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**DECLARATION OF
COVENANTS, CONDITIONS & RESTRICTIONS
FOR
TRACE RIDGE**

Fort Worth, Tarrant County, Texas

Declarant

D. R. HORTON - TEXAS, LTD.

DECLARATION OF
COVENANTS, CONDITIONS & RESTRICTIONS
FOR
TRACE RIDGE

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**DECLARATION OF
COVENANTS, CONDITIONS & RESTRICTIONS
FOR
TRACE RIDGE**

This Declaration of Covenants, Conditions & Restrictions for Trace Ridge is made by D. R. HORTON - TEXAS, LTD., a Texas limited partnership ("Declarant"), on the date signed below. Declarant owns the real property described in Appendix A of this Declaration, together with the improvements thereon.

Declarant desires to develop the real property with a residential community to be known as Trace Ridge. Declarant further desires to provide for the preservation and maintenance of portions of Trace Ridge, and to protect the value, desirability, and attractiveness of Trace Ridge. Declarant deems it advisable to create an association to perform these functions and activities more fully described in this Declaration.

Declarant hereby declares that the real property described in Appendix A is subject to this Declaration.

**ARTICLE 1
DEFINITIONS**

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

1.1. "ACC" means the Architectural Control Committee of the Association.

1.2. "Assessment" means any charge levied against a lot or owner by the Association, pursuant to the Documents or State law.

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

1.4. "Board" means the board of directors of the Association.

1.5. "City" means the City of Fort Worth, Tarrant County, Texas, in which the Property is located.

1.6. "Common Area" means all land in the Property other than the numbered lots intended for detached single family dwellings, including land owned by or for the benefit of the owners of the Property, and as described in Section 2.4 below.

1.7. "Declarant" means D. R. HORTON - TEXAS, LTD., a Texas limited partnership, which is developing the Property, or the successors and assigns of D. R. HORTON - TEXAS, LTD., which acquire any portion of the Property for the purpose of development and which are designated a Successor Declarant by D. R. HORTON - TEXAS, LTD., or by any such successor and assign, in a recorded document.

1.8. "Declarant Control Period" means that period of time, beginning the date this Declaration is recorded, during which Declarant controls the operation of the Association, pursuant to Appendix C of this Declaration.

1.9. "Declaration" means this document, as it may be amended from time to time.

1.10. "Development Period" means that period of time during which the Property is being developed, constructed, or marketed, and extends from the date this Declaration is recorded until title to all of the lots that may be created (including on land subject to annexation) has been conveyed to owners other than Builders (as defined in Appendix C). The Development Period may not exceed 20 years after the date this Declaration is recorded.

1.11. "Documents" means, singly or collectively as the case may be, this Declaration, the plat, the bylaws, the Association's articles of incorporation, and the rules of the Association, as any of these may be amended from time to time. An appendix, exhibit, schedule, or certification accompanying a Document is a part of that Document.

1.12. "Lot" means a portion of the Property intended for independent ownership, on which there is or will be constructed a dwelling, as shown on the Plat. Where the context indicates or requires, "lot" includes all improvements thereon.

1.13. "Majority" means more than half.

1.14. "Member" means a member of the Association, each member being an owner of a lot, unless the context indicates that member means a member of the board or a member of a committee of the Association.

1.15. "Owner" means a holder of recorded fee simple title to a lot. Declarant is the initial owner of all lots. Contract sellers and mortgagees who acquire title to a lot through a deed in lieu of foreclosure or through judicial or nonjudicial foreclosure are owners. Persons or entities having ownership interests merely as security for the performance of an obligation are not owners. Every owner is a member of the Association.

1.16. "Plat" means all plats, singly and collectively, recorded in the Real Property Records of Tarrant County, Texas, and pertaining to Trace Ridge, a subdivision to the City of Fort Worth, including all dedications, limitations, restrictions, easements, and reservations shown on the plat, as it may be amended from time to time. The initial plat, titled "A Final Plat of Trace Ridge Addition," was recorded on August 25, 1998, in Cabinet A, Slide No. 4444, Plat Records of Tarrant County, Texas.

1.17. "Property" means all the land subject to this Declaration and all improvements, easements, rights, and appurtenances to the land. The name of the Property is Trace Ridge. The Property is located on land described in Appendix A to this Declaration, and includes every lot thereon.

1.18. "Resident" means an occupant of a dwelling, regardless of whether the person owns the lot.

1.19. "Rules" means rules and regulations adopted by the board in accordance with the Documents.

1.20. "Underwriting Lender" means Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Housing Administration (FHA), Federal National Mortgage Association (Fannie Mae), or U.S. Department of Veterans Affairs (VA), singly or collectively. The use of this term and these institutions may not be construed as a limitation on an owner's financing options nor as a representation that the Property is approved by any institution.

ARTICLE 2 PROPERTY SUBJECT TO DOCUMENTS

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

2.2. ADDITIONAL PROPERTY. Additional real property may be annexed to the Property and subjected to the Declaration and the jurisdiction of the Association on approval of owners representing at least two-thirds of the lots in the Property, or, during the Development Period, by Declarant as permitted in Appendix C. Annexation of additional property is accomplished by recording a declaration of annexation, including an amendment of Appendix A, in the county's real property records.

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

2.4. COMMON AREA. The common area of the Property consists of:

- a. All of the Property, save and except the Lots.
- b. Lot 1, Block 2, Trace Ridge Addition, on which the Trace Ridge Recreational Center is located, and all improvements thereon.

- c. The screening walls or fences along North Tarrant County Parkway, but only to the extent they are not maintained by the city.
- d. The landscaped areas between North Tarrant County Parkway and the screening walls or fences, to the extent that the Association has a right or duty to maintain or regulate that portion of the North Tarrant County Parkway right-of-way.
- e. Any formal entrance to the Property and all improvements related thereto, including the island on Trace Ridge Parkway near its intersection with North Tarrant County Parkway, and all improvements relating to the island.
- f. Personal property owned by the Association, such as books and records, office equipment, and pool supplies and furniture.
- g. Any right, title, or interest in real property that is held by the Association for the use and benefit of owners or residents of the Property.
- h. Any modification, replacement, or addition to any of the above-described areas and improvements.

2.5. STREETS WITHIN PROPERTY. Because streets, alleys, and cul de sacs within the Property (hereafter "streets") are capable of being converted from publicly dedicated to privately owned, and vice versa, this Section addresses both conditions. Private streets are part of the common area which is governed by the Association. Public streets are part of the common area only to the extent they are not maintained or regulated by the city or county. To the extent not prohibited by public law, the Association, acting through the board, is specifically authorized to adopt, amend, repeal, and enforce rules, regulations, and procedures for use of the streets -- whether public or private -- including but not limited to:

- a. Identification of vehicles used by owners and residents, and their families and guests.
- b. Designation of speed limits and parking or no-parking areas.
- c. Removal or prohibition of vehicles that violate applicable rules and regulations.
- d. Fines for violations of applicable rules and regulations.

ARTICLE 3

PROPERTY EASEMENTS AND RIGHTS

3.1. GENERAL. In addition to other easements and rights established by the Documents, the Property is subject to the easements and rights contained in this Article.

3.2. OWNER'S EASEMENT OF ENJOYMENT. Every owner is granted a right and easement of enjoyment over the common areas and to use of improvements therein, subject to other rights and easements contained in the Documents. An owner may delegate this right of enjoyment to the residents of his lot.

3.3. OWNER'S MAINTENANCE EASEMENT. Every owner is granted an access easement over adjoining lots and common areas for the maintenance or reconstruction of his dwelling and other improvements on his lot, provided exercise of the easement does not damage or materially interfere with the use of the adjoining lot or common area. Requests for entry to an

adjoining lot or common area must be made to the owner of the adjoining lot, or the Association in the case of common areas, in advance for a time reasonably convenient for the adjoining owner, who may not unreasonably withhold consent. If an owner damages an adjoining lot or common area in exercising this easement, the owner is obligated to restore the damaged property to its original condition, at his expense, within a reasonable period of time.

DEVELOPMENT PERIOD NOTICE
LOTS ALONG TRACE RIDGE PARKWAY ARE SUBJECT TO
A MAINTENANCE EASEMENT FOR FRONT & SIDE YARDS
-- SEE APPENDIX C --

3.4. OWNER'S INGRESS/EGRESS EASEMENT. Every owner is granted a perpetual easement over the Property's streets, as may be reasonably required, for vehicular ingress to and egress from his lot.

3.5. ASSOCIATION'S ACCESS EASEMENT. The Association is granted an easement of access and entry to every lot and common area to perform maintenance, to enforce architectural and use restrictions, to respond to emergencies, and to perform any other duties required by the Documents.

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

READERS, PLEASE READ THE NEXT 2 SECTIONS

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

agents, and employees may not be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

3.8. RISK. Each resident uses all common area amenities -- including the Trace Ridge Recreational Center -- at his own risk. All common area amenities are unattended and unsupervised. Each resident is solely responsible for his own safety and that of his guests. The Association disclaims any and all liability or responsibility for injury or death occurring from use of the common area amenities.

ARTICLE 4 **ARCHITECTURAL COVENANTS AND CONTROL**

4.1. PURPOSE. Because the lots are part of a single, unified community, the Association has the right to regulate the design, use, and appearance of the lots and common areas in order to preserve and enhance the Property's value and architectural harmony. One purpose of this Article is to promote and ensure the level of taste, design, quality, and harmony by which the Property is developed and maintained. Another purpose is to prevent improvements and modifications that may be widely considered to be radical, curious, odd, bizarre, or peculiar in comparison to then existing improvements.

4.2. ARCHITECTURAL CONTROL COMMITTEE. The Architectural Control Committee (the "ACC") consists of 3 persons appointed by Declarant during the Development Period. After the Development Period, the ACC consists of 3 persons appointed by the board, pursuant to the bylaws, or, at the board's option, the board may act as the ACC. If the board acts as the ACC, all references in the Documents to the ACC are construed to mean the board. Members of the ACC need not be owners or residents.

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

4.4. PROHIBITION OF CONSTRUCTION, ALTERATION & IMPROVEMENT. Without the ACC's prior written approval, a person may not construct a dwelling or make an addition, alteration, improvement, installation, modification, redecoration, or reconstruction of or to the Property, if it will be visible from a street, another lot, or the common area. The ACC has the right but not the duty to evaluate every aspect of construction, landscaping, and property use that may adversely affect the general value or appearance of the Property.

4.5. ACC APPROVAL. To request ACC approval, an owner must make written application and submit 2 identical sets of plans and specifications showing the nature, kind, shape, color, size, materials, and locations of the work to be performed. The application must clearly identify any requirement of this Declaration for which a variance is sought. The ACC will return one set of plans and specification to the applicant marked with the ACC's response, such as "Approved" or "Denied." The ACC will retain the other set of plans and specifications, together with the application, for the Association's files.

4.5.1. Deemed Approval. If an owner has not received the ACC's written approval or denial within 60 days after delivering his complete application to the ACC, the owner may presume that his request has been approved by the ACC. The owner may then proceed with the improvement, provided he adheres to the plans and specifications which accompanied his application, and provided he initiates and completes the improvement in a timely manner.

4.5.2. No Approval Required. No approval is required to repaint exteriors in accordance with an ACC-approved color scheme, or to rebuild a dwelling in accordance with originally approved plans and specifications. Nor is approval required for an owner to remodel or repaint the interior of a dwelling.

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

**BEFORE MAKING ANY IMPROVEMENT OR ALTERATION
TO A LOT OR DWELLING, A BUILDER OR OWNER
MUST APPLY FOR THE ACC'S PRIOR WRITTEN APPROVAL.**

4.6. ACC GUIDELINES. The Association may publish architectural restrictions, guidelines, and standards developed by the ACC, subject to revision from time to time, including revisions to reflect changes in technology, style, and taste. The Association, acting through the ACC, has the right to establish and enforce architectural restrictions, guidelines, and standards relating to every aspect of proposed or existing improvements on a lot, including but not limited to dwellings, fences, and landscaping, and further including replacements or modifications of original construction or installation.

ARTICLE 5 CONSTRUCTION AND USE RESTRICTIONS

5.1. VARIANCE. The use of the Property is subject to the restrictions contained in this Article, and subject to rules adopted pursuant to this Article. The board or the ACC, as the case may be, may grant a variance or waiver of a restriction or rule on a case-by-case basis, and may limit or condition its grant.

5.2. CONSTRUCTION RESTRICTIONS. Without the ACC's prior written approval for a variance, improvements constructed on every lot must have the characteristics described in Appendix B, which may be treated as the minimum requirements for improving and using a lot. The ACC and the board may promulgate additional rules and restrictions, as well as interpretations, additions, and specifications of the restrictions contained in this Article. An owner should review the Association's architectural restrictions, if any, before planning improvements, repairs, or replacements to his lot and dwelling.

5.3. ASSOCIATION'S RIGHT TO PROMULGATE RULES. The Association, acting through its board, is granted the right to adopt, amend, repeal, and enforce reasonable Rules, and penalties for infractions thereof, regarding the occupancy, use, disposition, maintenance,

appearance, and enjoyment of the Property. In addition to the restrictions contained in this Article, each lot is owned and occupied subject to the right of the board to establish Rules, and penalties for infractions thereof, governing:

- a. Use of common areas.
- b. Hazardous, illegal, or annoying materials or activities on the Property.
- c. The use of Property-wide services provided through the Association.
- d. The consumption of utilities billed to the Association.
- e. The use, maintenance, and appearance of exteriors of dwellings and lots.
- f. Landscaping and maintenance of yards.
- g. The occupancy and leasing of dwellings.
- h. Animals.
- i. Vehicles.
- j. Disposition of trash and control of vermin, termites, and pests.
- k. Anything that interferes with maintenance of the Property, operation of the Association, administration of the Documents, or the quality of life for residents.

5.4. ANIMAL RESTRICTIONS. No animal, bird, fish, reptile, or insect of any kind may be kept, maintained, raised, or bred anywhere on the Property for any commercial purpose or for food. Customary domesticated household pets may be kept for personal companionship subject to rules adopted by the board. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, locations, and behavior of animals at the Property. If the rules fail to establish animal occupancy quotas, no more than 4 dogs and/or cats may be maintained on each lot. Pets must be kept in a manner that does not disturb the peaceful enjoyment of residents of other lots. Pets must be maintained inside the dwelling, and may be kept in a fenced yard only if they do not disturb residents of other lots.

5.5. ANNOYANCE. No lot or common area may be used in any way that: (1) may reasonably be considered annoying to neighbors; (2) may be calculated to reduce the desirability of the Property as a residential neighborhood; (3) may endanger the health or safety of residents of other lots; (4) may result in the cancellation of insurance on the Property; or (5) violates any law. The board has the sole authority to determine what constitutes an annoyance.

5.6. APPEARANCE. Both the lot and the dwelling must be maintained in a manner so as not to be unsightly when viewed from the street or neighboring lots. The ACC is the arbitrator of acceptable appearance standards.

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

5.8. DRIVEWAYS. The driveway portion of a lot may not be used for any purpose that interferes with its ongoing use as a route of vehicular access to the garage. Without the board's prior approval, a driveway may not be used: (1) for storage purposes, including storage of boats, trailers, and inoperable vehicles; or (2) for repair or restoration of vehicles.

5.9. FIRES. Except for barbecue fires, no exterior fires on the Property are permitted.

5.10. GARAGES. Without the board's prior written approval, the original garage area of a lot may not be enclosed or used for any purpose that prohibits the parking of two standard-size operable vehicles therein. The automatic garage door opener is to be maintained by its owner. Garage doors are to be kept closed at all times except when a vehicle is entering or leaving.

5.11. HOOPS. Without the ACC's prior written approval, basketball goals and other recreational or sporting equipment may not be attached, mounted, or installed in a front yard, on a front driveway, in an unfenced portion of a side yard, or on the street side exterior portion of a dwelling.

5.12. LANDSCAPING. No person may perform landscaping, planting, or gardening on the common area without the board's prior written authorization.

5.13. LEASING OF HOMES. An owner may lease the dwelling on his lot. Whether or not it is so stated in a lease, every lease is subject to the Documents. An owner is responsible for providing his tenant with copies of the Documents and notifying him of changes thereto. Failure by the tenant or his invitees to comply with the Documents, federal or state law, or local ordinance is deemed to be a default under the lease. When the Association notifies an owner of his tenant's violation, the owner will promptly obtain his tenant's compliance or exercise his rights as a landlord for tenant's breach of lease.

5.14. NOISE & ODOR. A resident must exercise reasonable care to avoid making or permitting to be made loud, disturbing, or objectionable noises or noxious odors that are likely to disturb or annoy residents of neighboring lots. The Rules may prohibit the use of noise-producing security devices and windchimes.

5.15. OCCUPANCY. Other than the completed principle dwelling, no thing or structure on a lot may be occupied as a residence at any time by any person. This provision applies, without limitation, to the garage, mobile homes, campers, and storage sheds.

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

5.17. SCREENING. The owner of a lot must screen the following items from the view of the public and neighboring lots and dwellings, if any of these items exists on the lot. An item within a fenced yard may not exceed the height of the fence.

- a. Clotheslines, drying racks, and hanging clothes, linens, rugs, or textiles of any kind.
- b. Yard maintenance equipment.
- c. Wood piles and compost piles.
- d. Accessory structures, such as dog houses, gazebos, and metal storage sheds.
- e. Vehicles, trailers, and mobile homes.
- f. Garbage cans and refuse containers.

- g. Anything determined by the board to be unsightly or inappropriate for a residential subdivision.

5.18. SIGNS. No signs advertising the lots for sale or lease, other advertising signs, or unsightly objects may be erected, placed, or permitted to remain on the Property or to be visible from windows in the dwelling without the board's prior written approval. The board's approval may specify the location, nature, appearance, dimensions, number, and time period of any advertising sign. The Association may effect the removal of any sign that violates this Section without liability for trespass or any other liability connected with the removal. Notwithstanding the foregoing, and subject to the board's disapproval, an owner may erect, per lot, one professionally made sign of not more than 5 square feet advertising the lot for sale.

5.19. TELEVISION. Each resident of the Property will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, electronic, microwave, cable, or satellite reception on the Property. Without the prior written consent of the ACC, no person may install the following equipment on a lot if it would be visible from a street: an antenna, microwave or satellite dish, receiving or transmitting tower; provided, however, that (1) reception-only tv antennas, (2) direct broadcast satellites (DBS) that are one meter or less in diameter, and (3) multipoint distribution service (MDS) antennas that are one meter or less in diameter may be installed, subject to the right of the Association to adopt reasonable rules for the location, appearance, camouflaging, installation, maintenance, and use of the antennas, masts, and dishes to the extent permitted by public law.

5.20. TEMPORARY STRUCTURES. Improvements or structures of a temporary or mobile nature, such as tents, portable sheds, and mobile homes, may not be placed on a lot if visible from a street or another lot. However, an owner or owner's contractor may maintain a temporary structure (such as a portable toilet or construction trailer) on the lot during construction of the dwelling.

5.21. VEHICLES. All vehicles on the Property, whether owned or operated by the residents or their families and guests, are subject to this Section and Rules adopted by the board. The board may adopt, amend, and repeal rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on the Property. Without prior written board approval, the following types of vehicles and vehicular equipment -- mobile or otherwise -- may not be kept, parked, or stored anywhere on the Property if the vehicle is visible from a street or from another lot: mobile homes, motor homes, buses, trailers, boats, aircraft, inoperable vehicles, commercial trucks cabs, trucks with tonnage over one ton, vehicles with advertising signage, vehicles which are not customary personal passenger vehicles, and any vehicle which the board deems to be a nuisance, unsightly, or inappropriate. This restriction includes overnight parking on streets, driveways, and alleys. This restriction does not apply to vehicles and equipment temporarily on the Property in connection with the construction or maintenance of a dwelling. Vehicles that transport inflammatory or explosive cargo are prohibited from the Property at all times. The Association may effect the removal of any vehicle in violation of this Section or the Rules without liability to the owner or operator of the vehicle.

5.22. WINDOW TREATMENTS. Without the ACC's prior written approval, all window treatments within the dwelling that are visible from the street or another dwelling must appear to be white in color.

ARTICLE 6
ASSOCIATION AND MEMBERSHIP RIGHTS

6.1. **THE ASSOCIATION.** The duties and powers of the Association are those set forth in the Documents, together with the general and implied powers of a property owners association and a nonprofit corporation organized under the laws of the State of Texas. Generally, the Association may do any and all things that are lawful and necessary, proper, or desirable in operating for the peace, health, comfort, and general benefit of its members, subject only to the limitations on the exercise of such powers as stated in the Documents. The Association comes into existence on the earlier of (1) issuance of its corporate charter or (2) the initial levy of assessments against the lots and owners. The Association will continue to exist at least as long as the Declaration is effective against the Property, regardless of whether its corporate charter lapses from time to time.

EVERY OWNER OF A TRACE RIDGE LOT
AUTOMATICALLY JOINS
A MANDATORY MEMBERSHIP ASSOCIATION

6.2. **GOVERNANCE.** The Association will be governed by a board of directors elected by the members. Unless the Association's bylaws or articles of incorporation provide otherwise, the board will consist of at least 3 persons elected at the annual meeting of the Association, or at a special meeting called for that purpose. The Association will be administered in accordance with the bylaws. Unless the Documents provide otherwise, any action requiring approval of the members may be approved in writing by owners of at least a majority of all lots, or at a meeting by owners of at least a majority of the lots that are represented at the meeting.

6.3. **MEMBERSHIP.** Each owner is a member of the Association, ownership of a lot being the sole qualification for membership. Membership is appurtenant to and may not be separated from ownership of the lot. The board may require satisfactory evidence of transfer of ownership before a purported owner is entitled to vote at meetings of the Association. If a lot is owned by more than one person or entity, each co-owner is a member of the Association and may exercise the membership rights appurtenant to the lot. A member who sells his lot under a contract for deed may delegate his membership rights to the contract purchaser, provided a written assignment is delivered to the board. However, the contract seller remains liable for all assessments attributable to his lot until fee title to the lot is transferred.

6.4. **VOTING.** One vote is appurtenant to each lot. The total number of votes equals the total number of lots in the Property. Each vote is uniform and equal to the vote appurtenant to every other lot, except during the Development Period as permitted in Appendix C. Cumulative voting is not allowed. Votes may be cast by written proxy, according to the requirements of the Association's bylaws.

6.5. **VOTING BY CO-OWNERS.** The one vote appurtenant to a lot is not divisible. If only one of the multiple co-owners of a lot is present at a meeting of the Association, that person may cast the vote allocated to the lot. If more than one of the co-owners is present, the lot's one vote may be cast with the co-owners' unanimous agreement. Co-owners are in unanimous agreement if one of the co-owners casts the vote and no other co-owner makes prompt protest to

the person presiding over the meeting. Any co-owner of a lot may vote by ballot or proxy, and may register protest to the casting of a vote by ballot or proxy by the other co-owners. If the person presiding over the meeting or balloting receives evidence that the co-owners disagree on how the one appurtenant vote will be cast, the vote will not be counted.

6.6. BOOKS & RECORDS. The Association will maintain copies of the Documents and the Association's books, records, and financial statements. Books and records of the Association will be made available for inspection and copying pursuant to Article 1396-2.23.B. of the Texas Nonprofit Corporation Act.

6.7. INDEMNIFICATION. The Association indemnifies every officer, director, and committee member (for purposes of this Section, "Leaders") against expenses, including attorney's fees, reasonably incurred by or imposed on the Leader in connection with an action, suit, or proceeding to which the Leader is a party by reason of being or having been a Leader. A Leader is not liable for a mistake of judgment, negligent or otherwise. A Leader is liable for his willful misfeasance, malfeasance, misconduct, or bad faith. This right to indemnification does not exclude any other rights to which present or former Leaders may be entitled. The Association may maintain general liability and directors and officers liability insurance to fund this obligation.

6.8. OBLIGATIONS OF OWNERS. Without limiting the obligations of owners under the Documents, each owner has the following obligations:

6.8.1. Information. Within 30 days after acquiring an interest in a lot, within 30 days after the owner has notice of a change in any information required by this Subsection, and on request by the Association from time to time, an owner will provide the Association with the following information: (1) a copy of the recorded deed by which owner has title to the lot; (2) the owner's address, phone number, and driver's license number, if any; (3) any mortgagee's name, address, and loan number; (4) the name and phone number of any resident other than the owner; (5) the name, address, and phone number of owner's managing agent, if any.

6.8.2. Pay Assessments. Each owner will pay assessments properly levied by the Association against the owner or his lot, and will pay regular assessments without demand by the Association.

6.8.3. Comply. Each owner will comply with the Documents as amended from time to time.

6.8.4. Reimburse. Each owner will pay for damage to the Property caused by the negligence or willful misconduct of the owner, a resident of the owner's lot, or the owner or resident's family, guests, employees, contractors, agents, or invitees.

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

6.9. TRANSFER FEES. To help subsidize the costs of maintaining ownership records for purposes of assessment and voting, the board may levy, as an individual assessment, a charge for

the transfer of a significant estate or fee simple title of a lot. A transfer fee is not refundable and may not be regarded as a prepayment of or credit against regular or special assessments. Transfer fees may apply to every transfer of title except the following: (1) foreclosure of a deed of trust lien, tax lien, or the Association's assessment lien; (2) transfer to, from, or by the Association; (3) voluntary transfer by an owner to one or more co-owners, or to the owner's spouse, child, or parent. This Section does not obligate the board to levy transfer fees.

ARTICLE 7 COVENANT FOR ASSESSMENTS

7.1. PURPOSE OF ASSESSMENTS. The Association will use assessments for the general purposes of preserving and enhancing the Property, and for the common benefit of owners and residents, including but not limited to maintenance of real and personal property, management and operation of the Association, and any expense reasonably related to the purposes for which the Property was developed. If made in good faith, the board's decision with respect to the use of assessments is final.

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

IF YOU OWN A TRACE RIDGE LOT, YOU MUST
PAY ASSESSMENTS TO THE ASSOCIATION

7.3. CONTROL FOR ASSESSMENT INCREASES. This Section of the Declaration may not be amended without the approval of owners of at least two-thirds of the lots. In addition to other rights granted to owners by this Declaration, owners have the following powers and controls over the Association's budget:

7.3.1. Veto Increased Dues. At least 30 days prior to the effective date of an increase in regular assessments, the board will notify an owner of each lot of the amount of, the budgetary basis for, and the effective date of the increase. The increase will automatically become effective unless owners of at least a majority of the lots disapprove the increase by petition or at a meeting of the Association. In that event, the last-approved budget will continue in effect until a revised budget is approved.

7.3.2. Veto Special Assessment. At least 30 days prior to the effective date of a special assessment, the board will notify an owner of each lot of the amount of, the budgetary basis for, and the effective date of the special assessment. The special assessment will automatically become effective unless owners of at least majority of the lots disapprove the special assessment by petition or at a meeting of the Association.

7.4. TYPES OF ASSESSMENTS. There are 3 types of assessments: Regular, Special, and Individual.

7.4.1. Regular Assessments. Regular assessments are based on the annual budget. Each lot is liable for its equal share of the annual budget. If the board does not approve an annual budget or fails to determine new regular assessments for any year, or delays in doing so, owners will continue to pay the regular assessment as last determined. If during the course of a year the board determines that regular assessments are insufficient to cover the estimated common expenses for the remainder of the year, the board may increase regular assessments for the remainder of the fiscal year in an amount that covers the estimated deficiency. Regular assessments are used for common expenses related to the reoccurring, periodic, and anticipated responsibilities of the Association, including but not limited to:

- a. Maintenance, repair, and replacement, as necessary, of the common area.
- b. Utilities billed to the Association.
- c. Services billed to the Association and serving all lots.
- d. Taxes on property owned by the Association and the Association's income taxes.
- e. Management, legal, accounting, auditing, and professional fees for services to the Association.
- f. Costs of operating the Association, such as telephone, postage, office supplies, printing, meeting expenses, and educational opportunities of benefit to the Association.
- g. Premiums and deductibles on insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association, including fidelity bonds and directors and officers liability insurance.
- h. Contributions to the reserve funds.
- i. Any other expense which the Association is required by law or the Documents to pay, or which in the opinion of the board is necessary or proper for the operation and maintenance of the Property or for enforcement of the Documents.

7.4.2. Special Assessments. In addition to regular assessments, and subject to the owners' control for assessment increases, the board may levy one or more special assessments against all lots for the purpose of defraying, in whole or in part, common expenses not anticipated by the annual budget or reserve funds. Special assessments do not require the approval of the owners, except that special assessments for the following purposes must be approved by owners of least a majority of the lots:

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

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- b. Construction of additional improvements within the Property, but not replacement of original improvements.
 - c. Any expenditure that may reasonably be expected to significantly increase the Association's responsibility and financial obligation for operations, insurance, maintenance, repairs, or replacement.

7.4.3. Individual Assessments. In addition to regular and special assessments, the board may levy an individual assessment against a lot and its owner. Individual assessments may include, but are not limited to: interest, late charges, and collection costs on delinquent assessments; reimbursement for costs incurred in bringing an owner or his lot into compliance with the Documents; fines for violations of the Documents; insurance deductibles; transfer fees and resale certificate fees; reimbursement for damage or waste caused by willful or negligent acts; common expenses that benefit fewer than all of the lots, which may be assessed according to benefit received; and "pass through" expenses for services to lots provided through the Association and which are equitably paid by each lot according to benefit received.

7.5. BASIS & RATE OF ASSESSMENTS. The share of liability for common expenses allocated to each lot is uniform for all lots, regardless of a lot's location or the value and size of the lot or dwelling, but subject to lower rates of assessment for vacant lots. The rates of assessment are as follows:

7.5.1. Improved Lot. A lot that has been improved with a dwelling for which the city has issued the initial certificate of occupancy will at all times thereafter be assessed at the full rate.

7.5.2. Vacant Lot. A lot that is vacant or on which a dwelling is under construction is assessed at half of the full rate. A vacant lot becomes subject to assessment at the full rate on the first day of the month following the month in which the city issues a certificate of occupancy. The board may revoke the reduced-rate status of a vacant lot if becomes necessary or desirable for the Association to spend money on or for the lot, or if the board determines that a completed dwelling is eligible for a certificate of occupancy.

7.5.3. Declarant and Builder Lots. Notwithstanding the two preceding subsections, a lot that is owned by Declarant or a Builder during the Development Period is subject to the assessment exemption in Appendix C.

7.6. ANNUAL BUDGET. The board will prepare and approve an estimated annual budget for each fiscal year. The budget will take into account the estimated income and expenses for the year, contributions to reserve funds, and a projection for uncollected receivables. The board will make the budget or its summary available to an owner of each lot, although failure to receive a budget or summary does not affect an owner's liability for assessments. The board will provide copies of the detailed budget to owners who make written request and pay a reasonable copy charge.

7.7. DUE DATE. The board may levy regular assessments on any periodic basis -- annually, semi-annually, quarterly, or monthly. Regular assessments are due on the first day of the period for which levied. Special and individual assessments are due on the date stated in the

notice of assessment or, if no date is stated, within 10 days after notice of the assessment is given. Assessments are delinquent if not received by the Association on or before the due date.

7.8. RESERVE FUNDS. The Association will establish, maintain, and accumulate reserves for operations and for replacement and repair. The Association will budget for reserves and use its best efforts to fund reserves out of regular assessments.

7.8.1. Operations Reserves. The Association will maintain operations reserves at a level sufficient to cover the cost of operational or maintenance emergencies or contingencies, including the full amount of deductibles on insurance policies maintained by the Association.

7.8.2. Replacement & Repair Reserves. The Association will maintain replacement and repair reserves at a level that anticipates the scheduled replacement or major repair of components of the common area.

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

7.10. ASSESSMENT LIEN. Each owner, by accepting an interest in or title to a lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to pay assessments to the Association. Each assessment is a charge on the lot and is secured by a continuing lien on the lot. Each owner, and each prospective owner, is placed on notice that his title may be subject to the continuing lien for assessments attributable to a period prior to the date he purchased his lot.

7.10.1. Superiority of Assessment Lien. The assessment lien is superior to all other liens and encumbrances on a lot, except only for (1) real property taxes and assessments levied by governmental and taxing authorities, (2) a recorded deed of trust lien securing a loan for construction of the original dwelling, and (3) a first or senior purchase money vendor's lien or deed of trust lien recorded before the date on which the delinquent assessment became due.

7.10.2. Effect of Foreclosure. Foreclosure of a superior lien extinguishes the Association's claim against the lot for unpaid assessments that became due before the sale, but does not extinguish the Association's claim against the former owner. The purchaser at the foreclosure sale is liable for assessments coming due from and after the date of the sale, and for the owner's pro rata share of the pre-foreclosure deficiency as an Association expense.

Yes, the HOA *can* foreclose!

If you fail to pay assessments to the Association, you may lose title to your home if the association forecloses its assessment lien against your lot.

7.10.3. Perfection of Lien. The Association's lien for assessments is created by recordation of this Declaration, which constitutes record notice and perfection of the lien. No other recordation of a lien or notice of lien is required. However, the Association, at its option, may cause a notice of the lien to be recorded in the county's real property records. If the debt is cured after a notice has been recorded, the Association will record a release of the notice at the expense of the curing owner.

7.10.4. Power of Sale. By accepting an interest in or title to a lot, each owner grants to the Association a private power of nonjudicial sale in connection with the Association's assessment lien. The board may appoint, from time to time, any person, including an officer, agent, trustee, substitute trustee, or attorney, to exercise the Association's lien rights on behalf of the Association, including the power of sale. The appointment must be in writing and may be in the form of a resolution recorded in the minutes of a board meeting.

7.10.5. Foreclosure of Lien. The assessment lien may be enforced by judicial or nonjudicial foreclosure. A nonjudicial foreclosure must be conducted in accordance with the provisions applicable to the exercise of powers of sale as set forth in Section 51.002 of the Texas Property Code, or in any manner permitted by law. In any foreclosure, the owner is required to pay the Association's costs and expenses for the proceedings, including reasonable attorneys' fees. The Association has the power to bid on the lot at foreclosure sale and to acquire, hold, lease, mortgage, and convey same.

ARTICLE 8 EFFECT OF NONPAYMENT OF ASSESSMENTS AND VIOLATION OF THE DOCUMENTS

8.1. COLLECTING DELINQUENT ASSESSMENTS. Owners who honor their obligations to the Association should not be burdened by owners who default. The board is responsible for taking action to collect delinquent assessments. Neither the board nor the Association, however, is liable to an owner or other person for its failure or inability to collect or attempt to collect an assessment. The following remedies are in addition to and not in substitution for all other rights and remedies which the Association has.

8.1.1. Delinquency. An assessment is delinquent if the Association does not receive payment in full by the assessment's due date.

8.1.2. Notice to Mortgagee. The board may notify and communicate with the holder of any lien against a lot regarding the owner's default in payment of assessments.

8.1.3. Interest. Delinquent assessments are subject to interest from the due date until paid, at a rate to be determined by the board from time to time, not to exceed the lesser of 18 percent or the maximum permitted by law. If the board fails to establish a rate, the rate is 10 percent per annum. Interest is an individual assessment.

8.1.4. Late Fees. Delinquent assessments are subject to reasonable late fees, at a rate to be determined by the board from time to time. Late fees are an individual assessment.

8.1.5. Costs of Collection. The owner of a lot against which assessments are delinquent is liable to the Association for reimbursement of reasonable costs incurred by the Association to collect the delinquent assessments, including attorneys fees and processing fees charged by the manager. Collection costs are an individual assessment.

8.1.6. Acceleration. If an owner defaults in paying an assessment that is payable in installments, the board may accelerate the remaining installments on 10 days' written notice to the defaulting owner. The entire unpaid balance of the assessment becomes due on the date stated in the notice.

8.1.7. Suspension of Use and Vote. If an owner's account has been delinquent for at least 30 days, the board may suspend the right of owners and residents to use common areas and common services during the period of delinquency. The board may also suspend the right to vote appurtenant to the lot. Suspension does not constitute a waiver or discharge of the owner's obligation to pay assessments.

8.1.8. Money Judgment. The Association may file suit seeking a money judgment against an owner delinquent in the payment of assessments, without foreclosing or waiving the Association's lien for assessments.

8.1.9. Foreclosure of Assessment Lien. As provided by this Declaration, the Association may foreclose its lien against the lot by judicial or nonjudicial means.

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

8.2. ENFORCING THE DOCUMENTS. The remedies provided in this Section for breach of the Documents are cumulative and not exclusive. In addition to other rights and remedies provided by the Documents and by law, the Association has the following right to enforce the Documents:

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

8.2.2. Fine. The Association may levy reasonable charges, as an individual assessment, against an owner and his lot if the owner or resident, or the owner or resident's family, guests, employees, agents, or contractors violate a provision of the Documents. Fines may be levied for each act of violation or for each day a violation continues, and does not constitute a waiver or discharge of the owner's obligations under the Documents.

8.2.3. Suspension. The Association may suspend the right of owners and residents to use common areas for any period during which the owner or resident, or the owner or resident's family, guests, employees, agents, or contractors violate the Documents. A

suspension does not constitute a waiver or discharge of the owner's obligations under the Documents.

8.2.4. Self-Help. The Association has the right to enter any part of the Property, including lots, to abate or remove, using force as may reasonably be necessary, any erection, thing, animal, person, vehicle, or condition that violates the Documents. In exercising this right, the board is not trespassing and is not liable for damages related to the abatement. The board may levy its costs of abatement against the lot and owner as an individual assessment. Unless an emergency situation exists in the good faith opinion of the board, the board will give the violating owner 15 days' notice of its intent to exercise self-help.

8.2.5. No Waiver. The Association and every owner has the right to enforce all restrictions, conditions, covenants, liens, and charges now or hereafter imposed by the Documents. Failure by the Association or by any owner to enforce a provision of the Documents is not a waiver of the right to do so thereafter.

8.3. NOTICE AND HEARING. Before levying a fine for violation of the Documents (other than nonpayment of assessments), or before levying an individual assessment for property damage, the Association will give the owner written notice of the levy and an opportunity to be heard before the board. The Association may also give a copy of the notice to the resident. Pending the hearing, the Association may continue to exercise its other rights and remedies for the violation, as if the declared violation were valid. The owner's request for a hearing suspends only the levy of a fine or damage charge. The owner may attend the hearing in person, or may be represented by another person or written communication. The board may adopt additional procedures and requirements for notices and hearing.

8.4. LIMITATIONS OF INTEREST. The Association, and its officers, directors, managers and attorneys, intend to conform strictly to the applicable usury laws of the State of Texas. Notwithstanding anything to the contrary in this Declaration, the bylaws, the Association's collection policies and resolutions, or any other document or agreement executed or made in connection with any of these, the Association will not in any event be entitled to receive or collect, as interest, a sum greater than the maximum amount permitted by applicable law. If from any circumstances whatsoever, the Association ever receives, collects or applies as interest any sum in excess of the maximum rate permitted by law, the excess amount will be applied to the reduction of unpaid special and regular assessments, or reimbursed to the owner if those assessments are paid in full.

ARTICLE 9 MAINTENANCE AND REPAIR OBLIGATIONS

9.1. ASSOCIATION MAINTAINS. The Association's maintenance obligations will be discharged when and how the board deems appropriate. The Association maintains, repairs, and replaces, as a common expense, the portions of the Property listed below, regardless of whether the portions are on lots or common areas.

- a. The common areas.
- b. Any real and personal property owned by the Association but which is not a common area, such as a lot owned by the Association.

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

9.2. OWNER RESPONSIBILITY. Every owner has the following responsibilities and obligations for the maintenance, repair, and replacement of the Property:

9.2.1. House Maintenance. Each owner, at the owner's expense, must maintain all improvements on the lot, including but not limited to the dwelling, fences, sidewalks, and driveways. Maintenance includes preventative maintenance, repair as needed, and replacement as needed. Each owner is expected to maintain his lot's improvements at a level, to a standard, and with an appearance that is commensurate with the neighborhood. Specifically, each owner must repair and replace worn, rotten, deteriorated, and unattractive materials, and must regularly repaint all painted surfaces.

9.2.2. Yard Maintenance. Each owner, at the owner's expense, must maintain the yards on his lot at a level, to a standard, and with an appearance that is commensurate with the neighborhood. Specifically, each owner must:

- a. Maintain an attractive ground cover or lawn on all yards visible from a street.
- b. Edge the street curbs at regular intervals.
- c. Mow the lawns and grounds at regular intervals.
- d. Prevent lawn weeds or grass from exceeding 6 inches in height.
- e. Not plant vegetable gardens that are visible from a street.
- f. Prevent plant material in front of windows from growing taller than the window bottom.

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

9.2.4. Responsible for Damage. An owner is responsible for his own willful or negligent acts and those of his or the resident's family, guests, agents, employees, or contractors when those acts necessitate maintenance, repair, or replacement to the common areas or the property of another owner.

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

ARTICLE 10 INSURANCE

10.1. GENERAL PROVISIONS. All insurance affecting the Property is governed by the provisions of this Article, with which the board will make every reasonable effort to comply. The cost of insurance coverages and bonds maintained by the Association is an expense of the Association. Insurance policies and bonds obtained and maintained by the Association must be issued by responsible insurance companies authorized to do business in the State of Texas. The Association must be the named insured on all policies obtained by the Association. Each owner irrevocably appoints the Association, acting through its board, as his trustee to negotiate, receive, administer, and distribute the proceeds of any claim against an insurance policy maintained by the Association. Additionally:

10.1.1. Notice of Cancellation or Modification. Each insurance policy maintained by the Association should contain a provision requiring the insurer to give at least 10 days' prior written notice to the board before the policy may be canceled, terminated, materially modified, or allowed to expire, by either the insurer or the insured.

10.1.2. Deductibles. An insurance policy obtained by the Association may contain a reasonable deductible, which will be paid by the party who would be liable for the loss or repair in the absence of insurance. If a loss is due wholly or partly to an act or omission of an owner or resident or their invitees, the owner must reimburse the Association for the amount of the deductible that is attributable to the act or omission.

10.2. PROPERTY. To the extent it is reasonably available, the Association will obtain blanket all-risk insurance for insurable common area improvements. If blanket all-risk insurance is not reasonably available, then the Association will obtain an insurance policy providing fire and extended coverage. Also, the Association will insure the improvements on any lot owned by the Association.

ARE YOU COVERED?

The Association does NOT insure the individual houses or their contents.

10.3. GENERAL LIABILITY. The Association will maintain a commercial general liability insurance policy over the common areas -- expressly excluding the liability of each owner and resident within his lot -- for bodily injury and property damage resulting from the operation, maintenance, or use of the common areas. If the policy does not contain a severability of interest provision, it should contain an endorsement to preclude the insurer's denial of an owner's claim because of negligent acts of the Association or other owners.

10.4. DIRECTORS & OFFICERS LIABILITY. To the extent it is reasonably available, the Association will maintain directors and officers liability insurance, errors and omissions insurance, indemnity bonds, or other insurance the board deems advisable to insure the Association's directors, officers, committee members, and managers against liability for an act or omission in carrying out their duties in those capacities.

10.5. OTHER COVERAGES. The Association may maintain any insurance policies and bonds deemed by the board to be necessary or desirable for the benefit of the Association, including but not limited to worker's compensation insurance, fidelity coverage, and any insurance and bond requested and required by an Underwriting Lender for planned unit developments as long as an Underwriting Lender is a Mortgagee or an owner.

10.6. OWNER'S RESPONSIBILITY FOR INSURANCE. Each owner will obtain and maintain fire and extended coverage on all the improvements on his lot, in an amount sufficient to cover 100 percent of the replacement cost of any repair or reconstruction in event of damage or destruction from any insured hazard. Further, each owner will obtain and maintain general liability insurance on his lot. Each owner will provide the Association with proof or a certificate of insurance on request by the Association from time to time. If an owner fails to maintain required insurance, or to provide the Association with proof of same, the board may obtain insurance on behalf of the owner who will be obligated for the cost as an individual assessment. The board may establish additional minimum insurance requirements, including types and minimum amounts of coverage, to be individually obtained and maintained by owners if the insurance is deemed necessary or desirable by the board to reduce potential risks to the Association or other owners. Each owner and resident is solely responsible for insuring his personal property in his dwelling and on the lot, including furnishings, vehicles, and stored items.

ARTICLE 11 MORTGAGEE PROTECTION

11.1. INTRODUCTION. This Article establishes certain standards for the benefit of Mortgagees, and is written to comply with Chapter VI of Fannie Mae's Selling Guide in effect at the time of drafting. If a Mortgagee requests from the Association compliance with the guidelines of an Underwriting Lender, the board, without approval of owners or mortgagees, may amend this Article and other provisions of the Documents, as necessary, to meet the requirements of the Underwriting Lender. This Article is supplemental to, not a substitution for, any other provision of the Documents. In case of conflict, this Article controls. Some sections of this Article apply to "Mortgagees," as defined in Article 1. Other sections apply to "Eligible Mortgagees," as defined below.

11.2. KNOWN MORTGAGEES. An owner who mortgages his lot will notify the Association, giving the complete name and address of his mortgagee and the loan number. An owner will also provide that information on request by the Association from time to time. The Association's obligations to mortgagees under the Documents extend only to those mortgagees known to the Association. All actions and approvals required by mortgagees will be conclusively satisfied by the mortgagees known to the Association, without regard to other holders of liens on lots. The Association may rely on the information provided by owners and mortgagees.

11.3. ELIGIBLE MORTGAGEES. "Eligible Mortgagee" means a Mortgagee that submits to the Association a written notice containing its name and address, the loan number, the identifying number and street address of the mortgaged lot, and the types of actions for which the Eligible Mortgagee requests timely notice. A single notice per lot will be valid so long as the Eligible Mortgagee holds a mortgage on the lot. The board will maintain this information. A representative of an Eligible Mortgagee may attend and address any meeting which an owner may attend.

11.4. MORTGAGEE RIGHTS.

11.4.1. Termination. An action to terminate the legal status of the Property after substantial destruction or condemnation must be approved by at least 51 percent of Eligible Mortgagees, in addition to the required consents of owners. An action to terminate the legal status for reasons other than substantial destruction or condemnation must be approved by at least two-thirds of Eligible Mortgagees. The approval of an Eligible Mortgagee is implied when the Eligible Mortgagee fails to respond within 30 days after receiving the Association's written request for approval of a proposed amendment, provided the Association's request was delivered by certified or registered mail, return receipt requested.

11.4.2. Inspection of Books. Mortgagees may inspect the Association's books and records, including the Documents, by appointment, during normal business hours.

11.4.3. Financial Statements. If a Mortgagee so requests, the Association will give the Mortgagee an audited statement for the preceding fiscal year within 120 days after the Association's fiscal year-end. A Mortgagee may have an audited statement prepared at its own expense.

11.4.4. Right of First Refusal. Any right of first refusal imposed by the Association with respect to a lease, sale, or transfer of a lot does not apply to a lease, sale, or transfer by a Mortgagee, including transfer by deed in lieu of foreclosure or foreclosure of a deed of trust lien.

11.5. INSURANCE POLICIES. If an Underwriting Lender is a Mortgagee or an owner, at the request of the Underwriting Lender the Association will comply with the Underwriting Lender's insurance requirements to the extent the requirements are reasonable and available, and do not conflict with other insurance requirements of this Declaration.

ARTICLE 12 AMENDMENTS

12.1. CONSENTS REQUIRED. As permitted by this Declaration, certain amendments of this Declaration may be executed by Declarant alone, or by the board alone. Otherwise, amendments to this Declaration must be approved by owners of at least a majority of the lots.

12.2. METHOD OF AMENDMENT. For an amendment that requires the approval of owners, this Declaration may be amended by any method selected by the board from time to time, pursuant to the bylaws, provided the method gives an owner of each lot the substance if not exact wording of the proposed amendment, a description of the effect of the proposed amendment, and an opportunity to vote for or against the proposed amendment.

12.3. EFFECTIVE. To be effective, an amendment must be in the form of a written instrument (1) referencing the name of the Property, the name of the Association, and the recording data of this Declaration and any amendments hereto; (2) signed and acknowledged by an officer of the Association, certifying the requisite approval of owners and, if required, Eligible Mortgagees; and (3) recorded in the real property records of every county in which the Property is located.

12.4. DECLARANT PROVISIONS. No amendment may affect Declarant's rights under this Declaration without Declarant's written and acknowledged consent, which must be part of the recorded amendment instrument. This Section may not be amended without Declarant's written and acknowledged consent.

12.5. MERGER. Merger or consolidation of the Association with another association must be evidenced by an amendment to this Declaration. The amendment must be approved by owners of at least a majority of the lots. Upon a merger or consolidation of the Association with another association, the property, rights, and obligations of another association may, by operation of law, be added to the properties, rights, and obligations of the Association as a surviving corporation pursuant to the merger. The surviving or consolidated association may administer the provisions of the Documents within the Property, together with the covenants and restrictions established upon any other property under its jurisdiction. No merger or consolidation, however, will effect a revocation, change, or addition to the covenants established by this Declaration within the Property.

12.6. TERMINATION. Termination of the terms of this Declaration and the status of the Property as a planned unit development are according to the following provisions. In the event of substantially total damage, destruction, or public condemnation of the Property, an amendment to terminate must be approved by owners of at least two-thirds of the lots. In the event of public condemnation of the entire Property, an amendment to terminate may be executed by the board without a vote of owners. In all other circumstances, an amendment to terminate must be approved by owners of at least 80 percent of the lots.

12.7. CONDEMNATION. In any proceeding, negotiation, settlement, or agreement concerning condemnation of the common area, the Association will be the exclusive representative of the owners. The Association may use condemnation proceeds to repair and replace any damage or destruction of the common area, real or personal, caused by the condemnation. Any condemnation proceeds remaining after completion, or waiver, of the repair and replacement will be deposited in the Association's reserve funds.

ARTICLE 13 DISPUTE RESOLUTION

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

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

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

- c. Claims relating to the design, construction, or maintenance of the Property.

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

13.1.3. "Declarant" means, individually and collectively, the Declarant as defined in Article 1; Declarant's architect, engineer, other design professionals, builder, general contractor, and broker; and their respective officers, directors, principals, employees, and agents.

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

- a. The Association's claim for assessments, and any action by the Association to collect assessments.
- b. An action by any Party to obtain a temporary restraining order or equivalent emergency equitable relief, and such other ancillary relief as the court deems necessary to maintain the status quo and preserve the Party's ability to enforce the provisions of this Declaration.
- c. Enforcement of the easements, architectural control, and use restrictions of this Declaration, and rules promulgated by the Association.

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

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

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

13.4. NEGOTIATION. Claimant and Respondent will make every reasonable effort to meet in person to resolve the Claim by good faith negotiation. Within 60 days after Respondent's receipt of the Notice, Respondent and Claimant will meet at a mutually-acceptable place and time to discuss the Claim. At such meeting or at some other mutually-agreeable time, Respondent and Respondent's representatives will have full access to the property that is subject to the Claim for the purposes of inspecting the property. If Respondent elects to take corrective action, Claimant will provide Respondent and Respondent's representatives and agents with full access to the property to take and complete corrective action.

13.5. MEDIATION. If the parties negotiate but do not resolve the Claim through negotiation within 120 days from the date of the Notice (or within such other period as may be agreed on by the parties), Claimant will have 30 additional days within which to submit the Claim to mediation under the auspices of a mediation center or individual mediator on which the parties mutually agree. The mediator must have at least 5 years of experience serving as a mediator and

must have technical knowledge or expertise appropriate to the subject matter of the Claim. If Claimant does not submit the Claim to mediation within the 30-day period, Claimant is deemed to have waived the Claim, and Respondent is released and discharged from any and all liability to Claimant on account of the Claim.

13.6. BINDING ARBITRATION. If the parties mediate but do not resolve the Claim through mediation, Respondent and Claimant will arbitrate the Claim. Claimant has 30 days following termination (as determined by the mediator) of mediation proceedings to submit the Claim to binding arbitration in accordance with the General Arbitration Act of the State of Texas. The arbitrator must have at least 5 years of experience serving as an arbitrator and must have technical knowledge or expertise appropriate to the subject matter of the Claim. The arbitration award is final and binding, and judgment may be entered on it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Texas. If Claimant does not submit the Claim to arbitration within the 30-day period, Claimant is deemed to have abandoned the Claim and Respondent is released and discharged from any and all liability to Claimant arising out of the Claim.

13.7. OTHER ADR. If a Claim is exempt from arbitration under Section 171.001 of the General Arbitration Act, Claimant has 120 days following termination (as determined by the mediator) of mediation proceedings to file a suit on the Claim, which must be accompanied by Claimant's motion to the court to order an alternative dispute resolution procedure, as permitted by Chapter 154 of the Texas Civil Practice and Remedies Code. If Claimant does not file the suit and motion to resolve the Claim by an ADR procedure, Claimant is deemed to have abandoned the Claim and Respondent is released and discharged from any and all liability to Claimant arising out of the Claim.

13.8. ALLOCATION OF COSTS. Except as otherwise provided in this Section, each party bears all of its own costs incurred prior to and during the proceedings described in the Notice, Negotiation, Mediation, Arbitration, and Other ADR sections above, including its attorneys fees. Respondent and Claimant will equally divide all expenses and fees charged by the mediator, and the costs of conducting the arbitration or other ADR proceeding. However, if the Claim is rejected in whole or in part by the arbitrator or the other ADR proceeding, Claimant will pay all costs incurred after termination of mediation, including but not limited to all costs of conducting the arbitration or the other ADR proceeding and Respondent's attorneys fees.

13.9. ENFORCEMENT OF RESOLUTION. If the parties agree to resolve a Claim through negotiation or mediation and a party thereafter fails to abide by the terms of the agreement, or if a party fails to comply with the arbitration award following arbitration, or with the outcome of the other ADR proceeding, then the other party may file suit or initiate administrative proceedings to enforce the agreement, arbitration award, or other outcome without the need to again comply with the procedures set forth in this Article. In that event, the party taking action to enforce the agreement, award, or outcome is entitled to recover from the non-complying party all costs incurred in enforcing the agreement, award, or outcome, including, without limitation, attorneys fees and court costs.

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

ARTICLE 14
GENERAL PROVISIONS

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

14.2. NOTICE. All demands or other notices required to be sent to an owner or resident by the terms of this Declaration may be sent by ordinary or certified mail, postage prepaid, to the party's last known address as it appears on the records of the Association at the time of mailing. If an owner fails to give the Association an address for mailing notices, all notices may be sent to the owner's lot, and the owner is deemed to have been given notice whether or not he actually receives it.

14.3. LIBERAL CONSTRUCTION. The terms and provision of each Document are to be liberally construed to give effect to the purposes and intent of the Document.

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

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

14.6. APPENDIXES. The appendixes listed below are attached to this Declaration and incorporated herein by reference. Because Appendixes C and D of this Declaration are destined to become obsolete, beginning 25 years after the date this Declaration is first recorded, this Declaration may be restated, rerecorded, or published without Appendixes C and D, provided the other appendixes are not relettered. The automatic expiration and subsequent deletion of Appendixes C and D do not constitute an amendment of this Declaration. The Appendixes to this Declaration include:

- A - Description of Subject Land
- B - Construction Specifications
- C - Declarant's Representations and Reservations
- D - Description of Additional Land Subject to Annexation

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

14.8. DURATION. Unless terminated or amended by owners as permitted herein, the provisions of this Declaration run with and bind the Property, and will remain in effect perpetually to the extent permitted by law.

14.9. PREPARER. This Declaration was prepared by Sharon Reuler, P.C., of Palmer, Allen & McTaggart, L.L.P., 8111 Preston Road, Suite 300, Dallas, Texas 75225.

SIGNED AND ACKNOWLEDGED

SIGNED on this 11th day of February 1999.

D. R. HORTON - TEXAS, LTD., a Texas
limited partnership

By: D. R. HORTON, INC., a Delaware
corporation, its authorized agent

By:

Todd Horton

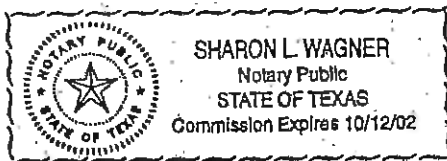
Todd Horton, Vice-President

THE STATE OF TEXAS §

§

COUNTY OF TARRANT §

This instrument was acknowledged before me on this 11th day of February 1999 by Todd Horton, Vice President of D. R. Horton, Inc., a Delaware corporation, on behalf of said corporation in its capacity as authorized agent for D. R. Horton - Texas, Ltd., a Texas limited partnership, on behalf of the limited partnership.



Sharon L. Wagner
Notary Public, The State of Texas

APPENDIX A
DESCRIPTION OF SUBJECT LAND

TRACE RIDGE

PHASE 1 TRACT

The tract described in the Final Plat of Trace Ridge Addition, recorded on August 25, 1998, in Cabinet A, Slide No. 4444, Plat Records of Tarrant County, Texas, including but not limited to:

Common Area -- Recreational Center:

Block 2 Lot 1

And the following 143 house lots:

Block 1 Lots 1 - 4

Block 3 Lots 1 - 4

Block 4 Lots 18 - 35

Block 5 Lots 1 - 10

Block 6 Lots 1 - 7, 17 - 30

Block 7 Lots 1 - 16

Block 8 Lots 1 - 6, 19 - 32

Block 10 Lots 1 - 32

Block 11 Lots 1 - 13

Block 12 Lots 1 - 5

APPENDIX B
CONSTRUCTION SPECIFICATIONS

Without the ACC's prior written approval for a variance, improvements constructed on every lot must have the following characteristics:

B.1. ORDINANCES. The Property is subject to ordinances adopted by the City of Fort Worth, including one or more ordinances that are specific to the Property.

B.2. LOTS. The size of each lot must comply with the requirements of applicable ordinances.

B.3. HOUSES. The principle improvement on a lot must be one detached single family dwelling. The dwelling size, setbacks, and exterior materials must comply with the applicable ordinances and with any higher standards established by the ACC.

B.4. NEW CONSTRUCTION. Dwellings must be constructed on the lot. A dwelling or addition constructed elsewhere may not be moved onto a lot. The construction of a dwelling must be started promptly after the ACC approves the dwelling's plans and specification. At the start of construction -- but not before -- building material to be used in the construction may be stored on the lot. Once started, the dwelling and all improvements on the lot must be completed with due diligence.

B.5. ROOFING MATERIALS. Roofs must be covered with composition material of at least 180 lb. weight shingle, in an earth tone color. The ACC may permit or require other weights, materials, and colors.

B.6. GARAGE & DRIVEWAY. Each dwelling must have an attached garage for at least two standard-size cars. If the lot has alley access, the garage must be a rear or side entry using the alley for access. The driveway must be surfaced with concrete.

B.7. SIDEWALKS. Any sidewalk must conform to the specifications of the City of Fort Worth.

B.8. LANDSCAPING. Landscaping must be installed on the front and side yards of the lot within 90 days after an occupancy permit is issued for the dwelling.

B.9. ACCESSORIES. Installation of all exterior items and surfaces, including address numbers, decorative hardware, external ornamentation, lights fixtures, and exterior paint and stain, is subject to the ACC's prior approval, including approval of design, color, materials, and location.

B.10. MAILBOXES. If curbside boxes are permitted by postal authorities, the ACC may require a uniform size and style of mailbox and pedestal.

B.11. FENCES & WALLS. This Section is subject to the ACC's right to adopt additional or different specifications for construction or reconstruction of fences. Fences may not exceed 6 feet in height. Fences must be made of masonry, wood, or other ACC-approved material. Retaining walls must be constructed entirely with ACC-approved materials, however railroad ties

may not be used for a retaining wall visible from a street. Fences may not be constructed between a dwelling's front building line and the street.

B.12. UTILITIES. All utility lines and equipment must be located underground, except for: (1) elevated or surface lines or equipment required by a public utility or the city; (2) elevated or surface lines or equipment installed by Declarant as part of the development plan; and (3) surface equipment necessary to maintain, operate, or read underground facilities, such as meters, risers, service pedestals, and transformers. The ACC may require that utility meters, risers, pedestals, and transformers be visually screened from the street and neighboring lots. Each lot will use city water and sewage systems. Individual water supply and sewage disposal systems are not permitted.

B.13. AIR CONDITIONERS. Air conditioning equipment may not be installed in the front yard of a dwelling. Window units are prohibited. The ACC may require that air-conditioning equipment and apparatus be visually screened from the street and neighboring lots.

B.14. NO SUBDIVISION. No lot may be subdivided.

B.15. DEBRIS. No lot or other part of the Property may be used as a dumping ground. Waste materials incident to construction or repair of improvements on a lot may be stored temporarily on the lot during construction while work progresses.

B.16. SCREENING. The owner of a lot must screen the following items from the view of the public and neighboring lots and dwellings, if any of these items exists on the lot. An item within a fenced yard may not exceed the height of the fence. Items requiring screening: utility meters, risers, pedestals, and transformers; air conditioning equipment; clotheslines, drying racks, and hanging clothes, linens, rugs, or textiles of any kind; yard maintenance equipment; wood piles and compost piles; accessory structures, such as dog houses, gazebos, metal storage sheds, and greenhouses; garbage cans and refuse containers.

APPENDIX C
DECLARANT REPRESENTATIONS & RESERVATIONS

C.1. GENERAL PROVISIONS.

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

C.1.2. General Reservation & Construction. Notwithstanding other provisions of the Documents to the contrary, nothing contained therein may be construed to, nor may any mortgagee, other owner, or the Association, prevent or interfere with the rights contained in this Appendix which Declarant hereby reserves exclusively unto itself and its successors and assigns. In case of conflict between this Appendix and any other Document, this Appendix controls. This Appendix may not be amended without the prior written consent of Declarant. The terms and provisions of this Appendix must be construed liberally to give effect to Declarant's intent to protect Declarant's interests in the Property.

C.1.3. Purpose of Development and Declarant Control Periods. This Appendix gives Declarant certain rights during the Development Period and the Declarant Control Period to ensure a complete and orderly buildout and sellout of the Property, which is ultimately for the benefit and protection of owners and mortgagees. Declarant may not use its control of the Association and the Property for an advantage over the owners by way of retention of any residual rights or interests in the Association or through the creation of any contractual agreements which the Association may not terminate without cause with 90 days' notice.

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

- a. "Builder" means a person or entity which purchases, or contracts to purchase, a lot from Declarant or from a Builder for the purpose of constructing a dwelling for resale or under contract to an owner other than Declarant.
- b. "Declarant Control Period" means that period of time during which Declarant controls the operation of the Association. The duration of the Declarant Control Period will be from the date this Declaration is recorded for a maximum period not to exceed the earliest of:
 - (1) Seven years from date this Declaration is recorded.
 - (2) Four months after title to 75 percent of the lots that may be created (including on land subject to annexation) has been conveyed to owners other than Builders.

(3) Two years after Declarant ceases developing, constructing, or marketing the Property and the lots.

(4) When, in Declarant's sole opinion, the Association is viable, self-supporting, and operational.

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

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

C.2.1. Officers & Directors. During the Declarant Control Period, Declarant may appoint, remove, and replace any officer or director of the Association, none of whom need be members or owners.

C.2.2. Budget Funding. During the Declarant Control Period only, Declarant is responsible for the difference between the Association's operating expenses and the regular assessments received from owners other than Declarant, and will provide any additional funds necessary to pay actual cash outlays of the Association. On termination of the Declarant Control Period, Declarant will cease being responsible for the difference between the Association's operating expenses and the assessments received from owners other than Declarant.

C.2.3. Expenses of Declarant. Expenses related to the completion and marketing of the Property will be paid by Declarant and are not expenses of the Association.

C.2.4. Budget Control. During the Declarant Control Period, the right of owners to veto assessment increases or special assessments is not effective and may not be exercised.

C.2.5. Organizational Meeting. Within 60 days after the end of the Declarant Control Period, or sooner at the Declarant's option, Declarant will call an organizational meeting of the members of the Association for the purpose of electing, by vote of the owners, directors to the board. Written notice of the organizational meeting must be given to an owner of each lot at least 10 days before the meeting. For the organizational meeting, owners of 10 percent of the lots constitute a quorum.

C.2.6. Common Areas. At or prior to termination of the Declarant Control Period, Declarant will convey title to the common areas to the Association by deed -- with or without warranty. At the time of conveyance, the common areas will be free of encumbrance except for the property taxes accruing for the year of conveyance. Declarant's conveyance of title is a ministerial task that does not require and is not subject to acceptance by the Association or the owners.

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

C.3.1. Phasing. The Property is subject to expansion by phasing. During the Development Period, Declarant may annex to the Property any or all of the real property described in Appendix D and subject it to the Declaration and the jurisdiction of the Association by recording an amendment of this Declaration, executed by Declarant, in the county's real property records. The amendment of annexation must include a legal description of the additional real property or a reference to the recorded plat that describes the additional real property.

C.3.2. Changes in Development Plan. Declarant may modify the initial development plan to respond to perceived or actual changes and opportunities in the marketplace. Subject to approval by the city, Declarant may (1) change the sizes, dimensions, and configurations of lots and streets; (2) change the minimum dwelling size; (3) change the building setback requirements; and (4) eliminate or modify any other feature of the Property.

C.3.3. Weighted Votes. During the Development Period, the vote appurtenant to each lot owned by Declarant is weighted 10 times that of the vote appurtenant to a lot owned by another owner. In other words, during the Development Period, Declarant may cast the equivalent of 10 votes for each lot owned by Declarant on any issue before the Association. On termination of the Development Period and thereafter, the vote appurtenant to Declarant's lots is weighted uniformly with all other votes.

C.3.4. ACC. During the Development Period, Declarant has the absolute right to appoint the Architectural Control Committee, consisting of any number of persons who serve at the pleasure of Declarant, and who may be removed and replaced by Declarant. Notwithstanding the foregoing, during the Development Period -- after termination of Declarant Control, or earlier if Declarant permits -- the board may appoint or serve as a "modifications committee" to respond exclusively to modifications of completed homes that are owned by persons other than Declarant or Builders. A modifications committee may not involve itself with the approval of new homes on vacant lots.

C.3.5. Amendment. During the Development Period, Declarant may amend this Declaration and the other Documents, without consent of other owners or any mortgagee, for the following limited purposes:

- a. To add real property to the Property.
- b. To create lots, easements, and common areas within the Property.
- c. To subdivide, combine, or reconfigure lots.
- d. To convert lots into common areas.
- e. To modify the construction specifications of Appendix B of this Declaration.
- f. To merge the Association with another property owners association.
- g. To comply with requirements of an underwriting lender.
- h. To resolve conflicts, clarify ambiguities, and to correct inadvertent misstatements, errors, or omissions in the Documents.
- i. To change the name or entity of Declarant.
- j. For any other purpose, provided the amendment has no material adverse effect on any right of any owner.

C.3.6. Amendment with FHA/VA Approval. During the Development Period, the following actions require the prior written approval of the U.S. Department of Housing and

Urban Development ("HUD/FHA") or the U. S. Department of Veterans Affairs ("VA") so long as HUD/FHA insures or VA guarantees a mortgage on a lot: (1) annexation of additional property to the Property, except for annexation by Declarant pursuant to a plan of development previously approved by HUD/FHA or VA; (2) merger or consolidation with another property owners association; (3) mortgaging of common area; (4) dedication of common area to a public entity; (5) amendment of this Declaration; or (6) dissolution or amendment of the articles of incorporation. The approval of HUD/FHA or VA, as the case may be, is implied when it fails to respond within 30 days after receiving written request for approval of a proposed action, provided the request was delivered by certified or registered mail, return receipt requested.

C.3.7. Completion. During the Development Period, Declarant has (1) the right to complete or make improvements indicated on the plat; (2) the right to sell or lease any lot owned by Declarant; and (3) an easement and right to erect, construct, and maintain on and in the common area and lots owned or leased by Declarant whatever Declarant determines to be necessary or advisable in connection with the construction, completion, management, maintenance, leasing, and marketing of the Property.

C.3.8. Promotion. During the Development Period -- for purposes of promoting, identifying, and marketing the Property -- Declarant reserves (1) an easement and right to place and relocate signs, banners, flags, display lighting, and seasonal landscaping on the Property; (2) the right to permit Builders to place signs and promotional materials on the Property; and (3) the right to exempt Builders from the sign restriction in this Declaration.

C.3.9. Access. During the Development Period, Declarant has an easement and right of ingress and egress in and through the Property for purposes of constructing, maintaining, managing, and marketing the Property, and for discharging Declarant's obligations under this Declaration.

C.3.10. Utility Easements. During the Development Period, Declarant may grant permits, licenses, and easements over, in, on, under, and through the Property for utilities, roads, and other purposes necessary for the proper development and operation of the Property. Declarant reserves the right to make changes in and additions to the easements on any lot, as shown on the plat, to more efficiently or economically install utilities or other improvements. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, television, and security.

C.3.11. Assessments. During the Development Period, lots owned by Declarant and Builders are not subject to assessment until the earlier of: (1) 120 days after the city issues a certificate of occupancy for a completed dwelling on the lot, or (2) the date title to a lot transfers to an owner other than Declarant or a Builder. After the Development Period, Declarant and Builders are liable for assessments on each lot owned in the same manner as any owner.

C.3.12. Transfer Fees. During the Development Period, lot conveyances from Declarant and Builders are exempt from transfer and resale certificate fees.

C.4. THOROUGHFARE EASEMENT. Although Declarant is interested in the condition and appearance of all lots in the Property, the front yards on both sides of the Property's primary

thoroughfare are of particular concern because of their heightened visibility to potential purchasers of the Property. Therefore, on recording this Declaration, Declarant burdens the Thoroughfare Lots defined below with the Thoroughfare Easement defined below. The purpose of this easement is to permit, but not require, Declarant to control the condition and attractiveness of yards that are visible from a Thoroughfare Street, which is a main roadway into the Property.

C.4.1. Definitions. As used in this Section, the following terms have specified meanings:

- a. "Thoroughfare Street" means Trace Ridge Parkway.
- b. "Thoroughfare Lots" means all lots along, abutting, or adjoining the Thoroughfare Street, including lots that do not front on the Thoroughfare Street.
- c. "Yard Area" means the limited portion of each Thoroughfare Lot that is subject to the Thoroughfare Easement, being that portion of the lot surface that is (1) exterior to the dwelling, (2) not within a fenced yard, and (3) visible from the Thoroughfare Street. In other words, front yards and unfenced side yards along the Thoroughfare Street.
- d. "Yard Improvements" means all items, materials, and plants in the Yard Area, including but not limited to fences, retaining walls, planter boxes, plant beds, mailboxes, yard lamps, decorative yard items, trees, shrubs, flowers, ground covers, lawns, other plant material, and yard irrigation systems. All Yard Improvements are owned by the Thoroughfare Lot owner.
- e. "Thoroughfare Easement" means an easement of maintenance, access, and entry over the Yard Areas of the Thoroughfare Lots to ensure the attractiveness of the Yard Areas from the Thoroughfare Street. Declarant hereby reserves a right and easement of access and entry to the Yard Area of each Thoroughfare Lot to exercise the discretionary rights created by this easement. Nothing in this Section may be construed to obligate Declarant to install any improvement on any lot in the Property.

C.4.2. Owner's Duties. The owner of each Thoroughfare Lot, at the owner's expense, must continually maintain the Yard Area and Yard Improvements in a neat, groomed, healthy, and attractive condition, and to a standard that is commensurate with the neighborhood as determined by the Declarant. The owner must regularly water lawns and plant material, mow and edge lawns, trim shrubs, and remove litter. As needed, the owner will treat plant diseases and infestations, and replace dead plant material. Also, the owner of a Thoroughfare Lot may not install or construct substantial Yard Improvements without the prior written consent of Declarant or the ACC.

C.4.3. Neighborhood Standards. For purposes of this Section, Declarant is the arbiter of the standards of maintenance and appearance for the Yard Areas. Declarant may have higher standards for the Yard Areas of Thoroughfare Lots than for the yard areas of other lots in the Property. However, the standard for Thoroughfare Lots will be uniform for all Thoroughfare Lots.

C.4.4. Duration of Easement. This easement terminates automatically at the end of the Development Period. Declarant may terminate this easement earlier by recording a notice of termination in the real property records of Collin County, Texas.

C.5. COMMENCEMENT OF ASSOCIATION. The Association comes into existence as a formal legal entity on the earlier of the following two events: (1) incorporation of the Association or (2) termination or expiration of the Declarant Control Period. Thereafter, it will continue to exist even though its status as a corporation may lapse from time to time. Until incorporation of the Association, Declarant will have and may exercise the rights and powers of the Association. From the date of its initial incorporation, the Association will automatically assume its rights and powers and Declarant will be relieved of any further liability. Declarant will effect incorporation of the Association prior to the end of the Declarant Control Period.

C.6. WORKING CAPITAL FUND. Declarant may (but is not required to) establish a working capital fund for the Association. Each lot's contribution to this fund will be \$150.00 and will be collected on the closing of the sale of the lot to an owner other than a Builder. Contributions to the fund are not advance payments of regular assessments and are not refundable. Declarant will transfer the balance of the working capital fund to the Association on or before termination of the Declarant Control Period. Declarant may not use the fund to defray Declarant's expenses or construction costs, or to cover the Association's budget deficits during the Declarant Control Period.

C.7. SUCCESSOR DECLARANT. Declarant may designate one or more Successor Declarants for specified designated purposes and/or for specified portions of the Property, or for all purposes and all of the Property. To be effective, the designation must be in writing, signed and acknowledged by Declarant and Successor Declarant, and recorded in the real property records of Tarrant County, Texas. Declarant (or Successor Declarant) may subject the designation of Successor Declarant to limitations and reservations. Unless the designation of Successor Declarant provides otherwise, a Successor Declarant has the rights of Declarant under this Section and may designate further Successor Declarants.

[End of Appendix]

APPENDIX D
DESCRIPTION OF ADDITIONAL LAND SUBJECT TO ANNEXATION

TRACE RIDGE

During the Development Period, Declarant may -- but is not required to -- annex any real property any portion of which is contiguous with, adjacent to, or within 1,000 feet of any real property that is subject to this Declaration.