

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS -

FOR THE KNOLLS AT BRECKINRIDGE

THE STATE OF TEXAS

COUNTY OF COLLIN

THIS DECLARATION is made on the 9th day of February, 1998 by DREES-STANDARD PACIFIC, NO. 1, L.C., a Texas limited liability company, qualified to do business in Texas, hereinafter referred to as the "Declarant."

WITNESSE-TH

WHEREAS, the Declarant is the owner of certain real property in the City of Richardson, Collin County, Texas, which is described in Exhibit "A" hereto and made a part hereof (the "Property or Addition"); and

WHEREAS, Declarant desires to create an exclusive planned development known as The Knolls at Breckinridge on the Property pursuant to the terms and provisions of this Declaration.

NOW, THEREFORE, the Declarant declares that the Property shall be held, sold and conveyed subject to the restrictions, covenants and conditions declared below, which shall be deemed to be covenants running with the land and imposed on and intended to benefit and burden each Lot and other portions, of the Property in order to maintain within the Property a planned development of high standards. Such covenants shall be binding on all parties having any right, title or interest therein or any part thereof, their respective heirs, personal representatives, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE I

DEFINITIONS

Section 1."Property or Addition" shall mean and refer to the real property described in Exhibit "Am, a portion of which is described as the Knolls at Breckinridge, Phase I on the plat, *and* such additions thereto as may be brought within the jurisdiction of the Association and be made subject to this Declaration.

Section 2."Association" shall mean and refer to the Knolls at Breckinridge Homeowners Association, Inc., a Texas non-profit corporation, established or to be established for the purpose set forth herein.

Section 3. "Lot" shall mean and refer to any plot of land indicated upon any recorded subdivision map of property or any part thereof creating single family homesites, with the exception of the Common Areas and areas deeded to a governmental authority or utility, together with all improvements thereon.

Section 4. "Unit" shall mean and refer to any residential dwelling situated upon any Lot.

Section 5. "Plat" shall mean that certain Plat depicting The Knolls at Breckinridge, an addition to the City of Richardson, Collin County, Texas, as approved by the City of Richardson, Texas, recorded in Volume K, Page 213, Map Records of Collin County, Texas, as the same may be amended from time to time, and such other plats as may be riled in connection with the annexation of additional property to the jurisdiction of the Association and made subject to this declaration from time to time.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple tide to any Lot, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation.

Section 7. "Declarant" shall mean and refer to DREES-STANDARD PACIFIC, NO, 1, L.C., a Texas limited liability company, its successors and assigns who are designated as such in writing by the Declarant, and who consent in writing to assume the duties and obligations of the Declarant with respect to the Lots acquired by such successor or assignee.

Section 8. "Common Areas/Open Space" shall mean and refer to as Common Areas or open space as described on the Plat and conveyed or to be conveyed to the Association for the common use and benefit of the Owners.

Section 9. "Common Maintenance Areas" shall mean and refer to the Common Areas and the entrance monuments, drainage facilities, detention ponds, rights-of-way and easements, walls, landscaping, and such other areas lying or within dedicated public and private easements or rights-of-way easement areas reserved in this Declaration or on the Plat for the preservation, protection and enhancement of the property values or the general health, safety or welfare of the Owners.

Section 10. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for The Knolls at Breckinridge, and any amendments, annexations and supplements thereto made in accordance with the terms hereof.

Section 11. "Trustee" shall mean Michael W. Brady of Dallas County, Texas, or any substitute trustee appointed from time to time at the sole discretion of the Association (or prior to the establishment of the Association, by the Declarant).

THE KNOLLS AT BRECKINRIDGE HOMEOWNERS ASSOCIATION, INC.

Section 1. Association. The Association shall be formed as a non-profit corporation in accordance with the laws of the State of Texas.

Section 2- Memberships. The Declarant and every other Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Every member shall have the right at all reasonable times during business hours to inspect the books of the Association.

Section 3. Funding; Subject to the terms of this Article, Declarant, for each Lot owned by Declarant, hereby covenants to pay, and each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association: (1) annual assessment or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. Such assessments will remain effective for the full term (and extended term, if applicable) of this Declaration. The annual and special assessments, together with interest, costs, and reasonable attorney's fees and court costs, shall be a charge on the land and shall be a continuing lien upon the Lot against which each -such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees and court costs shall also be the personal obligation of the person or entity who was the Owner of such Lot at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to the successors in title of such Owner unless expressly assumed by them.

Section 4. Assessments

(a) Units Owned by Class Members. From and after the date of formation of the Association, each Lot shall be hereby subjected to an annual assessment for the purpose of creating a fund to be designated and known as the "maintenance fund," which maintenance charge and assessment will be paid by the Owner or Owners of each Lot in advance in monthly, quarterly or annual installments as required by the Association, commencing as to all Lots on which a completed Unit is then located on the conveyance of the first Lot to a Class A Member and as to all other Lots as of the completion of the Unit thereon. The annual assessment for each Lot for the year in which the Association is formed shall be established by the Association. Thereafter, the rate at which each Lot will be assessed, and whether such assessment shall be payable monthly, quarterly or annually. will be determined by the Board of Directors of the Association at least thirty (30) days in advance of each affected assessment period. Said rate may be adjusted from time to time by the Board of Directors as the needs of the Association may, in the judgment of the Directors, require. The assessment for each Lot shall be uniform except as provided in Subsection (h) of this Section 3. The Association shall, upon written demand and for a reasonable

charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment has been paid for the assessment period.

(b) Units or Lots by Declarant. Notwithstanding the foregoing, the Declarant shall be exempt from the annual maintenance assessment charge to Owners so long as there is a Class B membership as set forth in Section 6. Declarant hereby agrees that for such period of time as there is a Class D membership in effect and Declarant's Lots are exempt from assessment as provided above, that in the event that the annual maintenance fund revenues are insufficient to pay the operating expenses of the Association. Declarant shall provide the funds necessary to make up the deficit, within thirty (30) days of receipt of request of repayment thereof from the Association, provided that if deficit is the result of the failure or refusal of an Owner or Owners to pay their annual maintenance assessments, the Association shall immediately and diligently pursue all available remedies against such defaulting Owners, including the immediate institution of litigation to recover the unpaid assessments, and shall reimburse the Declarant the amounts, if any, so collected.

(c) Purpose of Maintenance Fund. The Association shall establish a maintenance fund composed of Owners' annual maintenance assessments and shall use the proceeds of such fund in providing for normal, recurring maintenance charges for the Common Maintenance Areas for the common use and benefit of all members of the Association. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: normal, recurring maintenance of the Common Maintenance Areas (including, but not limited to, mowing, edging, watering, clipping, sweeping, pruning, raking, and otherwise caring for existing landscaping) and the improvements to such Common Maintenance Areas, such as walls, landscaping and sprinkler systems, swimming pools, clubhouses, playgrounds, if any, provided the Association shall have no obligation (except as expressly provided herein) to make capital improvements to the Common Maintenance Areas; payment of all legal and other expenses incurred in connection with the enforcement of all recorded vents, restrictions and conditions affecting the property to which the maintenance fund applies; payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment; employment of policemen and watchmen, if any, caring for vacant Lots; and doing any other thing or things necessary or desirable in the opinion of the Board of Directors of the Association to keep the Property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board of Directors in the expenditure of said funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith. The Association shall, in addition, establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements of the Common Maintenance Area. The fund shall be established and maintained out of regular annual assessments.

(d) Special Assessment for Working Capital Fund, Nonrecurring Maintenance and Capital Improvements. In addition to the annual assessments authorized above, the Association may levy special assessments as follows:

(i) Upon sale of the first Lot by Declarant to a Class A Member, a special assessment equal to ten (10) months' estimated regular assessment may be assessed which shall be due and payable upon conveyance of the Lot to a Class A Member. Such special assessment shall be available for all necessary nonrecurring expenditures of the Association.

(ii) In any assessment year of twelve (12) consecutive months commencing after the first assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Maintenance Area, including fixtures and personal property related thereto may be assessed. The Association shall not commingle the proceeds of such special assessment with the maintenance fund. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or improvements in question.

Section 5. Non-Payment of Assessments: Remedies of the Association. Any assessment not paid within ten (10) days after the due date shall bear interest from the due date at the highest non-usurious rate of interest allowed by Texas law or 18 percent per annum, whichever is less. The Association shall have the authority to impose charges to compensate for the administrative and processing costs of late payments on such terms as it may establish by duly adopted resolutions of its Board of Directors and the Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the -lien retained herein against the Lot(s). The Association may make an estimate of such charges for the foregoing purposes. No Owner may waive or otherwise avoid liability for the assessments provided for herein by non-use of the Common Maintenance Area or abandonment of his Lot(s).

Section 6. Subordinated Lien to Secure Payment. To secure the payment of the maintenance charge and assessment established hereby and to be levied on individual Lots as above provided, there is hereby reserved a vendor's lien and a deed of trust lien with power of sale for the benefit of the Association, said liens to be enforceable, at the option of the Association, through (a) nonjudicial foreclosure as provided below or (b) appropriate proceedings at law or in equity by the Association; provided, however, that each such lien shall be specifically made secondary, subordinate and inferior to all liens, present and future. given, granted, and created by or at the insistence and request of the Owner of any such Lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such Lot; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Lot upon which there is an outstanding recorded, valid and subsisting first mortgage lien, said beneficiary shall give the holder of such first mortgage lien sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of the lienholder (provided such address is given in writing to the beneficiary) by prepaid U.S. registered mail, to contain the statement of the delinquent maintenance charges upon which the proposed action *is based.* Upon the request of any such first mortgage lienholder, the Association shall acknowledge in writing its obligation to give the notice to such mortgagee with respect to

the particular Lot covered by such first mortgage lien to holder thereof. Sale or transfer of a Lot shall not affect the liens reserved in this Declaration to secure payment of the maintenance charges and assessments. However, the sale or transfer of any Lot pursuant to mortgage foreclosure by a first lien mortgagee shall extinguish the liens securing such assessment under this Declaration as to payments which became due prior to such sale or transfer. No sale, foreclosure or transfer shall relieve any subsequent Owner of such Lot from liability for any maintenance charges or assessments thereafter becoming due or from the lien securing the same. In addition to any other right or remedy, the Association shall have the right to file notices regarding delinquent maintenance charges or assessments due to the Association in the Official Records of Collin County, Texas, which may make reference to the liens herein reserved to secure the same. If the Association elects to enforce the deed of trust lien and power of sale described above, the Association may, by and through the Trustee, or otherwise, sell or offer for sale the subject Lot, with or without having first taken possession of same, to the highest bidder for cash at public auction. Such sale shall be made at the courthouse door of the county in which the subject Lot (or any of that portion thereof to be sold) is situated (whether the parts or parcels thereof, if any, situated in different counties are contiguous or not, and without the necessity of having any personal property hereby mortgaged present at such sale) on the first Tuesday of any month between the hours of 10:00 a.m. and 4:00 p.m. after advertising the time, place and terms of sale and the subject Lot to be sold by posting or causing to be posted written or printed notice thereof at least twenty-one (21) days preceding the date of said sale at the courthouse door of the county in which the sale is to be made and at the courthouse door of any other county in which a portion of the subject Lot may be situated, and by filing such notice with the County Clerk(s) of the county(s) in which all or a portion of the subject Lot may be situated, which notice may be posted and filed by the Trustee acting, or by any person acting for him, and the Association has, at least twenty-one (21) days preceding the date of sale, served written or printed notice of the proposed sale by certified mail on each debtor obligated to pay maintenance charge and assessment secured by the deed of trust lien described in this Declaration according to the records of the Association by the deposit of such notice, enclosed in a postpaid wrapper, properly addressed to such debtor at debtor's most recent address as shown by the records of the Association, in a post office or official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. The Association shall have the right to appoint such substitute or successor trustees to conduct the nonjudicial foreclosure(s) contemplated by this section.

Section 7. Voting Rights. The Association shall have two classes of voting membership:

(a) Class A. Class A members shall be all Owners with the exception of Declarant and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members, but the vote for such Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Lot.

(b) Class B. The Class B member shall be the Declarant who shall be entitled to four (4) votes for each unoccupied Lot owned by it. The Class B membership shall cease and be converted to Class A membership one hundred twenty (120) days after the conveyance of the Lot which causes the total votes outstanding in the Class A membership to equal the total votes outstanding in the Class B membership, or ten (10) years after conveyance of the first Lot by Declarant, whichever occurs earlier. Class B membership shall be reinstated at any time before the expiration of twenty (20) years from the date of conveyance of the first Lot if additional Lots owned by a Class B member are annexed to this Declaration in sufficient numbers to restore a ratio of at least one Class B Lot for each three Class A Lots in Property.

(c) Suspension. All voting rights of an Owner shall be suspended during any period in which such Owner is delinquent in the payment of any assessment duly established pursuant to this Article or is otherwise in default hereunder or under the Bylaws or rules and regulations of the Association and such suspension shall apply to the proxy authority of die Voting Representative, if any.

Section 8. Common Areas and Other Areas to be Maintained by Association. For the purposes of these Declarations, Common Areas and other areas and improvements that are to be maintained by the Association include, but are not limited to:

(a) The masonry walls and/or metal fencing including foundations along the east side of North Star Road and along the rear property line of Lots 1-4, Block A of the Property;

(b) The landscaping and irrigation located between North Star Road and the wall/fence.

(c) The entry area landscaping, irrigation, walls, and signage, if any, located east of North Star Road at its intersection of Breckinridge Blvd.;

(d) The landscaping, irrigation, walls, if any, located between Crystal Mountain Drive and Lot 14, Block A and Lot 10, Block C;

(e) The landscaping, sprinklers and all improvements, if any, on Common Areas located between Crystal Mountain Drive and lots I & 2, Block C.

(f) That portion of any street right-of-way, including pavement, subgrade, and curbs to the streets or sidewalks of The Knolls at Breckinridge addition that are designated as Common Areas on the recorded plat of the Addition even though dedicated to the public.

(g) Any Common areas or open space designated on the recorded plat of the addition. The declarant and the association shall construct, improve and maintain Common Areas and Open Space in accordance with the Parkway and Common Area plan Approved by the City of Richardson, plan commission and other applicable city ordinances and regulations.

Section 9. Notice and Quorum. Written notice of any meeting called for the purpose of taking any action authorized herein shall be sent to all members, or delivered to their residences, not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At any such meeting called, the presence of members or of proxies or Voting Representatives entitled to cast two-thirds (2/3) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at such subsequent meeting shall be two-thirds (2/3) of the quorum requirement for such prior meeting. The Association may call as many subsequent meetings as may be required to achieve a quorum (the quorum requirement being reduced for each such meeting in the same manner provided above). No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

ARTICLE II

GENERAL POWERS AND DUTIES OF BOARD OF DIRECTORS OF THE ASSOCIATION

Section 1. Purpose of Maintenance Fund. The Board, for the benefit of the Owners, shall provide and shall pay out of the maintenance fund provided for in Article 11 above the following:

- (a) Taxes and assessments and other-liens and encumbrances which shall properly be assessed or charged against the Common Areas rather than against the individual Owners, if any.
- (b) Care and preservation of the Common Maintenance Areas as determined necessary by the Board of Directors.
- (c) The services of a professional person or management firm to manage the Association or any separate portion thereof to the extent deemed advisable by the Board (provided = any contract for management of the Association shall be terminable by the Association, with no penalty upon ninety (90) days prior written notice to the managing party) and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager.
- (d) Legal and accounting -services.
- (e) A policy or policies of insurance insuring the Association against any liability to the public or to the Owners (and/or invitees or tenants) incident to the operation of the Association in any amount or amounts as determined by the Board of Directors, including a policy or policies of insurance as provided in Article IV.
- (f) Workers compensation insurance to the extent necessary to comply with any applicable laws.

(g) Such fidelity bonds as may be required by the Bylaws or as the Board may determine to be advisable.

(h) Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments (including taxes or assessments assessed against an individual Owner) which the Board is required to obtain or pay for pursuant to the terms of this Declaration or by law or which in its opinion shall be necessary or proper for the enforcement of this Declaration.

Section 2. Powers and Duties of Board. The Board, for the benefit of the Owners, shall have the following general powers and duties, in addition to the specific powers and duties provided for herein and in the Bylaws of the Association:

(a) To execute all declarations of ownership for tax assessment purposes with regard to the Common Areas, if any, on behalf of all Owners.

(b) To borrow funds to pay costs of operation secured by assignment or pledge of rights against delinquent Owners if the Board sees fit.

(c) To enter into contracts, maintain one or more bank accounts, and generally to have all the power necessary or incidental to the operation and management of the Association.

(d) To protect or defend the Common Areas from loss or damage by suit or otherwise and to provide adequate reserves for replacements.

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

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

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

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

(i) To collect all assessments and enforce all penalties for non-payment including the filing of liens and institution of legal proceedings,

Section 3. Board Powers Exclusive. The Board shall have the exclusive right to contract for all goods, services and insurance, payment of which is to be made from the maintenance fund and the exclusive right and obligation to perform the functions of the Board except as otherwise provided herein.

Section 4. Maintenance Contracts. The Board, on behalf of the Association, shall have full power and authority to contract with any Owner of other person or entity for the performance by the Association of services which the Board is not otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association.

ARTICLE III

TITLE TO COMMON AREAS

Section 1. Association to Hold. The Association shall assume all maintenance obligations with respect to any Common Areas which may be hereafter established. Nothing contained herein shall create an obligation on the part of Declarant to establish any Common Area.

Section 2. Liability Insurance. From and after the date on which title to any Common Area vests in the Association, the Association shall purchase and carry a general comprehensive public liability insurance policy for the benefit of the Association and its members, covering occurrences on the Common Areas. The policy limits shall be as determined by the Board of Directors of the Association. The Association shall use its best efforts to see that such policy shall contain, if available, cross-liability endorsements or other appropriate provisions for the benefit of the members, Directors, and the management company and other insured, as their interests may be determined.

Section 3. Condemnation. In the event of condemnation or a sale in lieu thereof of all or any portion of the Common Areas, the funds payable with respect thereto shall be payable to the Association and shall be used by the Association to purchase additional Common Areas to replace that which has been condemned or to take whatever steps are it deems reasonably necessary to repair or correct any damage suffered as a result of the condemnation. In the event that the Board of Directors of the Association determines that the funds cannot be used in such a manner due to lack of available land *for* additional Common Areas *or for* whatever reason, any remaining funds may be utilized by the Association for the general maintenance fund.

ARTICLE IV

EASEMENTS

Section 1. Utility Easements. As long as Class B membership shall be in effect, the Declarant hereby reserves the right to grant perpetual, nonexclusive easements for the benefit of the Declarant or its designees, upon, across, over, through and under any portion of the Common Area or any portion of any Lot outside of the permitted building area of such Lot, for ingress, egress, installation, replacement, repair, maintenance, use and operation of all utility and service lines and service systems, public and private, including, without limitation, cable television. Declarant, for itself and its designees, reserves the right to retain title to any such easements. Upon cessation of Class B membership, the Association shall have the right to grant the easements described herein.

Section 2.. Declarant's Easement to Maintain and Correct Drainage. As long as Class B membership shall be in effect, Declarant hereby reserves a blanket easement on, over and under the ground within the Property to maintain and correct drainage of surface waters and other erosion controls in order to maintain reasonable standards of health, safety and appearance and shall be entitled to remove trees or vegetation, without liability for replacement or damages, as may be necessary to provide adequate drainage for any portion of the Property. Notwithstanding the foregoing, nothing herein shall be interpreted to impose any duty upon Declarant to correct or maintain any drainage facilities within the Property.

Section 3. Easement for Unintentional Encroachment. The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon the Common Area caused by or resulting from, construction, repair, shifting, settlement or movement of any portion of the Property, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

Section 4. Entry Easement. In the event that an Owner fails to maintain his Lot(s) as required herein, or in the event of emergency repairs and to do the work reasonably necessary for *the proper* maintenance and operation of the Property, entry by the Association upon the Lot as provided herein shall not be deemed a trespass, and the Association shall not be liable for any damage so created unless such damage is caused by the Association's willful misconduct or gross negligence.

Section 5. Drainage Easements. Easements for the installation and maintenance of utilities, storm waters retention/detention ponds, and/or a conservation area are reserved as may be shown on the Plat. Within these easement areas, no structure, plant or material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may hinder or change the direction or flow of drainage channels or slopes in the easements. The easement area of each Lot and all improvements contained therein shall be

maintained continuously by the Owner of the Lot, except for those improvements for which a public authority, utility company or the Association is responsible.

Section 6. Temporary Completion Easement. All Lots shall be subject to an easement for ingress and egress for the benefit of the Declarant, its employees, subcontractors, successors and assigns, over and upon the front, side and rear yards of the Property as may be expedient or necessary for the construction, servicing and completion of dwellings and landscaping upon Lots adjacent to the Property, provided that such easement shall terminate twelve (12) months after the date such Lot is conveyed to the Owner by the Declarant.

Section 7. Wall, Fence, and Landscape Easements. Easements as shown or depicted on the Plat are hereby reserved to the Association for the benefit of the Owners for the purpose of maintaining, removing, and replacing walls, fences, and landscaping as determined by the Board of Directors.

ARTICLE V

USE AND OCCUPANCY

Section 1. Use/Occupancy. All Lots and dwellings shall be used and occupied for single-family residence purposes and related amenities (including, without limitation, the Common Areas) only. No Lot or dwelling may be used for commercial, institutional or other nonresidential purpose if such use involves the attendance or entry of non-residents upon the Lot or otherwise diminishes the residential character of the Lot or neighborhood. This prohibition shall not apply to "garage sales" conducted with prior written consent of the Association, provided that no Owner shall conduct more than two (2) garage sales of no more than two (2) days duration each during any twelve (12) month period. The restrictions or use herein contained shall be cumulative of, and in addition to, such restrictions on usage as may from time to time be applicable under and pursuant to the statutes, rules, regulations, and ordinances of the City of Richardson, Texas, or any other governmental authority having jurisdiction over any lot.

ARTICLE VI

PROPERTY RIGHTS

Section 1, Owners' Easement of Enjoyment. Every Owner shall have a right and easement in and to the Common Areas and a right and easement of ingress and egress to, from and through said Common Areas, and such easement shall be appurtenant to and shall pass with the title to *every* Lot, subject to the following provisions:

(a) The right of the Association to establish and publish rules and regulations governing the use of the Common Areas affecting the welfare of Association members;

(b) The right of the Association to suspend the right of use of the Common Areas and the voting rights of an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) The right of the Association, subject to the provisions hereof, to dedicate or transfer all or any part of the Common Areas, if any, to any public agency, authority or utility for such purposes and subject to the conditions as may be agreed upon by the Association. No such dedication or transfer shall be effective unless an instrument signed by Owners entitled to cast two-thirds (2/3rds) of the votes of each class of membership has been recorded agreeing to such dedication or transfer; and

(d) All easements herein described are easements appurtenant to and running with the land; they shall at all times inure to the benefit of and be binding upon the Owners, and all of their grantees, and their respective heirs, successors, personal representatives and assigns, perpetually and in full force.

Section 2. Effect of Declaration. Reference in any deed, mortgage, trust deed or any other recorded documents to the easements, restrictions and covenants herein described or to this Declaration shall be sufficient to create and reserve such easements and covenants to the respective grantees, mortgagees, or trustees of said parcels as fully and completely as if those easements, restrictions and covenants were fully related and set forth in their entirety in said documents.

Section 3. Rezoning, Prohibited. No Lot shall be rezoned to any classification allowing commercial, institutional or other non-residential use without the express consent of the Association and Declarant (as long as Declarant owns any Lot subject to this Declaration), which may be withheld in Declarant's sole discretion. Declarant or the Association may enforce this covenant by obtaining injunctive relief against any unapproved rezoning at the expense of the enjoined party.

ARTICLE VII

USE RESTRICTIONS

Section 1 Minimum Requirements. No Unit constructed in the Knolls at Breckinridge shall contain less than 1800 square feet of fully enclosed floor area devoted to living purposes measured from exterior wall to exterior wall for any residence. The fully enclosed floor area devoted to living purposes shall be exclusive of porches, terraces, garages, and other areas not heated or air conditioned. In addition to the foregoing, all Units shall have a garage of sufficient size for at least two automobiles.

Section 2 Type of Exterior Construction. At least seventy-five percent (75%) of the exterior walls of the first floor of Unit on a Lot shall be of masonry construction exclusive of

doors and windows. Each story above the first story of a residence shall have the masonry coverage consistent with the ordinances of the City of Richardson, Texas. Retaining walls that are adjacent to a street shall be constructed of stone or other masonry product approved by the declarant.

Section 3. Nuisances. No noxious or offensive activity shall be carried on upon any Lot, nor shall anything be done which may be or may become an annoyance or nuisance to the neighborhood.

Section 4. Development Activity. Notwithstanding any other provision herein, Declarant and its successors and assigns shall be entitled to conduct on the Property all activities normally associated with and convenient to the development of the Property and the construction and sale of dwelling units on the Property.

Section 5. Temporary Structures. No structures of a temporary character, including, without limiting the generality thereof, any trailer, tent, shack, garage, barn, motor home or mobile home or other outbuilding, shall be used on any Lot at any time as a residence, either temporarily or permanently.

Section 6. Signs and Picketing. No sign or emblem of any kind may be kept or placed upon any Lot or mounted, painted or attached to any Unit, fence or other improvement upon such Lot so as to be visible from public view except the following:

(a) For Sale Signs. An Owner may erect on (1) sign not exceeding 2' x 3' in area, fastened only to a stake in the ground and extending not more than three (3) feet above the surface of the ground advertising its Lot(s) for sale.

(b) Declarant's Signs. Signs or billboards may be erected by the Declarant.

(c) Political Signs. Political signs may be erected upon a Lot by the Owner of such Lot advocating the election of one (1) or more political candidates or the sponsorship of a political party, issue or proposal, provided that such signs (i) shall not be erected more than ninety (90) days in advance of the election to which they pertain, and (ii) are removed within fifteen (15) days after the election. Such signs must also meet the measurement requirement set forth in Subsection (a) above.

In addition to the foregoing, to protect the safety and harmony of the community, no person shall engage in picketing on any Lot, casement, right-of-way or Common Area within or adjacent to the Property, nor shall any vehicle parked, stored or driven in or adjacent to the Property bear or display any signs, slogans, symbols, words or decorations intended to create controversy, invite ridicule or disparagement, or interfere in any way with the exercise of the property rights, occupancy or permitted business activities of any Owner or Declarant.

Section 7- Campers, Trucks, Boats, and Recreational Vehicles. No campers, vans, pickup trucks, boats, boat trailers, recreational vehicles and other types of non-passenger vehicles, equipment, implements or accessories may be kept on any Lot unless the same are fully enclosed within the garage located on such Lot and/or said vehicles and accessories are screened from view by a screening structure or fencing and said vehicles and accessories are in an operable condition.

Section 8. Livestock and Poultry. No animals, livestock or poultry of any kind shall be raised bred or kept on any Lot, except that dogs, cats, or other household pets may be kept, provided that they are not kept, bred, or maintained for any commercial purpose.

Section 9_ Garbage and Refuse Disposal. No Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept on the Lots except in receptacles meeting the specifications of the City of Richardson, Texas, and the Board of Directors, and replacement, maintenance, and appearance of all such receptacles be subject to reasonable rules and regulations of the Board of Directors. All rubbish, trash, and garbage shall be regularly removed from each Lot and shall not be allowed to accumulate thereon.

Section 10- Sight Distance at Intersection. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain on any corner Lot within the triangular area formed by the street boundary lines and a line connecting them at points twenty-five (25) feet from the intersection of the street boundary lines, or in the case of a rounded property corner, from the intersection of the street boundary lines extended. The same sight line limitations shall apply on any Lot within ten (10) feet from the intersection of a street boundary line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distance of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines. *

Section 11. Parking. No vehicles, trailers, implements or apparatus may be driven or parked in the Common Maintenance Area or on any easement.

Section 12 Commercial or Institutional Use. No Lot, and no building erected or maintained on any Lot shall be used for manufacturing, industrial, business, commercial, institutional or other non-residential purposes.

Section 13, Building Standards. No building shall be erected or maintained on any Lot unless it complies with all applicable standards, including any governmental ordinances.

Section 14. Detached Buildings. No detached accessory buildings, including, but not limited to, detached garages and storage buildings, shall be erected, placed or constructed upon any Lot without prior consent of the Association. Accessory buildings shall be constructed out of the same material as the main structure,

Section 15, Fences. No fence, wall or hedge shall be erected or maintained on any Lot nearer to the street than the building setback lines for the front yard. Any fence or wall must be

constructed of brick, stone, decorative metal, or high quality wood. No fence shall exceed eight feet (8) in height. Fences shall not be allowed to be constructed within three feet (3') of any common area fencing except to attach at a ninety degree (90*) angle, and shall not exceed the height of said common area fencing.

Section 16. Antennas and Satellite Dishes. No antennas shall be permitted in the Addition except antennas for AM or FM radio reception and UHF and VHF television reception. All antennas shall be located inside the attic of the main residential structure except that, with the written permission of the Committee. Satellite dishes may be located in the Lot so long as it is screened from the public view as approved by the Committee, and does not exceed 24" in diameter. No use shall be made of any lot or structure thereof for any type of radio or television or similar broadcasting system.

Section 17. Chimneys. All fireplaces, flues, smoke stacks, and spark arrestors shall be completely enclosed and concealed from public view in finished chimneys of materials architecturally compatible with the principal finish material of the exterior walls of the dwelling.

Section 18. Clothes Hanging Devices. Exterior clothes hanging devices shall not be permitted.

Section 19. Window Treatment. No aluminum foil, reflective film or similar treatment shall be placed on windows or glass doors.

Section 20. Utility and Service Lines. No gas, electric power, telephone, water, sewer, cable television, or other utility or service lines of any nature or kind shall be placed, allowed, or maintained upon or above the ground on any Lot, except along the perimeter boundary of the Property except to the extent, if any, underground placement thereof may be prohibited by law or would prevent the subject line from being functional. The foregoing shall not prohibit service pedestals and aboveground switch cabinets and transformers where required.

Section 21. Incinerators or Like Equipment. No open fires or burning shall be permitted on any Lot any time, and no incinerators, or like equipment shall be placed, allowed, or maintained upon any Lot. The foregoing shall not be deemed to include the use, in customary fashion, of outdoor residential barbecues or grills, however, such barbecue shall not include underground or pit barbecues on an ongoing basis.

Section 22. Ongoing Repairs of any Detached Machinery. No on-going repairs of any detached machinery, equipment, or fixtures, including without limitation motor vehicles, shall be made upon any portion of any Lot within view of neighboring property, pathways, and streets.

Section 23. Unsightly Appearance of Lot. No Lot shall be maintained or utilized in such a manner as (in the discretionary judgment of the Board of Directors) to present an unsightly appearance, or as to unreasonably offend the morale of or as to constitute a nuisance or unreasonable annoyance to, or as to endanger the health of, other owners or residents of the Property, and no noxious or otherwise offensive condition or activity shall be allowed to exist or be conducted thereon.

ARTICLE VIII

CONSTRUCTION OF IMPROVEMENTS

Section 1. General Standards. All construction on the Property shall be in accordance with the standards developed by the Declarant and shall comply at all times with the Declaration and all other applicable deed restrictions, encumbrances of record, Association Rules, zoning ordinances and requirements, planned use and development restrictions, building codes, FHA and VA requirements and regulations and all other applicable ordinances and regulations.

Furthermore, no building material of any kind or character shall be placed or stored upon a Lot until the Owner thereof is ready to commence construction of improvements thereon, and then such materials shall be placed only within the property lines of the Lot upon which the improvements are to be erected.

Section 2, Destruction. Any improvements on any Lot which are fully or partially destroyed or damaged by fire, storm, or any other peril shall be fully rebuilt, repaired and/or the debris therefrom fully removed within a reasonable period of time not to exceed one hundred eighty (180) days after the occurrence of such destruction or damage, unless a written extension is obtained by the Owner of such Lot from the Association.

Section 3. Standards. The Developer shall use its best efforts to promote and ensure a high level of taste, design, quality, harmony and conformity throughout the Property consistent with the standard set forth in this Declaration, provided that such party shall have sole discretion with respect to taste, design and all standards specified herein. One objective of such party is to conform generally with community standards and prevent unusual, radical, curious, odd, bizarre, peculiar or irregular structures from being built or maintained in the Property. Such party shall also have the authority, among other things, to require at a minimum a six (6) to twelve (12) foot roof pitch or slope, to require that the exterior surfaces of the chimney chases be covered with brick, masonry or wood, to prohibit the use of lightweight composition roof material, to require that the colors of roofing materials be earth tones, to require the use of certain types of divided light windows (such as bronzed, white or black), to prohibit or regulate the use of solar or heating panels, to regulate the construction and maintenance of awnings and generally to require that any plans meet the standards of the existing improvements on neighboring Lots. Such party may from time to time publish and promulgate bulletins regarding architectural standards, which shall be fair, reasonable and uniformly applied and shall carry forward the spirit and intention of this Declaration.

Section 4 Lot Maintenance. Prior to completion of the development of the entire Property and construction of a residence on each Lot, all vacant Lots and undeveloped portions of the Property shall be kept mowed and free of trash and construction debris by the Owner thereof. Within six months after completion of a residence, the Owner of said Lot shall cultivate an attractive ground cover or grass on all yards visible from the street, plant shrubbery around residence, two trees on property and shall maintain the yards in a sanitary and attractive manner and shall edge the street curbs that run along the property line. Grass, weeds and vegetation on each Lot must be kept mowed at regular intervals so as to maintain the property in a neat and attractive manner. No vegetables shall be grown in any yard that faces a street unless completely screened from public view. No Owner shall permit weeds or grass to grow to a height of greater than six (6) inches upon its Lot. Upon failure of the Owner of any Lot to maintain such Lot (whether or not developed), Declarant may, at its option, have the grass, weeds and vegetation cut as often as necessary in its judgment, and the Owner of such Lot shall be obligated, when presented with an itemized statement, to reimburse Declarant for the cost of such work. In the event Declarant shall fail to exercise its right granted under the preceding sentence within ten (10) days following written notice from the Association to Declarant of the Association's intent to exercise such right, the Association shall have the right, in lieu of Declarant, to have the grass, weeds and vegetation cut as provided above, and upon exercise of such right, the Owner of such undeveloped property or the Owner of the Lot in question shall be obligated, when presented with an itemized statement, to reimburse the Association for the cost of such work. These provisions shall be construed to create a lien in favor of the performing party against such property for the cost of such work or the reimbursement sought for such work performed on such property.

Section 5. Maintenance of Improvements. Each Owner shall maintain the exterior of all buildings, fences, walls and other improvements on his Lot in good condition and repair, shall replace worn and rotten parts, shall regularly repaint all painted surfaces and shall not permit the roofs, rain gutters, down spouts, exterior walls, windows, doors, walks, driveways, parking areas or other exterior portions of the improvements to deteriorate.

ARTICLE IX

ANNEXATION

Section 1. Annexation by Declarant. At any time during the initial term of this Declaration, the Declarant may, at its sole option, annex additional property to this Declaration be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, condition, easements and restrictions as may be imposed thereon by Declarant.

Section 2. Declaration of Annexation. Annexation shall be evidenced by a written Declaration of Annexation executed by Declarant setting forth a legal description of the property being annexed and the restrictive covenants to be applied to such annexed property.

Section 3. Annexation by Action of Members. At any time the Board of Directors may request approval of the membership for the annexation of additional property into the Association to be subject to all of the terms of this Declaration to the same extent as if originally included herein. No such annexation shall be effective unless approved in writing by members entitled to cast two-thirds (2/3rds) of the total votes in both classes of membership, and by FHA and VA as set forth in Subsection (b) above. Any property that is contiguous to existing property to this Declaration may be annexed hereto according to the foregoing requirements; provided, however, that no such annexation shall be effective without the consent and joinder of the Owners of the property to be annexed. Such annexation must be evidenced by a Declaration of Annexation as set forth in Subsection 1(a) above, executed by the parties herein described.

Section 4. No Duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any of the member to annex any property to this Declaration and no Owner of property excluded from the Declaration shall have any right to have such property annexed thereto.

Section 5. Effect of Annexation on Class B Membership. In determining the number of Lots owned by Declarant for the purpose of Class B Membership status according to Article II, Section 6, the total number of Lots covered by the Declaration including all Lots annexed thereto shall be considered. If Class B Membership has previously expired but annexation of additional property restores the ratio of Lots owned by Declarant to the number required for Class B Membership, such Class B Membership shall be reinstated.

ARTICLE X

GENERAL

Section 1. Remedies. In the event of any default by any Owner under the provisions of the Declaration, Bylaws, or rules and regulations of the Association, the Association and any Owner shall have each and all of the rights and remedies which may be provided for in this Declaration, the Bylaws and said rules and regulations, and those which may be available at law or in equity, and may prosecute any action or other proceedings against such defaulting Owner and/or others for enforcement of any lien, statutory or otherwise, including foreclosure of such lien and the appointment of a receiver for the Lot and Ownership interest of such Owner, or for damages or injunction, or specific performance, or lot judgment for the payment of the money and collection thereof, or for any combination of the remedies, or for any other relief. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. All expenses of the Association in connection with any such action or proceedings, including court costs and attorney's fees and other fees and expenses, and all damages, permitted by law from the due date until paid, shall be charged to and assessed against such defaulting Owner, and shall be added to and deemed part of respective maintenance assessment (to the same extent as the lien provided herein for unpaid assessments), upon the Lot and upon all of such Owner's additions and improvements thereto, and upon all of such Owner's personal property upon the Lot. Any an all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or any Owner.

Section 2. Term and Amendments. The covenants, restrictions and term of this Declaration shall run with and bind the land for a term of twenty-five (25) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless seventy-five percent (75%) of the votes outstanding shall have voted to terminate the covenants, restrictions and terms of this Declaration and prior approval has been obtained by majority vote of the then members of the City Council of the City of Richardson, Texas upon the expiration of the initial twenty-five (25) year period or any extension thereof, which termination shall be by written instrument signed by seventy-five percent (75%) of the Owners and countersigned by a duly authorized representative of the City of Richardson and properly recorded in the Collin County, Texas land records. This Declaration may be amended by an instrument signed by Owners constituting not less than seventy-five percent (75%) of the votes of the Association, provided that as long as there is a Class B Membership, such amendment has been approved by the Declarant and by the prior written consent of the City of Richardson. Any amendment must be recorded.

Section 3. Severability. Invalidation of any one of these covenants, restrictions or terms by judgment or court order shall in no way affect any other provisions which shall remain, in full force and effect.

Section 4. Rights and Obligations. The provisions of this Declaration and the Articles of Incorporation and Bylaws of the Association and the rights and obligations established thereby shall be deemed to be covenants running with the land and shall inure to the benefit of, and be binding upon, each and all of the Owners and their respective heirs, representatives, successors, assigns, purchasers, grantees and mortgagees. By the recording or the acceptance of a deed conveying a Lot of any Ownership interest in the Lot whatsoever, the person to whom such Lot or interest is conveyed shall be deemed to accept and agree to be bound by and subject to all of the provisions of this Declaration and the Articles of Incorporation and Bylaws of the Association, whether or not mention thereof is made in said deed.

Section 5. Miscellaneous Provisions. Any provisions of this Declaration or of the Articles of Incorporation and Bylaws of the Association to the contrary notwithstanding, the following provisions shall control:

(a) The following actions will require notice to all institutional holders of first mortgage liens Lots: (1) abandonment or termination of the Association; or (2) material amendment to the Declaration.

(b) Upon *the* written request of any first mortgagee holding a lien on a Lot, the Association shall furnish to such mortgagee a written notice of any default by the Owner of such dwelling in the performance of such Owner's obligations under this Declaration or the Bylaws of the Association or Association rules and regulations which is not cured within thirty (30) days. Any first mortgagee of a Lot which comes into possession of such dwelling pursuant to the remedies provided in the mortgage, a foreclosure of the mortgage, or deed in lieu of foreclosure, shall take such property free of any claims for unpaid assessments or charges in favor of the failure of the Association against the mortgaged dwelling or Owner which shall accrued prior to the time such holder comes into possession of the dwelling.

(c) Unless at least seventy-five percent (75%) of the first mortgagees (based upon one vote for each mortgage) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

- (i) by act or omission seek to abandon, partition, encumber, or transfer the Common Areas, if any, or any portion thereof or interest therein; (The granting of easements for public utilities or other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause.)
- (ii) substantially change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner by the Association;
- (iii) by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance of the dwellings or maintenance of the dwellings or Lots; or
- (iv) fail to maintain liability and extended coverage insurance on insurable property comprising a part of the Common Areas on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs).

(d) All personal pronouns used in this Declaration, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa.

Section 6. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration.

Section 7. Conflicts. In the event of conflict between the terms of this Declaration and the Bylaws, rules, regulations, or Articles of Incorporation of the Association, this Declaration shall control.

Section 8. Recorded Plat. All dedications, limitations, restrictions reservations shown on the Plat arc and shall be incorporated herein and shall be construed as being adopted in each contract, deed or conveyance executed or to be executed by Declarant or any Owner conveying Lots in the Property whether specifically referred to therein or not.

Section 9., Failure of Association to Perform Duties. Should the Association fail to carry out its duties as specified in this Declaration, the City of Richardson or its lawful agents shall have the right and ability, after due notice to the Association, to remove any landscape systems, features or elements that cease to be maintained by the Association; to perform the responsibilities of the Association if the Association fails, to do so in compliance with any of the provisions of this Declaration or of any applicable City codes or regulations; to assess the Association for all costs incurred by the City in performing said responsibilities if the Association fails to do so; and/or will avail itself of any other enforcement actions available to the City pursuant to state law or City codes and regulations. Should the City exercise its rights as specified above, the Association shall indemnify and hold harmless the City of Richardson from any and all costs, expenses, suits demands, liabilities or damages, including attorney's fees and costs of suit, incurred or resulting from the City's removal of any landscape systems, features or elements that cease to be maintained by the association or from the City's performance of the aforementioned operations, maintenance or supervision responsibilities of the Association due to the Association's failure to perform said duties.