

CC&Rs/Declaration
Settlement Townhomes at Craig Ranch



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**DECLARATION
OF
COVENANTS, CONDITIONS &
RESTRICTIONS
FOR
SETTLEMENT TOWNHOMES
AT CRAIG RANCH**

McKinney, Collin County, Texas

Subject to the Community Charter for Craig Ranch

Parcel Developer:

Settlement South, LP

NOTICE OF BENNEFITTED PARCEL WITHOUT ASSOCIATION

By executing this Declaration for Settlement Townhomes at Craig Ranch, Settlement South, LP, being the sole owner of the land known as Settlement Townhomes at Craig Ranch, declares that Settlement Townhomes at Craig Ranch is a Parcel and Service Area not subject to a Parcel Association, as those terms are defined in the Community Charter for Craig Ranch.

WHAT DOES THIS MEAN?

Settlement Townhomes at Craig Ranch is a townhome neighborhood within the master planned community of Craig Ranch. By owning property within Settlement Townhomes at Craig Ranch, you are automatically a member of the Craig Ranch Community Association. That is the only owners association of which you are automatically a member. Settlement Townhomes at Craig Ranch does not have its own mandatory townhome association- it does not have a “sub-association” within the master association. In short, you and your townhome are governed by only one association – the Craig Ranch Community Association.

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**DECLARATION OF
COVENANTS, CONDITIONS & RESTRICTIONS
FOR
SETTLEMENT TOWNHOMES AT CRAIG RANCH**

This Declaration of Covenants, Conditions & Restrictions for Settlement Townhomes at Craig Ranch is made by Settlement South, LP, a Texas limited partnership (the “**Parcel Developer**”), on the date signed below. Parcel Developer owns the real property described in Appendix A of this Declaration, together with the improvements thereon.

Parcel Developer desires to establish a general plan of development and maintenance for Settlement Townhomes at Craig Ranch. Parcel Developer also desires to maintain certain development rights that are essential for the successful completion and marketing of Settlement Townhomes at Craig Ranch.

Parcel Developer further desires to protect the value, desirability, and attractiveness of Settlement Townhomes at Craig Ranch. As an integral part of the development plan, Parcel Developer deems it advisable to record this Declaration to establish parcel-specific covenants, conditions, restrictions and assessments for Settlement Townhomes at Craig Ranch.

Parcel Developer DECLARES that the property described in Appendix A, will be owned, held, transferred, sold, conveyed, leased, occupied, used, insured, and encumbered, subject to the terms, covenants, conditions, restrictions, and easements of this Declaration, in addition to the Community Charter of Craig Ranch, as each may be amended or supplemented from time to time, and each of which runs with the real property and binds all parties having or acquiring any right, title, or interest in any part of the property, their heirs, successors, and assigns, and inure to the benefit of each owner of any part of the property.

ARTICLE 1

DEFINITIONS

The following words and phrases, whether or not capitalized, have specified meanings when used in this Declaration, unless a different meaning is apparent from the context in which the word or phrase is used. Any term defined in the Community Charter may be used in this Declaration without being redefined herein.

- 1.1. “**Architectural Reviewer**” or “**Reviewer**” means the entity having jurisdiction over a particular application for architectural approval. During the Parcel Development Period, the Architectural Reviewer is the Parcel Developer or its designee or delegate, subject to the Founder’s rights under Section 6.2 of the Community Charter. Thereafter, the Architectural Reviewer is determined by the Community Charter.

- 1.2. **"Association"** means the Craig Ranch Community Association, which derives its authority from the Community Charter, and which administers Craig Ranch, the master planned development in which the Property is located. Any reference herein to an action or decision by the Association is presumed to mean "the Association acting by and through its board of directors."
- 1.3. **"Board"** means the board of directors of the Association.
- 1.4. **"City"** means the City of McKinney.
- 1.5. **"Common Area"** means portions of the Property, and improvements thereon, that are owned and/or maintained by the Association for the use and benefit of Craig Ranch. A common area that is operated for the use and benefit of residents of Settlement Townhomes at Craig Ranch, to the exclusion of residents of other parts of Craig Ranch, is a "Settlement Townhomes Common Area," as defined below.
- 1.6. **"Community Charter"** means the Community Charter of Craig Ranch, recorded on March, 12, 2004, as Document No. 2004-0034616, in Volume 5625, Page 01378 of the Land Records of Collin County, Texas, including all exhibits thereto, as any may be amended or supplemented from time to time.
- 1.7. **"Declaration"** means this Declaration of Covenants, Conditions & Restrictions for Settlement Townhomes at Craig Ranch, as it may be amended from time to time, and which supplements the Community Charter. This Declaration shall be deemed a "Supplement" or "Additional Covenants" as referenced in Chapter 2 of the Community Charter.
- 1.8. **"Founder"** means VCIM Partners, LP; a Texas limited partnership, its successors and assigns, as defined in the Community Charter.
- 1.9. **"Lot"** means a portion of the Property intended for independent ownership, on which there is or will be constructed a townhome, as shown on the Settlement Townhomes Plat. As a defined term, "lot" does not refer to common areas, even if platted and numbered as a lot. Where the context indicates or requires, "lot" includes all improvements thereon and any portion of a right-of-way that customarily is used exclusively by and in connection with the lot. As used in this Declaration, "lot" has the same meaning as **"Parcel"** as defined in the Community Charter.
- 1.10. **"Majority"** means more than half. A reference to a "majority of owners" in this Declaration or in any applicable law means "owners of at least a majority of the lots," unless a different meaning is specified.
- 1.11. **"Owner"** means a holder of recorded fee simple title to a lot. Parcel Developer 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.

- 1.12. **"Parcel Developer"** means Settlement South, LP, a Texas limited partnership, which is developing Settlement Townhomes at Craig Ranch, or the successors and assigns of Settlement South, LP, which acquire any portion of the Property for the purpose of development but only to the extent they are designated a Successor Parcel Developer by Settlement South, LP, or by any such successor and assign, in a recorded instrument.
- 1.13. **"Parcel Development Period"** means the 15-year period beginning the date this Declaration is recorded, during which Parcel Developer has certain rights pursuant to Appendix C hereto, including rights relating to development, construction, expansion, and marketing of the Property. The Parcel Development Period is for a term of years and does not require that Parcel Developer own land described in Appendix A. Parcel Developer may terminate the Parcel Development Period at any time by recording a notice of termination.
- 1.14. **"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 the Settlement Townhomes at Craig Ranch. The Property is located on land described in Appendix A to this Declaration, and includes every lot and any common area thereon. The Property may also be referred to as a **"Service Area"** or **"Benefited Parcel."**
- 1.15. **"Resident"** means a person who occupies a townhome in the Property regardless of whether the person owns the lot.
- 1.16. **"Settlement Townhomes Area of Common Responsibility"** or **"Settlement Townhomes ACR"** means that portion of the Property and those components of the townhomes for which the Association has maintenance responsibilities, and for which the owners pay Settlement Townhomes Assessments to cover expenses and reserves of maintaining the Settlement Townhomes ACR. The Settlement Townhomes ACR is described with more particularity in Article 5 of this Declaration, and as further described in the **Maintenance Responsibility Chart** attached hereto as Appendix B.
- 1.17. **"Settlement Townhomes Assessment"** means the assessment levied by the Association against all lots in the Property which shall be uniform, to cover the Settlement Townhomes-only expenses and reserves, pursuant to this Declaration, and has the same meaning as **"Service Area Assessment,"** which is defined in Section 14.2(c) of the Community Charter.
- 1.18. **"Settlement Townhomes Committee"** means the **"Service Area Committee"** as defined in Section 4.3 of the Community Charter, and as further described in Article XXX of this Declaration.
- 1.19. **"Settlement Townhomes Common Area"** means the common areas within the Property that are used primarily, if not exclusively, by residents of the Property, and which are maintained by the Association with the Settlement Townhomes Assessments including, but not limited to: (i) the Common Areas identified on the Settlement Townhomes Plat; and (ii)

any other property or improvements within the Property which the Board determines, in its sole discretion, shall be owned or maintained for the primary or exclusive use of the residents of the Property. The Settlement Townhomes Common Area has the same meaning as “**limited common area**” as that term is used in the Community Charter. Notwithstanding the above, the Board has the sole authority to determine, in its discretion, whether common area in or adjacent to the Settlement Townhomes at Craig Ranch is to be treated as Association common area or Settlement Townhomes Common Area.

- 1.20. “**Settlement Townhomes Plat**” means all plats recorded in the Land Records of Collin County, Texas, pertaining to the real property described in Appendix A of this Declaration, including all dedications, limitations, restrictions, easements, notes, and reservations shown on the plat that pertain to the real property described in Appendix A, as it may be amended from time to time. The plat of Settlement Townhomes at Craig Ranch was recorded on August 8, 2005, as Document No. 2005-0107965 in Cabinet Q, Page, 589, Plat Records, Collin County, Texas.
- 1.21. “**Settlement Townhomes Rules**” means rules and regulations for specific application to the Settlement Townhomes at Craig Ranch, in addition to the rules of the Association. The initial Settlement Townhomes Rules may be adopted by the Parcel Developer. After the Parcel Development Period, the Board may adopt and amend the Settlement Townhomes Rules. The Settlement Townhomes Rules are a Governing Document that pertains to the Property.
- 1.22. “**Townhome**” means the attached single-family dwelling on each individually-owned townhome lot. “**Townhome Building**” means the structure containing multiple townhomes. Generally, Settlement Townhomes has **XXXXX** townhomes per townhome building. Although all components of a townhome building are owned by the respective lot owners, some components may be maintained by the Association as Settlement Townhomes ACR.

ARTICLE 2

PARCEL PROPERTY

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 Parcel Developer’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 lot owner.

2.2 SERVICE AREA. Settlement Townhomes at Craig Ranch is hereby designated as a Service Area, as that term is defined in Section 4.3 of the Community Charter. As a service area, the Property is subject to service area assessments to fund the annual service area budget for service area expenses, as those terms are defined and used in the Community Charter. As a

service area, the Settlement Townhomes at Craig Ranch may also be referred to as a “**Benefited Parcel.**”

2.3 GOVERNING DOCUMENTS. In addition to this Declaration and the Settlement Townhomes Rules, the Property is subject to the other Governing Documents of Craig Ranch and to the jurisdiction of the Association. Each owner, by accepting an interest in or title to a lot, whether or not it is expressed in the instrument of conveyance, covenants and agrees to be bound by the Governing Documents of the Craig Ranch Community Association, including any amendments thereof and supplements thereto. In addition to the Settlement Townhomes at Craig Ranch-specific Governing Documents, the initial Governing Documents of the Craig Ranch Community Association consist of:

- Community Charter of Craig Ranch, recorded on March 12, 2004, as Document No. 2004-0034616, in Volume 5625, Page 01378 of the Land Records of Collin County, Texas, as amended by that certain First Amendment to the Community Charter, filed on December 27, 2005, and recorded in Volume 6072, Page 6370 of the Land Records of Collin County, Texas
- Initial Rules, recorded as Exhibit “C” to Community Charter, on March 12, 2004, as Document No. 2004-0034616, in Volume 5625, Page 01488 of the Land Records of Collin County, Texas.
- By-Laws of Craig Ranch Community Association, recorded as Exhibit “D” to Community Charter, on March 12, 2004, as Document No. 2004-0034616, in Volume 5625, Page 01491 of the Land Records of Collin County, Texas, and the First Amendment to the By-Laws of Craig Ranch Community Association, filed on March 24, 2006, as Instrument No. 2006-03-24-000386870 in the Land Records of Collin County, Texas.
- Formula for Allocating Liability for Assessments and Votes Among Units, recorded as Exhibit “E” to Community Charter, on March 12, 2004, as Document No. 2004-0034616, in Volume 5625, Page 01518 of the Land Records, Collin County, Texas, and amended as set forth in the First Amendment to the Community Charter, filed on December 27, 2005, and recorded in Volume 6072, Page 6370 of the Land Records of Collin County, Texas.
- The Collection Policies and Procedures for Craig Ranch Community Association and the Certificate of Compliance Procedures for Craig Ranch Community Association filed on December 28, 2005, and recorded in Volume 6073, Page 0194 in the Land Records of Collin County, Texas.
- The Craig Ranch Community Association Residential Exterior Maintenance/Modification Policies, Procedures Guidelines & Resolutions, the Craig Ranch – Access to Records Policies and Procedures, the Craig Ranch – Real Estate Signage Use Policies and the Craig Ranch – Code of Ethics for Directors and Officers, filed on January 20, 2006, and recorded as Instrument No. 2006-01-20-0000086090 in the Land Records of Collin County, Texas.

2.4 ADDITIONAL PROPERTY. Additional real property may be annexed to the Property and subjected to this Supplement Declaration (1) by the Parcel Developer during the Development Period, (2) thereafter, by the Founder during the Development and Sale Period, and (3) thereafter by the Association with the consent of owners of a majority of lots in the Property. Annexation of additional property is accomplished by recording an amendment of this Supplemental Declaration in Real Property Records of Collin County, Texas.

2.5 PLAT DEDICATIONS, EASEMENTS & RESTRICTIONS. In addition to the easements and restrictions contained in this Declaration, the Property is subject to all easements, licenses, leases, and encumbrances of record, including any shown or referenced on a recorded Settlement Townhomes at Craig Ranch Plat, each of 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 Settlement Townhomes at Craig Ranch Plat, and further agrees to maintain any easement that crosses his lot and for which the Association does not have express responsibility.

ARTICLE 3

PROPERTY EASEMENTS AND RIGHTS

3.1 GENERAL. In addition to other easements and rights established by the Settlement Townhomes at Craig Ranch Plat, this Declaration, and other Governing 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 Settlement Townhomes Common Area and to use of improvements therein, subject to other rights and easements contained elsewhere in this Declaration and in the other Governing Documents. An owner who does not occupy a townhome delegates this right of enjoyment to the residents of his townhome.

3.3 OWNER'S MAINTENANCE EASEMENT. Every owner is granted an access easement over adjoining townhome lots, Settlement Townhomes ACR, and Settlement Townhomes Common Area for the maintenance or reconstruction of his townhome and other improvements on his lot, provided exercise of the easement does not damage or materially interfere with the use of the adjoining townhome or common area. Requests for entry to an adjoining townhome or common area must be made to the owner of the adjoining townhome, or the Association in the case of common areas, in advance for a time reasonably convenient for the adjoining townhome, who may not unreasonably withhold consent. If an owner damages an adjoining townhome, Settlement Townhomes ACR, or Settlement Townhomes 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.

3.4 TOWNHOME EASEMENT. Every owner of a townhome lot is granted a perpetual easement over, under, and through every other townhome lot in the same townhome building in which his townhome is located for the limited purpose of installing, maintaining, and replacing wires, cables, conduit, and pipes, that serve his townhome, but only to the extent that use of this easement is reasonable and necessary. Reciprocally, the owner of a townhome that contains

wire, cables, conduit, or pipes that serve one or more other townhomes has a duty to refrain from interfering with or damaging those items. This easement and reciprocal responsibility anticipates that the electrical meters for all the townhomes in one building may be grouped at one end of the building. It also anticipates that attic or roofline installations of wiring may be the most cost effective and least unsightly way of accommodating future needs for cable services.

3.5 FIRE SPRINKLER EASEMENT. Each owner, by accepting an interest in or title to a lot, whether or not it is so expressed in the instrument of conveyance, grants to public fire safety personnel an easement across his lot for access to and testing of all systems and equipment located therein for the purposes intended by public fire safety and authorities.

3.6 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.

3.7 OWNER'S ENCROACHMENT EASEMENT. Every owner is granted an easement for the existence and continuance of any encroachment by his lot on any adjoining lot or common area now existing or which may come into existence hereafter, as a result of construction, repair, shifting, settlement, or movement of any portion of a building, or as a result of condemnation or eminent domain proceedings, so that the encroachment may remain undisturbed so long as the improvement stands.

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

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

- a. To inspect the property for compliance with use, maintenance, and architectural standards.
- b. To perform maintenance that is permitted or required of the Association by the Governing Documents or by applicable law.
- c. To perform maintenance that is permitted or required of the owner by the Governing Documents or by applicable law, if the owner fails or refuses to perform such maintenance.
- d. To enforce architectural standards.
- e. To enforce use restrictions.
- f. The exercise of self-help remedies permitted by the Governing Documents or by applicable law.

- g. To enforce any other provision of the Governing Documents.
- h. To respond to emergencies.
- i. To grant easements to utility providers as may be necessary to install, maintain, and inspect utilities serving any portion of the Property.
- j. To perform any and all functions or duties of the Association as permitted or required by the Governing Documents or by applicable law.

3.9.2. No Trespass. In exercising this easement on an owner's lot, the Association is not liable to the owner or resident for trespass.

3.9.3. Limitations. If the exercise of this easement requires entry onto an owner's lot, including into an owner's fenced yard, the entry will be during reasonable hours and after notice to the owner. This Subsection does not apply to situations that – at time of entry – are deemed to be emergencies that may result in imminent damage to or loss of life or property.

3.9 UTILITY EASEMENT. The Association may grant permits, licenses, and easements over Settlement Townhomes 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. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, master or cable television, and security.

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

3.11 RISK. Each resident uses all Settlement Townhomes Common Areas at his own risk. Settlement Townhomes Common Areas may be unattended and unsupervised. Each resident is

solely responsible for his own safety and that of his guests. The Parcel Developer, Founder and Association disclaim any and all liability or responsibility for injury or death from use of the common areas.

ARTICLE 4

SETTLEMENT TOWNHOMES COMMON AREA

4.1 OWNERSHIP. The designation of real property as a common area is determined by the Settlement Townhomes at Craig Ranch Plat and this Declaration, and not by the ownership of the property. This Declaration contemplates that the Association will eventually hold title to the Settlement Townhomes Common Area in the Property that is capable of independent ownership by the Association. The Parcel Developer may install, construct, or authorize certain improvements on Settlement Townhomes Common Areas in connection with the initial development of the Property, and the cost thereof is not a service area expense. Thereafter, all costs attributable to the Settlement Townhomes Common Areas, including maintenance, property taxes, insurance, and enhancements, are automatically the responsibility of the Association, regardless of the nature of title to the Settlement Townhomes Common Areas, unless this Declaration elsewhere provides for a different allocation for a specific common area.

4.2 ACCEPTANCE. By accepting an interest in or title to a lot, each owner is deemed (1) to accept the Settlement Townhomes Common Areas, and any improvement thereon, in its then-existing "as is" condition; (2) to acknowledge the authority of the Association, acting through its board of directors, for all decisions pertaining to the Settlement Townhomes Common Areas; (3) to acknowledge that transfer of a common area's title to the Association by or through the Parcel Developer is a ministerial task that does not require inspection, evaluation, acceptance, or approval of the common area or its improvements by the Association, the Settlement Townhomes Committee, or the lot owners; and (4) to acknowledge the continuity of maintenance of the Settlement Townhomes Common Areas, regardless of changes in the Association's board of directors or management.

4.3 TYPES. Parcel Developer, with the consent of Founder, may designate certain common areas of Settlement Townhomes Common Area as Areas of Common Responsibility of Craig Ranch that the Association maintains as common expenses of the Association. The balance of the common areas are – by default - limited common elements under the Community Charter and Settlement Townhomes Common Areas under this Declaration, to be maintained by the Association with Settlement Townhomes Assessments for use (primarily if not exclusively) by residents and owners of the Property.

4.4 COMPONENTS. The Settlement Townhomes Common Areas consist of the following components on or adjacent to the Property, even if located on a lot or public right-of-way:

- a. All of the Property, save and except (1) the townhome lots and (2) areas designated by the Association as common areas of the Association, which are not Settlement Townhomes Common Areas.

- b. Landscaping on islands on any street within or adjacent to the Property, to the extent it is not maintained by the City or by the Association as a common area.
- c. Any modification, replacement, or addition to any of the above-described areas and improvements.
- d. Personal property, such as pool equipment, owned by the Association for the use of parcel residents in the Settlement Townhomes Common Areas.

4.5 PERSONAL RESPONSIBILITY. Each owner, by accepting an interest in or title to a lot in the Settlement Townhomes at Craig Ranch, whether or not it is so expressed in the instrument of conveyance, and each resident of the Settlement Townhomes at Craig Ranch, by occupying a townhome in the Property, acknowledges, understands, and agrees to each of the following statements, for himself, the members of his household, and his and their guests:

- a. Each owner and resident agrees to be informed about and to comply with the published or posted rules of Settlement Townhomes at Craig Ranch.
- b. The use and enjoyment of any recreation amenity on or in the Property involved risk of personal injury, risk of death, and risk of damage or loss to property.
- c. Each person using any common amenity on or in the Property assumes all risks of personal injury, death, and loss or damage to property resulting from the use and enjoyment of same.
- d. Parents, guardians, hosts, caretakers, and supervisors are at all times responsible for the well being and safety of their children and guests in their use of the Settlement Townhomes Common Areas. The parent, guardian, host, caretaker, and supervisor assume responsibility for having skills appropriate for the facility being used by his charges.

- e. Parcel Developer, Founder, the Association, and their respective directors, officers, committees, agents, and employees are not providers, insurers, or guarantors of personal safety in or on the Settlement Townhomes Common Areas.
- f. Parcel Developer, Founder, the Association, and their respective directors, officers, committees, agents, and employees have made no representations or warranties – verbal or written – relating to safety or lack of risks pertaining to the common areas of the Settlement Townhomes at Craig Ranch.
- g. Each owner and resident agrees to educate the members of his household and his and their guests about the risks, responsibilities, and releases from liability contained in this Section.

4.6 LIABILITY RELEASE. Each owner and resident of the Settlement Townhomes at Craig Ranch further acknowledges, understands, and agrees to each of the following statements, for himself, the members of his household, and his and their guests:

- 4.6.1 Consideration. Each owner and resident grants the releases from liability contained in this Section as consideration for, and as a condition to, the owner and resident's use and enjoyment of the Settlement Townhomes Common Areas. Each owner and resident acknowledges and agrees that the releases from liability contained in this Article are a material inducement to Parcel Developer to sell, convey, lease, or allow the use of lots and townhomes in the Settlement Townhomes at Craig Ranch.
- 4.6.2 Release for Injury or Loss. Parcel Developer, Founder, the Association, and their respective directors, officers, committees, agents, and employees may not be held liable to any person claiming any loss or damage including, without limitation, indirect, special, or consequential loss or damage arising from personal injury or death, destruction of property, trespass, loss of enjoyment, or any other wrong or entitlement to remedy based upon, due to, arising from, or otherwise relating to the design, construction, maintenance, or use of any common area, expressly including every recreational facility and item of equipment used in connection with Settlement Townhomes Common Areas, including, without limitation, any claim arising in whole or in part from the negligence of Parcel Developer, Founder, or the Association.
- 4.6.3 Indemnity for Common Area Operations. The Association indemnifies, defends, and holds harmless Parcel Developer against any loss, claim, demand, damage, cost, and expense relating to or arising out of the management and operation of the Association, including without limitation, the collection of assessments, the enforcement of the Governing Documents, and the operation and maintenance of the Settlement Townhomes at Craig Ranch's common areas and the Settlement Townhomes ACR. Indemnified expenses include, without limitation, reasonable attorneys fees, whether or not a lawsuit is filed, and costs at all court levels, including expenses incurred by Parcel Developer in establishing the right to be indemnified, defended, and held harmless pursuant to this Declaration.

- 4.6.4 Negligence. The releases and indemnities contained in this Article are intended to release and indemnify the specified parties from liability for their own negligence.
- 4.6.5 Violation. Each owner and resident understands and agrees that the owner or resident's violation of the release agreement contained in this Article may result in suspension or termination of the use of any Settlement Townhomes Common Areas or common areas of the Association by the owner or resident, the members of his household, and his and their guests.

ARTICLE 5

LOTS, TOWNHOMES & SETTLEMENT TOWNHOMES ACR

5.1 LOTS. The Property is platted into lots, the boundaries of which are shown on the Settlement Townhomes at Craig Ranch Plat, and which may not be obvious on visual inspection of the Property. Portions of the lots are designated by this Declaration to be Settlement Townhomes Areas of Common Responsibility, and are burdened with easements for the use and benefit of the Association, lot owners, and townhome residents.

5.2 TOWNHOMES. Each residential lot is to be improved with a townhome. The owner of a lot owns every component of the lot and townhome, including all the structural components and exterior features of the townhome. Nevertheless, this Declaration identifies components of the townhomes as Settlement Townhomes ACR, to be maintained by the Association as a service area expense funded by Settlement Townhomes Assessments.

5.3 SETTLEMENT TOWNHOMES AREA OF COMMON RESPONSIBILITY. The initial designation of the Settlement Townhomes ACR is located in the column so titled in the Maintenance Responsibility Chart at Appendix B of this Declaration.

ARTICLE 6

ARCHITECTURAL COVENANTS AND CONTROL

6.1 PURPOSE. Because the lots are part of a single, unified neighborhood within Craig Ranch, this Declaration creates rights to regulate 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. A third purpose is to regulate the appearance of every aspect of proposed or existing improvements on a lot, including but not limited to townhomes, fences, landscaping, retaining walls, yard art, sidewalks and driveways, and further including replacements or modifications of original construction or installation. During the Parcel Development Period, a primary purpose of this Article is to reserve and preserve Parcel Developer's right of architectural control.

6.2 WHO EXERCISES ARCHITECTURAL CONTROL?

- 6.2.1 During the Parcel Development Period. During the Parcel Development Period, neither the Association's Reviewer, the Association's board of directors, the Settlement Townhomes Committee, nor a committee appointed by the Association or board (no matter how the committee is named) may involve itself with the approval of new townhomes on vacant lots. Architectural control during the Parcel Development Period is described in detail in Section C.5 of Appendix C of this Declaration.
- 6.2.2 After the Parcel Development Period. On termination or expiration of the Parcel Development Period, or earlier if delegated in writing by Parcel Developer, the Founder or the Association, as determined by the Community Charter, will assume jurisdiction over architectural control.
- 6.2.3 By Settlement Townhomes Owners. Nothing in this Declaration or the Community Charter may be construed to prevent the Association from delegating architectural control for the Settlement Townhomes at Craig Ranch to the Settlement Townhomes Committee, other owners of Settlement Townhomes at Craig Ranch parcels, or other persons elected by the lot owners for this purposes, or from inviting such persons to serve the Architectural Reviewer in an advisory capacity. If Architectural authority is so delegated, in whole or in part, the delegate is included within the coverage of Section 6.6 of the Community Charter, which limits the liability of the Architectural Reviewer.

6.3 PROHIBITION OF CONSTRUCTION, ALTERATION & IMPROVEMENT.

Without the Architectural Reviewer's prior written approval, a person may not construct a townhome or make an addition, alteration, improvement, installation, modification, redecoration, or reconstruction of or to a townhome or any other part of the Property, if it will be visible from a street, another townhome, or the common area. The Architectural Reviewer has the right but not the duty to evaluate every aspect of construction, landscaping, and property use that may adversely affect the general value or appearance of the Property.

6.4 ARCHITECTURAL APPROVAL. To request architectural approval, an owner must make written application and submit to the Architectural Reviewer 2 identical sets of plans and specifications showing the nature, kind, shape, color, size, materials, and locations of the work to be performed. In support of the application, the owner may but is not required to submit letters of support or non-opposition from owners of lots that may be affected by the proposed change. The application must clearly identify any requirement of this Declaration for which a variance is sought.

- 6.4.1 No Verbal Approval. Verbal approval by an Architectural Reviewer, the Parcel Developer, the Founder, an Association director or officer, a member of the Settlement Townhomes Committee, or the Association's manager does not constitute architectural approval by the Architectural Reviewer, which must be in writing.
- 6.4.2 No Deemed Approval. The failure of the Architectural Reviewer to respond to an application may not be construed as approval of the application. Under no

circumstance may approval of the Architectural Reviewer be deemed, implied, or presumed (except for Subsection 6.4.5 below).

- 6.4.3 No Approval Required. Approval is not required for an owner to remodel or repaint the interior of a townhome, provided the work does not impair the structural soundness of the building.
- 6.4.4 Neighbor Input. The Architectural Reviewer may solicit comments on the application, including from owners or residents of townhomes that may be affected by the proposed change, or from which the proposed change may be visible. Whether to solicit comments, from whom to solicit comments, and whether to make the comments available to the applicant is solely at the discretion of the Architectural Reviewer. The Architectural Reviewer is not required to respond to the neighbors making comments in ruling on the application.
- 6.4.5 Parcel Developer Approved. Notwithstanding anything to the contrary in this Declaration, any improvement to the Property made by the Parcel Developer during the Parcel Development Period pursuant to plans approved by the Founder, formally or informally, is deemed to have been approved by the Architectural Reviewer.

ARTICLE 7

CONSTRUCTION AND USE RESTRICTIONS

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

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

7.3 **ASSOCIATION'S RIGHTS TO PROMULGATE RULES.** The Association is granted the right to adopt, amend, repeal, and enforce reasonable Settlement Townhomes 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 Settlement Townhomes Rules, and penalties for infractions thereof, governing:

- a. Use of Settlement Townhomes Common Areas and Settlement Townhomes ACR.
- b. Hazardous, illegal, or annoying materials or activities on the Property.
- c. The use of Property-wide services provided through the Association.
- d. The consumption of utilities billed to the Association.
- e. The use, maintenance, and appearance of exteriors of townhomes and lots.
- f. Landscaping and maintenance of yards.
- g. The occupancy and leasing of townhomes.
- h. Animals.
- i. Vehicles and parking.
- 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 Governing Documents, or the quality of life for residents.

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

- 7.4.1 Number. No more than 4 pets may be maintained in each townhome. Of the 4 pets, no more than 2 may be cats or dogs. Permission to maintain other types or additional numbers of household pets must be obtained in writing from the board.
- 7.4.2 Disturbance. Pets must be kept in a manner that does not disturb the peaceful enjoyment of residents of other lots. No pet may be permitted to bark, howl, whine, screech, or make other loud noises for extended or repeated periods of time. The board is the sole arbiter of what constitutes a disturbance or annoyance.
- 7.4.3 Indoors/Outdoors. A permitted pet must be maintained inside the town home, and may not be kept on a patio, a courtyard, a balcony, or in a yard area. No pet is allowed on the Settlement Townhomes Common Areas unless carried or leashed.

7.4.4 Pooper Scooper. Resident is responsible for the removal of his pet's waste from the Property. Unless the Settlement Townhomes Rules provide otherwise, a resident must prevent his pet from relieving itself on the Settlement Townhomes Common Areas, the Settlement Townhomes ACR, or the lot of another owner.

7.4.5 Liability. An owner is responsible for any property damage, injury, or disturbance caused or inflicted by an animal kept on the lot. The owner of a lot on which an animal is kept is deemed to indemnify and to hold harmless the board, the Association, and other owners and residents, from any loss, claim, or liability resulting from any action of the animal or arising by reason of keeping the animal on the Property.

7.5 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.

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

7.7 ACCESSORY SHEDS. Accessory structures and sheds – such as dog houses, gazebos, metal storage sheds, playhouses, and greenhouses – are not allowed on any lot.

7.8 BARBECUE. Exterior fires are prohibited on the Property, except (if any) a community barbecue grill maintained by the Association for use by all residents. Outdoor cooking equipment, including electric barbecue grills, is prohibited on every patio, courtyard, and balcony.

7.9 BUSINESS USE. A resident may use a townhome for business uses, such as telecommuting, personal business, and professional pursuits, provided that: (1) the uses are incidental to the primary use of the townhome as a residence; (2) the uses conform to applicable governmental ordinance; (3) the uses do not entail visits to the townhome by employees or the public in quantities that materially increase the number of vehicles parked on the street; and (4) the uses do not interfere with the residential use and enjoyment of neighboring lots by other residents.

7.10 COLOR CHANGES. The colors of buildings, fences, exterior decorative items, window treatments, and all other improvements on a lot are subject to regulation by the Architectural Reviewer. Because the relative merits of any color are subjective matters of taste and preference, the Architectural Reviewer determines the colors that are acceptable to the Association. Do not change or add colors that are visible from the street, a common area, or another lot without prior written approval of the Architectural Reviewer.

7.11 COURTYARDS. This Section applies to an entry courtyard that is visible from the street by virtue of see-through or open-picket fencing or gate. An owner will use and maintain

his courtyard in a neat and attractive manner that is consistent with the neighborhood. If the Architectural Reviewer perceives that the appearance of the courtyards detracts from the overall appearance of the Property, the Architectural Reviewer may limit the colors, numbers, sizes, or types of furnishings, plantings, and other items kept in the courtyard. A courtyard may not be used for storage.

7.12 PARCEL DEVELOPER PRIVILEGES. In connection with the development and marketing of the Property, Parcel Developer has reserved a number of rights and privileges to use the Property in ways that are not available to other owners and residents, as provided in Appendix C of this Declaration. Parcel Developer's exercise of a Parcel Development Period right that appears to violate a rule or a use restriction of this Article does not constitute waiver or abandonment of the restriction by the Association.

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

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

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

7.16 FIRE SAFETY. On the date of this Declaration, the City of McKinney requires that the Property be constructed with a fire safety water sprinkler system in each townhome. No person may use, misuse, cover, disconnect, tamper with, or modify the fire and safety equipment of the Property, including the sprinkler heads and water lines in and above the ceilings of the townhome, or interfere with the maintenance and/or testing of same by public officials or their representatives.

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

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

7.19 LANDSCAPING. No person may perform landscaping, planting, or gardening on the Settlement Townhomes Common Area or Settlement Townhomes ACR, without the board's prior written authorization.

7.20 LEASING OF TOWNHOMES. An owner may lease the townhome on his lot. Whether or not it is stated in a lease, every lease is subject to the Governing Documents. An owner is responsible for providing his tenant with copies of the Governing Documents and notifying him of changes thereto. Failure by the tenant or his invitees to comply with the Governing 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. If the tenant's violation continues or is repeated, and if the owner is unable, unwilling, or unavailable to obtain his tenant's compliance, then the Association has the power and right to pursue the remedies of a landlord under the lease or State law for the default, including eviction of the tenant. The owner of a leased lot is liable to the Association for any expenses incurred by the Association in connection with enforcement of the Governing Documents against his tenant. The Association is not liable to the owner for any damages, including lost rents, suffered by the owner in relation to the Association's enforcement of the Governing Documents against the owner's tenant.

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

7.22 OCCUPANCY – NUMBERS. The board may adopt Settlement Townhomes Rules regarding the occupancy of townhomes. If the Settlement Townhomes Rules fail to establish occupancy standards, no more than 2 persons per bedroom may occupy a townhome, subject to the exception for familial status. The Association's occupancy standard for residents who qualify for familial status protection under the fair housing laws may not be more restrictive than the minimum (i.e. the fewest people per townhome) permitted by the U. S. Department of Housing and Urban Development. Other than the living area of the townhome, no thing or structure on a lot, such as the garage, may be occupied as a residence at any time by any person.

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

7.24 RESIDENTIAL USE. The use of a townhome is limited exclusively to residential purposes or any other use permitted by this Declaration, including limited business uses described above.

7.25 SIGNS. No signs, including signs advertising the townhomes for sale or lease, or unsightly objects may be erected, placed, or permitted to remain on the Property or to be visible from windows in the townhome without written authorization of the board. If the board

authorizes signs, the board's authorization may specify the location, nature, dimensions, number, and time period of any advertising sign. As used in this Section, "sign" includes, without limitation, lettering, images, symbols, pictures, shapes, lights, banners, and any other representation or medium that conveys a message. The Association may effect the immediate removal of any sign or object that violates this Section or which the board deems inconsistent with neighborhood standards without liability for trespass or any other liability connected with the removal.

7.26 SIGNS – POLITICAL. If public law grants an owner the right to place political signs on the owner's lot, the Association may not prohibit an owner's exercise of such right. The Association may adopt and enforce Settlement Townhomes Rules regulating every aspect of political signs on owners' lots to the extent not prohibited or protected by public law. Unless the Settlement Townhomes Rules or public law provide otherwise (1) a political sign may not be displayed more than 90 days before or 10 days after an election to which the sign relates; (2) a political sign must be ground-mounted; (3) an owner may not display more than one political sign for each candidate or ballot item; and (4) a political sign may not have any of the attributes itemized in Texas Property Code Sec. 202.009(c) or any other applicable statute, to the extent the statute applies to the lot.

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

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

7.29 TRASH. Each resident will endeavor to keep the Property clean and will dispose of all refuse in receptacles designated specifically by the Association or by the city for that purpose. Trash must be placed entirely within the designated receptacle. The board may adopt, amend, and repeal rules regulating the disposal and removal of trash from the Property. If the rules fail to establish hours for curbside trash containers, the container may be in the designated area from dusk on the evening before trash pick up until dusk on the day of trash pick-up. At all other

times, trash containers must be kept inside the garage and may not be visible from a street or another townhome.

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

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

7.31.1 Parking in Street. **Vehicles that are not prohibited below may park on public streets only if the city allows curbside parking**, and in designated parking areas, subject to the continuing right of the Association to adopt reasonable rules if circumstances warrant.

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

7.32 WINDOW TREATMENTS. Each townhome building in the Settlement Townhomes at Craig Ranch is designed to have a uniform window appearance. Therefore, the color and condition of all window panes, window screens, and window treatments must conform to the building standard. All window treatments within the townhome, that are visible from the street or another townhome, must be maintained in good condition and must not detract from the appearance of the Property. All window treatments within a townhome building must be uniform, although the Architectural Reviewer may allow styles of window treatments to vary from townhome building to townhome building. The Architectural Reviewer may require an owner to change or remove a window treatment, window film, window screen, or window decoration that the Architectural Reviewer determines to be inappropriate, unattractive, or inconsistent with the Property's uniform window standard. The Architectural Reviewer may prohibit the use of certain colors or materials for window treatments. **If the Settlement Townhomes Rules fail to establish a different standard, all window treatments – as seen**

from the street – must be white in color and the style must be 2-inch Venetian horizontal blinds.

ARTICLE 8

SETTLEMENT TOWNHOMES COMMITTEE & SERVICE AREA MEETINGS

8.1 AUTHORIZATION. As provided by Section 5.3 of the By-Laws of Craig Ranch Community Association, the owners may elect a “service area committee” to determine the nature and extent of services which the Association provides to and for the Settlement Townhomes at Craig Ranch. The purpose of this Article is to direct owners to the applicable provisions in the Association’s Bylaws, and to provide additional guidelines.

8.2 QUALIFICATION. The Settlement Townhomes Committee consists of three persons, each of whom must be a lot owner, and each of whom serves a one year term. If a lot is owned by a legal entity, such a partnership or corporation, any officer, partner, agent, or employee of that entity member is eligible to serve on the Committee and is deemed to be an owner for the purposes of this Section. If the relationship between the entity member and its representative on the Committee terminates, that Committee seat will be deemed vacant. No person may be elected or appointed to the Committee if any of the following conditions applies:

- 1) If any assessment against the person or his lot is more than 30 days’ delinquent at the time of election or appointment, provided he has been given notice of the delinquency and a reasonable opportunity to cure it.
- 2) If the person or his lot – at the time of election or appointment – has not cured a violation of the Governing Documents for which the Association has given notice and a reasonable opportunity to cure.
- 3) If the person is a party adverse to the Association, the board, the Founder, the Parcel Developer, the Settlement Townhomes Committee, or any other committee of the Association in pending litigation.
- 4) If the person has served 5 continuous years on the Settlement Townhomes Committee, without a break of at least one full year.

8.3 ELECTION. Committee members will be elected by the owners by ballot or at a service area meeting as provided in the By-Laws. The three candidates receiving the most votes will be elected to simultaneous one-year terms. If only three candidates are qualified, they may be elected by acclamation. A vacancy on the Committee is filled by the remaining members of the Committee, at any meeting of the Committee, until a successor is elected to fill the remainder of the term.

8.4 RECALL OF COMMITTEE. At any service area meeting called for this purpose, the members of the Committee may be recalled and removed, and successors may then and there be elected to fill the vacancies thus created. Any Committee member whose removal has been proposed by the owners must be given an opportunity to be heard at the meeting.

8.5 SERVICE AREA MEETINGS. At least one meeting of lot owners in the service area must be called each year during the month of April to elect the Settlement Townhomes Committee. The owners may also transact such other business of the Settlement Townhomes at Craig Ranch as may properly come before them. It is the duty of the Association president to call additional meetings of owners in the service area if directed to do so by (1) the Settlement Townhomes Committee or (2) one or more petitions signed by owners of at least 20 percent of the lots in the service area. The Association may not require a specific form of petition, nor require that signatures on petitions be notarized or witnessed. The notice of every meeting of service area owners must state the time, place, and purpose of the meeting.

8.6 QUORUM. At all meetings of lot owners in the service area, the presence in person or by proxy of service area owners of at least 10 percent of the lots in the service area constitutes a quorum. If a quorum is not present at a service area meeting for which proper notice was given, the Association may, but is not required to, give notice of a new meeting for the same purpose.

8.7 VOTES. The vote of lot owners representing at least a majority of the votes cast at any service area meeting at which a quorum is present binds all owners for all proper purposes, except when a higher percentage is required by this Declaration, by the Community Charter, or by law. Cumulative voting is prohibited. Multiple owners of a lot are in unanimous agreement if one of the multiple owners casts the vote allocated to the lot and none of the other owners makes prompt protest to the person presiding over the meeting. If a lot is owned by an entity, such as a corporation or partnership, the vote appurtenant to that lot may be cast by any officer, manager, or partner of the entity in the absence of the entity's written appointment of a specific person to exercise its vote.

ARTICLE 9

OBLIGATIONS OF SETTLEMENT TOWNHOMES OWNERS

9.1 OBLIGATION OF OWNERS. Without limiting the obligations of owners to the Association under the Governing Documents, each owner has the following additional obligations for the Settlement Townhomes at Craig Ranch:

9.1.1 Pay Assessments. Each owner will pay Settlement Townhomes Assessments properly levied by the Association against the owner or his lot, and will pay regular periodic Settlement Townhomes Assessments without demand by the Association.

9.1.2 Comply. Each owner will comply with this Declaration and the Settlement Townhomes Rules, as each may be amended from time to time.

9.1.3 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.

9.1.4 Liability. Each owner is liable to the Association for violations of this Declaration and the Settlement Townhomes Rules 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.

9.2 SETTLEMENT TOWNHOMES ASSESSMENTS. In addition to assessments addressed in the Community Charter, each lot in the Settlement Townhomes of Craig Ranch is subject to the Settlement Townhomes Assessments based on the annual service area budget for the Settlement Townhomes at Craig Ranch. Each lot is liable for its assessed share of the annual service area budget. If the board does not approve an annual service area budget or fails to determine new Settlement Townhomes Assessments for any year, or delays in doing so, owners will continue to pay the Settlement Townhomes Assessments as last determined. If during the course of a year the board determines that Settlement Townhomes Assessments are insufficient to cover the estimated service area expenses for the remainder of the year, the board may increase Settlement Townhomes Assessments for the remainder of that fiscal year in an amount that covers the estimated deficiency. Settlement Townhomes Assessments are used for service area 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 Settlement Townhomes Common Areas.
- b. Maintenance, repair, and replacement, as necessary, of the Settlement Townhomes ACR.
- c. Settlement Townhomes at Craig Ranch utilities billed to the Association.
- d. Settlement Townhomes at Craig Ranch services billed to the Association and serving Settlement Townhomes lots.
- e. Taxes on Settlement Townhomes property owned by the Association and the Association's income taxes.
- f. Management, legal, accounting, auditing, and professional fees incurred by the Association for services benefiting the Settlement Townhomes at Craig Ranch.
- g. Premiums and deductibles on insurance policies and bonds required by this Declaration or deemed by the board to be necessary or desirable for the benefit of the parcel owners.
- h. Contributions to the Settlement Townhomes service area reserve funds.
- i. Any other Settlement Townhomes at Craig Ranch-related expense which the Association is required by law or the Governing 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 Governing Documents.

9.3 SETTLEMENT TOWNHOMES INSURANCE ASSESSMENTS. The insurance premiums for the Settlement Townhomes at Craig Ranch-only coverage are service area expenses that must be included in the Association's annual service area budget. Nevertheless, the board may levy an Settlement Townhomes insurance assessment – separately from the

Settlement Townhomes Assessment – to fund insurance premiums and insurance deductibles on Settlement Townhomes coverages. If the Association levies a Settlement Townhomes insurance assessment, the Association must disclose the Settlement Townhomes insurance assessment in resale certificates prepared by the Association for lots in the Settlement Townhomes at Craig Ranch.

9.4 SETTLEMENT TOWNHOMES DEFICIENCY ASSESSMENTS. The board may levy a Settlement Townhomes deficiency assessment against all Settlement Townhomes lots for the purpose of defraying, in whole or in part, the cost of repair or restoration if Settlement Townhomes insurance proceeds or condemnation awards prove insufficient.

9.5 BASIS & RATE OF SETTLEMENT TOWNHOMES ASSESSMENTS. The share of liability for service area expenses allocated to each lot is uniform for all lots, regardless of a lot's location or the value and size of the lot or townhome subject, however, to the exemption for Parcel Developer provided below and in Appendix C.

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

9.7 SETTLEMENT TOWNHOMES RESERVE FUNDS. The Association will establish, maintain, and accumulate reserves for operation of the service area and for replacement and repair of the Settlement Townhomes Common Areas and the Settlement Townhomes ACR. The Association must budget for service area reserves (also known as "Settlement Townhomes Reserve Funds") and may fund such reserves out of Settlement Townhomes Assessments.

ARTICLE 10

ADDITIONAL ENFORCEMENT POWERS

10.1 GENERAL. The community-wide enforcement powers of the Association are addressed in the Community Charter and the other Governing Documents. The purpose of this Article is to reinforce and expend certain enforcement powers. This Article is warranted because the Settlement Townhomes at Craig Ranch is a higher-density neighborhood in which violations are capable of having a significant affect on the appearance of the Property and the quality of life for the residents. The provisions of this Article are in addition to, and not in place of, the community-wide enforcement powers of the Association. Further, the provisions of this Article do not apply to specific remedies provided in other Governing Documents for certain violations, such as nonpayment of assessments.

10.2 SELF-HELP. The Association has the right to enter any part of the Property, including lots, to abate or remove any item, thing, animal, person, vehicle, or condition that violates this Declaration and the Settlement Townhomes Rules. 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 a specific assessment. The board will make reasonable efforts to give the violating owner prior notice of its intent to exercise self-help. The notice may be given in any manner likely to be received by the owner. The board may take immediate and appropriate action, without prior notice, (1) in the case of emergencies, (2) to remove violative signs, (3) to remove violative debris, or (4) to remove any other violative item or to abate any other violative condition that is easily removed or abated and that is considered a nuisance, dangerous, or an eyesore to the neighborhood. The board may also take appropriate action, without prior notice, against violations of this Declaration and the Settlement Townhomes Rules which, in the board's opinion, are (1) self-evident, such as vehicles parked illegally or in violation of posted signs; (2) threatening to life or property; or (3) repeat violations of the same provision by the same owner to whom prior notices and demands have been given for the same violation.

10.3 BOARD DISCRETION. The board may use its sole discretion in determining whether to pursue a violation of the Governing Documents, provided the board does not act in an arbitrary or capricious manner. In evaluating a particular violation, the board may determine that under the particular circumstances (1) the Association's position is not sufficiently strong to justify taking any further action; (2) the provision being enforced is or may be construed as inconsistent with applicable law; (3) although a technical violation may exist, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or (4) that enforcement is not in the Association's best interests, based on hardship, expense, or other reasonable criteria.

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

10.5 RECOVERY OF COSTS. The costs of curing or abating a violation are at the expense of the owner or other person responsible for the violation. If legal assistance is obtained to enforce any provision of the Governing Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Governing Documents or the restraint of violations of the Governing Documents, the prevailing party is entitled to recover from the nonprevailing party all reasonable and necessary costs incurred by it in such action, including reasonable attorneys' fees.

ARTICLE 11

MAINTENANCE AND REPAIR OBLIGATION

11.1. OVERVIEW. Generally, the Association maintains the common areas, and the owner maintains his lot and townhome. If an owner fails to maintain his lot, the Association may perform the work at the owner's expense. Interestingly, this Declaration permits owners to delegate some of their responsibilities to the Association. For example, during one 20-year span the owners may want the Association to handle periodic repainting of exterior trim on all townhomes, which otherwise is the responsibility of each lot owner. During the next 20 years, the owners may prefer to handle repainting on an individual basis. They have that option under this Declaration's concept of the "Settlement Townhomes of Common Responsibility," as described below.

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

- a. The Settlement Townhomes Common Areas.
- b. The Settlement Townhomes ACR, if any.
- c. Any real and personal property owned by the Association but which is not a common area, such as a lot owned by the Association.
- d. Any property adjacent to the Settlement Townhomes at Craig Ranch if the maintenance of same is deemed to be in the best interests of the Parcel owners, and if not prohibited by the owner or operator of said adjacent property.
- e. Any area, item, easement, or service – the maintenance of which is assigned to the Association by this Declaration or by the Settlement Townhomes at Craig Ranch Plat.

11.3. SETTLEMENT TOWNHOMES AREA OF COMMON RESPONSIBILITY. The Association, acting through the Board only, has the right but not the duty to designate, from time to time, portions of lots or townhomes as Settlement Townhomes ACR to be treated, maintained, repaired, and/or replaced by the Association as a service area expense. A designation applies to every lot having the designated feature. The cost of maintaining components of lots or townhomes as Settlement Townhomes ACR is added to the annual Settlement Townhomes budget and assessed uniformly against all lots as a Settlement Townhomes Assessment.

- 11.3.1 Change in Designation. The Board may, from time to time, and at its sole discretion and without obligation, act upon owners' request to change or eliminate the designation of components of lots or townhomes as Settlement Townhomes ACR. Any such change, if consented to by the Board, must be approved by owners of a majority of the townhome lots, or by the owners of two-thirds of the townhome lots represented at a Service Area meeting called for the purpose of changing the Settlement Townhomes ACR. Although the Maintenance Responsibility Chart is attached to this Declaration as Appendix B, it may be amended, restated, and published as a separate instrument and/or as a part of the Settlement Townhomes Rules. The authority for amending it is contained in this

Section. Any amended or restated Maintenance Responsibility Chart must be (1) published and distributed to an owner of each lot within the Settlement Townhomes at Craig Ranch, (2) reflected in the Association's annual service area budget and reserve funds for the Settlement Townhomes service area, and (3) recorded in the Land Records of Collin County, Texas.

11.3.2 Initial Designation. On the date of this Declaration, the initial designation of components of lots and townhomes as Settlement Townhomes ACR is shown on the Maintenance Responsibility Chart attached hereto as Appendix B.

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

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

a. The exterior of each townhome must be maintained and repaired in a manner that is consistent for the entire townhome building.

b. If an owner desires to upgrade a component of the exterior, such as replacing aluminum windows with wood windows, the decision to change a standard component of the townhome building must be approved by the owners of more than half the townhomes in the townhome building, in addition to the Architectural Reviewer. Thereafter, the new building standard will apply to repairs or replacement of the component, as needed, on other townhomes in the building.

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

d. Ideally, all the townhome buildings in the Property will have the same architectural requirements, without building-to-building individuality. Nothing in this Section may be construed to prevent the Association from requiring uniform architectural standards for the entire Property. This Section may not be construed as authority for one building to "do its own thing."

- 11.4.2 Townhome Foundation. Each owner of a townhome lot is solely responsible for the maintenance and repair of the foundation on his lot. However, if a licensed structural engineer determines that the failure to repair the foundation under one townhome may adversely affect one or more other townhomes in the building, then the cost of the foundation repair will be divided by the number of townhomes in the building, and the owner of each of those townhomes will pay an equal share. If an owner fails or refuses to pay his share of costs of repair of the foundation, the owner advancing monies has a right to file a claim of lien for the monies advanced in the Land Records of Collin County, Texas, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an owner to contribution from another owner under this Section is appurtenant to the land and passes to the owner's successors in title.
- 11.4.3 Townhome Roofs. Each owner of a townhome lot is solely responsible for the maintenance, repair, and replacement of all components of the roof of his townhome, except for the roof components designated as Settlement Townhomes ACR. However, if a roofing professional determines that the failure to repair the structural components of the roof of one townhome may adversely affect one or more other townhomes in the building, then the cost of the structural roof work will be divided by the number of townhomes in the building, and the owner of each townhome will pay an equal share. If an owner fails or refuses to pay his share of costs of repair of the roof, the owner advancing monies has a right to file a claim of lien for the monies advanced in the Land Records of Collin County, Texas, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an owner to contribution from another owner under this Section is appurtenant to the land and passes to the owner's successors in title.
- 11.4.4 Townhome Cooperation. Each owner of a townhome will endeavor to cooperate with the owners of the other townhomes in the building to affect the purposes and intent of the 2 preceding sections on townhome foundations and townhome roofs. If the owners of townhome lots that share a building cannot cooperate, they may ask the Association to coordinate the required repairs.
- 11.4.5 Townhome Maintenance. Each owner, at the owner's expense, must maintain all improvements on the lot, including but not limited to the townhome, fences, sidewalks, and driveways, except any area designated as Settlement Townhomes ACR. 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.
- 11.4.6 Avoid Damage. An owner may not do any work or to fail to do any work which, in the reasonable opinion of the board, would materially jeopardize the soundness and safety of the Property, reduce the value of the Property, adversely affect the appearance of the Property, or impair any easement relating to the Property.

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

11.5. OWNER'S DEFAULT IN MAINTENANCE. If the board determines that an owner has failed to properly discharge his obligation to maintain, repair, and replace items for which the owner is responsible, the board may give the owner written notice of the Association's intent to provide the necessary maintenance at owner's expense. The notice must state, with reasonable particularity, the maintenance deemed necessary and a reasonable period of time in which to complete the work. If the owner fails or refuses to timely perform the maintenance, the Association may do so at owner's expense, which is a specific 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.

11.6. WARRANTY CLAIMS. If the owner is the beneficiary of a warranty against major structural defects of the Settlement Townhomes ACR, the owner hereby, and without further action, irrevocably appoints the Association, acting through the board, as his attorney-in-fact to file, negotiate, receive, administer, and distribute the proceeds of any claim against the warranty that pertains to the Settlement Townhomes ACR.

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

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

11.9. MOLD. In the era in which this Declaration is written, the public and the insurance industry have a heightened awareness of and sensitivity to anything pertaining to mold. Because many insurance policies do not cover damages related to mold, owners should be proactive in identifying and removing visible surface mold, and in identifying and repairing sources of water leaks in the townhome. To discourage mold in his townhome, each resident should maintain an inside humidity level under 60 percent. For more information about mold, the owner should consult a reliable source, such as the U. S. Environmental Protection Agency.

11.10. PARTY WALLS. A retaining wall or a townhome wall located on or near the dividing line between 2 lots and intended to benefit both lots constitutes a Party Wall and, to the extent not inconsistent with the provisions of this Section, is subject to the general rules of law regarding party walls and liability for property damage due to negligence, willful acts, or omissions.

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

11.10.2 Right to Repair. If the Party Wall is damaged or destroyed from any cause, the owner of either lot may repair or rebuild the Party Wall to its previous condition, and the owners of both lots, their successors and assigns, have the right to the full use of the repaired or rebuilt Party Wall.

11.10.3 Maintenance Costs. The owners of the adjoining lots share equally the costs of repair, reconstruction, or replacement of the Party Wall, subject to the right of one owner to call for larger contribution from the other under any rule of law regarding liability for negligence or willful acts or omissions. If an owner is responsible for damage to or destruction of the Party Wall, that owner will bear the entire cost of repair, reconstruction, or replacement. If an owner fails or refuses to pay his share of costs of repair or replacement of the Party Wall, the owner advancing monies has a right to file a claim of lien for the monies advanced in the Land Records of Collin County, Texas, and has the right to foreclose the lien as if it were a mechanic's lien. The right of an owner to contribution from another owner under this Section is appurtenant to the land and passes to the owner's successors in title.

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

ARTICLE 12

INSURANCE

12.1 INSURANCE RATIONALE. A townhome development provides many complex issues and opportunities for insurance. There are valid reasons for having the Association insure the individually owned townhomes, and valid reasons for having the Association insure the

individually owned townhomes, and valid reasons why the individual owners should insure their own townhomes. This Article allocates insurance responsibilities between the Association and the owners based on the following rationale. The Association insures the townhome buildings to the extent necessary (1) to preserve the appearance of the Property, (2) to maintain the structural integrity of the townhome building and the townhomes therein, (3) to maintain the perimeter shells of the townhomes, and (4) to maintain the construction of the interior of the townhome to the "Building Standard." **The owner insures all other aspects of his townhome.** In the event of a conflict or gap between the liabilities and policies of the Association and the owner, the Association's liabilities and policies will control.

12.2 "BUILDING STANDARD" DEFINED. As used in this Article, "**Building Standard**" refers to the typical townhome for the Property, as originally constructed, subject to the construction industry changes over time in replacement materials and systems that are typical for the market and era.

12.3 GENERAL PROVISIONS. All insurance that directly affects the Settlement Townhomes at Craig Ranch is governed by the provisions of this Article, with which the board will make every reasonable effort to comply.

12.3.1 **Requirements.** The cost of insurance coverages and bonds maintained by the Association is a Settlement Townhomes expense. 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. The Association's policies should contain the standard mortgage clause naming either the Mortgagee or its servicer followed by "its successors and assigns." The loss payee clause should show the Association as trustee for each Owner and Mortgagee. Policies of property and general liability insurance maintained by the Association must provide that the insurer waives its rights to subrogation under the policy against an Owner. The Association's insurance policies will not be prejudiced by the act or omission of any Owner or Resident who is not under the Association's control.

12.3.2 **Association as Trustee.** Each owner hereby, and without further action, 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 for the benefit of the Settlement Townhomes owners and their mortgagees.

12.3.3 **Notice of Cancellation or Modification.** Each insurance policy maintained by the Association expressly for the Settlement Townhomes at Craig Ranch should contain a provision requiring the insurer to give 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.

12.3.4 **Deductibles.** An insurance policy obtained by the Association for the Settlement Townhomes at Craig Ranch may contain a reasonable deductible, and the amount

thereof may not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the coverage limits required by this Declaration or an underwriting lender. In the event of an insured loss, the deductible is treated as an Settlement Townhomes expense in the same manner as the insurance premium. However, if the board reasonably determines that the loss is the result of the negligence or willful misconduct of an owner or resident or their invitee, then the board may levy a specific assessment against the owner and his lot for the amount of the deductible that is attributable to the act or omission, subject to the owner's right to notice and hearing.

- 12.3.5 Unavailability. The Association, and its directors, officers, and managers, will not be liable for failure to obtain any coverage required by this Article or for any loss or damage resulting from such failure if the failure is due to the unavailability of a particular coverage from reputable insurance companies, or if the coverage is available only at demonstrably unreasonable cost.
- 12.3.6 Other Coverage. In addition to the coverages required by this Article, the Association may maintain any insurance policies and bonds deemed by the board to be necessary or desirable for the benefit, specifically, of the Settlement Townhomes at Craig Ranch.
- 12.3.7 Types of Policies. This Article may not be construed to require the Association obtain separate insurance policies for the Settlement Townhomes at Craig Ranch, solely. The Association may fulfill its insurance responsibilities for the Settlement Townhomes at Craig Ranch with policies that cover the entire Craig Ranch Community Association or certain service areas or parcel within Craig Ranch, or any combination of those.
- 12.3.8 No Coverage. Even if the Association and the owner have adequate amounts of recommended and required coverages, the Property may experience a loss that is not covered by insurance. In that event, the Association is responsible for restoring the structural components of the townhome buildings as an Settlement Townhomes expense, and the owner is responsible for restoring all the interior surface finishes of his townhome at his sole expense, starting at the unfinished interior surfaces of the sheetrock or sub flooring on the walls, floors, and ceilings of the townhome. This provision does not apply to the deductible portion of a policy.

12.4 PROPERTY INSURANCE BY ASSOCIATION. To the extent it is reasonably available; the Association will obtain property insurance for all improvements insurable by the Association under this Declaration. This insurance must be 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. In insuring the Property, the Association may be guided by types of policies and coverages customarily available for similar types of properties.

- 12.4.1 Common Area. The Association will insure, as a service area expense:

- a. Insurable improvements on the Settlement Townhomes Common Areas.
- b. Insurable improvements in the Settlement Townhomes ACR.
- c. The improvements on any townhome lot owned by the Association.
- d. Insurable property owned by the Association for use at the Property, such as (if any) furniture, equipment, and supplies.

12.4.2 **Townhomes Insured by Association.** In addition to insuring the property owned or maintained by the Association, the Association will maintain property insurance on the townhomes and townhome buildings to the Building Standard. The Association may insure betterments and improvements installed by current or previous owners. In insuring townhomes, the Association may be guided by types of policies customarily available for similar types of properties.

12.5 PERSONAL PROPERTY NOT INSURED BY ASSOCIATION. The Association does not insure an owner or resident's personal property. **Each owner and resident is solely responsible for insuring his personal property in his townhome and on the Property.** The Association strongly recommends that each owner and resident purchase and maintain insurance on his personal belongings.

12.6 PROPERTY INSURANCE BY OWNER. The owner of each townhome must obtain and maintain an owners insurance policy on the townhome covering, at a minimum, all items not covered by the Association policy, such as those listed below. On the date of this Declaration, an owner's policy on the townhome also covers the owner's personal property in the townhome. **Owners are advised to insure the contents of their townhome with an owner's policy, not a tenant's policy.** Types of property to be insured by owner:

- a. Betterments and improvements to the townhome that exceed the Building Standard, such as an art glass window, a custom skylight, upgraded appliance, and designer wall coverings.
- b. Removable window treatments.
- c. Appliances that are not permanently built-in, such as refrigerators, clothes washers and dryers, and countertop appliances.
- d. Customized cabling and wiring for electronic, entertainment, or security devices.
- e. Personal property, such as objects d'art, furnishings, clothing, and vehicles.

12.7 VARIATIONS IN PROPERTY INSURANCE. Notwithstanding the foregoing rationale and allocation of insurance responsibilities, the Association's coverage decisions will be guided by types of policies and coverages customarily available for similar types of properties. The Association, acting through its board, is hereby authorized to obtain and maintain property insurance for components of the townhomes that are designated by this Article

as the sole responsibility of the owner if such an insurance purchase by the Association is in the best collective interests of the Settlement Townhomes at Craig Ranch owners.

- 12.8.1 Board Determination to Reduce Risks. Notwithstanding the requirements of this Article, the board may establish 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. If an owner fails to maintain required insurance, the board may obtain it on behalf of the owner who will be obligated for the cost as a specific assessment.
- 12.8.2 Overlapping Coverage. If at the time of a loss under a policy maintained by the Association, there is other insurance in the name of the townhome owner covering the same property covered by the Association's policy, the owner's policy provides primary insurance, and the Association's policy provides excess coverage, if needed.
- 12.8.3 Gap Construction. If it is not clear to the Association whether a particular component of the Property is required by this Article to be insured by the owner or by the Association, the component is hereby deemed to be the responsibility of the Association.
- 12.8.4 Betterments & Improvements. The Association may, but is not required to, insure betterments and improvements made to the townhome by the current or previous owners and residents, even if such betterments and improvements were approved by the Architectural Reviewer at the time of installation. On request by the Association, an owner will give the board written notification of any and all structural changes, additions, betterments, or improvements to his townhome, and any other information the board may require to maintain adequate levels of insurance coverage. Each owner will comply with reasonable requests by the board for periodic inspection of the townhome for purposes of insurance appraisal. This Section may not be construed to require the Association to request information about betterments and improvements, to inspect the townhome for insurance purposes, or to obtain appraisals on individual townhomes and townhome buildings.

12.9 LIABILITY INSURANCE BY ASSOCIATION. The Association will maintain general liability insurance coverage over 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. If available, the Association may obtain liability insurance over the Settlement Townhomes ACR for bodily injury and property damage resulting from the maintenance of the Settlement Townhomes ACR.

12.10 LIABILITY INSURANCE BY OWNER. Notwithstanding anything to the contrary in this Declaration, to the extent permitted by applicable law, each owner is liable

for damage to the Property caused by the owner or by persons for whom the owner is responsible. **Each owner is hereby required to obtain and maintain general liability insurance** to cover this liability as well as occurrences within his townhome, in amounts sufficient to cover the owner's liability for damage to the property of others in the Property and to the Settlement Townhomes ACR, whether such damage is caused willfully and intentionally, or by omission or negligence.

12.11 OWNER'S GENERAL RESPONSIBILITY FOR INSURANCE. Each owner, at his expense will maintain all insurance coverages required of owners by the Association pursuant to this Article or the Community Charter. If an owner fails to maintain required insurance, or to provide the Association with proof of same if the Association requests such proof, the board may obtain insurance on behalf of the owner who will be obligated for the cost as a specific 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 and 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 townhome and on his lot, including furnishings, vehicles, and stored items.** If the Association is unable or unwilling to insure the townhome as described above, then each owner will obtain and maintain property insurance on all insurable improvements on his townhome lot, in an amount sufficient to cover 100 percent of the replacement cost of any repair or reconstruction in even t of damage or destruction from any insured hazard.

ARTICLE 13

AMENDMENTS

13.1 CONSENTS REQUIRED. As permitted by this Declaration, certain amendments of this Declaration may be executed by Parcel Developer alone, or by the board alone. Amendment of the Maintenance Responsibility Chart, initially recorded as Appendix B of this Declaration, is subject to the terms of Section 10.3. Otherwise, amendments to this Declaration must be approved by owners of at least a majority of the lots in the Settlement Townhomes at Craig Ranch and consented to the board, whose consent shall not be unreasonably withheld.

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

13.3 EFFECTIVE. To be effective, an amendment approved by the owners or the board must be in the form of a written instrument (1) referencing the name of the Property, the name of the Association, and the recording data of this Declaration and any amendments hereto; (2) signed and acknowledged by (i) an officer of the Association or (ii) a majority of the members of the Settlement Townhomes Committee, certifying the requisite approval of owners and the consent of the board, or approval by the board; and (3) recorded in the Land Records of Collin County, Texas.

13.4 PARCEL DEVELOPER PROVISIONS. Parcel Developer has an exclusive right to unilaterally amend this Declaration for the purposes stated in Appendix C. An amendment that may be executed by Parcel Developer alone is not required to name the Association or to be signed by an officer of the Association or by the Settlement Townhomes Committee. No amendment may affect Parcel Developer's rights under this Declaration without Parcel Developer's written and acknowledged consent, which must be part of the recorded amendment instrument. This Section may not be amended without Parcel Developer's written and acknowledged consent.

13.5 FOUNDER PROVISIONS. No amendment may affect the Founder's rights and responsibilities under this Declaration or the other Governing Documents without the Founder's written and acknowledged consent, which must be part of the recorded amendment instrument. This Section may not be amended without the Founder's written and acknowledged consent.

13.6 ASSOCIATION PROVISIONS. No amendment may affect the rights and responsibilities of the Association, the board, or the Architectural Reviewer under this Declaration or the other Governing Documents without the written and acknowledged consent of an officer of the Association, which must be part of the recorded amendment instrument. This Section may not be amended without the Association's written and acknowledged consent.

13.7 ORDINANCE COMPLIANCE. When amending this Declaration, the Parcel Developer, the Owners and the Association must consider the validity and enforceability of the amendment in light of current public law, including without limitation McKinney's ordinance pertaining to planned developments with common areas and mandatory owners associations.

13.8 CONVERSION. With the consent of owners of 75 percent of the lots in the Property, the Settlement Townhomes at Craig Ranch may be converted from a service area without a parcel association to a parcel with a parcel association by amending and restating this Declaration to create a mandatory association of owners of all lots in the Property. During the Development and Sale Period as defined in the Community Charter, such a conversion must have the Founder's written and acknowledged consent, which must be part of the recorded instrument effecting the conversion. Thereafter, the written and acknowledged consent of the Association, acting through its board, is required.

13.9 TERMINATION. Termination of the terms of this Declaration and the status of the Property as a service area of Craig Ranch 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 Property. 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 in the Property.

13.10 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 14

GENERAL PROVISIONS

14.1 WAIVER OF CONFLICT WITH CHARTER. Generally, the terms of this Declaration are enforceable to the extent they do not violate or conflict with local, state, or federal law or ordinance. As provided in Section 2.2 of the Community Charter, to which this Declaration is subordinate, the more restrictive covenants and provisions of this Declaration control over less restrictive or absent provisions in the Community Charter. By executing this Declaration, the Founder grants a waiver of the conflict provision in Section 2.3 of the Community Charter, as it applies to any provision of this Declaration that conflicts with the Community Charter or the other Governing Documents, but which is intended to be internal to Settlement Townhomes at Craig Ranch and which has no measurable affect on the Craig Ranch Community as a whole. For example, the construction, use, and architectural control provisions of this Declaration are intended to control over anything to the contrary in the other Governing Documents of Craig Ranch.

14.2 LIBERAL CONSTRUCTION. The terms and provision of this Declaration are to be liberally construed to give effect to the purposes and intent of this Declaration. All doubts regarding a provision, including restrictions on the use or alienability of property, will be resolved in favor of the operation of the Association and its enforcement of the Declaration, regardless which party seeks enforcement.

14.3 LITIGATION APPROVAL & SETTLEMENT. This Section applies only to litigation that is specific to the Settlement Townhomes at Craig Ranch. The Association, the owners, Parcel Developer, the Founder, all persons subject to this Declaration, and any person not otherwise subject to this Declaration who agrees to submit to this Section 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. This Section may not be amended without the approval of owners of at least 75 percent of the lots in the Property.

14.3.1 Owner Approval. The Association may not initiate any judicial or administrative proceeding without the prior approval of owners of at least a majority of the lots in the Property, except that no such approval is required (1) to enforce provisions of this Declaration and the other Governing Documents as pertain to the Settlement Townhomes at Craig Ranch, including collection of Settlement Townhomes Assessments or any other charge levied pursuant to this Declaration or the Community Charter; (2) to challenge condemnation proceedings of land in the Settlement Townhomes at Craig Ranch; (3) to enforce a contract against a contractor, vendor, or supplier of goods or services to the Settlement Townhomes at Craig Ranch; (4) to defend claims filed against the Association or to assert counterclaims in a proceedings instituted against the Association and pertaining to the Settlement Townhomes at Craig Ranch; or (5) to obtain a temporary restraining order or equivalent emergency equitable relief when circumstances do

not provide sufficient time to obtain the prior consents of owners in order to preserve the status quo at the Settlement Townhomes at Craig Ranch.

14.3.2 Suit Against Parcel Developer. Also, the Association may not initiate any judicial or administrative proceeding against Parcel Developer without (1) the approval of owners representing at least 75 percent of the lots in the Property and (2) the written consent of Founder during the Development and Sale Period.

14.3.3 Settlement. The board, on behalf of the Association and without the consent of owners or the Settlement Townhomes Committee, is hereby authorized to negotiate settlement of litigation pertaining to the Settlement Townhomes at Craig Ranch, and may execute any document related thereto, such as settlement agreements and waiver or release of claims.

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 enumeration of specific matters similar to the general.

14.5 CAPTIONS. In this Declaration, 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.

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

Appendix A - Description of the Subject Land

Appendix B - Maintenance Responsibility Chart

Appendix C - Parcel Developer Representations & Reservations

Appendix D - POA Sale Fees

14.7 INTERPRETATION. Whenever used in this Declaration, 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.

SIGNED AND ACKNOWLEDGED

SIGNED on this 26 day of April 2006.

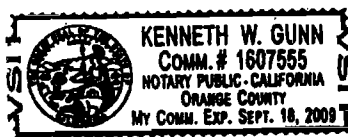
SETTELMENT SOUTH LP, a Texas limited partnership

By: **INNOVATIVE CUSTOM HOMES GENPAR LLC**,
a Texas limited liability company
- General Partner

By: [Signature]
Ben Lafrancois, General Manager

THE STATE OF CALIFORNIA §
§
COUNTY OF ORANGE §

This instrument was acknowledged before me on this 26th day of April 2006 by Ben Lafrancois, General Manager of Innovative Custom Homes GenPar, LLC, a Texas limited liability company, as General Partner of Settlement South LP, a Texas limited partnership, on behalf of said limited partnership.



[Signature]
Notary Public, The State of CALIFORNIA

**CONSENT TO DECLARATION
BY FOUNDER OF CRAIG RANCH**

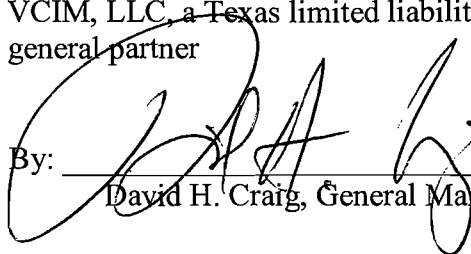
VCIM Partners, L.P., a Texas limited partnership, is the "Founder" of Craig Ranch, a master planned community in McKinney, Texas, which is subject to the Community Charter of Craig Ranch, recorded on March 12, 2004, as Document No. 2004-0034616, in Volume 5625, Page 01378, Real Property Records, Collin County, Texas (the "Charter"). Pursuant to Section 20.5 of the Charter, Founder has the right to consent to the Declaration of Covenants, Conditions & Restrictions for Settlement Townhomes at Craig Ranch.

By signing below, Founder consents to the recording of the Declaration of Covenants, Conditions & Restrictions for Settlement Townhomes at Craig Ranch as to the land described in Appendix A attached hereto.

Signed on this 3 day of May 2006.

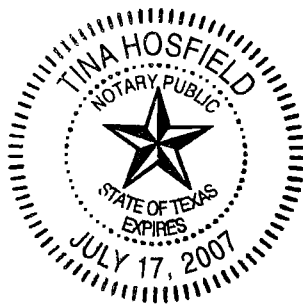
VCIM PARTNERS, L.P., a Texas limited partnership

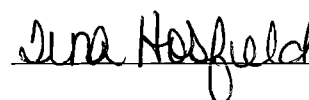
By: VCIM, LLC, a Texas limited liability company, its
general partner

By: 
David H. Craig, General Manager

THE STATE OF TEXAS §
 §
COUNTY OF COLLIN §

This instrument was acknowledged before me on this 3 day of May 2006 by David H. Craig, General Manager of VCIM, LLC, a Texas limited liability company, on behalf of the company in its capacity as general partner of VCIM Partners, LP, a Texas limited partnership, on behalf of the limited partnership.





Notary Public, The State of Texas

APPENDIX A
DESCRIPTION OF SUBJECT LAND

BEING CERTAIN REAL PROPERTY in the City of McKinney, Collin County, Texas, described in the Record Plat for The Settlement at Craig Ranch North, recorded on August 8, 2005, as Document No. 2005-0107965, in Cabinet Q, Slide 589, Plat Records, Collin County, Texas, but only including the following:

BLOCK E: LOTS 8 - 15
BLOCK F: LOTS 1 - 8
BLOCK G: LOTS 9 - 16
BLOCK H: LOTS 1 - 8
BLOCK J: LOTS 13 - 20
BLOCK K: LOTS 1 - 8

BLOCK L: LOTS 10 - 17
BLOCK M: LOTS 10 - 17
BLOCK N: LOTS 1 - 8
BLOCK P: LOTS 11 - 18
BLOCK Q: LOTS 1 - 8

(End of Appendix A)

APPENDIX B
MAINTENANCE RESPONSIBILITY CHART

(See Notes at End)

COMPONENT OF PROPERTY	SETTLEMENT TOWNHOMES AREA OF COMMON RESPONSIBILITY	OWNER RESPONSIBILITY (SUBJECT TO APPROVAL BY ARCHITECTURAL REVIEWER)
Roofs.	Deckings, felt, shingles, and metal flashing, only	All other aspects, including roof trusses.
Roof mounted attachments.	None.	All aspects.
Exterior vertical walls of buildings, other exterior features of buildings not specifically listed in chart.	Outermost materials only, such as siding, stucco, and brick, and any coatings or surface treatments on the material, such as paint or sealant.	All other aspects, including wall cavities and insulation.
Building foundations, patio slabs, and A/C slabs.	None.	All aspects, including tolerance for minor crack that are inevitable results of the natural movement of soil (expansion and contraction), shrinkage during the curing of the concrete, and settling of the building.
Concrete driveways and sidewalks.	All structural aspects.	Routine cleaning & tolerance for minor cracks that are inevitable results of the natural expansion & contraction of soil, shrinkage during the curing of the concrete and settling of the building.
Retaining walls.	All aspects.	None.
Displays of street numbers on exterior doors or building surfaces.	All aspects.	None.
Gutters and downspouts.	All aspects.	None.
Grounds – outside the fenced yards.	All aspects.	None.
Yard irrigation system	All aspects.	None.

(sprinkler)		
Exterior light fixtures on buildings.	None.	All aspects.
Exterior doors of townhomes.	Determining styles and materials of front doors and garage doors. Periodic paint or stain on garage doors, only.	All other aspects of the garage door, and all aspects of other doors, including paint, door frame, door, glass panes, hardware, locks, peepholes, thresholds, weatherstripping, and doorbells.
Garages.	Roofs and exterior vertical walls, as described above.	All aspects, except those noted for Association. Includes, routine interior cleaning, interior wall and ceiling materials, pedestrian door, automatic garage door opener, remote controls, interior light fixture, interior electrical outlets.
Skylights.	None.	All aspects.
Attics.	None.	All aspects.
Insulation & weatherstripping.	None.	All aspects.
Chimneys & Fireplaces.	Chimney Caps and siding only.	All other aspects, including flues, firebox, damper, and periodic flue cleaning.
Fences and gates around private townhome yards.	None.	All aspects.
Townhome interiors, incl. improvements, fixtures, partition walls & floors within townhome.	None.	All aspects.
Sheetrock in townhomes (walls and ceilings) & treatments on walls.	None.	All aspects.
Improvements and grounds in private/yards.	None.	All aspects.
Surface water drainage systems.	All aspects, including collection drains and drain systems.	None. Prohibited from changing the drainage system.
Windows.	Periodic exterior caulking in connection with exterior painting.	All other aspects, including window frames, window sill flashings, window seals and

		sealants, screens, window locks, glass panes, glazing, interior caulking.
Water, sewer, electrical lines & systems.	None for lines and systems serving the lots.	All aspects of lines and systems serving the lot.
Heating and cooling systems & water heaters.	None.	All aspects.
Intrusion alarms on doors/windows, smoke/heat detectors, monitoring equipment.	None.	All aspects.
Cable for television or internet.	Standards for location and appearance of cable and/or conduit.	All other aspects.
Television antennas & satellite dishes.	Standards for location and appearance of exterior mounted devices.	All other aspects.

See Notes on Next Page

NOTES TO MAINTENANCE RESPONSIBILITY CHART

- NOTE 1 In the event of a conflict between this Maintenance Responsibility Chart and a provision of the main body of the Declaration, the main body of the Declaration controls. This Maintenance Responsibility Chart may not be interpreted or amended to create a conflict with a provision of the Declaration.
- NOTE 2 As used in this Maintenance Responsibility Chart, "all aspects" includes maintenance, repair, and replacement, as needed.
- NOTE 3 Each component listed in the first column of the Maintenance Responsibility Chart of Settlement Townhomes at Craig Ranch is applicable only if the component exists, and may not be construed to create a requirement to have such a component. A skylight is an example of a component that may or may not be on a building.
- NOTE 4 If the owner is responsible for a component of the townhome building that is shared with the owners of the other townhomes in the townhome building, such as roof trusses and the foundation, the responsibility is shared by the owners of all the townhomes in the building. If the owners of the 3 townhomes in the building cannot agree on an equitable division of the costs based on the circumstances, the division will be equal among the townhomes although one townhome may be more affected than the others. If the owners of the townhomes cannot agree on any aspect of maintenance that requires their joint participation, the matter will be decided by the Settlement Townhomes Committee or, at the discretion of the board, by a 3-person ad hoc committee appointed by the board.
- NOTE 5 If an owner fails or refuses to perform necessary maintenance, repair, or replacement, the Association may perform the work after giving required notices to the owner.
- NOTE 6 This Maintenance Responsibility Chart may be revised by the Association acting through its Board of Directors, with the approval of owners representing at least a majority of the townhomes in the Property. A revised Maintenance Responsibility Chart must be recorded in the Real Property Records of Collin County, Texas.

(End of Appendix B)

APPENDIX C
PARCEL DEVELOPER REPRESENTATIONS & RESERVATIONS

C.1 GENERAL PROVISIONS.

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

C.1.2 General Reservation & Construction. Notwithstanding other provisions of this Declaration 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 Parcel Developer hereby reserves exclusively unto itself and its successors and assigns. In case of conflict between this Appendix and the main body of the Declaration or any other Governing Documents as it applies to Settlement Townhomes at Craig Ranch, this Appendix controls. This Appendix may not be amended without the prior written consent of Parcel Developer. The terms and provisions of this Appendix must be construed liberally to give effect to Parcel Developer's intent to protect Parcel Developer's interests in the Property.

C.1.3 Purpose of Parcel Development Period. This Appendix gives Parcel Developer certain rights during the Parcel Development Period to ensure a complete and orderly build out and sellout of the Property, which is ultimately for the benefit and protection of owners and mortgagees. Developer may not use its control of the Property for advantage over the owners by way of retention of any residual rights or interests in the Property.

C.1.4 Builders. As used in this Appendix and elsewhere in the Declaration, "Builder" means a person or entity which purchases, or contracts to purchase, a lot from Parcel Developer or from a Builder for the purpose of constructing a townhome for sale under contract to an owner other than Parcel Developer. As used in this Declaration, Builder does not refer to Parcel Developer or to any home building or home marketing company that is an affiliate of Parcel Developer. Parcel Developer, in its own name or through its affiliates, intends to construct townhomes on the lots in connection with the sale of the lots. However, Parcel Developer may, without notice, sell some or all of the lots to one or more Builders to improve the lots with townhomes to be sold and occupied.

C.2 PARCEL DEVELOPMENT PERIOD RESERVATIONS. Parcel Developer reserve the following easements and rights, exercisable at Parcel Developer's sole discretion, at any time during the Parcel Development Period. To the extent any of these reservations exceeds

restrictions in the Community Charter, Founder's execution of this Declaration constitutes a waiver or variance of those Charter restrictions.

C.2.1 Platting. If the Property includes unplatted parcels, they may be platted in whole or in part, and in phases. The right to plat belongs to the owner of the unplatted parcel, provided, however, that a plat that creates common areas or obligations for the Association must also be approved by Parcel Developer. Parcel Developer's right to have the Property platted, or to approve such plats, is for a term of years and does not require that Parcel Developer own land described in Appendix A at the time or times Parcel Developer exercises its right of platting.

C.2.2 Expansion. The Property is subject to expansion. During the Parcel Development Period, Parcel Developer may – but is not required to – annex any real property: (1) any portion of which is contiguous with, adjacent to, or within 1,000 feet of any real property that is subject to this Declaration, (2) in addition or subdivision platted by the City of McKinney as a phase or section of Settlement Townhome at Craig Ranch, (3) located in a planned development district created by the City of McKinney for the property subject to this Declaration, or (4) located in a service area created by the Founder for the property subject to this Declaration. Parcel Developer annexes real property by subjecting it to the Declaration by recording a supplement or an amendment of this Declaration, executed by Parcel Developer, in the Land Records of Collin County, Texas. The supplement or amendment of annexation must include a description of the additional real property or a reference to the recorded plat that describes the additional real property. Parcel Developer's right to annex land is for a term of years and does not require that Parcel Developer own land described in Appendix A at the time or times Parcel Developer exercises its right of annexation.

C.2.3 Withdrawal. During the Parcel Development period, Parcel Developer may withdraw from the Property any portion of the real property (1) that is not platted with townhome lots or (2) that is platted as a phase of Settlement Townhomes at Craig Ranch, provided that no lot in the phase to be withdrawn has been conveyed to an owner other than a Builder.

C.2.4 Changes in Development Plan. Parcel Developer may modify the initial development plan to respond to perceived or actual changes and opportunities in the marketplace. Subject to approval by (1) a governmental entity, if applicable, (2) the Reviewer, and (3) the owner of the land or lots to which the change would directly apply (if other than Parcel Developer), Parcel Developer may (a) change the sizes, dimensions, and configurations of lots and streets; (b) change the minimum townhome size; (c) change the building setback requirements; and (d) eliminate or modify any other feature of the Property.

C.2.5 Adjacent Land Use. Parcel Developer makes no representations of any kind as to current or future uses – actual or permitted – of any land within Craig Ranch or any land that is adjacent to or near the Property, regardless of what the Settlement

Townhomes Plat or the Founder's marketing materials show as potential uses of adjoining land.

C.2.6 Builder Limitations. Parcel Developer may require its approval (which may not be reasonably withheld) of all documents and materials used by a Builder or an owner in connection with the development, sale, and/or leasing of lots and townhomes, including without limitation printed and online promotional materials; websites; deed restrictions; forms for deeds, lot sales, lot closings, and leases. Without Parcel Developer's prior written approval, a Builder or owner may not use a townhome as a sales or leasing office or model home, or to market homes, lots or other products located outside the Property.

C.2.7 Amendment. During the Parcel Development Period, Parcel Developer may amend this Declaration, without consent of other owners or any mortgagee, for any purpose, including without limitation the following purposes:

- a. To add real property to the Property.
- b. To withdraw real property from the Property.
- c. To create lots, easements, and common areas within the Property.
- d. To modify the designation of the Settlement Townhomes ACR.
- e. To subdivide, combine, or reconfigure lots.
- f. To convert lots into common areas.
- g. To modify the construction and use restrictions of this Declaration.
- h. To modify the Maintenance Responsibility Chart.
- i. To comply with requirements of an underwriting lender.
- j. To comply with the requirements of the Community Association.
- k. To resolve conflicts, clarify ambiguities, and to correct misstatements, errors, or omissions in this Declaration.
- l. To enable any reputable title insurance company to issue title insurance coverage on the lots.
- m. To enable an institutional or governmental lender to make or purchase mortgage loans on the lots.
- n. To change the name or entity of Parcel Developer.
- o. To change the name of the addition in which the Property is located.
- p. For any other purpose, provided the amendment has no material adverse effect on any right of any owner.

C.2.8 Completion. During the Parcel Development Period, Parcel Developer has (1) the right to complete or make improvements indicated on the plat; (2) the right to sell or lease any lot owned by Parcel Developer; and (3) an easement and right to erect, construct, and maintain on and in the common area, Settlement Townhomes ACR, and lots owned or leased by Parcel Developer whatever Parcel Developer determines to be necessary or advisable in connection with the construction, completion, management, maintenance, leasing, and marketing of the Property, including, without limitation, parking areas, temporary buildings, temporary fencing, portable toilets, storage areas, dumpsters, trailers, and commercial vehicles of every type.

C.2.9 Easement to Inspect & Right to Correct. During the Parcel Development Period reserves for itself the right, but not the duty, to inspect, monitor, test, redesign, correct, and relocate any structure, improvement, or condition that may exist on any portion of the Property, including the lots, and a perpetual nonexclusive easement of access throughout the Property to the extent reasonably necessary to exercise this right. Parcel Developer will promptly repair, at its sole expense, any damage resulting from the exercise of this right. By way of illustration but not limitation, relocation of a screening wall located on a lot may be warranted by a change of circumstance, imprecise citing of the original wall, or desire to comply more fully with public codes and ordinances. This Section may not be construed to create a duty for Parcel Developer or the Association.

C.2.10 Promotion. During the Parcel Development Period, Parcel Developer reserves for itself an easement and right to place or install signs, banners, flags, display lighting, potted plants, exterior decorative items, seasonal decorations, temporary window treatments, and seasonal landscaping on the Property, including items and locations that are prohibited to other owners and residents, for purposes of promoting, identifying, and marketing the Property and/or Parcel Developer's homes, lots, developments, or other products located outside the Property. Parcel Developer reserves an easement and right to maintain, relocate, replace, or remove the same from time to time within the Property. Parcel Developer also reserves the right to sponsor marketing events – such as open houses, MLS tours, and brokers parties – at the Property to promote the sale of lots. During the Parcel Development Period, Parcel Developer also reserves (1) the right to permit Builders to place signs and promotional materials on the Property and (2) the right to exempt Builders from the sign restriction in this Declaration.

C.2.11 Offices. During the Parcel Development Period, Parcel Developer reserves for itself the right to use townhomes owned or leased by Parcel Developer as models, storage area, and offices for the marketing, management, maintenance, customer service, construction, and leasing of the Property and/or Parcel Developer's developments or other products located outside the Property. Also, Parcel Developer reserves for itself the easement and right to make structural changes and alterations on and to lots and townhomes used by Parcel Developer as models, storage area, and offices as may be necessary to adapt them to the uses permitted herein.

C.2.12 Access. During the Parcel Development Period, Parcel Developer 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 Parcel Developer's obligations under this Declaration. Parcel Developer also has the right to provide a reasonable means of access for the homebuying public through any existing or future gate that restricts vehicular access to the Property in connection with the active marketing of lots and homes by Parcel Developer or Builders, including the right to require that the gate be kept open during certain hours and/or on certain days. This provision may not be construed as an obligation or intent to gate the Property.

C.2.13 Utility Easements. During the Parcel Development Period, Parcel Developer 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. Parcel Developer reserves the right to make changes in and additional to the easements on any lot, as shown on the plat, to more efficiently or economically install utilities or other improvements. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, television, cable, internet service, and security. To exercise this right as to land that is not a common area of the Property or not owned by Parcel Developer, Parcel Developer must have the prior written consent of the land owner.

C.3 SETTLEMENT TOWNHOMES COMMITTEE. During the Parcel Development Period, Parcel Developer may appoint, remove, and replace any member of the Settlement Townhomes Committee, none of whom need be owners or residents, and all of whom serve at the pleasure of the Parcel Developer. Within 60 days after the end of the Parcel Development Period, or sooner at the Parcel Developer's option, Parcel Developer will call a meeting of owners of Settlement Townhomes at Craig Ranch for the purpose of electing, by vote of the owners, members to the Settlement Townhomes Committee. Written notice of the owners' meeting must be given to an owner of each Settlement Townhomes lot at least 10 days before the meeting. For this meeting, owners of 10 percent of the lots constitute a quorum.

C.4 SETTLEMENT TOWNHOMES BUDGET & ASSESSMENTS. During the Parcel Development Period, Parcel Developer has the following obligation for the Settlement Townhomes operating budget and reserves.

C.4.1 Service Area Budget. The projected annual service area budget developed by the Association for Settlement Townhomes at Craig Ranch must be approved by Parcel Developer. An annual budget that has been approved by Parcel Developer remains in effect, from year to year, until Parcel Developer approves a different budget or a modification of the approved budget.

C.4.2 Settlement Townhomes Assessments. Parcel Developer is responsible for ensuring that the day-to-day operations of Settlement Townhomes at Craig Ranch are adequately funded to fulfill the responsibilities of the Association for the Settlement Townhomes service area while the Parcel Developer is developing the Property.

- a. Until the Association first levies Settlement Townhomes assessments, the Parcel Developer will pay all actual expenses relating to the operation and maintenance of Settlement Townhomes at Craig Ranch as a service area and is not required to create or contribute to a Settlement Townhomes reserve fund.
- b. Following termination of the Parcel Development Period, Parcel Developer (for each lot owned by Parcel Developer) is liable for Settlement Townhomes assessments in the same manner as any owner, and is not liable for shortfalls or deficiencies in the Settlement Townhomes budget or funds.

- c. In the interim – between the time the Association starts levying Settlement Townhomes assessments and the termination of Parcel Development Period, Parcel Developer – solely at its discretion and from time to time – has the following options:
- (1) Parcel Developer will be liable for Settlement Townhomes assessments in the same manner as any Settlement Townhomes owner, and is not individually liable for operating deficits, if any; or
 - (2) Alternatively, at Parcel Developer's sole discretion, Parcel Developer will periodically pay to the Association an amount equal to the Association's actual operational expenses for the Settlement Townhomes service area (hence, not reserves), less (or minus) both of the following:
 - (a) The operational portion of the Settlement Townhomes assessments received from the other owners.
 - (b) The operating fund contributions received from townhome purchasers.
- d. If the Parcel Developer elects option (2) in Subparagraph c above, the Association will reimburse Parcel Developer for any amounts paid by Parcel Developer that can be attributed to one or more delinquencies in Settlement Townhomes assessments or Settlement Townhomes operating contributions – if and when those delinquencies are cured.

C.5 ARCHITECTURAL CONTROL BY PARCEL DEVELOPER. During the Parcel Development Period, Parcel Developer has the absolute right to serve as the Architectural Reviewer for Settlement Townhomes at Craig Ranch, subject only to the absolute right of the Founder to veto any decision made by Parcel Developer in its capacity as Architectural Reviewer for Settlement Townhomes at Craig Ranch.

C.5.1 Parcel Developer's Rights Reserved. Each owner, by accepting an interest in or title to a lot, whether or not it so expressed in the instrument of conveyance, covenants and agrees that Parcel Developer has a substantial interest in ensuring that the improvements within the Property enhance Parcel Developer's reputation as a community developer and do not impair Parcel Developer's ability to market its property or the ability of Builders to sell townhomes in the Property. Accordingly, each owner agrees that – during the Parcel Development Period – no improvements will be started or progressed on owner's lot without the prior written approval of Parcel Developer, which approval may be granted or withheld at Parcel Developer's sole discretion. In reviewing and acting on an application for approval, Parcel Developer may act solely in its self-interest and owes no duty to any other person or organization. Parcel Developer may designate one or more persons from time to time to act on its behalf in reviewing and responding to applications.

C.5.2 Delegation by Parcel Developer. During the Parcel Development period, Parcel Developer may from time to time, but is not obligated to, delegate all or a portion of its reserved rights under this Article to the Association's Reviewer. Any such delegation must be in writing and must specify the scope of delegated responsibilities. Any such delegation is at all times subject to the unilateral rights of Parcel Developer (1) to revoke such delegation at any time and reassume jurisdiction over matters previously delegated and (2) to veto any decision which Parcel Developer in its sole discretion determines to be inappropriate or inadvisable for any reason.

C.5.3 Vacant Lots. Parcel Developer also has the unilateral right to exercise architectural control over vacant lots in the Property. Neither the Founder, the Association, the Reviewer, or a committee appointed by the Association (no matter how the committee is named) may involve itself with the approval of new townhomes and related improvements on vacant lots provided (1) the structure, type, and quality of construction of buildings and improvements are substantially consistent with that of the buildings and improvements then-existing in the Property, or (2) the Founder pre-approved the elevations and construction plans for the new townhomes on vacant lots.

C.5.4 Limits on Liability. In its role as the Architectural Reviewer, Parcel Developer has sole discretion with respect to taste, design, and all standards specified by this Section. The Architectural Reviewer has no liability for decisions made in good faith by the Architectural Reviewer, and which are not arbitrary or capricious. The Architectural Reviewer is not responsible for: (1) errors in or omissions from the plans and specifications submitted to the Architectural Reviewer, (2) supervising construction for the owner's compliance with approved plans and specifications, or (3) the compliance of the owner's plans and specifications with governmental codes and ordinances, state and federal laws.

C.5.5 Role of Founder. This subsection controls over anything to the contrary in this Section C.5. All improvements in the Property that are substantially complete on the date of this Declaration have been approved by the Founder in its capacity as Reviewer for Craig Ranch. Future improvements that conform to the existing improvements have been pre-approved by the Founder. Any significant deviation from the pre-approved elevations and construction plans must be approved by Founder.

C.5.6 Modifications. Any approval for an exterior modification granted by Parcel Developer in its role as Architectural Reviewer for Settlement Townhomes at Craig Ranch is subject to review and disapproval by Founder if Founder determines that the modification is detrimental to the appearance of the neighborhood. Accordingly, an owner applying for approval of a modification must obtain the approval of both the Founder and the Parcel Developer, in their respective capacities. Founder's approval of a modification application is contingent on approval by the Parcel Developer. Founder's disapproval of a modification application is effective without contingency, whether or not the Parcel Developer disapproves the application.

D.3 THE BUYER OF A RESALE TOWNHOME. Every transfer of a townhome by an owner other than the Parcel Developer or Builder is liable for the following POA Sale Fees, if any, in effect at the time of purchase.

- a. To the Association, any transfer-related fee authorized by the Governing Documents, such as the Community Enhancement Fee.
- b. To the Association, a one-time contribution to the Association's reserve funds for the **Settlement Townhomes service area**, in the amount of **the equivalent of two months of monthly Settlement Townhomes assessments.**
- c. To the manager, its customary POA Sale Fees.

(End of Appendix D)

AFTER RECORDING, MAIL TO:

**Judd A. Austin, Jr.
Henry Oddo Austin & Fletcher, P.C.
1700 Pacific Ave., Ste. 2700
Dallas, Texas 75201**

Filed and Recorded
Official Public Records
Brenda Taylor, County Clerk
Collin County, TEXAS
05/08/2006 03:20:38 PM
\$260.00 DLAIRD
20060508000620020



Brenda Taylor

AFTER RECORDING RETURN TO:

Judd A. Austin, Jr., Esq.
Henry Oddo Austin & Fletcher, P.C.
1700 Pacific Avenue
Suite 2700
Dallas, Texas 75201

**FIRST AMENDMENT TO THE DECLARATION OF
COVENANTS, CONDITIONS & RESTRICTIONS FOR
SETTLEMENT TOWNHOMES AT CRAIG RANCH**

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

KNOW ALL MEN BY THESE PRESENTS:

THIS FIRST AMENDMENT TO THE DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS FOR SETTLEMENT TOWNHOMES AT CRAIG RANCH (the "First Amendment") is made as of the date set forth below by the requisite owners of Lots subject to the Declaration of the Covenants, Conditions & Restrictions for Settlement Townhomes at Craig Ranch and the Craig Ranch Community Association.

INTRODUCTORY PROVISIONS

WHEREAS, the Declaration of the Covenants, Conditions & Restrictions for Settlement Townhomes at Craig Ranch was filed on May 8, 2006, and is recorded as Document No. 2006-0508-000620020 in the Official Public Records of Collin County, Texas (the "Settlement Declaration");
and

WHEREAS, the Parcel Developer, Settlement South, LP, as defined in Settlement Declaration, as a result of foreclosure, no longer has any right, title or interest in any property subject to the Settlement Declaration; and

WHEREAS, several lots subject to the Settlement Declaration were replatted into 8 single-family lots and are to be released from the Settlement Declaration by virtue of this First Amendment; and

WHEREAS, following a replat, the total number of townhome lots subject to the Settlement Declaration are 59; and

WHEREAS, the Settlement Declaration can be amended in accordance with Article 13 thereof by the owners of a majority of the lots subject to the Settlement Declaration with the consent of the Craig Ranch Community Association; and

WHEREAS, 46 out of the remaining 67 lots subject to the Settlement Declaration are currently owned by CB JENI - Settlement at Craig Ranch, LLC; and

WHEREAS, following the recordation of this First Amendment, the Settlement Declaration will only affect certain tracts or parcels of real property in Collin County, Texas (the "Property") described in Appendix A attached hereto; and

WHEREAS, the amendments to the Settlement Declaration as hereinafter set forth, are made pursuant to and in accordance with the provisions contained in Article 13 of the Settlement Declaration.

NOW, THEREFORE, the Settlement Declaration is hereby amended as follows:

(a) Section 1.14 of Article 1 of the Settlement Declaration is amended to read, in its entirety, as follows:

1.14. "Property" means all the land subject to this Declaration, as amended by the First Amendment to the Declaration of Covenants, Conditions & Restrictions for Settlement Townhomes at Craig Ranch, and all improvements, easements, rights, and appurtenances to the land. The name of the Property is the Settlement Townhomes at Craig Ranch. The Property is located on land described in Appendix A attached to the First Amendment to the Declaration of Covenants, Conditions &

Restrictions for Settlement Townhomes at Craig Ranch, and includes every lot and any common area thereon. The Property may also be referred to as a "Service Area" or "Benefitted Parcel."

(b) The following Sections or Provisions of the Settlement Declaration are deleted in their entirety, as follows:

Section 1.12. "Parcel Developer"

Section 1.13. "Parcel Development Period"

Section 7.12. "Parcel Developer Privileges"

Section 13.4. "Parcel Developer Provisions"

Appendix C - "Parcel Developer Representations & Reservations"

The lots previously subject to the Settlement Declaration which are not described on Appendix A attached hereto, are hereby released from the terms and conditions contained in the Settlement Declaration.

The terms and provisions of the Settlement Declaration, except as modified herein, are hereby declared to be in full force and effect with respect to the Property described on Appendix A only and which is attached hereto. The Property, as defined herein, shall continue to be held, occupied, sold and conveyed subject to the terms and conditions of the Settlement Declaration and this First Amendment, and are binding on all parties having any right, title or interest in and to the property or any part thereof, including their heirs, representatives, successors, transferees and assigns, and shall inure to the benefit of each Owner thereof.

IN WITNESS WHEREOF, this First Amendment to the Settlement Declaration is made by CB JENI - Settlement at Craig Ranch, LLC, a Texas limited liability company, to be effective as of the 20th day of November, 2011.

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MAJORITY OWNER OF LOTS:

CB JENI - SETTLEMENT AT CRAIG RANCH, LLC,
a Texas limited liability company

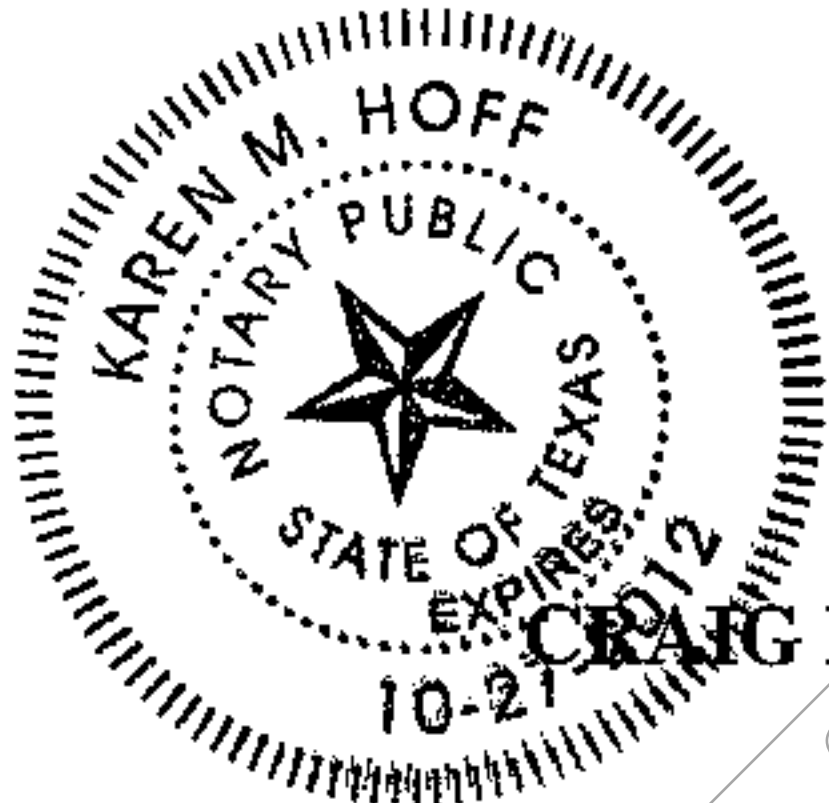
By: 

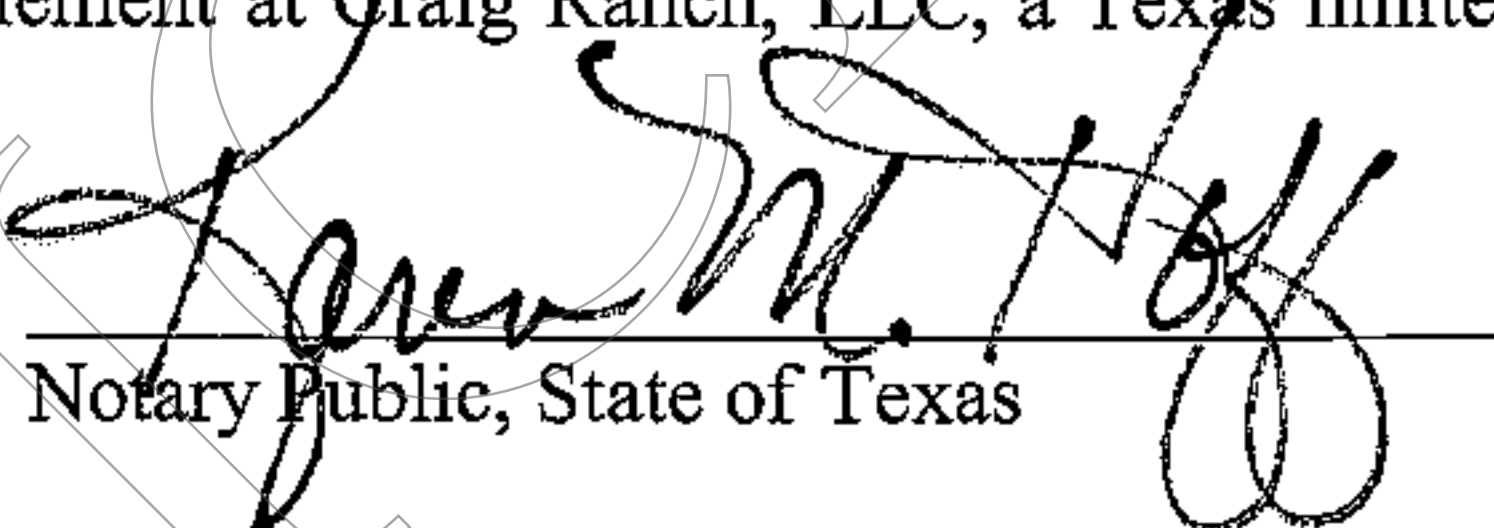
Bruno Pasquinelli, President

STATE OF TEXAS §

COUNTY OF COLLIN §

This instrument was acknowledged before me on this 29th day of November, 2011,
by Bruno Pasquinelli, president of CB JENI - Settlement at Craig Ranch, LLC, a Texas limited
liability company, on behalf of such company.




Notary Public, State of Texas

CRAIG RANCH:

CRAIG RANCH COMMUNITY ASSOCIATION
a Texas non-profit corporation

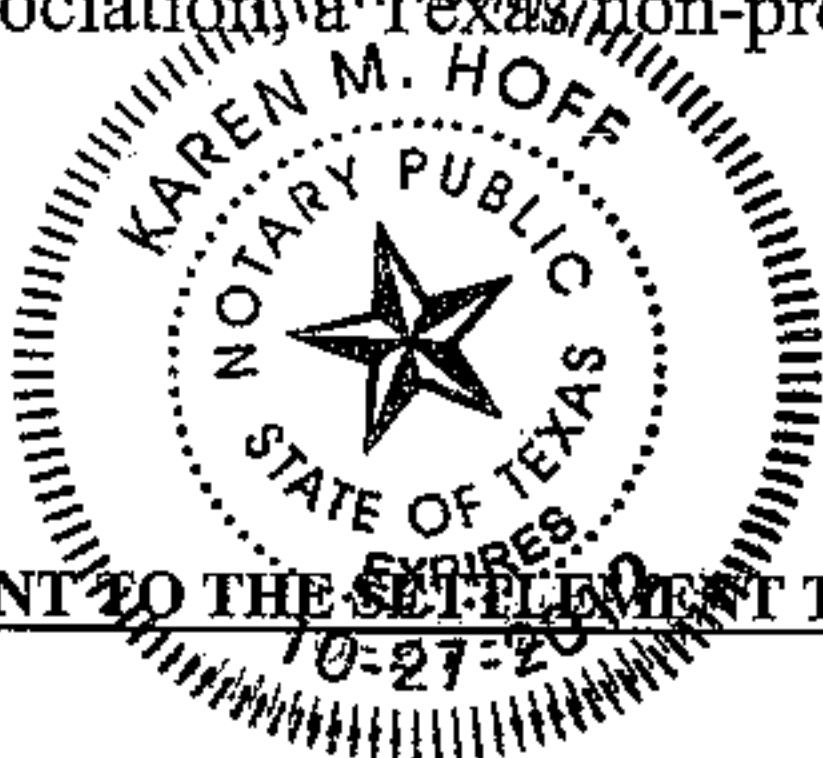
By: 

Officer

STATE OF TEXAS §

COUNTY OF COLLIN §

This instrument was acknowledged before me on this 29th day of November, 2011,
by Miles Preslem, the Officer of the Craig Ranch
Community Association, a Texas non-profit corporation, on behalf of such corporation.




Notary Public, State of Texas

APPENDIX A

DESCRIPTION OF SUBJECT LAND

BEING CERTAIN REAL PROPERTY in the City of McKinney, Collin County, Texas, described in the Record Plat for The Settlement at Craig Ranch North, recorded on August 8, 2005, as Document No. 2005-0107965, in Cabinet Q, Slide 589, Plat Records, Collin County, Texas, **but only including the following:**

BLOCK F: LOTS 1 - 4
BLOCK L: LOTS 10 - 17
BLOCK N: LOTS 1 - 8

Any lot previously subject to the Settlement Declaration which is not described in this Appendix A is hereby released and forever discharged from the terms, conditions, liens and easements contained in the Declaration of the Covenants, Conditions & Restrictions for Settlement Townhomes at Craig Ranch, filed on May 8, 2006, and recorded as Document No. 2006-0508-000620020 in the Official Public Records of Collin County, Texas.

(End of Appendix A)



Filed and Recorded
Official Public Records
Stacey Kemp, County Clerk
Collin County, TEXAS
11/30/2011 10:22:12 AM
\$32.00 BVINCENT
20111130001289180

Stacey Kemp