

**DECLARATION OF COVENANTS, RESTRICTIONS, EASEMENTS, CHARGES AND LIENS
FOR
HORSEMANS RANCH GAINESVILLE**

This Declaration of Covenants, Restrictions, Easements, Charges and Liens (this “**Declaration**”) is made to be effective as of October __, 2006, by Horsemans Ranch Gainesville, L.P., a Texas limited partnership (the “**Declarant**”).

BACKGROUND

Declarant owns the land located in Cooke County, Texas, described in Exhibit “A”, attached to this Declaration (the “**Property**”). Declarant desires to (a) plat the Property into a subdivision to be known as “Horsemans Ranch” (the “**Subdivision**”); (b) develop the Property and create a residential community composed of designated residential lots and certain amenities for the benefit of the present and future owners of the lots within the Subdivision; (b) create and carry out a uniform plan for the improvement, development and sale of the lots; (c) ensure the preservation of the value of the lots and for the maintenance of common areas; and (d) subject the Property to the covenants, restrictions, easements, charges, and liens set forth in the Declaration, each and all of which is and are for the benefit of the Subdivision and the owners of the lots. Declarant also deems it desirable for the efficient preservation of the values of lots in the Subdivision to subject and bind the Subdivision to the jurisdiction and assessment of a property owners association, with the power to maintain and administer the common areas of the Subdivision, administer and enforce the covenants and restrictions, and collect and disburse the assessments and charges described in this Declaration.

ARTICLE 1
CONCEPTS AND DEFINITIONS

The following words or terms, when used in this Declaration, shall have the following meanings:

Annual Assessment means the assessment or charge payable to the Owners Association which every Owner must pay on a regular basis as described in Article 10 of the Declaration.

Architectural Review Committee or the **ARC** means that particular committee which is described and explained within Article VIII below.

Arena means the arena and related facilities that Declarant anticipates will be constructed upon a part of the Common Area.

Assessments means the Annual Assessments, Special Assessments, Member Charges and any other payments owing by a Member to the Owners Association under this Declaration or by law, together with all late charges, interest and costs of collection as provided in this Declaration.

Board means the Board of Directors of the Owners Association.

Central Compost means the manure collection area that Declarant anticipates will be constructed upon a part of the Common Area.

Common Areas means any and all areas of land within or adjacent to the Subdivision which are known, described or designated by Declarant as “common area” for use by all Members, together with any and all improvements that are now or that may hereafter be constructed thereon. Once completed, the Arena, the Central Compost, the Community Center, the Trails and the Trailer Park shall become parts of the Common Areas.

Community Center means the building that Declarant anticipates will be constructed upon a part of the Common Area for use by Members of the Owners Association or Livestock Association for meetings and other activities.

County means Cooke County, Texas.

Covenants means all covenants, conditions, restrictions, easements, charges and liens set forth within this Declaration.

Declarant means Horsemans Ranch Gainesville, L.P., a Texas limited partnership, and its successors and assigns; provided, however, that no Person that purchases one or more Lots from Declarant shall be considered the “Declarant” unless the transfer includes an express transfer of the rights of the Declarant under this Declaration.

Declaration means this Declaration of Covenants, Restrictions, Easements, Charges and Liens, as it may be amended or supplemented from time to time in accordance with the terms of this Declaration.

Design Guidelines means the standards, restrictions, guidelines, recommendations and specifications established from time to time by the Architectural Review Committee applicable to aspects of the construction, placement, location, alteration, maintenance and design of any Improvements to or within the Subdivision.

Development Period means a period commencing on the date of the recording of this Declaration in the real property records the County, and continuing thereafter until and ending the earlier to occur of: (i) October 31, 2016, or (ii) Declarant’s recordation, in Declarant’s sole discretion, of a document in the real property records of the County specifying the end of the Development Period.

Dwelling Unit means any building or portion of a building situated upon a Lot which is designed and intended for use and occupancy as a residence by a single person, a couple, a family or a permitted family size group of persons.

Easement Area means those areas which may be covered by an easement reserved or described in this Declaration or shown on a Subdivision Plat.

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

Governmental Requirements means all applicable federal, state, County, City or local laws, ordinances and regulations.

Improvement means any material physical change to raw land or to an existing Structure which materially alters the physical appearance, characteristics or properties of the land or Structure, including but not limited to the initial construction of a Structure, adding or removing any area to or from a Structure,

painting or repainting a structure, removing any tree, or in any way altering the size, shape or physical appearance of any land or structure.

Livestock means roping calves, cutting calves, steers and other animals owned from time to time by the Livestock Association.

Livestock Association means the non-profit corporation created for the management, supply, procurement and maintenance of livestock to be used in the Arena.

Lot means each separately identifiable lot or parcel within the Subdivision as shown on the Subdivision Plats, other than areas which are intended to be an “open space”, designated as a Common Area in a Subdivision Plat, or otherwise excluded from the definition of “Lot” by Declarant.

Member means each Owner, in the Owner’s capacity as a member of the Owners Association.

Member Charge means a charge imposed upon an Owner by the Owners Association related to a Member’s breach of the Covenants, as more specifically described in Article 10 of the Declaration.

Owner means each Person that holds record title to fee simple interest of a Lot, whether or not that Person actually resides on the Lot.

Owners Association means Gainesville Horsemans Ranch Owners Association, Inc., a Texas non-profit corporation.

Owners Association Documents means all certificates of formation, articles of incorporation and bylaws creating or governing the Owners Association and its members, as those documents may be modified from time to time.

Payment Lien means the lien in favor of the Owners Association securing payment of the Annual Assessments and Special Assessments, interest or late charges which accrue on unpaid Annual and Special Assessments, and attorneys fees and costs incurred in the collection of Annual and Special Assessments. The Payment Lien does not secure the payment of any other amounts or the performance of any other Covenants described in this Declaration.

Person means any individual, corporation, general or limited partnership, limited liability company, association, trust or governmental entity.

Property means the land described in Exhibit “A”, attached to this Declaration, along with all land that may subsequently be annexed into the Subdivision and made subject to this Declaration.

Resident means: (a) each owner of fee simple title to any Lot within the Subdivision; (b) each person residing on any part of a Lot who is a bona-fide lessee pursuant to a written lease agreement with an Owner; and (c) each individual lawfully domiciled in a Dwelling Unit other than an Owner or bona-fide lessee.

Special Assessments means special group assessments for capital improvements or unusual or emergency matters.

Structure means any temporary or permanent building, residence, structure, sign, garage, barn, porch, shed, greenhouse, bathhouse, cabana, trash receptacle, covered or uncovered patio, swimming pool, play apparatus, curbing, paving, wall, tree or hedge more than two feet in height, or other improvement to any Lot.

Subdivision means “Horsemans Ranch”, a residential subdivision with certain recreational and other amenities which Declarant anticipates developing upon the Property.

Subdivision Fence Style means a style of fence, made of materials and of a size and design, as is designated by Declarant.

Subdivision Plats means the plat of the Subdivision recorded in Cabinet B, Slide 237, Plat Records of Cooke County, Texas, along with any other plat of additional land that may be annexed into the Subdivision, as those plats may be amended from time to time.

Trailer Park means the trailer parking area that Declarant anticipates will be constructed upon a part of the Common Area.

Trails means the trails established within the Subdivision which are created for the use by pedestrians and horses, and which will be a part of the Common Area.

Trustee means Al Fichera and any other Person designated or appointed from time to time and at any time by the Owners Association to perform the duties and responsibilities described within Article 11 below, and that Person’s successors and assigns.

ARTICLE 2
DECLARATION AND PURPOSE

2.1 **Declaration.** Declarant declares that the Subdivision and each Lot (defined below) is and shall be owned, held, mortgaged, transferred, sold, conveyed, occupied and used subject to the covenants, restrictions, easements, charges and liens set forth in this Declaration.

2.2 **Purpose.** Declarant is making this Declaration to ensure the proper development of the Subdivision; to protect owners of lots against improper use of surrounding lots; to preserve, so far as reasonably practicable, the natural beauty of the Subdivision; to guard against the erection of poorly designed or proportioned structures of improper or unsuitable materials; to encourage and secure the erection of attractive improvements on each lot with appropriate locations; to secure and maintain proper setbacks from streets and adequate free space; and, in general, to provide for development of the highest quality to enhance the value of investment made by owners of lots.

ARTICLE 3
MEMBERSHIP AND VOTING IN OWNERS ASSOCIATION

3.1 Membership. Each Owner of a Lot shall automatically be a Member of the Owners Association for so long as that Person is an Owner of a Lot. Membership in the Owners Association is an interest appurtenant to title to each Lot and may not be separated from ownership of a Lot. Each Owner's rights as a Member are contingent upon the Owner remaining a Member in good standing of the Owners Association. If more than one Person owns an interest in a Lot (such as a husband and wife), all of those Persons shall be entitled to participate in the Owners Association and exercise the rights of a Member, except that only one (1) vote may be cast on behalf of all Persons owing an interest in a Lot.

3.2 Classes of Members. During the Development Period, the Owners Association shall have two (2) classes of Members: Class A Members and Class B Members. Class A Members shall be all Owners (with the exception of Declarant during the Development Period). The Class B member shall be Declarant. Upon the conclusion of the Development Period, the Class B membership shall cease and Declarant shall automatically become a Class A Member entitled to the same rights and privileges as any other Class A Member.

3.3 Voting Rights. Each Class A Member shall be entitled to one (1) vote for each Lot owned by that Class A Member. The Class B Member shall be entitled to three (3) votes for each Lot owned by the Class B Member. Quorum, notice and voting requirements relating to the Owners Association shall be set out in the Owners Association Documents.

3.4 Suspension of Rights. All rights of a Member (including, without limitation, the right to vote, attend meetings of the Owners Association, and the right to use any portion of the Common Areas other than roads) may be suspended by the Board during any period in which a Member is in violation of the Covenants, is delinquent in the payment of any Assessment, or is otherwise in default and/or violation under this Declaration or the Owners Association Documents. The suspension of a Member's rights as a Member shall not relieve the Member from paying any Assessments or performing any other obligation required in this Declaration.

ARTICLE 4
COMMON AREAS

4.1 Right to Use. Subject to the provisions of this Article, every Owner shall have a non-exclusive right and easement of ingress and egress, use and enjoyment in and to the Common Areas which shall be appurtenant to and shall pass with the title to every Lot. An Owner may not transfer the right and easement except as part of the conveyance of a Lot.

4.2 Maintenance; Fees. The Owners Association (and not the Declarant) shall be obligated to maintain and repair all portions of the Common Areas. The Owners Association shall have the right to charge reasonable admission and other fees for the use of any facility now situated or in the future constructed or placed upon the Common Areas.

4.3 Suspension of Rights. The Owners Association shall have the right to suspend an Owner's right to use the Common Areas (other than the right to use the roads within the Subdivision) and any facility located within the Common Areas for any period during which any Assessment of the Owners Association against that Owner's Lot remains unpaid or during which an Owner is in violation of the Covenants and/or the Owners Association's rules and regulations. The Owners Association may suspend

these rights only after complying with any Governmental Requirements (if any) which entitle a Member to notice of default, opportunity to cure, right to a hearing or other rights.

4.4 Easements. The Owners Association shall have the right to grant easements in and to the Common Areas to any governmental entity or utility for any purposes as benefit all or any portion of the Subdivision or any Lot or Lots.

4.5 Borrow Money. The Declarant and the Owners Association shall have the right to borrow money for the purpose of improving the Common Areas, for acquiring additional Common Areas, or for constructing, repairing or improving any facilities located or to be located on the Common Areas, and to give as security for the payment of any loan a mortgage conveying all or any portion of the Common Areas. The lien and encumbrance of any mortgage given by the Owners Association shall be subject and subordinate to any and all rights, interest, options, easements, and privileges reserved or established in this Declaration for the benefit of Declarant or any Owner, or the holder of any mortgage (irrespective of when executed) given by Declarant or any Owner encumbering any Lot or other property located within the Subdivision.

4.6 Transfer. The Owners Association shall have the right to dedicate or transfer all or any portion of the Common Areas to any governmental entity or utility for any purposes and subject to any conditions as may be agreed to by the Members of the Owners Association. No dedication or transfer shall be effective unless an instrument agreeing to the dedication or transfer has been approved by a majority of the Class A Members of the Owners Association which are present (in person or by proxy) are vote at a meeting of the Members duly called for that purpose, and also by the Class B Member (so long as the membership shall exist).

4.7 Rules. The Owners Association shall have the right to prescribe rules and regulations for the use of the Common Areas, and may expand, amend or otherwise modify those rules and regulations from time to time. These rules may include speed limits on the streets, and limitations on parking on or in the streets) and policies governing, and to charge reasonable expense reimbursements and/or deposits (e.g., key, access card and/or radio transmitter device deposits) related to, the use, operation and maintenance of the Common Areas. The Owners Association may impose reasonable limits on the number and type of Persons who may use the Common Areas at any time.

4.8 Damage. Each Member shall be liable to the Owners Association for any damage to any portion of the Common Areas caused by a Member or the Member's family, guests or invitees. No Member shall permit anything to be done on or in the Common Areas which would violate any Governmental Requirement or which would result in the cancellation of or the increase of premiums for any insurance carried by the Owners Association.

4.9 Rights of Declarant. The Declarant reserves the right to use, during the Development Period, portions of the Common Areas (e.g. a sales information center) for business matters directly and indirectly related to the development of the Subdivision and sale of Lots. One or more portions of the Common Areas may from time to time be reasonably limited to private functions, and conversely, one or more portions of otherwise private property may be utilized for Owners Association functions and activities. Declarant shall convey record title to some or all of the Common Areas to the Owners Association if, as and when deemed appropriate by Declarant or as may be required by governmental officials, and Declarant shall at all times have and retain the right to effect minor redesigns or minor reconfigurations of the Common Areas and to execute any open space declarations applicable to the Common Areas which may be permitted in order to reduce property taxes, and to take whatever steps may

be appropriate to lawfully avoid or minimize the imposition of federal and state ad valorem and/or income taxes.

4.10 Use of Arena. Declarant anticipates that the Arena shall be constructed upon, and shall become a part of, the Common Areas. The Arena shall be designed, constructed, maintained and utilized for the purpose of roping, cutting, barrel racing and other recreational equine sports. No motorized vehicles shall be allowed inside the Arena, other than those used for maintenance of the grounds within the Arena or the construction, maintenance and repair of the Arena. Unless expressly permitted otherwise by the Owners Association, the use of the Arena shall be limited to Members in good standing and not more than two guests of each Member. Use of the Arena may also be regulated or limited (including permitting its use to be reserved at designated times) under the rules established by the Owners Association or the Livestock Association.

4.11 Use of Trails. The Trails shall be designed, constructed, maintained and utilized solely for the purpose of walking, exercising and trotting horses, and also for walking or jogging by individuals. No motorized vehicles shall be allowed upon the Trails, other than those used for construction or maintenance of the Trails. Use of the Arena may also be regulated and limited under the rules established by the Owners Association or the Livestock Association.

4.12 Use of Central Compost. Declarant anticipates that the Central Compost shall be constructed upon, and shall become a part of, the Common Areas. The Central Compost shall be designed, constructed, maintained and utilized for the purpose of collecting and disposing of manure generated by livestock of the Members. Use of the Central Compost may be regulated or limited under the rules established by the Owners Association or the Livestock Association.

4.13 Use of Trailer Park. Declarant anticipates that the Trailer Park shall be constructed upon, and shall become a part of, the Common Areas. The Trailer Park shall be designed, constructed, maintained and utilized for the purpose of parking trailers owned by the Members and their guests. Improvements to the Trailer Park may include utility hookups for trailers. The Owners Association may charge a fee in an amount as determined from time to time by the Board of the Owners Association for use of the Trailer Park. Use of the Trailer Park may also be regulated or limited under the rules established by the Owners Association.

4.14 Use of Community Center. Declarant anticipates that the Community Center shall be constructed upon, and shall become a part of, the Common Areas. The Community Center shall be designed, constructed, maintained and utilized for the purpose of providing Members of the Owners Association or the Livestock Association a convenient location for meetings and other activities. Use of the Community Center may be regulated or limited under the rules established by the Owners Association.

ARTICLE 5 EASEMENTS

5.1 Platted Easements and Utility Easements.

(a) Portions of the Subdivision are encumbered by easements which are noted on the Subdivision Plat. These easements include, but are not limited to,:

[i] Non-exclusive easements across the five foot (5') wide area on the sides of each Lot that share a common boundary line with another Lot (so that the easement is a total of ten feet (10') in width) (the "***Between Lot Easements***"), which are reserved for the installation, maintenance, replacement, removal and use of utilities and for drainage; and

[ii] Non-exclusive easements across the fifteen foot (15') wide area adjacent to each public road within the Subdivision for utilities, drainage and use as a Trail.

(b) Except for the construction of fences in certain easements as expressly permitted under Section 7.9, no Structure, planting or other material shall be placed or permitted to remain within any easements within the Subdivision which may damage or interfere with the installation and maintenance of utilities or, in the case of drainage easements, which may change or impede the direction of flow of water through drainage channels in those easements.

(c) The easement areas of each Lot, if any, and all Improvements in those areas shall be maintained continuously by the Owner of the Lot, except for those Improvements for which a public authority or utility company is responsible. Neither the Owners Association, Declarant nor any utility company using the easements shall be liable for any damages done by them or their assigns, agents, employees or servants to any Improvement, Structure, shrubbery, streets or flowers or other property of the Owner situated on the land covered by the easements.

5.2 Easement for Construction. Declarant, the Owners Association and all utility companies shall have a right of ingress and egress across, over, and under the Subdivision for the purpose of installing, operating, replacing, repairing, maintaining and removing all facilities for utilities, including, but not limited to, water, sewer, telephone, cable TV, electricity, gas, and appurtenances thereto. The Declarant, the Owners Association and all utility companies shall have the right to remove any obstruction that may be placed in any easement that would constitute interference with the use of the easement or with the use, maintenance, operation or installation of the utility.

5.3 Common Area Easements. An easement is hereby extended and acknowledged to all police, fire protection, ambulance, garbage and trash collector pickup vehicles and all similar persons to enter upon the Common Areas in performance of their duties.

5.4 Conveyance Subject to Easements. Each Lot is conveyed subject to all easements, conditions and reservations shown on the Subdivision Plat and contained in this Declaration, and each Owner shall take notice of all of those easements, conditions, and reservations. No Owner shall maintain any condition or Improvements in any platted easement which will interfere with the intended use of the easement.

5.5 Drainage Easements. Easements for drainage throughout the Subdivision are reserved along the area fifteen feet (15') on either side of all natural and man-made drainage areas and as otherwise shown on the Subdivision Plat. The Owners Association shall be responsible for maintaining all easements within the Common Areas. No Owner of any Lot in the Subdivision may perform or cause to be performed any act which would alter or change the course of the drainage easements in a manner that would divert, increase, accelerate or impede the natural flow or water over and across the easements. More specifically and without limitation, no Owner or Resident of a Dwelling Unit may:

(a) alter, change or modify the existing natural vegetation of the drainage easements in a manner that changes the character of the original environment of the easements;

(b) alter, change or modify the existing configuration of the drainage easements, or fill, excavate or terrace the easements, or remove trees or other vegetation therefrom without the prior written approval of the Architectural Review Committee and the County's Engineer;

(c) construct, erect or install a fence or other Structure of any type or nature within or upon the drainage easements;

(d) permit storage, either temporary or permanent, of any type upon or within the drainage easements; or

(e) place, store, or permit to accumulate trash, garbage, leaves, limbs or other debris within or upon the drainage easements, either on a temporary or permanent basis.

By acceptance of a Deed to any Lot, each Owner covenants and agrees to ensure that the Lot is graded and maintained in accordance with the grading plan set forth in the Design Guidelines, and that the drainage of the Lot is maintained in accordance with the grading plan.

ARTICLE 6 ARCHITECTURAL REVIEW COMMITTEE

6.1 Establishment of ARC. In order to protect the overall integrity of the development of the Subdivision as well as the value of Improvements of all Owners, a committee designated as the “*Architectural Review Committee*” is hereby established to carry out certain duties and to exercise certain powers as noted in this Declaration. The Architectural Review Committee shall have full authority to approve and disapprove and control all construction, development and Improvement activities of any kind (including, without limitation, Structures, hardscape and landscape) within the Subdivision and to attempt to insure that all Improvements are constructed in accordance with good workmanship-like manners and standard industry trade practices, and to attempt to insure that all Improvements are architecturally, aesthetically and ecologically designed to be compatible with Declarant’s conceptual plan for the overall Subdivision and/or as decided by the Architectural Review Committee.

6.2 Number and Designation. The ARC shall initially have three (3) members, each of whom shall be appointed by the Declarant. So long as there is a Class B membership, the Declarant shall have the power to (a) change the number of members of the ARC; (b) remove any member of the ARC at any time for any or no reason, and (c) appoint a successor member of the ARC upon the death, resignation or removal of any member of the ARC. Upon the expiration of the Class B membership, the Board of Directors shall appoint the members of the ARC, which shall consist of at least three (3) but no more than five (5) members.

6.3 Submission of Plans. No Structure of any kind shall be erected, placed, constructed, maintained, modified or altered, no Improvement shall be made, no landscaping or hardscape shall be installed on any Lot in the Subdivision, nor shall any clearing or sitework (including specifically the removal of trees or any other vegetation) be commenced, until a complete set of plans and specifications relating to that Structure, Improvement or activity shall have been formally submitted to and approved by the ARC. The plans and specifications relating to that Structure, Improvement or activity shall be in writing and, to the extent applicable to the proposed Structure, Improvement or activity, shall contain and include, but shall not necessarily be limited to, the following information: floor plans, including finished floor and ground elevations; exterior location for any buildings, fence or other Structures (including location of light poles, if applicable); exterior lighting and location; landscaping and irrigation plans; samples of exterior finish materials and color samples; and any other plans, specifications or information deemed pertinent by the Architectural Review Committee and/or Declarant.

6.4 Plan Review. The Architectural Review Committee shall review all plans, specifications and other information submitted for compliance with all the requirements of this Declaration and for the compatibility of any Improvements (including landscaping) with the architectural, aesthetic and ecological goals of the Subdivision and Declarant, it being the intent that those goals require that all

Improvements be compatible with all other Improvements in the Subdivision and that they be in harmony with their natural surroundings. The ARC shall have full right and authority to utilize its reasonable discretion in approving or disapproving any plans and specifications which are submitted. If the ARC fails to approve submitted plans or to request additional information reasonably required within thirty (30) days after submission, the applicant shall give the ARC written notice of its failure to respond. Unless the ARC responds within ten (10) days of receipt of that notice, approval will be deemed granted.

6.5 Approval. The Architectural Review Committee may disapprove the construction or design of any Improvement or Structure, including the removal of any trees or other natural vegetation, if the members of the ARC believe a violation of the Covenants would result or on purely aesthetic grounds where, in its reasonable judgment, disapproval is required to protect the continuity of design or value of the Subdivision, or to preserve the serenity and natural beauty of any surroundings. Prior approvals and/or disapprovals of the ARC pertaining to any Improvement activities or regarding matters of design or aesthetics shall not be deemed binding upon the ARC for later requests for approval if the ARC feels that the repetition of those matters will have an adverse effect on the Subdivision. The Architectural Review Committee shall have the express power to construe and interpret any Covenant in this Declaration that may be capable of more than one construction.

6.6 Right to Inspect. Subject to the requirements and limitations contained in this Section, members of the Architectural Review Committee, any member of the Board, or any authorized representative of any of them, shall have the right to enter upon and inspect any Lot, and the Dwelling Unit thereon, for the purpose of ascertaining whether or not the provisions of the Declaration have been or are being complied with, and those persons shall not be deemed guilty of trespass by reason of such entry. Entry upon any Lot pursuant to this Section may occur only if (a) the entry occurs between the date that the ARC has approved the plans for the Structure or Improvements and the date that is fourteen (14) days after the Owner gives the Association written notice that the Structure or Improvements have been completed; (b) the person making the inspection has given the Owner a written request for an inspection, stating times and dates convenient to the inspector, (c) the Owner and the inspector have agreed in writing to a reasonable time and date of inspection, and (d) the inspection is made at the agreed time and date and in a manner so as to reasonably minimize any disruption to the Owner or any Resident of the Lot. Entry into any Dwelling Unit pursuant to this Section may occur only if all of the requirements for entry upon the Lot are met and only if entry into the Dwelling Unit is required in order to determine if a violation of this Declaration exists.

6.7 General. The Architectural Review Committee shall have the authority to employ professional consultants at the expense of the Owners Association to assist it in performance of its duties. The decision of the Architectural Review Committee shall be final, conclusive and binding upon the applicant. The ARC members shall not be entitled to any compensation for any services rendered pursuant to this Declaration, but shall be entitled to reimbursement from the Owners Association for reasonable out-of-pocket expenses incurred in performing their duties.

6.8 No Liability. Members of the ARC shall not be liable to any person (including Owners and Builders) subject to or possessing or claiming any benefits of this Declaration and the covenants contained in this Declaration for any damage or injury arising out of their acts under this Declaration.

6.9 Design Guidelines. The ARC shall promulgate and publish Design Guidelines, which are incorporated into this Declaration by reference, a copy of which will be furnished to Owners on request. The Design Guidelines will supplement this Declaration and may make other and further provisions as to the approval and disapproval of plans and specifications, prohibited materials and other matters relating to the appearance, design and quality of Structures and other Improvements. The Design Guidelines may be

amended from time to time upon the affirmative vote of a majority of the members of the ARC and the consent of the Board.

6.10 Variances. The Architectural Review Committee may grant a variance from any and all requirements set out in this Declaration or in any Design Guidelines if good cause is shown for the variance and the ARC believes the variance will not materially affect the proper development of the Subdivision.

ARTICLE 7
CONSTRUCTION RESTRICTIONS

7.1 Residential Structures. No Structure shall be placed or constructed upon any Lot other than Structures whose primary design and purpose is for single family residential purposes or accessory Structures whose purposes are consistent with and incidental to the residential use of the Dwelling Unit and the Lot. Each Structure placed on a Lot must be either a single family Dwelling Unit or a duplex. No apartment buildings or commercial Structures shall be allowed in the Subdivision, unless specifically permitted in this Declaration. No more than one (1) Dwelling Unit may be located on any Lot, except for guest houses meeting the requirements of this Declaration.

7.2 Temporary and Prefabricated Buildings. During the Development Period, the Declarant may erect and maintain one or more Structures as are customary in connection with the construction of Improvements and sale of Lots, including, but not limited to storage facilities, signs and construction trailers. Except as provided above or as otherwise permitted in writing by the Board, no Structure of a temporary character may be used on any Lot at any time for storage or as a residence, either temporarily or permanently. No prefabricated or manufactured Structures may be placed or maintained on any Lot and used as a residence. Prefabricated or manufactured Structures may be used as barns, garages or outbuildings, if otherwise approved by the ARC.

7.3 Commencement and Completion of Construction. An Owner who has obtained approval from the ARC for the construction of any Improvements must commence construction of those Improvements within six (6) months of the date that approval from the ARC was granted. If the construction of the Improvements is not commenced within that time period, then the approval of those Improvements from the ARC shall automatically be revoked. Once an Owner begins construction on a Structure, the Owner shall have all Improvements completed within twelve (12) months after commencement of construction. If a Dwelling Unit or other Structure has been damaged by casualty, that Dwelling Unit or other Structure must either be repaired and restored or completely removed from the Lot within six (6) months from the date that the damage occurred.

7.4 Minimum Floor Space. The Dwelling Unit constructed on any Lot shall contain at a minimum of 1,200 contiguous square feet of space, exclusive of open or screened porches, terraces, patios, driveways, carports, garages and living quarters for domestic servants separated or detached from the primary living area. If a Dwelling Unit has more than one story, then at least seventy percent (70%) of all space must be located on the ground floor of the Dwelling Unit.

7.5 Height Restriction. No Structure shall be erected, altered or placed on, within or in the Subdivision which exceeds two (2) standard stories in height. All Governmental Requirements with respect to the maximum height of Structures shall be complied with at all times.

7.6 Building Materials. The exterior walls of all Dwelling Units and all other Structures shall be constructed of metal or other material approved by the ARC (the "***Approved Exterior Materials***"). In no

instance shall more than eighteen (18) inches of the slab of the Dwelling Unit be exposed above finished grade as viewed from any street, right-of-way or other Common Areas.

7.7 Roofs. Roofing shall be all metal or other materials as approved by the ARC. Roofs for any accessory Structure must be compatible with, and must meet the same requirements as, a Dwelling Unit.

7.8 Accessory Structures. Every accessory Structure, inclusive of Structures such as a guest house, storage building, gazebo, spa, greenhouse, cabana or children's playhouse, shall be constructed of the same exterior materials and shall otherwise be compatible with the Dwelling Unit to which it is appurtenant in terms of its design and material composition. All accessory Structures shall be subject to approval of the ARC. In no instance shall an accessory Structure exceed one (1) story in height. Any guest house must contain a minimum of 600 square feet of floor area.

7.9 Fences. Each Owner must install (or reimburse the Owners Association for the cost of installing), within six (6) months after acquiring a Lot, a fence in the Subdivision Fence Style along all boundaries of the Owner's Lot which are adjacent to roads within the Subdivision. All other fences or walls located on an Owner's Lot must be of a size and style and constructed of materials approved by the ARC. The Owner must maintain all fences on its Lot at the Owner's expense. Fences may be constructed within or across the Between Lot Easements, but may not be constructed within or across any other easement area located on a Lot (including but not limited to any easement through which portions of the Trail pass). If an Owner installs a fence along the common boundary line between the Owner's Lot and an adjacent Lot, each Owner of the adjoining Lots shall be obligated to maintain or replace that fence as needed, and each Owner shall reimburse the other Owner one half (1/2) of the reasonable cost incurred in maintaining or replacing that fence.

7.10 Driveways. Driveways on each Lot must be constructed of materials that are approved by the ARC. The driveway turnout shall be constructed in such manner as to provide an attractive transitional radius into the driveway entrance and shall prevent escape of drainage water from the street onto any Lots. All sidewalks shall conform to Governmental Requirements.

7.11 Floodplain; Finished Floor Elevations. No Dwelling Unit of any kind may be located within any area designated as being within the 100 year flood plain (the "**Floodplain**") as established from time to time by the Federal Emergency Management Agency or other applicable governmental entity. No portion of any Dwelling Unit shall have a finished floor elevation lower than two feet (2') above the line of the Floodplain.

7.12 Setbacks and Building Sites. All Structures must be constructed, placed and maintained in conformity with platted setback lines shown on the Subdivision Plat and all Governmental Requirements. Subject to any greater setback required by Governmental Requirements or as shown on the Subdivision Plat, no portion of any Structure (including, without limitation, porches or overhangs) shall be located within twenty feet (20') from the front and rear Lot line, or within ten feet (10') of any side Lot line. The ARC may grant a variance from all setback requirements (other than those imposed by Governmental Requirements) if good cause is shown for the variance and the ARC believes the variance will not materially affect the proper development of the Subdivision. The location of all Structures must be approved by the ARC. The ARC may establish additional setback lines for Structures other than Dwelling Units.

7.13 Sight Lines. No fence, wall, hedge, shrub, plant or tree nor any other Improvement or Structure greater than two (2) feet in height above the adjacent roadway shall be placed or permitted to remain on any corner Lot within the triangular area formed by the front and side street right-of-way lines at the

corner of the Lot and a straight line intersecting each right-of-way line five feet from the point of intersection of each right-of-way line. The Owner of each corner Lot shall be obligated to take all actions necessary to comply with these requirements to avoid any visual obstructions at intersections, including the obligation to maintain any hedge, shrub, plant or tree in conformance with these requirements

7.14 Utilities. Electric service of the type known as 120/240 volt, single phase, 3 wire, 60 cycle, alternating current has been or will be made available to the boundary of each Lot by means of standard overhead facilities. Each Owner acknowledges that electric service of any other character will not be available except at added cost to the Owner and in accordance with the rules and regulations for electric service of the subject electric utility company. Each Owner assumes complete responsibility for all costs and expenses arising out of or related to the repair, replacement or restoration of any utility equipment damaged or destroyed as a result of the negligence or mischief of any Resident of the Owner. Each Owner agrees to provide, at the Owner's sole cost and expense, additional easements and equipment and apparatus as are necessary and appropriate to install and maintain additional lighting and security-related measures which becomes technologically provident in the future.

7.15 Trees. No tree of any size shall be removed from any Lot without the prior written approval of the ARC.

7.16 Septic and Sewage Systems. No Owner may install any septic or sewage system on its Lot unless that septic or sewage system has been approved by the ARC and all governmental authorities having jurisdiction over the Lot. Each Owner must maintain its septic or sewage system in conformance with this Declaration and all Governmental Requirements.

7.17 Water System. Declarant has constructed or will construct a fresh water supply system within the Subdivision, which will be conveyed to the City of Callisburg, Texas (the "**City**"). Declarant has contracted with the City for the City to waive its typical water connection fee which would be payable by each Owner in exchange for certain payments by Declarant. Each Owner, by its acceptance of a deed to a Lot, agrees that it shall pay to Declarant a fee of \$1,800.00 upon the earlier to occur of (a) twelve months from the date that the Lot is first purchased from Owner, or (b) the date that the plans for construction of a Structure or Improvement are approved by the ARC. This fee shall be paid to Declarant only once for each Lot in the Subdivision.

When a Structure is connected to the water system, the City may impose other charges upon an Owner, including a tap fee (currently \$400.00) and a deposit (currently \$100.00). Each Owner, by its acceptance of a deed to a Lot, acknowledges that it may be required to pay these or other charges imposed by the City (as they may be adjusted by the City from time to time).

ARTICLE 8
USE AND OTHER RESTRICTIONS

8.1 Single Family Residential Purpose. All Lots in the Subdivisions shall be used for single family residential purposes only. No business may be operated out of a Structure, whether for profit or nonprofit, except for a use which is incidental to the primary use of the Lot, or for a business or commercial venture where a material number of customers, suppliers, employees or delivery personnel do not come to the Lot and that use is not otherwise apparent from the exterior of the Lot or that interferes with the quiet enjoyment of any adjacent Lots or the Common Areas by other Owners. No Structure intended for or adapted to business or commercial use shall be constructed or maintained on any Lot. No direct sales activities, flea markets, bazaars, sample sales, promotional parties or similar activities shall be conducted on any portion of the Subdivision, except for activities of the Declarant and Builders, community activities specifically approved by the Board, or otherwise permitted in this Declaration. Garage sales, yard sales and similar sales are permitted so long as any sale does not extend for more than two (2) days and not more than two (2) such sales occur on a Lot during any twelve (12) month period. Promotional sales events or parties (such as a traditional Tupperware®, Pampered Chef®, or similar party or event) so long as not more than two (2) such events or parties occur on a Lot during any month.

8.2 Leases. Dwelling Units may be leased for a period of no less than one (1) year. All leases must be in writing. The lease of a Dwelling Unit shall not discharge the Owner from compliance with any of the obligations and duties as an Owner. Owners shall provide lessees with a copy of this Declaration, Bylaws and the rules and regulations of the Owners Association and all correspondence from the Owners Association. All the provisions of this Declaration, Articles, By-laws, Design Guidelines and rules and regulations of the Owners Association shall be applicable and enforceable against any Resident to the same extent as against an Owner. Any lease or rental agreement shall be deemed to be subject to the terms of this Declaration and the other documents of the Owners Association by reference without the necessity of specific reference to them, and each Resident shall be bound by the terms and conditions of those documents.

8.3 Signs. No signs, banners, or pennants of any kind shall be displayed to the public view on any Lot except for signs used by Declarant or a Builder to advertise the property during the Development Period or other signs approved by the ARC. Signs advertising Lots for sale or containing the names of subcontractors or suppliers are specifically prohibited. Except for signs used by Declarant or a Builder, all signs within the Subdivision shall be subject to the prior written approval of the ARC. Declarant, the Owners Association and their respective agents shall have the right to remove any signs, billboard or other advertising Structure that does not comply with the above, and in doing so shall not be subject to any liability for trespass or any other liability in connection with such removal.

8.4 Lot Maintenance.

(a) During construction of any Improvements on a Lot, the Owner of that Lot must keep the Lot free of rubbish on a daily basis, and must keep the streets free of mud or other accumulations. The Owner shall not allow any soil excavated from its Lot to be stored or disposed of on any street or other part of the Subdivision. The Owner shall cause all soil runoff from its Lot due to rain or irrigation to be promptly removed from all streets in the Subdivision.

(b) All improved yards and lawns and all natural areas within any Lot shall be kept neat and well maintained. Trees, shrubs, vines and plants which die shall be promptly removed from each Lot. Improved lawns must be properly maintained and fences must be repaired and maintained and no objectionable or unsightly usage of Lots will be permitted which is visible to public view. Building

materials shall not be stored on any Lot, and any excess materials not needed for construction and any building refuse shall promptly be removed from each Lot. Within ninety (90) days from the date of completion of construction of a Dwelling Unit on a Lot, the front and side yards shall be returned to a neat condition.

(c) Until a Dwelling Unit is built on a Lot, Declarant or the Owners Association may, at its option and at Owner's expense, have the grass, weeds and vegetation cut when and as often as the same is necessary in its reasonable judgment, and have dead trees, shrubs and plants removed therefrom. Either Declarant or the Owners Association may also, at its option and at the Owner's expense, remove any excess building materials or building refuse situated on a Lot in violation of this Covenant.

8.5 Removal of Violations. The Owners Association may require any Owner to remove or eliminate any object situated on a Dwelling Unit or Lot that is visible from any Common Area or from any other Lot, if, in the Board's reasonable judgment, such object detracts from the visual attractiveness of the Subdivision.

8.6 Vehicles and Trailers. Any trailer, motor home, tent, boat, marine craft, hovercraft, aircraft, recreational vehicle, motor home, camper body, travel trailer, truck larger than a one (1) ton pick-up (except those used by a builder during the construction of Improvements) on a Lot must be kept, parked or stored behind or beside the main Dwelling Unit on the Lot, and not in front of the front wall of the main Dwelling Unit on the Lot. No recreational vehicle or trailer on a Lot shall be used as a residence, except on a temporary basis during construction of a Dwelling Unit or for guests or other residents for a period not to exceed thirty (30) consecutive days.

No wrecked, junked or inoperable vehicle, boat, trailer, truck or any other machinery or equipment shall be kept, parked, stored, or maintained on any portion of a Lot, unless stored in an enclosed Structure or in a screened area which prevents the view thereof from any other Lot or a road within the Subdivision. No dismantling or assembling of a motor vehicle, boat, trailer, truck or any other machinery or equipment shall be permitted in any portion of a driveway in front of the main Dwelling Unit or otherwise in the front yard of a Lot. The Board shall have the absolute authority to determine from time to time whether a vehicle and/or accessory is operable and whether it is adequately screened from public view. Upon an adverse determination by the Board, the vehicle, boat, trailer, truck or other machinery or equipment shall be removed and/or otherwise brought into compliance with this paragraph.

No vehicles, trailers, implements or apparatus may be parked on any easement. No commercial vehicle bearing commercial insignia or names shall be parked on any Lot except within an enclosed Structure or a screened area which prevents such view thereof from adjacent Lots and streets, unless such vehicle is temporarily parked for the purpose of serving that Lot. No vehicles of any description may be parked overnight on any street within the Subdivision. No vehicle of any size which transports inflammatory or explosive cargo may be kept in the Subdivision at any time.

8.7 Offensive Activities. No noxious or offensive activity shall be carried on upon any Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the Owners or the Subdivision.

No Owner or occupant shall perform any work that will impair the structural soundness or integrity of another Dwelling Unit or impair any easement, nor do any act nor allow any condition to exist which will adversely affect the other Dwelling Units or their Owners or Residents.

No exterior lighting of any sort shall be installed or maintained on a Lot where the light source is offensive or a nuisance to other Owners of Lots (reasonable security, landscape or lighting for pens or Structures used for livestock is permitted with the approval of the ARC.).

No exterior speakers (other than stereo speakers sold for noncommercial use), horns, whistles, bells, or other sound devices (except security devices such as entry door and patio intercoms used exclusively to protect the Lot and Improvements situated thereon) shall be placed or used upon any Lot.

8.8 Garbage and Refuse Disposal. No Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage and other waste shall be kept in sanitary containers. No trash, ashes or other refuse may be thrown or dumped on any vacant Lot, park, street, Right of Way, or drainage area in the Subdivision. No cans, bags, containers or receptacles for the storing or disposal of trash, garbage, refuse rubble, or debris shall be stored, kept, placed or maintained on any Lot where visible from any street except solely on a day designated for removal of garbage and rubbish and on which days only such cans, bags, containers, and receptacles may be placed in front of a Dwelling Unit and beside a street for removal but shall be removed from view before the following day.

8.9 Animals and Pets. Except for animals that are approved within the Subdivision as specifically provided in this Section, no other livestock, poultry, fowl, swine or animals of any kind shall be raised, bred or kept on any Lot. Cats, dogs, or other generally recognized household pets may be kept on a Lot for non-commercial purposes provided that the pets are not exotic or dangerous pets of any type (i.e. pit bulls, boa constrictors, ferrets, etc.) and do not pose a safety or health threat to the community. Subject to the other limitations in this Section, an Owner may keep up to two (2) horses, cows, bulls, sheep or goats (or a combination of those animals) per acre of land within the Lot. Any animal which endangers the health of any Owner or occupant of a Lot or other animals within the Subdivision, which creates a nuisance or an unreasonable disturbance, or which is not expressly permitted in this Declaration must be permanently removed from the Subdivision upon seven (7) days written notice by the Board of Directors of the Owners Association.

All animals shall be kept in accordance with all Governmental Requirements and all rules established from time to time by the Owners Association. Each Owner shall keep all of its animals within the boundaries of the Owner's Lot, and shall not allow any of its horse, cows, bulls, sheep or goats to graze on any other property within the Subdivision. If taken off the Lot, all animals must be kept on a leash, mounted or otherwise controlled by the Owner or Resident. It shall be the responsibility of each Owner to prevent that Owner's animals from running loose or becoming a nuisance to the other Residents.

8.10 Microwave, Radio, TV Antenna and Solar Collectors. No microwave dishes, radio, citizen band or otherwise, or television aerial wires or antennas shall be maintained on any portion of any Lot, or in the Common Area, except direct broadcast satellite (DBS) antennae less than forty inches (40") in diameter, multichannel multipoint distribution system (MMDS) antennae less than forty inches (40") in diameter, or television broadcast antennae, which Owners shall screen from view as much as possible without impairing the installation, maintenance or use. Solar apparatus, if erected, must be maintained in such a way that it is screened from view. All matters set forth in this provision require the express approval, in advance, of the ARC, which shall be exercised in conformity with the rules of the Federal Communications Commission.

8.11 Air Conditioning Equipment; Clothes Lines. No window, roof or wall type air-conditioner that is visible from any street shall be used, placed or maintained on or in any Dwelling Unit. No air-

conditioning apparatus shall be installed on the ground in front of a Dwelling Unit. No clothes lines shall be placed on any Lot unless the clothes line is located behind the rear wall of the main Dwelling Unit.

8.12 Manure Removal. Each Owner is obligated to collect and remove (or cause to be collected and removed) all horse manure from the Owner's Lot on a regular basis. No horse manure may be spread across or upon any Lot, or removed from a Lot and placed on any other portion of the Subdivision, other than the Central Compost. In order to collect and remove all horse manure from its Lot, each Owner must either:

(a) collect all horse manure on the Owner's Lot and deliver it to the Central Compost in accordance with rules established from time to time by the Board of the Owners Association;

(b) contract with a third party to collect and remove all horse manure from the Owner's Lot and to dispose of that manure at a location outside of the Subdivision; or

(c) contract with the Owners Association to collect and remove all horse manure from the Owner's Lot and to dispose of that manure in the Central Compost under the terms of a contract and for a fee as determined by the Owners Association from time to time.

8.13 Firearms. No hunting or discharge of firearms is permitted on any portion of the Subdivision.

ARTICLE 9 BOARD OF DIRECTORS

9.1 Number of and Selection of Directors. The affairs of the Owners Association shall be managed by the Board. The Board shall initially be composed of three (3) directors, each of whom shall be selected by the Class B Member. Beginning with the fourth (4th) annual meeting of the Members, the number of directors on the Board shall automatically be increased to five (5), with three (3) directors being selected by the Class B Member and two (2) directors being elected by the Class A Members. Beginning with the sixth (6th) annual meeting of the Members and continuing thereafter, the directors on the Board shall all be elected by the Class A Members.

9.2 Term of Office; Replacement. Each Director selected or elected as provided in this Declaration and the Owners Association Documents shall serve a term of two (2) years (except as provided below), or until his or her successor is elected and qualified. The terms of the Directors shall be staggered as needed so that, while there are three (3) directors, no more than two (2) Directors are elected during any year, and while there are five (5) directors, no more than three (3) Directors are elected during any year. At the initial election of Directors, one (1) Director shall be elected for a term of one (1) year, and when the number of Directors increases to five (5), one (1) of the two (2) additional Directors elected shall also be elected for a term of one (1) year. If a vacancy occurs on the Board due to the death, vacancy, resignation or removal of a director selected by the Class B Member, then that vacancy shall be filled by the Declarant's appointment of a successor director. If a vacancy occurs on the Board due to the death, vacancy, resignation or removal of a director elected by the Class A Members, then that vacancy shall be filled at any meeting of the Board by the affirmative vote of a majority of the remaining directors which were elected by the Class A Members. Any director selected or elected to fill a vacancy shall serve as a director until the expiration of the term of the director whose position he or she was selected or elected to fill.

9.3 Maintenance Fund. The Board, for the benefit of the Owners, shall establish and maintain a maintenance fund into which shall be deposited the Assessments collected from Owners and which maintenance fund shall be used, without limitation, for the payment of the following:

- (a) Taxes and assessments and other liens and encumbrances which shall properly be assessed or charged against the Common Areas rather than against the individual Owners, if any.
- (b) Care and preservation of the Common Areas.
- (c) The services of a professional person or management firm to manage the Owners Association or any separate portion thereof to the extent deemed advisable by the Board of Directors, and the services of such other personnel as the Board of Directors or by the manager.
- (d) Legal and accounting services.
- (e) A policy or policies of insurance insuring the Common Areas, the Owners Association, its Directors, and Officers against any liability to the public or to the Owners (and/or invitees or tenants) incident to the operation of the Owners Association in any amount or amounts as determined by the Board of Directors.
- (f) Workers compensation insurance to the extent necessary to comply with any applicable laws.
- (g) Such fidelity bonds as may be required by the Bylaws or as the Board of Directors may determine to be advisable.
- (h) Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments (including taxes or assessments assessed against an individual Owner which the Board of Directors is required to obtain or pay for pursuant to the terms of this Declaration or by law or which in its opinion shall be necessary or proper for the enforcement of this Declaration.
- (i) Perpetual maintenance and enhancement of all common Areas including walls, gates, grounds, landscaping, lights, irrigation and electric for right-of-way and all entry monuments, walls and signs owned or maintained by the Owners Association.

9.4 Powers and Duties of Board: The Board, for the benefit of the Owners, shall have the following general powers and duties, in addition to the specific powers and duties provided for in this Declaration and in the Owners Association Documents:

- (a) To execute all declarations of ownership for tax assessment purposes and with regard to the Common Areas, if any, on behalf of all Owners.
- (b) To borrow funds to pay costs of operation secured by an assignment or pledge of rights against delinquent Owners if the Board see fit.
- (c) To enter into contracts, maintain one or more bank accounts, and generally to have all the power necessary or incidental to the operation and management of the Owners Association.
- (d) To protect or defend the Common Areas from loss or damage by suit or otherwise and to provide adequate reserve for replacements.

(e) To make reasonable rules and regulations for the operation of the Common Areas and to amend them from time to time; provided that, any rule or regulation may be amended or repealed by an instrument signed by a majority of the Owners, or with respect to a rule applicable to less than all of the Common Areas, by the Owners in the portions affected.

(f) To make available for inspection by Owners within sixty (60) days after the end of each year an annual report and to make all books and records of the Owners Association available for inspection by Owners at reasonable times and intervals.

(g) To adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property, and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency.

(h) To enforce the provisions of any rules made under this Declaration and to enjoin and seek damages from any Owner for violation of such provisions or rules.

(i) To collect all Assessments and enforce all penalties for non-payment including the filing of lien affidavits and institution of legal proceedings.

(j) To establish a monetary "fines" system which shall include due process hearings and a discretionary range of fine amounts, which, when levied, shall constitute a Member Charge.

(k) To establish reserve funds which may be maintained and/or accounted for separately from other funds maintained for annual operating expenses.

The Board shall have the exclusive right to contract for all goods, services and insurance payment of which is to be made from the funds of the Owners Association, and shall have the exclusive right and obligation to perform the functions of the Board except as otherwise provided in this Declaration. The Board, on behalf of the Owners Association, shall have full power and authority to contract with Declarant, any Owner or any other Person for the performance by the Owners Association of services which the Board is not otherwise required to perform pursuant to the terms of this Declaration. Those contracts may be made upon any terms and conditions and for any consideration as the Board deems in the best interest of the Owners Association.

ARTICLE 10 ASSESSMENTS

10.1 Obligation to Pay Assessments. Each Owner of any Lot, by acceptance of a Deed to a Lot, whether or not it shall be so expressed in any Deed or other conveyance, shall be deemed to covenant and agree to pay all Assessments to the Owners Association, including, without limitation, (a) Annual Assessments; (b) Special Assessments to be fixed, established, and collected from time to time as provided below; and (c) Member Charges levied against individual Owners. The Annual and Special Assessments (but not fines or Member Charges) shall be a charge on the land and shall be a continuing lien upon the Lot against which each Annual or Special Assessment is made. All Assessments shall also be the personal obligation of the person who was the Owner of the applicable Lot at the time the Assessment became due. Each Owner shall be directly liable and responsible for the acts, conduct and omissions of each and every Member and Resident associated with the Dwelling Unit on the Owner's Lot. Notwithstanding anything to the contrary contained in this Declaration, Declarant shall be exempt from the obligation to pay any Assessments on any Lot or other property in the Subdivision owned by Declarant.

10.2 Purpose of Assessments. The Assessments levied by the Owners Association shall be used for the purpose of promoting the comfort, recreation, health, safety, convenience, welfare and quality of life of the Residents and Members, and in particular, for the improvement, maintenance and operation of the Common Areas and the use and enjoyment of the Subdivision by the Members. The Assessments may also be used for expenses incurred by the Owners Association to perform its functions described in or contemplated by this Declaration and to remedy a Member's breach of the Covenants.

10.3 Annual Assessments. The amount of the Annual Assessment shall be determined by the Board of Directors in the manner provided for in this Declaration after determination of current maintenance costs and anticipated needs of the Owners Association during the year for which the Assessment is being made. The initial Annual Assessment per Lot shall be Four Hundred Fifty Dollars (\$450.00) per year. The maximum Annual Assessment may be adjusted by a majority vote of the Board of Directors, without a membership vote, but shall not be increased more than twenty percent (20%) above the prior year's Annual Assessment unless that increase is also approved by the Class B Member (if that membership still exists) and at least two-thirds (2/3) of all Class A Members voting at an annual or special meeting of Members.

10.4 Special Assessments. In addition to the Annual Assessments provided for above, the Owners Association may from time to time levy a Special Assessment on each Lot for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement on or which is a part of the Common Areas, respond to any unusual emergency needs of the Owners Association from time to time, or for such other lawful purpose related to the use of the Subdivision as the Board of Directors may determine. The amount and time of payment of a Special Assessment shall be as determined by the Board of Directors.

10.5 Member Charge. In addition to the Annual Assessments and Special Assessments, the Owners Association, by vote of the Board, may impose a Member Charge upon any Owner for the purposes of reimbursing the Owners Association for all direct and indirect costs incurred by the Owners Association (including, without limitation, attorney's fees) with regard to any violation of a Covenant by the Owner, any family member of the Owner, or any Resident of a Lot owned by the Owner. Each Owner who has violated the Covenants shall be notified in writing of the violation and shall be afforded a reasonable period of time, not to exceed ten (10) days, to correct the violation before a Member Charge is assessed.

10.6 Due Date and Late Charges. The Annual Assessments provided for in this Declaration shall become due and payable and shall be collected as the Board of Directors of the Owners Association shall determine. The Annual Assessment may be payable either on an annual basis on a date set by the Board or on a monthly or quarterly basis on dates set by the Board. The Board shall use reasonable efforts to provide each Owner with an invoice statement as of the appropriate amount due, but any failure to provide a notice shall not relieve any Owner of the obligation. The due date of any Special Assessment under the provisions of this Declaration shall be fixed in the resolution authorizing such Assessment. The Special Assessments are due and payable on the date fixed in the resolution authorizing the Special Assessment. Member Charges are due and payable within thirty (30) days after the Owner was served with notice by the Owners Association of the amount of such Member Charge.

10.7 Budget. Each year, the Board of Directors of the Owners Association shall adopt an annual budget and set the amount of the Annual Assessment, taking into consideration the Owners Association's operating cost for the then current year, expected increases or decreases in such costs over the next year, and future needs of the Owners Association. The annual budget shall be adopted by the Board at least thirty (30) days prior to the commencement of each fiscal year.

10.8 Interest; Late Charge; Costs of Collection. Any Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate to be determined, from time to time, by the Board, not to exceed the maximum permitted by law. If the Board shall refuse or fail to determine a rate of interest, the rate of interest shall be eighteen percent (18%) per annum. If applicable state law provides or requires an alternate ceiling under the applicable provisions of the Texas Finance Code, then that ceiling shall be the indicated rate ceiling. The Board may also establish from time to time late charges payable for any Assessment not paid within five (5) days after the date due in an amount as determined by the Board to defray some of the expenses of the Owners Association resulting from the delinquent Assessment. In addition to any other charge for delinquent Assessments provided in this Declaration, each Owner shall be obligated to pay to the Owners Association all actual costs of collection incurred by the Owners Association, including attorney's fees and costs of court. Nothing in this Declaration is intended or shall be construed to allow for the contracting, charging or collection of interest at a rate in excess of the highest rate permitted by applicable law.

10.9 Application of Payments. All payments shall be applied first to costs and attorney's fees, then to late charges, then to interest, then to delinquent Assessments, then to any unpaid installments of the Assessments which are not the subject matter of suit in the order of their coming due, and then to any unpaid installments of the Assessments which are the subject matter of suit in the order of their coming due.

10.10 Certificate Regarding Assessments. The Board shall, upon reasonable demand, furnish to any Owner of a Lot a certificate in writing signed by an authorized officer of the Owners Association setting forth the amount of any Assessments due and payable relating to the Lot(s) owned by the Owner. The certificate shall be conclusive evidence of payment of any Assessment stated to have been paid. A reasonable charge may be made by the Board for the issuance of a certificate.

ARTICLE 11 ENFORCEMENT AND LIENS

11.1 Remedies and Lien for Annual and Special Assessments. Declarant hereby reserves a lien with power of sale against each Lot, and grants and conveys each Lot (along with all Improvements on the Lot and related rights) to the Trustee in trust for the benefit of the Owners Association, to secure the payment of all Annual and Special Assessments relating to that Lot, along with all interest or late charges which accrue on Annual and Special Assessments and attorneys fees and costs incurred by the Association in collection of the Annual and Special Assessments. Each Owner, by the acceptance of a Deed to a Lot, expressly grants and conveys its Lot (along with all Improvements on the Lot and related rights) to the Trustee in trust for the benefit of the Owners Association, and accepts title to that lot subject to a lien with power of sale upon the Lot and all Improvements on the Lot and related rights and appurtenances to secure the Owner's payment of all Annual and Special Assessments (and related interest, late charges and collection costs) attributable to the Lot(s). The Owners Association and its agents shall also have the right and power to bring all actions against the Owner personally for the collection of the Annual and Special Assessments as a debt and to enforce the Payment Lien by all methods available for the enforcement of contractual liens, including non-judicial or judicial foreclosure by an action brought in the name of the Owners Association. The Board of Directors shall have the right to remove any Trustee serving from time to time with or without cause and to appoint a substitute or successor Trustee. The Board of Directors shall have the right to appoint Agents, to mail and file the notices required by Texas Property Code §51.002, to conduct the sale, and to otherwise comply with the statute. The Payment Lien provided for in this Section is a contractual lien with power of sale to the Trustee for the benefit of the Owners Association to secure the payment of the Annual and Special Assessments (and related interest,

late charges and collection costs), but the Payment Lien does not secure the performance of any other Covenant in this Declaration. No Owner may waive or otherwise escape liability for the Assessments provided for in this Declaration by nonuse of the Common Areas or abandonment of the Owner's Lot.

11.2 Notices. Notice of the Payment Lien may be given, but is not required, by the recordation in the Real Property Records of the County of an Affidavit of Delinquency and Notice of Assessment Lien, duly executed by the Trustee or an officer, agent or attorney of the Owners Association, setting forth the amount owed, the name of the last known Owner or Owners of record of the Lot, and the legal description of the Lot. The Owners Association shall have the right (but not the obligation) without notice to any Owner to provide notice of any default in the payment of an Assessment or the performance of any Covenant to any holder of a lien upon a Lot.

11.3 Foreclosure of Payment Lien. Foreclosure of a Payment Lien in favor of the Owners Association may be conducted as a non-judicial sale by the Trustee of real property subject to a contractual lien in the manner required by applicable law. At any foreclosure, judicial or non-judicial, the Owners Association shall be entitled to bid at the sale and purchase the property being sold, and may credit against its bid an amount up to the total sum secured by its Payment Lien, together with costs and attorney's fees, and to apply as a cash credit against its bid all sums due to the Owners Association covered by the Payment Lien foreclosed. From and after a foreclosure the occupants of the Lot shall be required to pay a reasonable rent for the use of the Dwelling Unit, and that occupancy shall constitute a tenancy-at-sufferance, and the purchaser at such foreclosure sale shall be entitled to appoint a receiver to collect such rents and, further, shall be entitled to sue for recovery of possession of such apartment by forcible detainer or by writ of possession.

11.4 Subordination of Payment Lien. Except as provided below, the Payment Lien securing payment of the Annual and Special Assessments (and related interest, late charges and collection costs) shall be superior to any and all other charges, liens or encumbrances arising after the effective date of this Declaration. The Payment Liens reserved and created in this Declaration shall be subordinate to the lien of any bona-fide mortgage or mortgages now or hereafter placed upon the Lots subject to Assessment and the liens for taxes or other public charges which are superior by applicable law. The subordination of the Payment Liens reserved in this Declaration shall apply only to the Annual and Special Assessments which have become due and payable prior to the sale or transfer of such Lot pursuant to a decree of foreclosure, non-judicial foreclosure, or conveyance in lieu of foreclosure or in satisfaction of mortgage debt. The sale or transfer shall not relieve the then Owner of the Lot from liability for any Assessments thereafter becoming due nor from the Payment Lien of any subsequent Annual or Special Assessment.

11.5 Actions and Injunctions. If the Owner or Resident of any Lot, or the Owner's or Resident's heirs, executors, administrators, successors or assigns, shall violate or attempt to violate any of the Covenants set forth in this Declaration, it shall be lawful for the Owners Association, Declarant, or any Owner subject to this Declaration, after complying with the requirements of Section 11.7 below, to prosecute any proceedings against the person or persons violating or attempting to violate any Covenants. The failure of any Owner or Resident to comply with any Covenant will result in irreparable damage to the Owners Association, Declarant and other Owners of Lots in the Subdivision; thus the breach of any provision of this Declaration may not only give rise to an action for damages at law, but also may be enjoined or may be subject to an action for specific performance in equity in any court of competent jurisdiction. In the event an action is instituted after compliance with the requirements of Section 11.7 below to enforce the terms of this Declaration or prohibit violations of the Covenants, and the party bringing the action prevails, then in addition to any other remedy provided in this Declaration or provided by law, that party shall be entitled to recover court costs and reasonable attorney's fees. Neither the Architectural Review

Committee, the Owners Association, nor Declarant shall be charged with any affirmative duty to police, control or enforce the terms of this Declaration.

11.6 Compliance with Laws regarding Enforcement. All rights and powers of the Owners Association in this Declaration are subject to any notice, hearing or other requirements imposed by Governmental Requirements, including but not limited to the Texas Residential Property Owners Protection Act. Without limiting the preceding sentence, and except as provided below, before the Association may enforce any provisions or this Declaration, declare that an Owner is in default under this Declaration, impose a fine or other Member Charge on a particular Owner, suspend an Owner's right to use a Common Area, file a lawsuit for an injunction or enforcement of a Covenant, or take any action permitted under this Declaration, the Association must:

(a) give written notice of the violation to the Owner in question and state any amount due the Association from the Owner;

(b) inform the Owner that the Owner has a reasonable period of time (specifying that period of time) to cure the violation and avoid the fine, Member Charge, suspension or other action;

(c) inform the Owner that the Owner may request a hearing before a committee appointed by the Board (or the Board, if no committee has been appointed) to discuss and verify facts and resolve the matter in issue. The Owners Association shall have all rights to enforcement of this Declaration and all powers available to property owners associations under applicable Governmental Requirements.

The requirements of this Section 11.6 and Section 11.7 shall not apply if the violation involves the failure to pay Annual Assessments, Special Assessments, or interest, late charges or collection costs related solely to Annual and Special Assessments.

11.7 Mandatory Mediation. In addition to the notice and hearing requirements provided above, if an Owner requested and attended a hearing as described in Section 11.7 above, but for any reason the Association and the Owner did not reach an agreement to resolve the matter at issue, then before the Association shall be entitled to enforce any provisions or this Declaration, declare that an Owner is in default under this Declaration, impose a fine or other Member Charge on a particular Owner, suspend an Owner's right to use a Common Area, file a lawsuit for an injunction or enforcement of a Covenant, or take any action permitted under this Declaration, the Association must have satisfied the following conditions:

(a) The Association must give written notice to the Owner that the Association is requesting the parties participate in mediation to resolve the dispute;

(b) The Association must work with the Owner to schedule a mediation between the Owner and the Association at a time and place, and with a mediator mutually acceptable to the Owner and the Association (which, unless otherwise agreed by the Owner and the Association, must occur within the Subdivision during normal business hours and within 15 days after the request for the mediation is delivered to the Owner); and

(c) The Association must have either [i] attended the mediation and been unsuccessful in reaching an agreement with the Owner, or [ii] been unable to schedule a mediation as provided above.

If all of the above conditions have been satisfied, then the Association shall thereafter be entitled to impose a fine or other Member Charge on a particular Owner, suspend an Owner's right to use a

Common Area, file a lawsuit for an injunction or enforcement of a Covenant, or take any action permitted under this Declaration.

ARTICLE 12
INSURANCE AND REPAIRS

12.1 Fire, Hazard and Casualty. Each Owner agrees that in the event of damage and destruction to any Structure, the Owner shall either proceed promptly to repair or to reconstruct the damaged Structure in a manner consistent with the original Structure or clear the Lot of all debris and return the Lot to substantially the natural state in which it existed prior to the beginning of the construction.

12.2 Insurance by Owners Association. The Board of Directors of the Owners Association may obtain and continue in effect:

(a) property insurance, to insure the Structures in the Common Areas, naming the Owners Association as beneficiary with an endorsement to the mortgagee, if any, against risks of loss or damage by fire and other hazards as are covered under standard fire and extended coverage provisions, including coverage against vandalism;

(b) comprehensive public liability insurance in such limits as it shall deem desirable, insuring the Owners Association, its agents and employees, and each Owner, from and against liability in connection with the Common Areas;

(c) liability insurance covering errors and omissions of directors, officers, managers, employees and representatives of the Owners Association, and fidelity bonds for all officers and employees which have control over the receipt or disbursement of funds; and

(d) other insurance as may be required by law (e.g. workers compensation) or which the Board deems prudent in the operation of the Owners Association and maintenance of the Common Areas.

12.3 Insurance Premiums. All costs, charges and premiums for all insurance obtained by or for the benefit of the Owners Association shall be a common expense of all Owners and shall be part of the Annual Assessment.

12.4 Indemnity. The Owners Association may indemnify directors, offices, employees and agents and may purchase indemnity insurance to the maximum extent permitted by the Act.

12.5 Condemnation. If part or all of the Common Areas shall be taken or condemned by any authority having the power of eminent domain, any compensation and damages shall be paid to the Owners Association. The Board of Directors shall have the exclusive right to act on behalf of the Owners Association with respect to the negotiation and litigation of the taking or condemnation issues affecting the Common Areas. The Owners may, by vote of seventy-five per cent (75%) or more of the total voting power under this Declaration, agree to distribute the proceeds of any condemnation or taking by eminent domain, to each Owner and their mortgagee, if any, as their interests may appear. If the Owners shall not so agree, the proceeds shall be added to the funds of the Owners Association, and the Owners Association shall decide on whether or not to replace or restore, as far as possible, the Common Areas so taken or damaged. The Owners Association shall give timely notice of the existence of condemnation proceedings to all Owners. The expense of participation in the proceedings shall be common expenses chargeable to the Owners.

12.6 Insufficient Proceeds. If the insurance or condemnation proceeds are insufficient to repair or replace any loss or damage, the Owners Association may levy a Special Assessment as provided in this Declaration.

12.7 No Liability of Owners Association or Declarant. Neither Declarant nor the Owners Association shall have any responsibility or liability of any kind of character regarding or pertaining to any property of any Owner. Each Owner understands that it should, from time to time, consult with reputable insurance industry representatives of the Owner's own selection to select, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of insurance deemed satisfactory to each Owner. Each Owner releases and holds Declarant and the Owners Association harmless from all uninsured liabilities, claims, causes of action or damages of any kind or character whatsoever arising out of or related (directly or indirectly) to any part of the Common Area, including any aspect of any gate system or private streets within the Subdivision. Each Owner will cooperate with Declarant, the Owners Association and the ARC in connection with the establishment, evolution and maintenance of reasonable controls on the pedestrian and vehicular traffic into and within the Subdivision, and shall abide by any and all rules and regulations of the Owners Association, as adopted and promulgated from time to time, related to the entry upon and use of any private streets and other Common Areas within the Subdivision.

ARTICLE 13
TERM AND AMENDMENTS

13.1 Duration. This Declaration and the Covenants shall remain in force and effect for a period of twenty (20) years after this Declaration is recorded, at which time this Declaration and Covenants shall be renewed for successive periods of ten (10) years each, unless amended or terminated as provided in this Declaration. This Declaration may be terminated in its entirety at any time by a written agreement recorded in the Real Property Records of the County executed by the Owners of at least sixty percent (60%) of all Lots in the Subdivision; provided, however, the termination shall not be effective unless recorded at least one (1) year in advance of the effective date of termination.

13.2 Amendments by Members. This Declaration and the Covenants may be amended by written instrument approved by the affirmative vote of the Members of the Owners Association holding at least seventy-five percent (75%) of the total votes. The amendment shall be effective when it is certified by the President of the Owners Association as to the requisite number of votes and recorded in the Real Property Records of the County. Any amendment so certified and recorded shall be conclusively presumed to have been duly adopted.

13.3 Amendments by Declarant. Declarant shall have the right to file an amendment to this Declaration, without the necessity of joinder by any other Owner, for a period of one (1) year from the date of recordation of this Declaration in the Real Property Records of the County, for any reason. After the expiration of one (1) year from the date of recordation of this Declaration in the Real Property Records of the County, Declarant shall have the right to file an amendment to this Declaration, without the necessity of joinder by any other Owner, for the limited purposes of correcting a clerical error, clarifying an ambiguity, removing any contradiction in the terms of this Declaration, or to make any additions, deletions or amendments to this Declaration and the Covenants as may be required by the Governmental Requirements or governmental or quasi-governmental entity to qualify the Subdivision for mortgage guaranties issued by that entity.

ARTICLE 14
ANNEXATION, CONSOLIDATION AND RESUBDIVISION

14.1 Annexation or Disannexation by Declarant. Within ten (10) years from the date of this Declaration, Declarant may, from time to time at its sole option without the consent or joinder of any other party, add or annex additional land to the scheme of this Declaration or disannex land from the scheme of this Declaration. An annexation of additional land shall be effective upon Declarant's filing in the Real Property Records of the County of an amendment to this Declaration annexing the additional land and specifically making that additional land subject to the Declaration (with any changes to the Declaration specifically relating to all or portions of the additional land as Declarant may elect). A disannexation of land subject to this Declaration shall be effective upon Declarant's filing in the Real Property Records of the County of an amendment to this Declaration disannexing the land and specifically removing that land from the Subdivision and from the effect of the Declaration

14.2 Annexation by Members. After the end of the Development Period, additional land may be annexed and made subject to this Declaration by written instrument approved by the affirmative vote of the Members of the Owners Association holding at least seventy-five percent (75%) of the total votes entitled to be cast at a vote called for that purpose and filed of record in the Real Property Records of the County.

14.3 Effect of Annexation. Any annexations of additional land shall automatically extend the jurisdiction, functions, duties and membership of the Owners Association to the additional land and correspondingly subject the additional land to the Covenants.

14.4 Consolidation. Any Owner owning two (2) or more adjoining Lots or portions of two or more adjoining Lots may, with the prior approval of the ARC or Declarant, consolidate such Lots or portions thereof into a single building site for the purpose of constructing one (1) Dwelling Unit and such other Improvements as are permitted in this Declaration on a single Lot.

14.5 Effect of Consolidation. If Lots are consolidated as permitted by the preceding Section, then:

(a) the Lot resulting from that consolidation shall bear, and the Owner of that Lot shall be responsible for, all Annual Assessments and Special Assessments previously applicable to the Lots (or portions thereof) which were consolidated (i.e., if two Lots were consolidated into one Lot, the Owner of the consolidated Lot shall pay two Annual Assessments or Special Assessments);

(b) the Member owning the Lot resulting from that consolidation shall be entitled to one (1) vote for each full Lot that was consolidated (i.e., if two Lots were consolidated into one Lot, the Owner of the consolidated Lot shall be entitled to two (2) votes);

(c) the Owner shall bear all expenses incurred in replatting the Lots affected, and shall reimburse the Owners Association for any expenses incurred by the Owners Association in connection with the consolidation; and

(d) each Lot resulting from the consolidation must independently meet all Governmental Requirements.

14.6 Resubdivision. Except as specifically permitted in Section 14.7, no Lot may be subdivided into two (2) or more lots without the prior written consent of Declarant.

14.7 Consolidation or Resubdivision by Declarant. Declarant may at any time at its sole option consolidate Lots owned by Declarant, resubdivide a Lot or Lots owned by Declarant, or in general alter in any manner the size, shape and number of Lots owned by Declarant. Each Lot owned by Declarant existing after any consolidation, resubdivision or other alteration by Declarant shall be treated as a separate Lot for purposes of this Declaration as if that Lot existed in that manner as of the date of adoption of this Declaration, and the provisions of Section 14.5 shall not apply to the consolidated, resubdivided or altered Lots. Once a consolidated, resubdivided or altered Lot is no longer owned by Declarant, that Lot shall thereafter be subject to the consolidation and resubdivision restrictions contained in this Declaration.

ARTICLE 15
LIVESTOCK ASSOCIATION

15.1 Membership. Each Member in good standing of the Owners Association may elect (but is not required) to become a member of the Livestock Association. The Livestock Association is being formed to provide its members Livestock for recreational use in the Arena. Each Person's rights as a member of the Livestock Association are contingent upon that Person remaining a Member in good standing of the Owners Association and complying with all rules and regulations of the Livestock Association. If more than one Person owns an interest in a Lot (such as a husband and wife), each of those Persons shall be entitled to participate separately in the Livestock Association and exercise the rights of a member of the Livestock Association, and each may cast a vote as a member of the Livestock Association.

15.2 Classes of Members; Voting Rights. The Livestock Association shall have one (1) class of members. Each member of the Livestock Association shall be entitled to one (1) vote on each matter submitted to a vote of the members of the Livestock Association. Quorum, notice and voting requirements relating to the Livestock Association shall be set out in the certificate of formation and bylaws of the Livestock Association.

15.3 Suspension of Rights. All rights of a member of the Livestock Association (including, without limitation, the right to vote, attend meetings of the Livestock Association, and the right to use any property of the Livestock Association) may be suspended by the Board of Directors of the Livestock Association during any period in which a member is not in good standing as a Member of the Owners Association, is delinquent in the payment of any fee, assessment or charge owed to the Livestock Association, or is otherwise in default and/or violation under this Declaration or the certificate of formation or bylaws of the Livestock Association.

15.4 Directors. The board of directors of the Livestock Association shall initially be composed of three (3) directors, each of whom shall be selected by the Board of Directors of the Owners Association. The Board of Directors of the Owners Association shall have the power to increase or decrease the number of directors of the Livestock Association, so long as the Livestock Association has at least three (3) directors. In the event any vacancy exists on the board of directors of the Livestock Association, the Board of Directors of the Owners Association shall be entitled to appoint a successor director. All directors of the Livestock Association must be Members in good standing of the Owners Association and members of the Livestock Association. A director of the Owners Association may also be a director of the Livestock Association. All decisions made by the directors of the Livestock Association must be approved by the vote of a majority of all directors.

15.5 Membership Fees. The board of directors of the Livestock Association shall determine the annual membership fee which shall be charged to each member of the Livestock Association. Each member must pay to the Livestock Association, on or before the first day of each year, the membership fee assessed by the

board of directors. If a Person becomes a member of the Livestock Association during a calendar year, then the annual membership charge shall be prorated based on the number of days remaining in the calendar year.

15.6 Powers of Board of Livestock Association. The affairs of the Livestock Association shall be managed by a board of directors. In addition to all powers of a board of directors of a non-profit corporation provided under applicable law, the board of directors of the Livestock Association shall also have the power to:

(a) establish the amount of the annual membership fee payable by members of the Livestock Association, and the method of assessment and collection of that fee;

(b) establish rules and regulations regarding use of the Arena and use and care of the Livestock, including but not limited to the standard of care that each member of the Livestock Association must meet with the Livestock;

(c) acquire, care for and maintain Livestock for use by members of the Livestock Association; acquire and utilize any equipment, feed, medicines or other property needed in connection with the care and maintenance of the Livestock; and employ workers or veterinarians to care for, maintain or treat the Livestock;

(d) establish budgets for the acquisition, care and maintenance of the Livestock, collect membership fees and other charges for membership in the Livestock Association or use of the Livestock, and pay all expenses relating to the acquisition, care and maintenance of the Livestock and the operations of the Livestock Association;

(e) investigate any complaints regarding a member's use and care of the Livestock, and take any action in response to any misuse or mistreatment of any of the Livestock, including but not limited to the imposition of fines, suspension of the membership of that Person for a period of time, and the expulsion of that Person from membership in the Livestock Association.

ARTICLE 16

GENERAL

16.1 No Duty to Enforce. The failure of any Owner to comply with the provisions of this Declaration or any Covenants shall not be deemed or construed to impose liability of any nature on the Owners Association, the ARC and/or Declarant, and neither the Owners Association, the ARC nor Declarant shall be charged with any affirmative duty to police, control or enforce the provisions of this Declaration or the Covenants.

16.2 Security. Courtesy patrol in the Subdivision may be provided by the Owners Association, from time to time; however, the Owners Association is not and will not at any time be a provider of security to any Owner, Resident or Dwelling Unit, and each Owner must provide its own security for all Residents and their Dwelling Unit, Lot and personal property.

16.3 Interpretation. If this Declaration or any word, clause, sentence, paragraph, or other part thereof shall be susceptible to more than one or conflicting interpretations, then the interpretation which is most nearly in accordance with the general purposes and objectives of this Declaration shall govern. Whenever in the application of the provisions of this Declaration, conflict with the application of any provision of the Owners Association Documents, the provisions or application of this Declaration shall prevail. If any punctuation, word, clause, sentence, or provision necessary to give meaning, validity, or effect to any

other word, clause, sentence or provision appearing in this Declaration shall be omitted from this Declaration, then it is hereby declared that such omission was unintentional and that the omitted punctuation, word, clause, sentence or provision shall be supplied by inference. The singular, whenever used in this Declaration, shall be construed to mean the plural, when applicable, and the necessary grammatical changes required to make the provisions here apply either to corporations or individuals, males or females, shall in all cases be assumed as though in each case fully expressed. The headings contained in this Declaration are for reference purpose only and shall not in any way affect the meaning or interpretation of this Declaration.

16.4 Notices. Any notice required to be given to any Owner, Member or Resident shall be complete when the notice is deposited in the United States Mail, postage prepaid, and addressed to the Owner, Member or Resident at the last known address as shown by the records of the Owners Association.

DECLARANT: HORSEMANS RANCH GAINESVILLE, L.P.

By: Gainesville HRGP, LLC, general partner

By: _____
Al Fichera, Manager

STATE OF TEXAS §
 §
COUNTY OF COOKE §

This instrument was acknowledged before me on _____, 2006, by Al Fichera, as the Manager and on behalf of Gainesville HRGP, LLC, a Texas limited liability company, the limited liability company acting in its capacity as the general partner and on behalf of Horsemans Ranch Gainesville, L.P., a Texas limited partnership.

[SEAL]

NOTARY PUBLIC, STATE OF TEXAS

After recording, return to:
Steven M. Smith
Broude, Smith & Jennings, P.C.
309 W. 7th Street, Suite 1100, Fort Worth, Texas 76102

Exhibit A – Legal Description of Phase I of Horsemans Ranch

All that certain tract or parcel of land, a part of the Fannin County School Land Survey, Abstract No. 1248, Cooke County, Texas and being a portion of a called 377.7 acre tract of land described in a deed to James M. Barnett, et ux and Gertrude Barnett, recorded in Volume 708, Page 845 of the Deed Records of Cooke County, Texas and being a portion of a called 147 acre tract of land described in a deed to James M. Barnett, et ux and Gertrude Barnett, recorded in Volume 714, Page 313 of said Deed Records and being more completely described as follows;

Beginning at a ½" iron rod found in the Northwest corner of a tract deeded to Ernest Blurton, et ux, and Grace Blurton, recorded in Volume 118, Page 488 of said Deed Records and being in the East line of a tract described in a deed to James Mackie Bar, recorded in Volume 386, Page 607 of said Deed Records, said point also being the Southwest corner of Phase One;

Thence, along the center line of County Road No. 115, North 01°40'14" East, a distance of 2471.65 feet to a 60D Nail found for the Northwest corner of Phase One;

Thence South 88°14'56" East, a distance of 3187.94 feet to a ½" iron rod set for the Northeast corner of Phase One;

Thence South 07°29'46" West, a distance of 584.22 feet to a ½" iron rod set in the North line of a tract of land described in a deed to Louise Metcalf, recorded in Volume 414, Page 462 of said Deed Records and being an Eastern corner of Phase One;

Thence North 88°28'04" West, a distance of 452.98 feet to a ½" capped iron rod found, said point also being the Northwest corner of said Metcalf Tract;

Thence South 01°41'29" West, a distance of 1869.69 feet to a 60 D Nail found in the center line of County Road No. 120, said point also being in North line of a tract described in a deed to Ben J. Fortson III, recorded in Volume 1014, Page 756 of said Deed Records, and being the Southeast corner of this tract;

Thence North 88°41'42" West, along the centerline of said County Road No. 120, at 299.54 feet passing a ½" iron rod found for the Northwest corner of said Fortson Tract, as well as the Northeast corner of a tract of land described in a deed to Charles Huneycutt, recorded in Volume 995, Page 221 of said Deed Records, continuing a total distance of 1076.56 feet to a 5/8" iron rod found in the intersection of County Road No, 120 and County Road No. 115;

Thence North 88°37'39" West, along the North line of said Blurton Tract, a distance of 1598.46 feet to the Point of Beginning, containing 157.7019 acres of land.