor may be elected at any regular or special meeting of the board called for that purpose. An officer may resign at any time by giving written notice to the board. Unless the notice of resignation states otherwise, it is effective when received by the board and does not require acceptance by the board. The resignation or removal of an officer who is also a director does not constitute resignation or removal from the board.

3.4 DESCRIPTION OF PRINCIPAL OFFICES.

3.4.1 President. As the chief executive officer of the Association, the president: presides at all meetings of the Association and of the board; has all the general powers and duties which are usually vested in the office of president of an organization; has general supervision, direction, and control of the business of the Association, subject to the control of the board; and sees that all orders and resolutions of the board are carried into effect.

3.4.2 Vice-President. The vice-president acts in place of the president in event of the president's absence, inability, or refusal to act. The vice-president also exercises and discharges any duty required of the vice-president by the board.

3.4.3 Secretary. The secretary: keeps the minutes or causes the minutes to be kept at all meetings of the board and of the Association; has charge of such books, papers, and records as the board may direct; maintains a record of the names and addresses of the members for the mailing of notices; and in general, performs all duties incident to the office of secretary.

3.4.4 Treasurer. The treasurer: is responsible for Association funds; keeps full and accurate financial records and books of account showing all receipts and disbursements; prepares all required financial data and tax returns; deposits all monies or other valuable effects in the name of the Association in depositories as may from time to time be designated by the board; prepares the annual and supplemental budgets of the Association; reviews the accounts of the managing agent on a monthly basis in the event a managing agent is responsible for collecting and disbursing Association funds; and performs all the duties incident to the office of treasurer.

3.5 AUTHORIZED AGENTS. Except when the Governing Documents require execution of certain instruments by certain individuals, the board may authorize any person to execute instruments on behalf of the Association. In the absence of board designation, the president and the secretary are the only persons authorized to execute instruments on behalf of the Association.

ARTICLE IV **STANDARDS**

4.1 SEPARATE LIABILITY. The Association is a legal entity separate from its members for the purposes of determining and enforcing rights, duties, and liabilities in contract and tort. Members, directors, and officers of the Association are not personally and individually liable for the Association's breach of a contract or for the Association's tort or omission merely because they are members, directors, or officers of the Association. A member has the right to assert a claim against the Association, and the Association has the right to assert a claim against a member.

4.2 GENERAL STANDARDS. The general standards of duty for an officer or director of the Association are the State's standards for officers and directors of a nonprofit corporation, as stated in the Code as it may be amended. On the date of this document, Sections 22.221 and 22.235 of the Code provide the following standards:

4.2.1 A director will discharge the director's duties in good faith, with ordinary care, and in a manner the director reasonably believes to be in the best interest of the Association.

4.2.2 An officer or director is not liable to the Association, its members, or another person for an action taken or not taken as a director if the director acted in compliance with the above-stated standard for discharging duties. A person seeking to establish liability of an officer or director must prove that the officer or director did not act in good faith, with ordinary care, and in a manner the officer or director reasonably believed to be in the best interests of the Association.

4.3 **RELIANCE.** An officer or director may rely on information prepared or presented by an officer or employee of the Association, an attorney licensed by the State of Texas, a certified public accountant, an investment banker, or a person whom the officer or director reasonably believes to possess professional expertise in the matter, and in the case of a director, a committee of the Association of which the director is not a member. Such reliance must be exercised in good faith and with ordinary care. An officer or director may not rely on such information if he has actual knowledge that makes the reliance unwarranted.

4.4 **COMPENSATION.** Except as permitted below, a director, officer, member, or resident is not entitled to receive financial or monetary profit from the operation of the Association, and no funds or assets of the Association may be paid as salary or compensation to, or be distributed to, or inure to the benefit of a director, officer, member, or resident. Nevertheless,

4.4.1 Reasonable compensation may be paid to a director, officer, member, or resident for services rendered to the Association in other capacities.

4.4.2 A director, officer, member, or resident may, from time to time, be reimbursed for his actual and reasonable expenses incurred on behalf of the Association in connection with the administration of the affairs of the Association, provided the expense has been approved by the board.

4.4.3 The board may budget and use Association funds to purchase awards, certificates, a celebratory meal, or other customary tokens or demonstrations of appreciation for volunteer activities.

4.4.4 This Section does not apply to distributions to lot owners permitted or required by the Declaration, applicable law, or a court order.

4.5 **LOANS.** The Association may not loan money to or guaranty a loan for an officer or director of the Association.

4.6 **CONFLICT OF INTERESTS.** If a contract or transaction is fair to the Association, it is not disallowed merely because an officer, director, or member of the Association has a financial interest in the transaction, provided the "interested" officer, director, or member fully and accurately discloses the nature of his interest to the board in a manner that is timely for the board's consideration of the contract or transaction, and the "interested" officer or director does not participate in the vote to approve the contract or transaction, although the "interested" director may be counted toward a quorum at the meeting. Nothing in this Section may be construed to prevent the board from adopting policies and procedures that are more stringent than the requirements of this Section, or of applicable law, such as Sections 1.003, 1.004, and 22.230 of the Code.

ARTICLE V MEETINGS OF THE ASSOCIATION

5.1 **ANNUAL MEETING.** An annual meeting of the Association must be held during the first quarter of each calendar year. At annual meetings the members will elect directors in accordance with these Bylaws and may transact such other business of the Association as may properly come before them.

5.2 **SPECIAL MEETINGS.** It is the duty of the president to call a special meeting of the Association if directed to do so by a majority of the board or by one or more petitions signed by owners of at least 20 percent of the lots in the Property. If the petition process is used, petitions may be in any form that is customary for the time. The board may not require a specific form of petition, nor require that the petition be offered to every member of the Association. Signatures on petitions need not be notarized or witnessed. An electronic or faxed petition is acceptable if the "signer's" identity is reasonably discernible.

5.3 **PLACE OF MEETINGS.** Meetings of the Association may be held at the Property or at a suitable place convenient to the members, as determined by the board.

5.4 **NOTICE OF MEETINGS.** Members shall be given notice of the date, hour, place, and general subject of a regular or special Association meeting. The notice shall be (1) mailed to each property owner not later than the 10th day or earlier than the 60th day before the date of the meeting; or (2) provided at least 72 hours before the start of the meeting by: (A) posting the notice in a conspicuous manner reasonably designed to provide notice to property owners' association members: (i) in a place located on the association's common property or, with the property owner's consent, on other conspicuously located privately owned property within the subdivision; or (ii) on any Internet website maintained by the association or other Internet media; and (B) sending the notice by e-mail to each owner who has registered an e-mail address with the association. It is an owner's duty to keep an updated e-mail address registered with the property owners' association.

5.5 **RECORD DATE.** Before each meeting of the Association, the board will establish a list of all members for purposes of receiving a meeting notice. The "cut off" date on which these lists are based is referred to in the Code as the "Record Date." The Record Date for an Association meeting for which notice is given is 10 calendar days before the date the notice is distributed or published to the members. The Record Date for an Association meeting for which no notice is given is 45 calendar days before the meeting.

Every member may attend and vote at Association meetings.

5.6 **ELIGIBILITY.** Every member is entitled to receive notice of Association meetings, to attend Association meetings, to be counted towards a quorum, and vote.

5.6.1 **Meeting Notice.** An owner of each lot in the Property as of the Record Date is eligible to receive notices of meetings of the Association. Because the ownership of lots may change during a year, the ownership as of the Record Date is used to produce the membership list for use in connection with the meeting.

5.6.2 **Voting.** The board may not disqualify owners with delinquent accounts, and must allow all owners to vote regardless of arrearages.

5.7 **QUORUM.** At any meeting of the Association, the presence in person or by proxy of owners of at least ten percent (10%) of the lots in the Property constitutes a quorum. Members present at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal, during the course of the meeting, of members constituting a quorum.

5.8 **LACK OF QUORUM.** If a quorum is not present at any meeting of the Association for which proper notice was given, members representing at least a majority of the votes present at the meeting, although not constituting a quorum, may vote to recess the meeting for not more than 24 hours in order to attain a quorum, provided the place of the meeting remains as stated in the notice. If the meeting is adjourned without attainment of a quorum, notice of a new meeting for the same purposes within 15 to 30 days may be given to an owner of each lot, at which re-called meeting the quorum requirement is lowered to one-half of the number of lots required for the first call of the meeting.

5.9 **VOTES.** The vote of members representing at least a majority of the votes cast at any meeting at which a quorum is present binds all members for all purposes, except when a higher percentage is required by these Bylaws, the Declaration, or by applicable law. Cumulative voting is prohibited.

5.9.1 **Co-Owned Lots.** If a lot is owned by more than one member, the vote appurtenant to that lot is cast as follows. If only one of the multiple owners of a lot is present at a meeting of the Association, that person may cast the vote allocated to that lot. If more than one of the multiple owners is present, the vote allocated to that lot may be cast only in accordance with the owners' unanimous agreement. Multiple owners are in unanimous agreement if one of the multiple owners casts the vote allocated to a lot and none of the other owners makes prompt protest to the person presiding over the meeting.

5.9.2 **Entity-Owned Lots.** If a lot is owned by an entity, such as a corporation or partnership, the vote appurtenant to that lot may be cast by any officer, manager, or partner of the entity in the absence of the entity's written appointment of a specific person to exercise its vote. The person presiding over a meeting or vote may require reasonable evidence that a person voting on behalf of an entity is qualified to vote.

5.9.3 **Association-Owned Lots.** Votes allocated to a lot owned by the Association may be counted towards a quorum only, and may not be voted.

5.9.4 **Lots Owned by Declarant or Builders.** Appendix B of the Declaration may establish different voting rights during the Development Period. Declarant shall have five (5) votes for every lot it owns.

5.10 **VOTING.** The voting rights of an owner may be cast or given (1) in person or by proxy at a meeting of the property owners' association; (2) by absentee ballot as addressed herein; (3) by electronic ballot as addressed herein; or (4) by any method of representative or delegated voting provided by a dedicatory instrument.

5.10.1 An absentee or electronic ballot (1) may be counted as an owner present and voting for the purpose of establishing a quorum only for items appearing on the ballot; (2) may not be counted, even if properly delivered, if the owner attends any meeting to vote in person, so that any vote cast at a meeting by a property owner supersedes any vote submitted by absentee or electronic ballot previously submitted for that proposal; and (3) may not be counted on the final vote of a proposal if the motion was amended at the meeting to be different from the exact language on the absentee or electronic ballot.

5.10.2 A solicitation for votes by absentee ballot must include (1) an absentee ballot that contains each proposed action and provides an opportunity to vote for or against each proposed action; (2)

instructions for delivery of the completed absentee ballot, including the delivery location; and (3) the following language:

"By casting your vote via absentee ballot you will forgo the opportunity to consider and vote on any action from the floor on these proposals, if a meeting is held. This means that if there are amendments to these proposals your votes will not be counted on the final vote on these measures. If you desire to retain this ability, please attend any meeting in person. You may submit an absentee ballot and later choose to attend any meeting in person, in which case any in-person vote will prevail."

5.10.3 "Electronic ballot" means a ballot (1) given by (A) e-mail; (B) facsimile; or (C) posting on an Internet website; (2) for which the identity of the property owner submitting the ballot can be confirmed; and (3) for which the property owner may receive a receipt of the electronic transmission and receipt of the owner's ballot.

5.10.4 If an electronic ballot is posted on an Internet website, a notice of the posting shall be sent to each owner that contains instructions on obtaining access to the posting on the website.

5.11 PARTICIPATION. A member participates in an Association meeting as addressed in the preceding section unless the member participates for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

5.12 PROXIES. To be valid, each proxy must be signed and dated by a member or his attorney-in-fact; identify the lot to which the vote is appurtenant; designate the person or position (such as "presiding officer") in favor of whom the proxy is granted, such person having agreed to exercise the proxy; identify the meeting for which the proxy is given; not purport to be revocable without notice; and be delivered to the secretary, to the person presiding over the Association meeting for which the proxy is designated, or to a person or company designated by the board. Unless the proxy specifies a shorter or longer time, it terminates 11 months after the date of its execution. Perpetual or self-renewing proxies are permitted, provided they are revocable. To revoke a proxy, the granting member must give actual notice of revocation to the person presiding over the Association meeting for which the proxy is designated. Unless revoked, any proxy designated for a meeting which is adjourned, recessed, or rescheduled is valid when the meeting reconvenes. A proxy delivered by email or by fax may be counted if any of the following occurs: (1) the proxy's authenticity can be confirmed to the reasonable satisfaction of the board, (2) the proxy has been acknowledged or sworn to by the member, before and certified by an officer authorized to take acknowledgments and oaths, or (3) the Association also receives the original proxy within 5 days after the vote.

5.13 CONDUCT OF MEETINGS. The president, or any person designated by the board, presides over meetings of the Association. The secretary keeps, or causes to be kept, the minutes of the meeting which should record all resolutions adopted and all transactions occurring at the meeting, as well as a record of any votes taken at the meeting. The person presiding over the meeting may appoint a parliamentarian. The then current edition of Robert's Rules of Order governs the conduct of meetings of the Association when not in conflict with the Governing Documents.

5.14 ORDER OF BUSINESS. Unless the notice of meeting states otherwise, or the assembly adopts a different agenda at the meeting, the order of business at meetings of the Association is as follows:

- Determine votes present by roll call or check-in procedure
- Announcement of quorum
- Proof of notice of meeting
- Approval of minutes of preceding meeting
- Reports
- Election of directors (when required)
- Unfinished or old business
- New business

5.15 ADJOURNMENT OF MEETING. At any meeting of the Association, a majority of the members present at that meeting, either in person or by proxy, may adjourn the meeting to another time and place.

5.16 ACTION WITHOUT MEETING. Subject to board approval, any action which may be taken by a vote of the members at a meeting of the Association may also be taken without a meeting by written consents. The board may permit members to vote by ballots delivered by any method allowed by these Bylaws or applicable law. Written consents by members representing at least a majority of votes in the Association, or such higher percentage as may be required by the Governing Documents, constitutes approval by written consent. This Section may not be used to avoid the requirement of an annual meeting.

5.17 MEETINGS BY REMOTE COMMUNICATIONS. Members of the Association may participate in and hold meetings of the Association by means of electronic town halls, conference telephone or similar communications equipment by means of which all persons participating in the meeting can communicate concurrently. 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. By acquiring an interest in a lot, each owner automatically consents to the use of communication technology to effect meetings of the Association, provided the owners of at least 85 percent of the lots in the Property have access to the form of technology chosen by the board, and further provided that the Association arranges a place or method of participation for those who do not have the technology.

5.18 VOTE TABULATION AND RECOUNTS.

5.18.1.1 A person who is a candidate in an Association election or who is otherwise the subject of an Association vote, or a person related to that person within the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, may not tabulate or otherwise be given access to the ballots cast in that election or vote except as provided in this section 5.18.

5.18.1.2 A person other than a person described in subsection 5.18.1 may tabulate votes in an association election or vote but may not disclose to any other person how an individual voted.

5.18.1.3 A person other than a person who tabulates votes under subsection 5.18.2, including a person described by subsection 5.18.1, may be given access to the ballots cast in the election or vote only as part of a recount process authorized by law.

5.18.1.4 Any owner may, not later than the 15th day after the date of the Association meeting at which the election was held, require a recount of the votes, in accordance with Section 209.0057 of the Texas Property Code.

ARTICLE VI

RULES

6.1 **RULES.** The board has the right to establish and amend, from time to time, reasonable rules and regulations for: the administration of the Association and the Governing Documents; the maintenance, management, operation, use, conservation, and beautification of the Property; and the health, comfort, and general welfare of the residents; provided, however, that such rules may not be in conflict with applicable law or the Governing Documents. The board will, at all times, maintain the then current and complete rules in a written form which can be copied and distributed to the members. See also Section 1.8(a).

6.2 **ADOPTION AND AMENDMENT.** Any rule may be adopted, amended, or terminated by the board, provided that the rule and the requisite board approval are properly recorded as a resolution in the minutes of the meeting of the board. See also Section 1.8(a).

6.3 **NOTICE AND COMMENT.** At least 10 days before the effective date, the board will give written notice to an owner of each lot of any amendment, termination, or adoption of a rule, or will publish same in a newsletter, on the Association's website, or in any form or medium that is circulated or available to the members. The board may, but is not required to, give similar notice to residents who are not members. Any member or resident so notified has the right to comment orally or in writing to the board on the proposed action.

6.4 **DISTRIBUTION.** On request from any member or resident, the board will provide a current and complete copy of rules. Additionally, the board will, from time to time, distribute copies of the current and complete rules to owners and, if the board so chooses, to non-member residents.

ARTICLE VII

ENFORCEMENT

7.1 **ACTIONS REQUIRING NOTICE AND HEARING.** Before taking any of the below-described actions, the Association must give written notice and an opportunity for a hearing according to the requirements of this Article and the notice and hearing requirements of applicable law, such as Chapter 209 Texas Property Code. To the extent a mandatory provision of Chapter 209 Texas Property Code conflicts with this Article, Chapter 209 Texas Property Code controls. The following actions by or with the approval of the board, the Association, or the Architectural Reviewer, require notice and hearing as provided by this Article. A minimum of two (2) notices of not less than ten (10) days each shall be delivered to an Owner of a lot where a violation has been noted. Violations that require immediate resolution, propose a threat or hazard shall require no notice however, the Board shall make an attempt to contact Owner should a phone or email be available. Self help actions shall require one notice of not less than ten (10) days unless the action requires an immediate resolution, proposes a threat or hazard. In such cases, the Association shall not be required to serve notice however, the Board or its Managing Agent shall attempt to contact Owner should a phone or email be available:

7.1.1 Suspension of use of a common area.

7.1.2 Imposition of a fine for violation of any provision of the Governing Documents, other than fines, interest, or collection fees charged for delinquent accounts.

7.1.3 Charging an owner or a lot for property damage.

7.1.4 Filing suit against an owner other than a suit related to the collection of assessments or foreclosure of the Association's assessment lien.

7.2 NOTICE. The required written notice must contain the date the violation notice is prepared or mailed; a statement that not later than the 30th day after the date the owner receives the notice, the owner may request a hearing to discuss and verify facts and resolve the matter in issue, pursuant to this Article and applicable law, such as Section 209.007 Texas Property Code; a statement of how or where the request for hearing should be made or delivered; a statement that if the hearing is before a committee or anybody other than the board, the owner has the right to appeal the decision to the board by written notice to the board; a statement that the owner may be liable for reimbursement of attorneys fees and costs if the violation continues or the damage is not paid by a stated date; and the following contents applicable to violations or damage claims, as the case may be:

7.2.1 Notice of Violation. In the case of a violation of a provision of the Governing Documents, the written notice of not less than ten (10) days must be delivered by U.S. mail or personally posted to an Owner's unit, and must also contain the following: a description of the violation; a reference to the rule or provision of the Governing Documents that is being violated, if applicable; a description of the action required to cure the violation; the amount of the fine or charge to be levied, the nature of the common area suspension, and/or the abatement action to be taken; unless the owner was given notice and a reasonable opportunity to cure a similar violation within the preceding 6 months, a statement that the owner may avoid the fine or suspension by curing the violation in a reasonable period of time, which may be specified in the notice.

7.2.2 Notice of Damage. In the case of property damage for which the Association seeks reimbursement or imposition of a charge on the owner or the lot, the written notice must also contain a description of the property damage, a copy of the invoice, if applicable, and the amount of the Association's claim against the owner or the lot.

7.2.3 Notice to Resident. In addition to giving the violation notice to the owner, the board may also give a copy of the notice to the non-owner resident, if the board deems it appropriate.

7.2.4 Receipt of Notice. Unless applicable law provides otherwise, any notice given to an owner pursuant to this Article will be deemed received by the owner on personal delivery to the owner or to a person at the owner's address, or on the third business day after the notice is deposited with the U.S. Postal Service, addressed to the owner at the most recent address shown on the Association's records, whether or not the owner actually receives the notice.

7.3 HEARING.

7.3.1 Request for Hearing. To request a hearing, an owner must submit a written request within 30 days after receiving the Association's written notice. Within 10 days after

receiving the owner's request for a hearing, and at least 10 days before the hearing date, the Association will give the owner notice of the date, time, and place of the hearing. If the Association or the owner requests a postponement of the hearing, the hearing will be postponed for up to 10 days. Additional postponements may be granted by agreement of the parties.

7.3.2 Pending Hearing. Pending the hearing, the board may continue to exercise the Association's other rights and remedies for the violation, as if the declared violation were valid. The owner's request for a hearing suspends only the action described in the Association's written notice.

7.3.3 Attendance. The hearing may be held with or without the presence of the owner or the owner's representative.

7.3.4 Hearing. The hearing may be held in a closed or executive session of the board. At the hearing, the board will consider the facts and circumstances surrounding the violation. The owner may attend the hearing in person, or may be represented by another person or written communication.

7.3.5 Minutes of Hearing. The minutes of the hearing must contain a statement of the results of the hearing and the amount of fine or charge, if any, imposed, or abatement or suspension action, if any, authorized. A copy of the notice and request for hearing should be placed in the minutes of the hearing. If the owner appears at the hearing, the notice requirement will be deemed satisfied.

7.4 ACTIONS EXEMPT FROM NOTICE AND HEARING REQUIREMENTS. As a general rule, every action other than the above-described actions requiring notice and hearing are impliedly exempt from the requirements of this Article. As permitted by applicable law, such as Section 209.007 of Texas Property Code, the following actions are expressly exempt:

7.4.1 A temporary suspension of a person's right to use common areas if the temporary suspension is the result of a violation that occurred in a common area and involved a significant and immediate risk of harm to others in the Property. The temporary suspension is effective until the board makes a final determination on the suspension action after following the notice and hearing procedures prescribed by this Article.

7.4.2 A lawsuit in which the Association seeks a temporary restraining order or temporary injunctive relief.

7.4.3 A lawsuit filed by the Association that includes foreclosure as a cause of action.

7.4.4 The collection of delinquent assessments.

7.5 IMPOSITION OF FINE. Within 30 days after levying the fine or authorizing the abatement, the board must give the owner notice of the levied fine or abatement action. If the fine or action is announced at the hearing at which the owner is actually present, the notice requirement will be satisfied. Otherwise, the notice must be in writing.

7.5.1 Amount. The board may set fine amounts on a case by case basis, provided the fine is reasonable in light of the nature, frequency, and effects of the violation. The board may establish a schedule of fines for certain types of violations. The amount and cumulative total of a fine must be reasonable in comparison to the violation but may not exceed the total of \$1,000.00 for each violation occurrence. If the board allows fines to accumulate, it may establish a maximum amount for a particular fine, at which point the total fine will be capped. The Board may adopt a schedule of fines for common or reoccurring type violations but, is under no obligation to do so.

7.5.2 Type of Fine. If the violation is ongoing or continuous, the fine may be levied on a periodic basis (such as daily, weekly, or monthly). If the violation is not ongoing, but is instead sporadic or periodic, the fine may be levied on a per occurrence basis.

7.5.3 Other Fine-Related. The Association is not entitled to collect a fine from an owner to whom it has not given notice and an opportunity to be heard. The Association may not charge interest on unpaid fines. The Association may not foreclose its assessment lien on a debt consisting solely of fines. The board may adopt a collection policy that applies owners' payments to unpaid fines before retiring other types of assessments.

7.6 REIMBURSEMENT OF EXPENSES AND LEGAL FEES. In addition to any other rights set forth in the Governing Documents for violation of a provision of the Governing Documents, the board may levy and collect individual assessments for reimbursement of reasonable fees and expenses, including without limitation legal fees, incurred by the Association to enforce the Governing Documents, including the collection of delinquent assessments, subject to the following conditions:

7.6.1 Notice. The Association must give the owner written notice that the owner will be liable for reimbursement of any such fees and expenses incurred by the Association if the delinquency or violation continues after a date certain that is stated in the notice. This notice requirement does not apply to legal fees incurred by the Association in connection with the Association's counterclaim in a lawsuit to which an owner is a plaintiff.

7.6.2 Hearing. If legal fees are incurred by the Association for an action requiring notice and hearing, the owner is not liable for reimbursement of legal fees incurred before the date by which the owner must request a hearing, if the owner does not request a hearing, or before conclusion of the hearing, if the owner does request a hearing.

7.6.3 Records. By written request, an owner may obtain from the Association copies of any invoices for charges, including legal fees, for which the Association seeks reimbursement.

7.6.4 Foreclosure. In connection with a nonjudicial foreclosure of the Association's assessment lien, applicable law, such as Chapter 209 of the Texas Property Code, may establish a limit for the amount of attorneys fees that the Association may include in its lien.

7.7 ADDITIONAL ENFORCEMENT RIGHTS. Notwithstanding the notice and hearing requirement, the board may take immediate and appropriate action, without giving the notices required in this Article, against violations of the Governing Documents which, in the board's opinion, are self-evident, such as vehicles parked illegally which shall be subject to towing at the Owners expense or in violation of posted signs; threatening to life or property; or repeat violations of the

same provision by the same owner to whom prior notices and demands have been given for the same violation. Further, the provisions of this Article do not apply to specific remedies provided in the Governing Documents for certain violations, such as nonpayment of assessments.

ARTICLE VIII

OBLIGATIONS OF THE OWNERS

8.1 NOTICE OF SALE. Any owner intending to sell or convey his lot or any interest therein must give written notice to the board of his intention, together with the address or legal description of the lot being conveyed, the name and address of the intended purchaser, the name, address, and phone number of the title company or attorney designated to close the transaction, names and phone numbers of real estate agents, if any, representing seller and purchaser, and scheduled date of closing. An owner will furnish this information to the board at least 10 business days before the scheduled date of closing or conveyance. The requirements of this Section may be satisfied by giving the Association a copy of an accepted resale contract in connection with the owner's request to the Association for a resale certificate.

8.2 PROOF OF OWNERSHIP. Except for those owners who initially purchase a lot from Declarant, any person, on becoming an owner of a lot, must furnish to the board evidence of ownership in the lot, which copy will remain in the files of the Association. A copy of the recorded deed is the customary evidence. The Association may refuse to recognize a person as a member unless this requirement is first met. This requirement may be satisfied by receipt of a board-approved form that is completed and acknowledged by a title company or attorney at time of conveyance of the lot or any interest therein.

8.3 OWNERS' INFORMATION. Within 30 days after acquiring an ownership interest in a lot, the owner must provide the Association with the owner's mailing address, telephone number, and driver's license number, if any; the name and telephone number of any resident other than the owner; and the name, address, and telephone number of any person managing the lot as agent of the lot owner. An owner must notify the Association within 30 days after he has notice of a change in any information required by this Section, and must provide the information on request by the Association from time to time.

8.4 MAILING ADDRESS. The owner or the several co-owners of a lot must register and maintain one mailing address to be used by the Association for mailing of notices, demands, and all other communications. If an owner fails to maintain a current mailing address with the Association, the address of the owner's lot is deemed to be his mailing address.

8.5 REGISTRATION OF MORTGAGEES. Within 30 days after granting a lien against his lot, the owner must provide the Association with the name and address of the holder of the lien and the loan number. The owner must notify the Association within 30 days after he has notice of a change in the information required by this Section. Also, the owner will provide the information on request by the Association from time to time.

8.6 ASSESSMENTS. All owners are obligated to pay assessments imposed by the Association to meet the common expenses as defined in the Declaration. A member is deemed to be in good standing and entitled to vote at any meeting of the Association if he is current in the assessments made or levied against him and his lot.

8.7 COMPLIANCE WITH DOCUMENTS. Each owner will comply with the provisions and terms of the Governing Documents, and any amendments thereto. Further, each owner will always endeavor to observe and promote the cooperative purposes for which the Property was established.

ARTICLE IX ASSOCIATION RECORDS

9.1 INSPECTION OF BOOKS AND RECORDS. The association shall make the books and records of the association, including financial records, open to and reasonably available for examination by an owner, or a person designated in a writing signed by the owner as the owner's agent, attorney, or certified public accountant, in accordance with this section. An owner is entitled to obtain from the association copies of information contained in the books and records.

9.1.1 Exempt Records. Except as provided by this section, an attorney's files and records relating to the property owners' association, excluding invoices requested by an owner under Texas Property Code Section 209.008(d), are not records of the association and are not subject to inspection by the owner or production in a legal proceeding. If a document in an attorney's files and records relating to the association would be responsive to a legally authorized request to inspect or copy association documents, the document shall be produced by using the copy from the attorney's files and records if the association has not maintained a separate copy of the document. This subsection does not require production of a document that constitutes attorney work product or that is privileged as an attorney-client communication.

9.1.2 Request. An owner or the owner's authorized representative described above must submit a written request for access or information to the records by certified mail, with sufficient detail describing the property owners' association's books and records requested, to the mailing address of the association or authorized representative as reflected on the most current management certificate filed by the Association. The request must contain an election either to inspect the books and records before obtaining copies or to have the property owners' association forward copies of the requested books and records and:

9.1.2.1 if an inspection is requested, the association, on or before the 10th business day after the date the association receives the request, shall send written notice of dates during normal business hours that the owner may inspect the requested books and records to the extent those books and records are in the possession, custody, or control of the association; or

9.1.2.2 if copies of identified books and records are requested, the association shall, to the extent those books and records are in the possession, custody, or control of the association, produce the requested books and records for the requesting party on or before the 10th business day after the date the association receives the request, except as otherwise provided by this section.

9.1.3 Response. If the property owners' association is unable to produce the books or records requested under Subsection 9.1.2 on or before the 10th business day after the date the association receives the request, the association must provide to the requestor written notice that:

9.1.3.1 informs the requestor that the association is unable to produce the information on or before the 10th business day after the date the association received the request; and

9.1.3.2 states a date by which the information will be sent or made available for inspection to the requesting party that is not later than the 15th business day after the date notice under this subsection is given.

9.1.4 Inspection Location. If an inspection is requested or required, the inspection shall take place at a mutually agreed on time during normal business hours, and the requesting party shall identify the books and records for the property owners' association to copy and forward to the requesting party.

9.1.5 A property owners' association may produce books and records requested under this section in hard copy, electronic, or other format reasonably available to the association.

9.1.6 Books and records of the Association will be made available for inspection and copying pursuant to the Open Records Policy attached hereto as Exhibit A.

9.1.7 Books and records of the Association will be retained in accordance with the Records Retention Policy attached hereto as Exhibit B.

9.2 RESALE CERTIFICATES. Any officer may prepare, or cause to be prepared, assessment estoppel certificates or resale certificates pursuant to applicable law, such as Chapter 207 of the Texas Property Code, titled Disclosure of Information by Property Owners Association. The Association or its managing agent may charge a reasonable fee for preparing such certificates, and may refuse to furnish such certificates until the fee is paid. Any unpaid fees may be assessed against the lot for which the certificate is furnished. The Association may delegate the responsibility for a resale certificate to its managing agent, if any.

9.3 MANAGEMENT CERTIFICATE. As required by applicable law, such as Section 209.004 of the Texas Property Code, the Association will maintain a current management certificate in the county's public records. When the Association has notice of a change in any information in the recorded certificate, the Association will prepare a restated or amended certificate and deliver it to the county clerk for filing. Absent gross negligence, the Association is not liable for a delay or failure to record a certificate. The Association may delegate the responsibility for a management certificate to its managing agent, if any.

9.4 MEMBERSHIP LIST. The board must maintain a comprehensive list of Association members for compliance with the Code as well as the Governing Documents. The Association must make the membership list available to any owner on written request, and may charge a reasonable fee for cost of copying and delivering the owners list.

9.4.1 Types of Information. At a minimum, the Association must maintain for each lot the name and mailing address of at least one owner, and a description of the lot owned (if different from the mailing address). The Association may also maintain, as an Association record, additional contact information for owners, such as phone numbers, fax numbers, email addresses, places of employment, emergency contact information, mortgage

information, and any other items of information provided by owners or obtained by the Association.

9.4.2 Source of Ownership Information. In compiling the ownership or membership list, the Association may rely on any combination of public records, such as tax rolls, documentation provided by title insurance companies, self-reporting by owners and residents, and any other reasonably reliable and customary source of ownership information. The requirement of maintaining ownership records may not be construed to require the Association to affirmatively investigate or research title to a lot.

9.4.3 Information Available to Members. Membership information to be maintained by the Association is similar to what is typically available to the public on the website of the appraisal district, and may not be considered confidential, private, or protected information as between the Association and its members. Neither the Association nor a member of the Association may sell or otherwise market the Association's membership information without the express prior consent of the owners. Each owner, by acquiring an ownership interest in a lot, acknowledges that the owner's contact information is a record of the Association that is available to all members of the Association.

9.4.4 Inspection List. In accordance with applicable law, the Association will prepare a list of owners of all lots in the Property for inspection by the members prior to the meeting. The purpose of the list is to enable members to communicate with each other about the meeting. The inspection list must be available for inspection by the members from the second business day after the date notice of the meeting is given until adjournment of the meeting for which it was prepared. The list may be inspected or copied by an owner or the owner's attorney or agent. The inspection list must have the following characteristics:

- 9.4.4.1 The list must be in alphabetical order of owners' surnames, or in numerical order of street addresses.
- 9.4.4.2 The list must contain the name of at least one owner of each lot, or an indication that the current ownership cannot be determined and the identity of the last known owner.
- 9.4.4.3 The list must contain an address for each member.
- 9.4.4.4 The list must identify how many lots are owned by each owner, if that cannot otherwise be determined from the list.
- 9.4.4.5 If all lots do not have uniform votes, such as lots owned by Declarant during the Declarant Control Period, the list must identify the number or weight of votes attached to each lot.

ARTICLE X

NOTICES

10.1 CO-OWNERS. If a lot is owned by more than one person, notice to one co-owner is deemed notice to all co-owners. Similarly, notice to one resident of a lot is deemed notice to all residents of the lot.

10.2 DELIVERY OF NOTICES. Any written notice required or permitted by these Bylaws may be given personally, by mail, by fax, by email, or by any other method permitted by applicable law, such as the Texas Business Organizations Code. If mailed, the notice is deemed delivered when deposited in the U.S. mail addressed to the member at the address shown on the Association's records. If transmitted by fax or email, the notice is deemed delivered on successful transmission of the facsimile or electronic correspondence. The notice must be sent to the party's last known address as it appears on the records of the Association at the time of transmission. If an owner fails to give the Association an effective address, the notice may be sent to the address of the owner's lot and/or to the owner's address shown on the then-current property tax rolls for the lot. If the Association properly transmits the notice, the owner is deemed to have been given notice whether or not he actually receives it.

10.3 WAIVER OF NOTICE. Whenever a notice is required to be given to an owner, member, or director, a written waiver of the notice, signed by the person entitled to the notice, whether before or after the time stated in the notice, is equivalent to giving the notice. Attendance by a member or director at any meeting of the Association or board, respectively, constitutes a waiver of notice by the member or director of the time, place, and purpose of the meeting. If all members or directors are present at any meeting of the Association or board, respectively, no notice is required and any business may be transacted at the meeting.

ARTICLE XI INDEMNIFICATION

11.1 GENERAL. The purpose of this Article is to mandate some of the permissive provisions of Chapter 8 of the Code, and to indemnify Association Leaders whether or not the Association is incorporated at the time indemnification is needed. The definitions of Chapter 8 of the Code are hereby incorporated by reference, without regard to the corporate status of the Association. As used in this Article, "Association Leader" means a person who is a current or former officer or director of the Association, or a current or former committee chair or committee member of the Association.

11.2 MANDATORY INDEMNIFICATION. The Association will indemnify an Association Leader who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was an Association Leader, if the following determinations are made.

11.2.1 Determinations. It must be determined that the person acted in good faith, and that:

- 11.2.1.1** the person reasonably believed (1) in the case of conduct in the person's official capacity, that the person's conduct was in the Association's best interest, or (2) in any other case, that the person's conduct was not opposed to the Association's best interests;
- 11.2.1.2** in the case of a criminal proceeding, the person did not have a reasonable cause to believe the person's conduct was unlawful;
- 11.2.1.3** with respect to expenses, the amount of expenses other than a judgment is reasonable; and

11.2.1.4 indemnification should be paid.

11.2.2 Effect of Proceeding Termination. A person does not fail to meet the determination standard solely because of the termination of a proceeding by judgment, order, settlement, conviction, or a plea of nolo contendere or its equivalent.

11.2.3 How Determinations Are Made. If all of the directors are disinterested and independent, as defined in the Code, the determinations required under this Section will be made by a special legal counsel selected by the board. Otherwise, the determinations will be made by the owners of a majority of lots in the Property, other than lots owned by persons who are not disinterested and independent as defined in the Code, or by a special legal counsel selected by those owners.

11.3 EXCEPTIONS TO MANDATORY INDEMNIFICATION. A person who is found liable to the Association or is found liable because the person improperly received a personal benefit is not entitled to indemnification under this Article if, in a legal proceeding, the person has been found liable for (1) willful or intentional misconduct in the performance of the person's duty to the Association, (2) breach of the person's duty of loyalty owed to the Association, or (3) an act or omission not committed in good faith that constitutes a breach of a duty owed by the person to the Association. In all other instances, indemnification of a person who is found liable to the Association is limited to reasonable expenses actually incurred by the person in connection with the proceeding, excluding a judgment, a penalty, a fine, or any other type of sanction. A person indemnified by the Association is considered to have been found liable in relation to a claim, issue, or matter only if the liability is established by an order, including a judgment or decree of a court, and all appeals of the order are exhausted or foreclosed by applicable law.

11.4 EXPENSES. The indemnification provided by this Article covers reasonable expenses and costs, such as legal fees, actually and necessarily incurred by the indemnified person in connection with a qualified claim.

11.4.1 Advancement of Expenses. The Association may pay or reimburse reasonable expenses incurred by an indemnified person who was, is, or is threatened to be made a respondent in a proceeding in advance of the final disposition of the proceeding without making the determinations required under the Section above titled "Mandatory Indemnification," after the Association receives a written affirmation by the person of the person's good faith belief that the person has met the standard of conduct necessary for indemnification under this Article, and a written undertaking by or on behalf of the person to repay the amount paid or reimbursed if the final determination is that the person has not met that standard or that indemnification is prohibited by this Article. The required written undertaking must be an unlimited general obligation of the person but need not be secured and may be accepted by the Association without regard to the person's ability to make repayment.

11.4.2 Witness Expenses. The Association may pay or reimburse reasonable expenses incurred by an Association Leader, member, employee, agent, or other person in connection with that person's appearance as a witness or other participation in a proceeding at a time when the person is not a respondent in the proceeding.

11.5 INDEMNIFICATION OF OTHER PERSONS. Subject to the same limitations, determinations, and exceptions for Association Leaders, the Association may indemnify and advance expenses to a person who is not otherwise covered by this Article's indemnification as provided by (1) a provision in a Governing Document of the Association, (2) a contract to which the Association is a party, (3) common law, (4) a board resolution, or (5) a resolution approved by the Association's members. A person indemnified under this Section may seek indemnification or advancement of expenses from the Association to the same extent that an Association Leader may seek indemnification or advancement of expenses under this Article.

ARTICLE XII DECLARANT PROVISIONS

12.1 CONFLICT. The provisions of this Article control over any provision to the contrary elsewhere in these Bylaws.

12.2 BOARD OF DIRECTORS. During the Declarant Control Period, Appendix B of the Declaration governs the number, qualification, and appointment of directors. The initial directors will be appointed by Declarant and need not be owners or residents. Directors appointed by Declarant may not be removed by the owners and may be removed by Declarant only. Declarant has the right to fill vacancies in any directorship vacated by a Declarant appointee.

12.3 TRANSITION MEETING. As provided by Appendix B of the Declaration, within 60 days after the end of the Declarant Control Period, or sooner at Declarant's option, Declarant will call a meeting of the members of the Association for the purpose of electing directors, by ballot of members. Notice of the transition meeting will be given as if it were notice of an annual meeting.

ARTICLE XIII AMENDMENTS TO BYLAWS

13.1 AUTHORITY. Although the general authority for amending the Bylaws resides with the members of the Association, certain amendments may be made by the board or by Declarant, without a vote of the members.

13.1.1 Amendments by Board. For the following limited purposes, the board may amend these Bylaws with or without approval by the members, provided the proposed amendment has the prior unanimous approval of the directors:

- 13.1.1.1 To correct mistakes in the Bylaws.
- 13.1.1.2 To conform the Bylaws to changes in controlling law applicable to any topic addressed in these Bylaws.
- 13.1.1.3 To change the name of the Association.
- 13.1.1.4 To restate previously amended Bylaws for the sole purpose of incorporating the amendments into the body of the Bylaws.

13.1.2 Amendments by Declarant. As provided by Appendix B of the Declaration, during the Development Period, Declarant may amend these Bylaws.

13.1.3 Amendments by Members. All other amendments of these Bylaws must be approved by the members according to the terms of this Article.

13.2 AMENDMENTS BY MEMBERS.

13.2.1 Proposal. The Association will provide or make available to an owner of each lot a description, if not exact wording, of any proposed amendment. The proposed amendment, description of the proposed amendment, or instructions for obtaining a copy of the proposed amendment at no cost will be included in the notice of any annual or special meeting of the Association at which the proposed amendment is to be considered.

13.2.2 Consents. Subject to the following limitation, an amendment of these Bylaws must be approved by members representing at least a majority of the votes present (in person or by proxy) at a properly called meeting of the Association for which a quorum is obtained. In other words, if a quorum is present (in person or by proxy) at an Association meeting, the owners of a majority of the lots represented at the meeting (in person or by proxy) -- even if less than a majority of the total lots -- may approve an amendment to these Bylaws. This Section, however, may not be amended without the approval of owners representing at least a majority of the total lots in the Property.

13.3 EFFECTIVE. To be effective, an amendment must be in the form of a written instrument referencing the name of the Property, the name of the Association, and the recording data of these Bylaws and any amendments hereto; signed and acknowledged by at least one officer of the Association, certifying the requisite authority and/or approvals; and recorded in the Real Property Records of Denton County, Texas. An amendment may be effective immediately if adopted at an Association meeting at which owners of two-thirds of the lots are represented. Otherwise, an amendment is not effective until 10 days after an owner of each lot is notified of the amendment and provided with a copy of the amendment or instructions for obtaining a copy.

13.4 MORTGAGEE PROTECTION. If a provision in a Governing Document or applicable law requires notices to and consent of mortgagees for certain actions and amendments, the Association must give the required notices to and obtain the required approvals from applicable mortgagees.

13.5 DECLARANT PROTECTION. During the Development Period, no amendment of these Bylaws may affect Declarant's rights herein without Declarant's written and acknowledged consent. Specifically, this Section, the article titled "Declarant Provisions," and the sections titled "Declarant Control" and "Drafter's Intent" may not be amended during the Development Period without prior written approval of Declarant. Declarant's written consent must be part of the amendment instrument.

ARTICLE XIV GENERAL PROVISIONS

14.1 DRAFTER'S INTENT. Because Declarant intends these Bylaws to serve the Association for many years beyond the initial development, construction, and marketing of the Property, Declarant purposefully did not draft these Bylaws from its own perspective. Instead, as a courtesy to future users of these Bylaws, Declarant compiled most of the Declarant-related provisions in Appendix B of the Declaration. Although Declarant is initially an owner and a member of the Association,

Declarant is intentionally exempt from a number of obligations that apply to other owners, and has a number of rights that other owners do not have. These Bylaws are to be construed liberally to give effect to the drafter's intent of favorable and preferential treatment of Declarant.

DRAFTER'S DICTUM

Users of this document should periodically review statutes and court rulings that may modify or nullify provisions of this document or its enforcement, or may create rights or duties not anticipated by this document.

14.2 CONFLICTING PROVISIONS. If any provision of these Bylaws conflicts with any provision of the applicable laws of the State of Texas, the conflicting Bylaws provision is null and void, but all other provisions of these Bylaws remains in full force and effect. If a provision of the Association's certificate of formation or Certificate of Formation conflicts with these Bylaws, the certificate of formation controls. In the case of any conflict between the Declaration and these Bylaws, the Declaration controls. These Bylaws may be amended by the Declarant and thereafter the Board of Directors without consent or joinder of the Owners. Any amendment of these Bylaws shall be recorded in the county clerk's office and shall be made available on the Association's website, if applicable, and mailed to each owner by U.S. general mail delivery.

14.3 SEVERABILITY. Whenever possible, each provision of these Bylaws will be interpreted in a manner as to be effective and valid. Invalidity of any provision of these Bylaws, by judgment or court order, does not affect any other provision which remains in full force and effect.

14.4 CONSTRUCTION. The effect of a general statement is not limited by the enumerations of specific matters similar to the general. The captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer. The singular is construed to mean the plural, when applicable, and the use of masculine or neuter pronouns includes the feminine.

14.5 EFFECTIVE COMMUNICATIONS. These Bylaws are drafted in an era of expanding and distracting modes of communication - written, voice, visual, and electronic - with emerging security and screening technologies that impede some transmissions without the sender's knowledge. In such an era, the burden may be on the sender (1) to bring important pieces of information to the attention of the recipient in a manner that helps the recipient recognize the importance and purpose of the communication, and (2) to confirm that the message was received and its importance recognized. For example, a change of address that is buried in the fifth paragraph of an owner's letter about a potpourri of issues may be overlooked by the Association. Similarly, a notice of assessment increase that is buried in a chatty Association newsletter or website may be overlooked by the owner. Although there is no way to guaranty what will be noticed by another person, each sender should try to communicate effectively. If the Association specifies a mode of communications for a certain purpose, it benefits the owner to use the specified mode for the intended purpose.

14.6 FISCAL YEAR. The fiscal year of the Association is the calendar year or any 12-month period that is set by resolution of the board, and is subject to change from time to time as the board determines. In the absence of a resolution by the board, the fiscal year is from January 1 through December 31 of each calendar year.

14.7 **WAIVER.** No restriction, condition, obligation, or covenant contained in these Bylaws may be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

14.8 **EXHIBIT.** The attached Exhibits are hereby incorporated into these Bylaws by reference as if fully stated herein.

CERTIFICATION & ACKNOWLEDGMENT

As the Declarant of Pinnacle at Riverwalk Townhomes, I certify that the foregoing Bylaws of Pinnacle at Riverwalk Townhome Owners Association, Inc. were adopted for the benefit of the Pinnacle at Riverwalk Townhome Owners Association by Declarant and by the Declarant-appointed Board of Directors of Pinnacle at Riverwalk Townhome Owners Association, Inc., and that these Bylaws are one of the initial Governing Documents of Pinnacle at Riverwalk Townhome Owners Association, Inc.

SIGNED this 28 day of June 2016.

DECLARANT

LAER Trams – The Riverwalk Flower Mound, LLC,
a Texas limited liability company

By: [Signature]

~~Sole~~ Manager and ~~Sole~~ Member

THE STATE OF TEXAS

COUNTY OF ~~DENTON~~ DALLAS

§
§
§

This instrument was acknowledged before me on the 28 day of June, 2016 by David Dellinger, ~~sole~~ Manager and Member of LAER Trams - The Riverwalk Flower Mound LLC, a Texas limited liability company, on behalf of said limited liability company in its capacity as ~~sole~~ manager and member of LAER Trams - The Riverwalk Flower Mound LLC, a Texas limited liability company, on behalf of such limited liability company.



[Signature]
Notary Public, the State of Texas

EXHIBIT A TO BYLAWS

RECORDS PRODUCTION AND COPYING POLICY

PINNACLE AT RIVERWALK TOWNHOME OWNERS ASSOCIATION, INC.

1. **Standard paper copy.** The charge for standard paper copies reproduced by means of an office machine copier or a computer printer is \$.10 per page or part of a page. Each side that has recorded information is considered a page.

2. **Nonstandard copy.** The charges in this subsection are to cover the materials onto which information is copied and do not reflect any additional charges, including labor, that may be associated with a particular request. The charges for nonstandard copies are:

- (A) Diskette--\$1.00;
- (B) Data cartridge--actual cost;
- (C) Rewritable CD (CD-RW)--\$1.00;
- (D) Non-rewritable CD (CD-R)--\$1.00;
- (E) Digital video disc (DVD)--\$3.00;
- (F) JAZ drive, Thumb Drive, or other external hard drive --actual cost;
- (G) Other electronic media--actual cost;
- (H) All other mediums for copying data not provided herein -- actual cost;
- (I) Oversize paper copy or specialty paper (e.g.: 11 inches by 17 inches, greenbar, bluebar)--\$.50 per page;

3. **Labor charge for programming.** If a particular request requires the services of a programmer in order to execute an existing program or to create a new program so that requested information may be accessed and copied, the Association may charge a reasonable fee for the location of the Property for the programmer's time.

4. **Labor charge for locating, compiling, manipulating data, and reproducing public information.**

(A) The charge for labor costs incurred in processing a request for public information is \$15 an hour. The labor charge includes the actual time to locate, compile, manipulate data, and reproduce the requested information.

(B) A labor charge shall not be billed in connection with complying with requests that are for 50 or fewer pages of paper records.

5. **Labor charge for third parties.** A labor charge shall not be recovered for any time spent by an attorney, legal assistant, or any other person who reviews the requested information to determine whether the Association will raise any exceptions to disclosure of the requested information under applicable law.
6. **Miscellaneous supplies.** The actual cost of miscellaneous supplies, such as labels, boxes, and other supplies used to produce the requested information, may be added to the total charge for public information.
7. **Postal and shipping charges.** The Association may add any related postal or shipping expenses which are necessary to transmit the reproduced information to the requesting party.
8. **Payment.** The Association that accepts payment by credit card for copies of public information and that is charged a "transaction fee" by the credit card company may recover that fee. The Association may require advance payment of the charges in this Policy. The Association will provide an invoice to the Owner within 30 days after delivering the requested information. In the event the invoiced amount is less than the pre-paid amount, the Association will refund the excess amount to the Owner within 30 days after the invoice is sent to the Owner. If the actual cost invoiced is greater than the pre-paid amount, the Owner will pay such excess within 30 days of receipt of the invoice. In the event such excess is not paid by the owner timely, the Association may add such unpaid amounts to the Owner's assessment account.
9. **Savings Clause.** This Policy is subject to periodic reevaluation and update. Notwithstanding anything to the contrary, the Association will not in any event be entitled to receive or collect the charges in this Policy in amounts greater than the maximum allowed by applicable law. In the event the Association receives amounts charged which are in excess of the maximum charges permitted by law, the excess amount will be returned to the Owner.

EXHIBIT B TO BYLAWS

RECORD RETENTION POLICY

PINNACLE AT RIVERWALK TOWNHOME OWNERS ASSOCIATION, INC.

The Record Retention Policy of Pinnacle at Riverwalk Townhomes ensures that necessary records and documents are adequately protected and maintained and that records that are no longer needed or are of no value are discarded at the proper time.

1. **Policy.** This Policy represents the Association's policy regarding the retention and disposal of records and the retention and disposal of electronic documents.
2. **Administration.** The Record Retention Schedule herein is approved as the initial maintenance, retention and disposal schedule for physical records of the Association and the retention and disposal of electronic documents. The Board or Secretary of the Association ("Administrator") is the officer in charge of the administration of this Policy and the implementation of processes and procedures to ensure that the Record Retention Schedule is followed. The Administrator is also authorized to: make modifications to the Record Retention Schedule from time to time to ensure that it is in compliance with local, state and federal laws and includes the appropriate document and record categories for the Corporation; monitor local, state and federal laws affecting record retention; annually review the record retention and disposal program; and monitor compliance with this Policy.
3. **Suspension of Record Disposal in Event of Litigation or Claims.** In the event the Association is served with any subpoena or request for documents or any employee becomes aware of a governmental investigation or audit concerning the Association or the commencement of any litigation against or concerning the Association, such employee shall inform the Administrator and any further disposal of documents shall be suspended until such time as the Administrator, with the advice of counsel, determines otherwise. The Administrator will take such steps as is necessary to promptly inform all staff of any suspension in the further disposal of documents.
4. **Applicability.** This Policy applies to all physical records generated in the course of the Association's operation, including both original documents and reproductions. It also applies to the electronic documents described above.

(Record Retention Schedule begins on next page)

Record Retention Schedule

The Record Retention Schedule is organized as follows:

SECTION TOPIC

- A. Accounting and Finance
- B. Contracts
- C. Corporate Records
- D. Electronic Documents
- E. Payroll Documents
- F. Personnel Records
- G. Property Records
- H. Tax Records

The following are the Association's retention periods. These apply to both physical and electronic documents. If no physical copy of an electronic document is retained, the means to 'read' the electronic document must also be retained. If a record does not fall within the following categories, Board approval must be obtained to dispose of such record.

A. ACCOUNTING AND FINANCE

<u>Record Type</u>	<u>Retention Period</u>
Accounts Payable & Accounts Receivable ledgers and schedules	7 years
Annual Audit Reports and Financial Statements	Permanent
Annual Audit Records, including work papers and other documents that relate to the audit	7 years after completion of audit
Bank Statements and Canceled Checks	7 years
Employee Expense Reports	7 years
General Ledgers	Permanent
Notes Receivable ledgers and schedules	7 years
Investment Records	7 years after sale of investment

B. CONTRACTS

Record Type

Contracts and Related Correspondence (including any proposal that resulted in the contract and all other supportive documentation)

Retention Period

4 years after expiration or termination

C. ASSOCIATION RECORDS

Record Type

Corporate Records (unless otherwise specifically addressed in this Policy - Governing Documents, Dedicatory Instruments, minute books, signed minutes of the Board and all committees, corporate seals, annual corporate reports)

Retention Period

Permanent

Licenses and Permits

Permanent

Account records of current owners

5 years

D. ELECTRONIC DOCUMENTS

1. **Electronic Mail:** Not all email needs to be retained, depending on the subject matter.
 - All e-mail—from internal or external sources—is to be deleted after 12 months.
 - Staff will strive to keep all but an insignificant minority of their e-mail related to business issues.
 - The Corporation will archive e-mail for six months after the staff has deleted it, after which time the e-mail will be permanently deleted.
 - The Corporation's business-related email should be downloaded to a service center or user directory on the server, when determined by the Board.
 - Staff will not store or transfer the Corporation's related e-mail on non-work-related computers except as necessary or appropriate for the Corporation's purposes.
 - Staff will take care not to send confidential/proprietary information to outside sources.
2. **Electronic Documents:** Retention depends on the subject matter and follows D.1 above
3. **Web Page Files: Internet Cookies**
 - All workstations: Internet Explorer should be scheduled to delete Internet cookies once per month.

E. PAYROLL DOCUMENTS

<u>Record Type</u>	<u>Retention Period</u>
Employee Deduction Authorizations	4 years after termination
Payroll Deductions	Termination + 7 years
W-2 and W-4 Forms	Termination + 7 years
Garnishments, Assignments, Attachments	Termination + 7 years
Payroll Registers (gross and net)	7 years
Time Cards/Sheets	2 years
Unclaimed Wage Records	6 years

F. PERSONNEL RECORDS

<u>Record Type</u>	<u>Retention Period</u>
Commissions/Bonuses/Incentives/Awards	7 years
EEO- 1 /EEO-2 - Employer Information Reports	2 years after superseded or filing (whichever is longer)
Employee Earnings Records	Separation + 7 years
Employee Handbooks	1 copy kept permanently
Employee Personnel Records (including individual attendance records, application forms, job or status change records, performance evaluations, termination papers, withholding information, garnishments, test results, training and qualification records)	6 years after separation
Employment Contracts -- Individual	7 years after separation
Employment Records - Correspondence with Employment Agencies and Advertisements for Job Openings	3 years from date of hiring decision
Employment Records - All Non-Hired Applicants (including all applications and resumes - whether solicited or unsolicited, results of post-offer, pre-employment physicals, results of background investigations, if any, related correspondence)	2-4 years (4 years if file contains any correspondence which might be construed as an offer)
Job Descriptions	3 years after superseded

Record Type**Retention Period**

Personnel Count Records

3 years

Forms I-9

3 years after hiring, or 1 year after
separation if later**G. PROPERTY RECORDS****Record Type****Retention Period**Correspondence, Property Deeds, Assessments, Licenses,
Rights of Way

Permanent

Property Insurance Policies

Permanent

H. TAX RECORDS**Record Type****Retention Period**Tax-Exemption Documents
and Related Correspondence

Permanent

IRS Rulings

Permanent

Tax Bills, Receipts, Statements

7 years

Tax Returns - Income, Franchise, Property

Permanent

Tax Workpaper Packages - Originals

7 years

Annual Information Returns - Federal and State

Permanent

IRS or other Government Audit Records

Permanent

All other Tax Records

7 years

EXHIBIT C TO BYLAWS

PAYMENT PLAN POLICY

PINNACLE AT RIVERWALK TOWNHOME OWNERS ASSOCIATION, INC.

PINNACLE AT THE RIVERWALK TOWNHOME OWNERS ASSOCIATION, INC.

**PAYMENT PLAN POLICY AND
APPLICATION OF PAYMENTS**

Purpose: The purpose of this policy is to provide a uniform and consistent way to manage homeowner's requests for payment plans to address their delinquent assessments and fees due to Pinnacle at the Riverwalk Townhome Owners Association, Inc., (the "Association").

It is the intention of the Board of Directors to work with homeowners to satisfy their obligation to the Association. Therefore, in an effort to assist those homeowners in the payment of their obligations to the Association, the Board of Directors has established the following policy.

Payment Plans:

- 1. The Association will allow payment plans for repayment of delinquent amounts with a minimum of three (3) months duration.**
- 2. Terms for repayment of delinquent amounts shall not exceed twelve (12) months without Board approval.**
- 3. Assessments that become due and are added to the homeowner's account during the term of the payment plan must be paid when due in addition to repayment of delinquent amounts.**
- 4. A one-time fee of Thirty-Five and No/100 Dollars (\$35.00) shall be charged to the Owner's account which shall serve to reimburse the Association and / or its Managing Agent for its efforts to negotiate, establish, initiate and monitor a payment plan for the owners' delinquent balance. This charge shall be paid by Owner and shall be due along with the first installment payment.**
- 5. The plan must include the total debt owed to the Association, including late fees, interest, fines and/or other collection costs.**
- 6. There shall be no waiver of any charges on the homeowner's account unless the owner submits a written request for consideration and approval has been obtained by the Board.**
- 7. To be eligible for a payment plan, the homeowner must not have defaulted on a prior payment plan within a two (2) year period preceding the request for a payment plan. If such a default exists, the Board may, but is not obligated, to allow a payment plan. The Board shall review and determine every request on a case by case basis.**
- 8. Interest, late and/or collection charges shall not accrue during the payment plan so long as the Owner remains current on payments throughout the duration of the payment plan. Should the Owner default on his/her payment plan, the Association and its Managing Agent shall be entitled to add any interest, late and/or collection fees due up to and through the date the Owner defaulted and forward unless the payment plan**

reinstates which shall be at the sole discretion of the Board of Director's or its Managing Agent. As stated in Subsection 7 above, Owner's who default on a payment plan may not be entitled to another payment plan for a minimum of two (2) years.

9. The plan must contain a schedule setting forth the date that each payment will be made and the exact amount of each payment to be made.

10. Payment plans approved after the account has been turned over to the Association's attorney shall be administered by the Attorney. Attorney charges are Excluded from Sub Section 8 above and will be charged to the Owner's account.

11. Payment plans approved after notice has been given to a homeowner that the property is in foreclosure must include a minimum amount which shall be established by the Board of Directors. The Managing Agent, acting on behalf of the Board of Directors, shall communicate this information to the Association's attorney for the individual payment plan request and the initial payment must be received on or before the deadline established by the Association's attorney.

Settlements: The Board of Directors will consider written offers to settle an account and may but, are not obligated to include accounts at the foreclosure stage. Settlements must be paid in certified funds and may be subject to the deadlines established by the Association's attorney.

Default: The Board of Directors shall herein establish criteria for determining what constitutes "default" on payment plans.

"Default" may include one or all of the following:

1. Failure of homeowner to make a payment by the proposed date in accordance with the approved payment plan.
2. Failure of homeowner to make the full amount of a payment as stated in the approved payment plan.
3. Failure of homeowner to make a timely payment of any additional assessments or charges that come due during the term of the payment plan.

Should the homeowner default on a payment plan:

1. The outstanding balance shall become due and payable immediately and may require payment in certified funds. The Association and its Managing Agent shall be entitled to add any interest, late and/or collection fees due up to and through the date the Owner defaulted and forward.
2. The Managing Agent shall proceed with appropriate collection measures in accordance with the Association's Collection Policy in order to secure payment of amounts due to the Association.

Any payment received by the Association from a homeowner whose account reflects an unpaid balance and the homeowner is in default under a payment plan entered into with the Association, the payment shall be applied to the outstanding balance in the following order so long as and unless a conflict between this policy and the Texas State Property Code exists, in which case the order of application of payment shall be as set forth in the Texas State Property Code:

- 1) Cost of Collection including attorneys' fees
- 2) Special Individual Assessments, including Violation Fines (if applicable)
- 3) Late Charges
- 4) Accrued but Unpaid Interest
- 5) Other costs of Collection
- 6) Special Assessments
- 7) Annual Assessments
- 8) Any other amounts owed to the Association

EXHIBIT D TO BYLAWS

CERTIFICATE OF FORMATION

PINNACLE AT RIVERWALK TOWNHOME OWNERS ASSOCIATION, INC.

MAR 05 2015

CERTIFICATE OF FORMATION
OF
LAER TRAMS - THE RIVERWALK FLOWER MOUND, LLC

Corporations Section

The undersigned, a natural person of the age of eighteen (18) years or older, acting as the sole organizer of a limited liability company under the Texas Business Organizations Code (the "Code"), does hereby adopt the following Certificate of Formation for Laer Trams - The Riverwalk Flower Mound, LLC (the "Company"):

ARTICLE ONE

The filing entity being formed is a limited liability company. The name of the entity is:

Laer Trams - The Riverwalk Flower Mound, LLC

ARTICLE TWO

The name of the initial registered agent of the Company in the State of Texas is Michael D. Hesse and the address of such initial registered agent is 1518 Legacy Drive, Suite 250, Frisco, Texas 75034.

ARTICLE THREE

The Governing Authority of the Company shall consist of one or more managers. The number of initial managers shall be two (2). The names and addresses of such initial managers shall be as follows:

Bernadette Tinsley
17168 Club Hill Drive
Dallas, Texas 75248

David Dellinger
P.O. Box 260676
Plano, Texas 75026

ARTICLE FOUR

The purpose for which the Company is organized is the transaction of any or all lawful business for which limited liability companies may be organized under the Code.

ARTICLE FIVE

The principal place of business of the Company in the State of Texas is 17330 Preston Road, Suite 100B, Dallas, Texas 75252.

ARTICLE SIX

Any action required by the Code to be taken at any annual or special meeting of members, or any action which may be taken at any annual or special meeting of members, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders of membership interests having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all the membership interests entitled to vote on the action were present and voted. Prompt notice of the taking of

any action by the members without a meeting by less than unanimous written consent shall be given to those members who did not consent in writing to the action.

ARTICLE SEVEN

No member shall have a preemptive right to acquire any membership interests or securities of any class that may at any time be issued, sold or offered for sale by the Company.

ARTICLE EIGHT

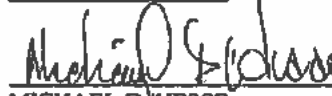
The right of members to cumulative voting in the election of managers is expressly prohibited.

ARTICLE NINE

A manager of the Company shall not be liable to the Company or its members for monetary damages for an act or omission in the manager's capacity as a manager, except that this Article Nine does not eliminate or limit the liability of a manager to the extent the manager is found liable for (i) a breach of the manager's duty of loyalty to the Company or its members; (ii) an act or omission not in good faith that constitutes a breach of duty of the manager to the Company or an act or omission that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which the manager received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the manager's office; or (iv) an act or omission for which the liability of a manager is expressly provided by an applicable statute. Any repeal or amendment of this Article Nine by the members of the Company shall be prospective only and shall not adversely affect any limitation on the liability of a manager of the Company existing at the time of such repeal or amendment. In addition to the circumstances in which the manager of the Company is not liable as set forth in the preceding sentences, the manager shall not be liable to the fullest extent permitted by any provision of the statutes of Texas hereafter enacted that further limits the liability of a manager or of a director of a corporation.

IN WITNESS WHEREOF, this Certificate of Formation has been executed this 5th day of March, 2015, by the undersigned.

SOLE ORGANIZER:



MICHAEL D. HESSE

HESSE & HESSE, PC

1518 Legacy Drive

Suite 250

Frisco, Texas 75034

Telephone: (972) 503-9800

Facsimile: (972) 503-9801

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697



Coby Shorter, III
Deputy Secretary of State

Office of the Secretary of State

March 06, 2015

Lawyer's Aid Service Inc
PO Box 848
Austin, TX 78767 USA

RE: Laer Trams - The Riverwalk Flower Mound, LLC
File Number: 802169539

It has been our pleasure to file the certificate of formation and issue the enclosed certificate of filing evidencing the existence of the newly created domestic limited liability company (llc).

Unless exempted, the entity formed is subject to state tax laws, including franchise tax laws. Shortly, the Comptroller of Public Accounts will be contacting the entity at its registered office for information that will assist the Comptroller in setting up the franchise tax account for the entity. Information about franchise tax, and contact information for the Comptroller's office, is available on their web site at <http://window.state.tx.us/taxinfo/franchise/index.html>.

The entity formed does not file annual reports with the Secretary of State. Documents will be filed with the Secretary of State if the entity needs to amend one of the provisions in its certificate of formation. It is important for the entity to continuously maintain a registered agent and office in Texas. Failure to maintain an agent or office or file a change to the information in Texas may result in the involuntary termination of the entity.

If we can be of further service at any time, please let us know.

Sincerely,

Corporations Section
Business & Public Filings Division
(512) 463-5555

Enclosure