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RESTR 2008018648
43 PGS

DECLARATION

OF

COVENANTS CONDITIONS

AND

RESTRICTIONS

ON AND FOR

VERRADO ESTATES

A subdivision in
LUBBOCK COUNTY
TEXAS

***NOTICE: THIS DOCUMENT CONTAINS PROVISIONS WAIVING AND RELEASING
DECLARANT AND THE ASSOCIATION FROM LIABILITY FOR NEGLIGENCE IN
SPECIFIED CIRCUMSTANCES.***

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This DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS, CHARGES AND LIENS is made and effective as of the 6th day of MAY, 2008, by Double RM, LLC, an Arizona Limited Liability Corporation, (sometimes referred to herein as the Declarant)

PREAMBLE

Declarant is the owner and developer of certain residential Lots within a tract of land now commonly known and described as the Verrado Estates subdivision (which lots are more particularly described within Exhibit "A" attached hereto). Declarant proposes to establish and implement plans for residential living, recreation, aesthetic and quality-of-life considerations. The purposes of this Declaration are to: protect the Declarant and the Owners against inappropriate development and use of Lots within the Properties; assure compatibility of design of improvements within the Subdivision; secure and preserve sufficient setbacks and space between buildings so as to create an aesthetically pleasing environment; provide for landscaping and the maintenance thereof; and in general to encourage construction of attractive, quality, permanent improvements that will promote the general welfare of the Declarant and the Owners. Declarant desires to impose these restrictions on the Verrado Estates Subdivision property now and yet retain reasonable flexibility to respond to changing or unforeseen circumstances so as to guide, control and maintain the quality and distinction of the Verrado Estates project.

The Verrado Estates Homeowners Association, Inc. (the "Association") has been or will be chartered as a non-profit Texas corporation to assist in the ownership, management, use and care of the various common areas within Verrado Estates Subdivision and to assist in the administration and enforcement of the covenants, conditions, restrictions, easements, charges and liens set forth within this Declaration.

DECLARATION

The Declarant hereby declares that the Verrado Estates residential lots described within Exhibit "A" attached hereto, and such phases or additions thereto as may hereafter be made pursuant to Article II hereof, is and shall be owned, held, mortgaged, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens (sometimes collectively referred to hereinafter as "the Covenants") hereinafter set forth

ARTICLE I.

CONCEPTS AND DEFINITIONS

The following words, when used in this Declaration or in any amended or supplementary Declaration (unless the context shall otherwise clearly indicate or prohibit), shall have the following respective concepts and meanings:

"Affiliate" shall mean, for an entity, such entity's shareholders, members, general partners, limited partners, officers, directors, agents, employees, representatives, attorneys and other persons or entities acting in concert with or on behalf of such entity, along with any person or entity for which such entity meets this definition, for a natural person, such person's relatives within the third degree by consanguinity or affinity, along with such persons and entities as would be considered Affiliates of an entity, as described above.

"Amended Declaration" shall mean and refer to each and every instrument recorded in the Official Real Property Records of Lubbock County, Texas which amends, supplements, modifies, clarifies or restates some or all of the terms and provisions of this Declaration.

"Annual Assessment" shall have the meaning specified in Article V below.

"Architectural Review Committee" (sometimes referred to herein as the "ARC") shall mean and refer to that particular committee which is described and explained within Article VIII below.

"Articles" shall mean and refer to the Articles of Incorporation (and amendments thereto and restatements thereof) of the Association on file in the Office of the Secretary of State of the State of Texas, Austin, Texas.

"Assessable Property" shall mean and refer to each and every lot, parcel and tract within the entire Properties which (i) the Declarant has subjected to and imposed upon a set of restrictive covenants calling for, *inter alia*, the payment of an Annual Assessment to the Association; (ii) may have been or will be given a separately identifiable tax or parcel number by the Lubbock Central Appraisal District ("CAD") or a similar governmental agency; (iii) is not designated an "open space" or otherwise a portion of the Common Properties. The Declarant proposes to cause each residential Lot within the Properties to constitute an Assessable Property. However, the Declarant reserves the right and discretion to include or exclude any non-residential Lot from the concept of "Assessable Property" and/or to prescribe a different assessment and/or valuation scheme(s) for any non-residential Lot which is subjected to covenants which require the payment of assessments to the Association.

"Association" shall mean and refer to the Verrado Estates Homeowners Association, Inc., a non-profit Texas corporation which has the power, duty and responsibility of maintaining and administering certain portions of the Properties and all of the Common Properties, administering and enforcing the Covenants and otherwise maintaining and enhancing the quality of life within Verrado Estates Subdivision.

"Board" shall mean and refer, to the Board of Directors of the Association.

"Bylaws" shall mean and refer to the Bylaws of the Association, as adopted and amended from time to time in accordance with the provisions of the Texas Non-Profit Corporation Act and this Declaration.

"Central Appraisal District" ("CAD") shall mean and refer to the governmental and/or quasi-governmental agency(ies) (including without limitation, the Lubbock Central Appraisal District) established in accordance with Texas Property Tax Code Section 6.01 et seq. (and its successor and assigns as such law may be amended from time to time) or other similar statute which has, as one of its purposes and functions, the establishment of an assessed valuation and/or fair market value for various lots, parcels, and tracts of land in Lubbock County, Texas.

"Common Properties" shall mean and refer to any and all areas of land within or adjacent to the Properties which are known, described or designated as common areas, parks, recreational easements, jogging trails, floodway easement areas, perimeter fences and columns, off-site monuments and directional signs, landscape easements, swimming pool(s), open spaces, paths and trails, playing fields, community halls, sports pavilions and the like including without limitation those shown on any recorded subdivision plat of portions of the Properties as well as those not shown on a recorded subdivision plat but which are intended for or devoted to the common use and enjoyment of the Members of the Association, together with any and all improvements that are now or that may hereafter be constructed thereon. The Declarant reserves the right to use, during the Development Period, portions of the Common Properties for business matters directly and indirectly related to the sale of Lots within the Verrado Estates Subdivision. The Declarant further reserves the right to utilize the Common Properties for such purposes as set forth in this Declaration. The concept of Common Properties will also include: (i) any and all public right-of-way lands for which the City or County of Lubbock, Texas has required that the Declarant and/or the Association expend private, non-reimbursable time and monies to care for and maintain, such as, but not limited to: street medians, streetscape, park areas and quasi-governmental service facilities; and (ii) any and all facilities provided by the Declarant and/or the Association to or for the benefit of the local police, fire and similar governmental departments for which no reimbursement via public funds is requested or anticipated. Declarant shall convey record title to some or all of the Common Properties to the Association as and when deemed appropriate by Declarant or as may be required by governmental officials, and Declarant shall at all times have and retain the right to effect minor redesigns or minor reconfigurations of the Common Properties (particularly along the edges) and to execute any open space declarations applicable to the Common Properties which may be permitted in order to reduce property taxes, and to take whatever steps may be appropriate to lawfully avoid or minimize the imposition of federal and state ad valorem and/or income taxes.

"Covenants" shall mean and refer to all covenants, conditions, restrictions, easements, charges and liens set forth within this Declaration.

"Declarant" shall mean and refer to Double RM, LLC, and any or all successors and assign(s) of Double RM, LLC, with respect to the voluntary disposition of all (or substantially all) of the assets and/or stock of Double RM, LLC in and to the Properties. However, no person or entity merely purchasing one or more Lots from Double

RM, LLC in the ordinary course of business shall be considered a "Declarant". Unless otherwise specified, in all instances wherein any obligation, warranty or liability of Declarant is limited, waived, disclaimed or otherwise reduced, such limitation, waiver, disclaimer or reduction shall apply with equal force to Declarant's Affiliates.

"Declaration" shall mean and refer to this particular instrument entitled "Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens on and for Verrado Estates," together with any and all amendments or supplements hereto.

"Deed" shall mean and refer to any deed, assignment, testamentary bequest, muniment of title or other instrument, or interstate inheritance and succession, conveying or transferring fee simple title or a leasehold interest or another legally recognized estate in a Lot.

"Design Guidelines" shall mean and refer to those particular standards, restrictions, guidelines, recommendations and specifications applicable to construction, placement, location, alteration, maintenance and design of any improvements to or within the Properties, and all amendments, bulletins, modifications, supplements and interpretations thereof.

"Development Period" shall mean a period commencing on the date of the recording of this Declaration in the Official Real Property Records of Lubbock County, Texas and continuing thereafter until the date upon which the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership, upon which date the Class B membership will terminate and be converted into Class A membership, as described more fully in Article III below.

"Dwelling Unit" shall mean and refer to any building or portion of a building situated upon the Properties which is designed and intended for use and occupancy as a residence by a single person, a couple, a family or a permitted family size group of persons.

"Easement Area" shall mean and refer to those areas which may be covered by an easement specified in Article IV and in Article X below.

"Exempt Property" shall mean and refer to the following portions of the Properties; (i) all land and Improvements owned by the United States of America, the State of Texas, Lubbock County, the City of Lubbock or any instrumentality, political subdivision, or agency of any such governmental entity acting in a governmental (rather than a proprietary) capacity; (ii) all land and Improvements owned (including legal and beneficial ownership, whether now or in the future) by the Association or constituting a portion of the Common Properties; and (iii) such other land(s) and/or Improvement(s) and/or Lot(s) which are specifically exempted from the payment of Annual Assessments in accordance with a special resolution of the Board,

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

"Homebuilder" shall mean and refer to each entity and/or individual which: (i) is regularly engaged in the ordinary business of constructing residential dwellings on subdivision lots for sale to third-party homeowners as their intended primary residence; and (ii) has entered into a contract with the Declarant to purchase one or more Lots.

"Improvement" shall mean any physical change to raw land or to an existing structure which alters the physical appearance, characteristics or properties of the land or structure, including but not limited to adding or removing square footage area space to or from a structure, painting or repainting a structure, or in any way altering the size, shape or physical appearance of any land or structure.

"Lot" shall mean and refer to each separately identifiable portion of the Assessable Property which is platted, filed and recorded in the office of the County Clerk of Lubbock County, Texas and which is assessed by any one or more of the Taxing Authorities and which is not intended to be an "open space" or a portion of the Common Properties.

"Member" shall mean and refer to each Resident who is in good standing with the Association and who has complied with all directives and requirements of the Association. Each and every Owner shall and must take such

affirmative steps as are necessary to become and remain a Member of, and in good standing in, the Association. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a Member of the Association.

“Owner” shall mean and refer to the holder(s) of record title to the fee simple interest of any Lot whether or not such holder(s) actually reside(s) on any part of the Lot.

“Payment and Performance Lien” shall mean and refer to the lien described within Sections 9 and 10 of Article V herein below.

“Properties” shall mean and refer to: (i) the land described within Exhibit “A” attached hereto; and (ii) other land within the Verrado Estates development.

“Resident” shall mean and refer to:

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

“Structure” shall mean and refer to: (i) any thing or device, other than trees, shrubbery (less than two feet high if in the form of a hedge) and landscaping (the placement of which upon any Lot shall not adversely affect the appearance of such Lot) including but not limited to any building, garage, porch, shed, greenhouse or bathhouse, cabana, covered or uncovered patio, swimming pool, play apparatus, fence, curbing, paving, wall or hedge more than two feet in height, signboard or other temporary or permanent living quarters or any temporary or permanent Improvement to any Lot; (ii) any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel from, upon or across any Lot; and (iii) any enclosure or receptacle for the concealment, collection and/or disposition of refuse; (iv) any change in the grade of any Lot of more than three (3) inches from that existing at the time of initial approval by the Architectural Review Committee.

“Subdivision” shall mean and refer to Verrado Estates, a subdivision phase of certain land as described within Exhibit “A” attached hereto, in accordance with the map and plat thereof filed of record in the Map/Plat and/or Dedication Records of Lubbock County, Texas, as well as any and all revisions, modifications, corrections or clarifications thereto.

“Taxing Authorities” shall mean and refer to Lubbock County, the Lubbock County Hospital District, the High Plains Underground Water Conservation District No. 1, the Frenship Independent School District, the City of Lubbock and the State of Texas and any and all other governmental entities or agencies which have, or may in the future have, the power and authority to impose and collect ad valorem taxes on real property Estates, in accordance with the Texas Constitution and applicable statutes and codes.

“Trustee” shall mean and refer to that certain individual(s) or entity(ies) designated or appointed from time to time and at any time by the Association to perform the duties and responsibilities described within Section 10 of Article V below, and its successors and assigns.

ARTICLE II.

PROPERTY SUBJECT TO THIS DECLARATION

Section 1. Existing Property. The residential Lots within the Verrado Estates subdivision or more particularly described within Exhibit “A” attached hereto and incorporated herein by reference for all purposes are, and shall be, held, transferred, sold, conveyed and occupied subject to this Declaration.

Section 2. Additions to Existing Property. Additional land(s) may become subject to this Declaration, or the general scheme envisioned by this Declaration, as follows:

(a) The Declarant may (without the joinder and consent of any person or entity) add or annex additional real property to the scheme of this Declaration within the next ten (10) years by filing of record an appropriate enabling declaration, generally similar to this Declaration, which may extend the scheme of the Covenants to such property. Provided further, however, such other declaration(s) may contain such complementary additions and modifications of these Covenants as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with the concept and purpose of this Declaration

(b) In the event any person or entity other than the Declarant desires to add or annex additional Assessable Property and/or Common Property to the scheme of this Declaration, such annexation proposal must have the express approval of the Board.

Any additions made pursuant to this Section 2, when made, shall automatically extend the jurisdiction, functions, duties and membership of the Association to the properties added and correspondingly subject the properties added to the covenants of the enabling declaration. Upon any merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law or by lawful articles or agreement of merger, be transferred to another surviving or consolidated association, or, alternatively, the properties, rights and obligations of another association may, by operation of law or by lawful articles or agreement of merger, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the Covenants established by this Declaration, together with the covenants and restrictions established upon any other properties, as one scheme

ARTICLE III.

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

Section 1. Membership. Each and every Owner of each and every Lot which is subject to these, or substantially similar, Covenants shall automatically be, and must at all times remain, a Member of the Association. Such membership shall at all times be maintained in good standing. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a non-voting Member of the Association. During the Development Period, the Association shall have two (2) classes of Members. Class A and Class B. The Class A Members shall include: (a) all Owners (other than the Declarant during the Development Period); and (b) all Residents (not otherwise Owners) who have properly and timely fulfilled all registration and related requirements prescribed by the Association. The Class B Member shall be the Declarant. Upon conclusion of the Development Period, the Class B membership shall terminate and the Declarant shall become a Class A Member, entitled to one vote for each Lot then owned by Declarant; and at such time, the Declarant will call a meeting as provided in the By-Laws of the Association for special meetings to advise the membership of the termination of the Class B status

Section 2. Voting Rights. There shall be two (2) classes of voting Members during the Development Period:

- | | |
|----------|--|
| Class A: | The Owner(s) of each Lot shall be entitled to one (1) vote per Lot. Where more than one Owner owns and holds a record fee interest in a Lot such Owner(s) may divide and cast portions of the one (1) vote as they decide, but in no event shall any one (1) Lot yield more than one (1) vote. |
| Class B: | The Class B Member shall have five (5) votes for each Lot it owns |

Any Owner, Resident or Member shall not be in "good standing" if such person or entity is: (a) in violation of any portion of these Covenants, the Design Guidelines, or any rule or regulation promulgated by the Board, (b) delinquent in the full, complete and timely payment of any Annual Assessment, Initial Common Properties Assessment, special assessment, or any other fee, charge or fine which is levied, payable or collectible pursuant to the provisions of these Covenants, the Bylaws or any rule or regulation promulgated by the Board.

The Board may make such rules and regulations, consistent with the terms of this Declaration and the bylaws, as it deems advisable, for: any meeting of Members; proof of membership in the Association; the status of good standing; evidence of right to vote; the appointment and duties of examiners and inspectors of votes, the procedures for actual voting in person or by proxy; registration of Members for voting purposes; and such other matters concerning the conduct of meetings and voting as the Board shall deem fit.

Section 3. Board of Directors. The affairs of the Association shall be managed initially by a board of three (3) individuals elected by the Class B Member. However, beginning with the third annual meeting of the Members of the Association and continuing thereafter, the Board shall be expanded to consist of five (5) individual Directors, three of whom shall be elected by the Class B Members and two of whom shall be elected, by the Class A Members.

The Directors need not be Members of the Association. Directors shall be elected for two year terms of office and shall serve until their respective successors are elected and qualified. Any vacancy which occurs in the Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Board by the affirmative vote of a majority of the remaining Directors representing the same class of Members who elected the Director whose position has become vacant. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he or she was elected to fill.

The election of the directors shall take place in accordance with the Bylaws or, to the extent not inconsistent with the Bylaws, the directives of the then-existing Board.

Section 4 Notice and Voting Procedures. Quorum, notice and voting requirements of and pertaining to the Association may be set forth within the Articles and Bylaws, as either or both may be amended from time to time, and shall be in accordance with and as permitted by Texas law.

ARTICLE IV.

RIGHTS OF ENJOYMENT IN THE COMMON PROPERTIES

Section 1 Easement. Subject to the provisions of Sections 2 through 7 of this Article, each and every Owner in good standing with the Association shall have a non-exclusive right and easement of enjoyment in and to all Common Properties, and such easement shall be appurtenant to and shall pass with every Lot, provided the conveyance and transfer is accomplished in accordance with this Declaration. All Residents in good standing with the Association shall have a non-transferable, non-exclusive privilege to use and enjoy all Common Properties for so long as they are Members in good standing with the Association.

Section 2. Extent of Members' Easements. The rights and easements of use, recreation and enjoyment created hereby shall be subject to the following:

(a) The right of the Declarant or Association to prescribe reasonable regulations and policies governing, and to charge reasonable expense reimbursements and/or deposits related to, the use, operation and maintenance of the Common Properties;

(b) Liens or mortgages placed against all or any portion of the Common Properties with respect to monies borrowed by the Declarant to develop and improve the Properties or Common Properties or by the Association to improve or maintain the Common Properties,

(c) The right of the Association to enter into and execute contracts with any party (including, without limitation, the Declarant or its corporate affiliates) for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Association and/or this Declaration;

(d) The right of the Declarant or the Association to take such steps as are reasonably necessary to protect the Common Properties against foreclosure;

(e) The right of the Declarant or the Association to enter into and execute contracts with the owner-operators of any community antenna television system ("CATV"), Fiber Optic internet, phone, and television, or other similar operations for the purpose of extending cable or utility or security service on, over or under the Common Properties to ultimately provide service to one or more of the Lots;

(f) The right of the Declarant or the Association to suspend the voting rights of any Member and to suspend the right of any Member to use or enjoy any of the Common Properties for any period during which any assessment (including without limitation "fines") against a Lot resided upon by such Member remains unpaid, or during which non-compliance with this Declaration or the Design Guidelines exists, and otherwise for any period deemed reasonable by the Association for an infraction of the then-existing rules and regulations and/or architectural guidelines;

(g) The right of the Declarant and/or the Association to hold and sponsor, whether alone or in conjunction with municipal departments or other non-profit groups and entities, events and activities within the Common Properties which are not necessarily limited only to Owners, Residents and Members, but which may also include selected invitees and/or the general public (for which the Board may, in its discretion, charge a user fee equal to or greater than any fee charged to Owners, Residents and Members), such as (but not necessarily limited to) children's summer recreational events, sports festivals and tournaments, summer camps, day care centers, concerts-in-the-park, wedding receptions, reunions, conferences, picnics, national and/or state holiday commemorations, educational and cultural presentations and other similar events which the Board reasonably believes will be of direct or indirect benefit to the Association and/or an appreciable number of its Members,

(h) The right of the Declarant and/or the Association to dedicate or transfer all or any part of the Common Properties to any municipal corporation, public agency, governmental authority, or utility for such purposes and upon such conditions as may be agreed to by the Declarant and the Board;

(i) The right of the Declarant and/or the Association to grant permits, licenses and easements over the Common Properties for utilities, roads and other purposes necessary for the proper operation of Verrado Estates; and

(j) The right (but not the obligation or duty) of the Declarant to create and operate a common water and/or sewer system providing water and/or sewer service for domestic purposes, for use by all Owners and Residents as more fully described in Article X of this Declaration, and the right to utilize the Common Properties for water wells, tanks, equipment related to the operation of the water and/or sewer system, and underground pipelines

Section 3 Restricted Actions by Members. No Member shall permit anything to be done on or in the Common Properties which would violate any applicable public law or Zoning Ordinance or which would result in the cancellation of or the increase of premiums for any insurance carried by the Association, or which would be in violation of any law or any rule or regulation promulgated by the Board.

Section 4 Damage to the Common Properties. Each Member shall be liable to the Association for any damage to any portion of the Common Properties caused by the negligence or willful misconduct of the Member or his family and guests.

Section 5 Rules of the Board. All Members shall abide by any rules and regulations adopted by the Board. The Board shall have the power to enforce compliance with said rules and regulations by all appropriate legal and equitable remedies, and a Member determined to have violated said rules and regulations shall be liable to the Association for all damages and costs, including reasonable attorneys' fees.

Section 6. Use of Common Properties. The Board shall have the power and authority to prescribe rules and regulations which extend to and cover matters such as the possession and consumption of alcoholic beverages, loud and obnoxious noises and behavior, dress and attire, and the supervision by attending adults of children. The Association may, on its own motion, permit and allow town hall meetings, voting precincts, community garage sales and bazaars and other reasonable activities to occur on the Common Properties in accordance with rules and regulations deemed reasonable and appropriate by the Association.

Section 7. User Fees and Charges. The Board may levy and collect special charges and fees for any and all extraordinary operation and maintenance of the Common Properties and services which the Board determines to be necessary for the advancement, benefit and welfare of the Owners or Residents. Examples (by way of illustration, and not limitation) of these special charges and fees, would include: lifeguards for swim parties, post-party trash pick-up and removal; valet parking arrangements; extraordinary utility consumption, additional security personnel for parties or special events; management overtime services; and additional insurance conditions or requirements. If an Owner shall fail to pay a charge or fee when due and payable, said unpaid charge or fee shall be delinquent and upon written notice to said Owner shall become a personal debt of said Owner. Failure of any Owner to pay said fee and charge when due and payable, in addition, shall be a breach of these Covenants enforceable as other provisions hereof.

Section 8. Title to Common Properties. Unless Declarant elects to dedicate or transfer all or any part of the Common Properties to any municipal corporation, public agency, governmental authority, or utility, Declarant may convey ownership of the Common Properties to the Association at such point as is deemed reasonable and appropriate by the Declarant and, thereafter, the Association shall be responsible for the operation and maintenance of the Common Properties. Further, Declarant shall have the right and option, at any time, to convey to the Association additional real property located within the Properties; and thereafter such additional property shall be deemed a part of the Common Properties for all purposes hereunder and the Association shall thereafter maintain the same for the benefit of all Owners.

ARTICLE V.

COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot (but not including Declarant) by acceptance of a Deed therefor, whether or not it shall be so expressed in any such Deed or other conveyance, shall be deemed to covenant and agree (and such covenant and agreement shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Lot so as to have affected the purchase price) to pay to the Association (or to an independent entity or agency which may be designated by the Association to receive such monies):

(a) Annual Assessments (being an assessment payable each year by the Owner to the Association for the purposes stated in Article V, Section 2);

(b) special assessments levied at the time of acceptance of a Deed to any Lot (the "Initial Common Properties Assessment"),

(c) special group assessments for capital improvements or unusual or emergency matters, such assessments to be fixed, established and collected from time to time as hereinafter provided;

(d) special individual assessments levied against individual Owners to reimburse the Association for extra or unusual costs incurred for items such as (but not limited to), maintenance and repairs to portions of the Properties caused by the willful or negligent acts of the individual Owner, Member or Resident; the remedy, cure or minimizing of problems caused by, or as a result of, violations of these Covenants by an Owner, Member or Resident; and

(e) individual assessments and fines levied, against an individual Owner, Member or Resident for violations of rules and regulations pertaining to the Association and/or the Common Properties.

The Annual Assessment, Initial Common Properties Assessment, special group assessment, special individual assessment, individual assessments and fines, together with such late charges, interest and cost of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien upon each Lot against which each such assessment is made and shall also be the continuing personal obligation of the then-existing Owner, Member and Resident of such Lot at the time when the assessment fell due. Each Owner of each Lot shall be directly liable and responsible to the Association for the acts, conduct and omission of each and every Member and Resident associated with the Dwelling Unit(s) on such Owner's Lot

Section 2. Purposes of Assessments. The assessments levied by the Association shall be used for the purposes of promoting the comfort, health, recreation, safety, convenience, welfare and quality of life of the Residents of the Properties and in supplementing some services and facilities normally provided by or associated with governmental or quasi-governmental entities, and otherwise for the construction, improvement and maintenance of recreational areas and other properties, services and facilities devoted and related to the use and enjoyment of the Common Properties and operation of the Association, including, but not limited to or for: the payment of taxes on the Common Properties and insurance in connection with the Common Properties; the payment for utilities and the repair, replacement and additions of various items within the Common Properties, paying the cost of labor, equipment (including the expense of leasing any equipment) and materials required for, and management and supervision of, the Common Properties; carrying out the duties of the Board of Directors of the Association as set forth in Articles IV and VI herein, including costs of administering the ARC; carrying out the other various matters set forth or envisioned herein or in any Amended Declaration related hereto; and for any matters or things designated by the City and County of Lubbock, Texas in connection with any zoning, subdivision, platting, building, development or occupancy requirements. The items and areas described above are not intended to be exhaustive but merely illustrative.

Section 3 Basis and Amount of Annual Assessments. Annual Assessments will begin on January 1, 2008, and will be due thereafter as set forth in Article V, Section 7. Until and unless otherwise determined by the Board of Directors of the Association, the maximum initial Annual Assessment (for the year 2008) will be Four Hundred and eighty and no/100 Dollars (\$480.00) per Lot per year; however, the Association's Board of Directors may fix the actual Annual Assessment at an amount equal to or less than \$600.00. If the Board of Directors of the Association determines that the initial Annual Assessment is insufficient to meet the needs of the Association during the remainder of the Association's initial fiscal year (the year 2008), the Board of Directors may, by majority vote, increase the initial Annual Assessment by not more than fifteen percent (15%) above the amount initially determined; and, the Board of Directors may increase the initial Annual Assessment by more than fifteen percent (15%) above the amount initially determined, but only by a majority vote of the voting power of the Association. No Owner shall be required to pay all or any portion of the Annual Assessment for the year in which the Owner purchases an unimproved Lot from Declarant or a Homebuilder.

Commencing on January 1, 2009 and in accordance with the provisions of Article V, Section 8, the maximum Annual Assessment for any fiscal year (including 2009) may be increased by the Board of Directors above the Annual Assessment for the previous fiscal year without a vote of the Members, provided that such increase is not effective before the first day of the fiscal year in which the increase occurs, and provided further that such increase will be an amount not exceeding fifteen percent (15%) of the Annual Assessment for the previous fiscal year of the Association. Any increase in the Annual Assessment which exceeds fifteen percent (15%) of the Annual Assessment for the previous fiscal year, shall require the vote or written consent of Members representing a majority of the voting power of the Association.

The Board of Directors may, after consideration of current and future anticipated needs of the Association, reduce the actual Annual Assessment for any year to a lesser amount than specified herein, and in such event, any future increases of such Annual Assessment which may be permitted herein without a vote of the Membership of the Association will be computed and based upon such actual Annual Assessment for the previous fiscal year of the Association

Any Lot which is owned by Declarant, as unimproved property, is exempt from the Annual Assessment, and from all other assessments which are authorized in this Article V. Any Lot which is owned by a Homebuilder shall be exempt from the Annual Assessment for the year in which the Lot is purchased by the Homebuilder and for the entire following year; however, the Homebuilder shall receive no discount as to a Lot owned for longer than the year of purchase and the next following year. The rate of assessment for any Lot within a calendar year may change as the character of ownership and the status of occupancy by a resident changes. The applicable assessment for any Lot will be prorated according to the rate specified in these covenants for each type of ownership.

Section 4. Initial Common Properties Assessment. At such time that each Owner of any Lot accepts a Deed therefor, the Owner will pay to the Association, the amount of NINE HUNDRED AND FIFTY/100 DOLLARS (\$950.00) for each Lot (the "Initial Common Properties Assessment"). The Initial Common Properties Assessments will be maintained by the Association in a special account established by the Board of Directors of the

Association, and funds in such account shall be used by the Association solely for the improvement and/or maintenance of the Common Properties, which improvements may include, any, none or all of the following: clubhouse, swimming pool, basketball goals, soccer field, tennis court, playground, playground equipment, park, equipment for any such facilities, and such other improvements and facilities as determined by the Board of Directors of the Association. The Board of Directors of the Association shall, in its sole discretion, determine the improvements to be made to the Common Properties, and the time at which such improvements will be made. Nothing within this Declaration shall be construed to require the Association to provide any or all of the above-described improvements to the Common Properties. The Initial Common Properties Assessment shall in no event be refundable to the Owner, but shall be the property of the Association. Beginning on January 1, 2009, and on the first day of January every three years thereafter, the amount of the Initial Common Properties Assessment will increase by five percent (5%) of the Initial Common Properties Assessment for the preceding period, unless the Board of Directors determines to waive the increase, or unless the Board of Directors approves an increase of less than five percent, in which event the increase will be in the amount so approved by the Board of Directors.

Section 5. Special Group Assessments. In addition to the Annual Assessment authorized by Section 3 hereof, and the Initial Common Properties Assessment authorized by Section 4 hereof, the Association may levy in any Fiscal Year a special assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Common Properties, including any necessary fixtures and personal property related thereto or for any unusual or emergency purpose(s) (including without limitation those matters arising out of litigation and/or judgments); provided that any such assessment shall have the affirmative approval of at least three-fourths of the individuals comprising the Board.

Section 6. Homebuilders: Deferral of Assessments. Homebuilders will be permitted to defer payment of the Initial Common Properties Assessment, Annual Assessments, and Special Group Assessments if a Dwelling Unit is completed and sold by the Homebuilder during the calendar year in which the Homebuilder purchases the Lot, or during the following calendar year (the "Deferral Period"). If the Homebuilder elects to defer payment of Assessments, the Assessments shall be due and payable upon closing of a sale of the Lot and completed Improvements. If a Homebuilder transfers a Lot to another Homebuilder prior to completion of the Improvements thereon, the deferral period may continue, but shall not be extended. If a Dwelling Unit is not completed and sold during the Deferral Period, the Homebuilder will be required to pay the deferred Assessments on the first day of January following the expiration of the Deferral Period.

Section 7. Rate of Assessments. The Annual Assessments described in Section 3 and the special group assessments described in Section 5 must be fixed at a uniform rate for all Lots owned by Class A Members who are not Homebuilders, unless otherwise approved by at least three-fourths of the individuals comprising the Board.

Section 8. Date of Commencement of Assessments; Due Dates. The Annual Assessment shall be due and payable in full in advance, on the first day of each Fiscal Year (beginning January 1, 2008) and shall, if not paid within thirty (30) consecutive calendar days thereafter, automatically become delinquent. The Board shall use reasonable efforts to provide each Owner with an invoice statement of the appropriate amount due, but any failure to provide such a notice shall not relieve any Owner of the obligation established by the preceding sentence. The Board may prescribe (a) procedures for collecting Annual Assessments and Initial Common Properties Assessments from Owners, Members or Residents, and (b) different procedures for collecting assessments from Owners who have had a recent history of being untimely in the payments of assessments, or who have tendered as payment any instrument which has thereafter been dishonored.

Section 9. Duties of the Board of Directors with Respect to Assessments

(a) In the event of a revision to the amount or rate of the Annual Assessment, or establishment of a special group assessment, the Board shall fix the amount of the assessment against each Lot, and the applicable due date(s) for each assessment, at least thirty (30) days in advance of such date or period and shall, at that time, prepare a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association;

(b) Written notice of the applicable assessment shall be actually or constructively furnished to every Owner subject thereto in accordance with the procedures then determined by the Board as being reasonable and economical; and

(c) The Board shall, upon reasonable demand, furnish to any Owner originally liable for said assessment, a certificate in writing signed by an officer of the Association, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid. A reasonable charge may be made by the Board for the issuance of such certificate

Section 10. Effect of Non-Payment of Assessment; Personal Obligation of the Owner; Lien; and Remedies of Association.

(a) Effective as of, and from and after the filing and recordation of this Declaration, there shall exist a self-executing and continuing contract Payment and Performance Lien and equitable charge on each Lot and all Improvements thereto and Structures thereon to secure the full and timely payment of each and all assessments and all other charges and monetary amounts and performance obligations due hereunder. In the case of two or more Lots being held under common ownership, the Lien established hereby shall apply to all Lots collectively for any and all assessments, charges, amounts owing and obligations due arising out of or connected to any one or more of such Lots. Such lien shall be at all times' superior to any claim of homestead by or in any Owner. If any assessment, charge or fine or any part thereof is not paid on the date(s) when due, then the unpaid amount of such assessment, charge or fine shall (after the passage of any stated grace period) be considered delinquent and shall, together with any late charge and interest thereon at the highest lawful rate of interest per annum and costs of collection thereof, become a continuing debt secured by the self-executing Payment and Performance Lien on the Lot of the non-paying Owner/Member/Resident which shall bind such Lot in the hands of the Owner and Owner's heirs, executors, administrators, devisees, personal representatives, successors and assigns. The Association shall have the right to reject partial payments of an unpaid assessment or other monetary obligation and demand the full payment thereof. The personal obligation of the then-existing Owner to pay such assessment shall remain the Owner's personal obligation and shall not pass to Owner's successors in title unless expressly assumed by them. However, the lien upon the Lot(s) and Improvements for unpaid assessments shall be unaffected by any sale or assignment of a Lot and shall continue in full force and effect. No Owner may waive or otherwise escape liability for any assessment provided herein by non-use of the Common Properties or abandonment of the Lot. No diminution or abatement of assessments shall be claimed or allowed by reason of any alleged failure of the Association to take some action or to perform some function required to be taken or performed by the Association, or for inconvenience or discomfort arising from the making of improvements or repairs which are the responsibility of the Association, or from any action taken by the Association to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such assessments being a separate and independent covenant on the part of each Owner;

(b) The Association may, but shall not be obligated to, give written notification to the holder(s) of any mortgage on the Lot of the non-paying Owner of such Owner's default in paying any assessment, charge or fine, particularly where the Association has theretofore been furnished in writing with the correct name and address of the holder(s) of such mortgage, a reasonable supply of self-addressed postage prepaid envelopes, and a written request to receive such notification;

The Association's choice not to send such notice or the failure of such notice to reach the mortgage lien holders shall not affect the Association's rights hereunder, including foreclosure, or affect the priority of the Payment and Performance Lien in relation to the mortgage lien;

(c) If any assessment, charge or fine or part thereof is not paid when due, the Association shall have the right and option to impose a late charge (but only to the extent permitted by applicable law) to cover the additional administrative costs involved in handling the account and/or to reflect any time-price differential assessment schedule adopted by the Association. The unpaid amount of any such delinquent assessment, charge or fine shall bear interest from and after the date when due at the highest lawful rate of interest per annum until fully paid. If applicable state law provides or requires an alternate ceiling, then that ceiling shall be the indicated rate ceiling. The Association may, at its election, retain the services of an attorney to review, monitor and/or collect unpaid assessments, charges, fines and delinquent accounts, and in such event there shall also be added to the

amount of any unpaid assessment, charge, fine or any delinquent account any and all attorneys' fees and other costs of collection incurred by the Association;

(d) The Association may, at its discretion but subject to all applicable debt collection statutes (i) prepare and file a lien affidavit in the public records of Lubbock County, Texas which specifically identifies the unpaid assessments, charges or fines, and (ii) publish and post, within one or more locations within the Properties, a list of those individuals or entities who are delinquent and, if applicable, the fact and extent of suspension of their privilege to use and enjoy the Common Properties until and unless the delinquency has been cured to the reasonable satisfaction of the Association. Each Owner consents to these procedures and authorizes the Board to undertake such measures for the general benefit of the Association;

(e) All agreements between any Owner and the Association and/or Declarant, whether now existing or hereafter arising and whether written or oral and whether implied or otherwise, are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to the Association and/or Declarant or for the payment or performance of any covenant or obligation contained herein or in any other document exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof or of such other document at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Association and/or Declarant should ever receive an amount deemed interest by applicable law which shall exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the actual base assessment amount or principal amount owing hereunder and other indebtedness of the Owner to the Association and/or Declarant and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of the actual Annual Assessment hereof and such other indebtedness, the excess shall be refunded to Owner. All sums paid or agreed to be paid by any Owner for the use, forbearance or detention of any indebtedness to the Association and/or Declarant shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the interest charged, collected or received on account of such indebtedness is never more than the maximum amount permitted by applicable law. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between any Owner and the Association and/or Declarant

Section 11. Power of Sale. The lien described within the preceding Section is and shall be a contract Payment and Performance Lien. Each Owner, for the purpose of better securing each and all monetary obligations described within these Covenants, and in consideration of the benefits received and to be received by virtue of the ownership of real estate within Verrado Estates, has granted, sold and conveyed and by these covenants does grant, sell and convey unto the Trustee, such Owner's Lot, to have and to hold such Lot, together with the rights, privileges and appurtenances thereto belonging unto the said Trustee, and to its substitutes or successors, forever. The initial Trustee is "ibid, name, address". And each Owner does hereby bind himself and/or herself, their heirs, executors, administrators and assigns to warrant and forever defend the Lot unto the said Trustee, its substitutes or successors and assigns, forever, against the claim, or claims of all persons claiming or to claim the same or any part thereof.

This conveyance is made in trust to secure payment of each and all assessments and other obligations prescribed by these Covenants to and for the benefit of the Association as the Beneficiary. In the event of default in the payment of any obligation hereby secured, in accordance with the terms thereof, then and in such event, Beneficiary may elect to declare the entire indebtedness hereby secured with all interest accrued thereon and all other sums hereby secured due and payable (subject, however, to the notice and cure provisions set forth in Section 51.002 of the Texas Property Code), and in the event of default in the payment of said indebtedness when due or declared due, it shall thereupon, or at any time thereafter, be the duty of the Trustee, or its successor or substitute as hereinafter provided, at the request of Beneficiary (which request is hereby conclusively presumed), to enforce this trust; and after advertising the time, place and terms of the sale of the Lot then subject to the lien hereof, and mailing and filing notices as required by Section 51.002 Texas Property Code, as then amended (successor to article 3810, Texas Revised Civil Statutes), and otherwise complying with that statute, the Trustee shall sell the Lot, then subject to the lien hereof, at public auction in accordance with such notices on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P.M., to the highest bidder for cash, selling all of the Lot as an entirety or in such parcels as the Trustee acting may elect and make due conveyance to the purchaser or purchasers, with general warranty binding upon the Owner, his heirs and assigns; and out of the money arising from such sale, the

Trustee acting shall pay first, all the expenses of advertising the sale and making the conveyance, including a reasonable commission to itself, which commission shall be due and owing in addition to the attorney's fees provided for, and then to Beneficiary the full amount of principal, interest, attorney's fees and other charges due and unpaid on said indebtedness secured hereby, rendering the balance of the sales price, if any, to the Owner, his heirs or assigns and/or to any other lien holders (if so required by applicable law); and the recitals in the conveyance to the purchaser or purchasers shall be full and conclusive evidence of the truth of the matters therein stated, and all prerequisites to said sale shall be presumed to have been performed, and such sale and conveyance shall be conclusive against the Owner, his heirs and assigns

It is agreed that in the event a foreclosure hereunder should be commenced by the Trustee, or its substitute or successor, Beneficiary may at any time before the sale of said property direct the said Trustee to abandon the sale, and may then institute suit for the collection of said indebtedness, and for the foreclosure of this contract Payment and Performance Lien; it is further agreed that if Beneficiary should institute a suit for the collection thereof, and for a foreclosure of this contract lien, that it may at any time before the entry of a final judgment in said suit dismiss the same, and require the Trustee, its substitute or successor to sell the Lot in accordance with the provisions of this section. Beneficiary, if it is the highest bidder, shall have the right to purchase at any sale of the Lot, and to have the amount for which such Lot is sold credited on the debt then owing. Beneficiary in any event is hereby authorized to appoint a substitute trustee, or a successor trustee, to act instead of the Trustee named herein without other formality than the designation in writing of a substitute or successor trustee; and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness hereby secured has been paid in full, or until said Lot is sold hereunder, and each substitute and successor trustee shall succeed to all of the rights and powers of the original trustee named herein. In the event any sale is made of the Lot, or any portion thereof, under the terms of this section, the Owner, his heirs and assigns, shall forthwith upon the making of such sale surrender and deliver possession of the property so sold to the purchaser at such sale, and in the event of his failure to do so he shall thereupon from and after the making of such sale be and continue as tenants at will of such purchaser, and in the event of his failure to surrender possession of said property upon demand, the purchaser, his heirs or assigns, shall be entitled to institute and maintain an action for forcible detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such property, or any part thereof; is situated. The foreclosure of the continuing contract Payment and Performance Lien on any one or more occasions shall not remove, replace, impair or extinguish the same continuing lien from securing all obligations arising from and after the date of foreclosure.

Section 12. Subordination of the Lien to Mortgages. The lien securing the payment of the assessments and other obligations provided for herein shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Lot whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, except for,

- (a) bona-fide first mortgage or deed of trust liens for purchase money and/or home improvement purposes placed upon a Lot, in which event the Association's lien shall automatically become subordinate and inferior to such first lien;
- (b) liens for taxes or other, public charges as are by applicable law made superior to the Association's lien, provided, however, that this subsection (b) is and shall be construed as a mere recognition and recital of the priority of such liens and shall not be construed to grant priority not otherwise existing, and
- (c) such other liens about which the Board may, in the exercise of its reasonable discretion, elect to voluntarily subordinate the Association's lien;

provided however, such subordination shall apply only to. (i) the assessments which have been due and payable prior to the foreclosure sale (whether public or private) of such Lot pursuant to the terms and conditions of any such first mortgage or deed of trust or tax lien; (ii) the permitted lien on the Lot alone and not on or to any easement appurtenant for use and enjoyment of the Common Properties or for such other uses as are provided in this Declaration. Such sale shall not relieve such Lot from liability for the amount of any assessment thereafter becoming due nor from the lien of any such subsequent assessment. Such subordination shall not apply where the first

mortgage or deed of trust or tax lien is used as a device, scheme or artifice to evade the obligation to pay assessments and/or to hinder the Association in performing its functions hereunder.

Section 13. Exempt Property. The following property otherwise subject to this Declaration shall be exempted from any assessments, charge and lien created herein:

- (a) All properties dedicated to and accepted by a local public or governmental authority;
- (b) Common Properties;
- (c) Exempt Property; and
- (d) Unimproved Lots owned by Declarant.

ARTICLE VI.

GENERAL POWERS AND DUTIES OF THE BOARD OF DIRECTORS OF THE ASSOCIATION

Section 1. Powers and Duties. The affairs of the Association shall be conducted by its Board. The Board, for the benefit of the Association, the Properties and the Owners and the Members and Residents, may provide and may pay for, out of the assessment fund(s) provided for in Article V above, one or more of the following (unless such funds are limited to a particular use as expressly provided in Article V).

(a) Care, preservation and maintenance of the Common Properties and the furnishing and upkeep of any desired personal property for use in or on the Common Properties;

(b) Recreational and social programs and activities for the general benefit of the Residents and programs which are designed only for separately identifiable sub-groups of Residents, such as (but not limited to) infants, adolescents, teenagers, students, mothers and senior citizens;

(c) Supplementing (to the extent, if any, deemed necessary, appropriate and affordable by the Board) the police, fire, ambulance, garbage and trash collection and similar services within the Properties traditionally provided by local governmental agencies (NOTE: NOTHING WITHIN THIS DECLARATION SHALL BE CONSTRUED AS A REQUIREMENT, DUTY OR PROMISE ON THE PART OF THE ASSOCIATION OR THE DECLARANT TO PROVIDE SECURITY, UTILITY OR MEDICAL SERVICES TO ANY OWNER, RESIDENT OR MEMBER - ALL OWNERS, RESIDENTS AND MEMBERS SHALL BE SOLELY RESPONSIBLE FOR THEIR OWN SAFETY AND WELFARE, AND SHOULD TAKE SUCH PRECAUTIONS AS THEY DEEM NECESSARY TO PROTECT PERSONS AND PROPERTY);

(d) Taxes, insurance and utilities (including, without limitation, electricity, gas, water, sewer and telephone charges) which pertain to the Common Properties;

(e) The services of any person or firm (including the Declarant and any affiliates of the Declarant) to manage the Association or any separate portion, thereof, to the extent deemed advisable by the Board, and the services other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager of the Association. The Board is specifically authorized to hire and employ one or more, managers, secretarial, clerical, staff and support employees;

(f) Legal and accounting services and all costs and expenses reasonably incurred by the Architectural Review Committee; and

(g) Any other materials, supplies, furniture, labor, services, maintenance, repairs, Structural alterations, taxes or assessments which the Board is required to obtain or pay for pursuant to the terms of this Declaration or which in its opinion shall be necessary or proper for the operation or protection of the Association or for the enforcement of this Declaration

The Board shall have the following additional rights, powers and duties,

(h) To execute all declarations of ownership for tax assessment purposes with regard to any of the Common Properties owned by the Association;

(i) To enter into agreements or contracts with insurance companies, Taxing Authorities, the holders of first mortgage liens on the individual Lots and utility companies with respect to: (i) any taxes on the Common Properties; (ii) monthly escrow and impound payments by a mortgagee regarding the assessment, collection and disbursement process envisioned by Article V hereinabove; (iii) utility installation, consumption and service matters; and (iv) the escrow or impounding of monies sufficient to timely pay the Annual Assessment applicable to any Lot (or any other assessment authorized in this Declaration);

(j) To borrow funds (including, without limitation, the borrowing of funds from the Declarant and/or its affiliates) to pay costs of operation or the construction of improvements to the Common Properties, secured by such assets of the Association as deemed appropriate by the lender and the Association;

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

(l) To protect or defend the Common Properties from loss or damage by suit or otherwise, to sue or defend in any court on behalf of the Association and to provide adequate reserves for repairs and replacements;

(m) To make reasonable rules and regulations for the operation of the Common Properties and to amend them from time to time and to enter into concession agreements regarding food, beverage, vending and other products and services within the Common Properties;

(n) To prepare an annual operating budget and to make available for review by each Owner at the Association offices within ninety (90) days after the end of each Fiscal Year on annual report;

(o) Pursuant to Article VII herein, to adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property; and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency; and

(p) To enforce the provisions of this Declaration and any rules made hereunder and to enjoin and seek damages from any Owner, Resident or Member for violation of such provisions or rules. The Board is specifically authorized and empowered to establish (and to revise and amend from time to time) a monetary fines system which may include component steps such as warning citations, ticketing, due process hearings and appeals and a flat rate or discretionary range or geometric progression of fine amounts, which, when pronounced, shall constitute a permitted individual Lot Owner assessment secured by the continuing Payment and Performance Lien herein established.

The Association may, (i) borrow monies from the Declarant; (ii) lease, equipment from the Declarant, (iii) contract with the Declarant concerning the provision of any personnel, labor, supplies, materials and services, provided such contract terms and conditions are generally comparable (in terms of price, quality and timeliness) with those that might be otherwise obtained from unrelated third parties, and, as to professional management contracts, terminable by the Association at any time for any reason whatsoever and without penalty upon furnishing at least ninety (90) days advance notice thereof to Declarant. The Board shall not be required to solicit bids from unrelated third parties before entering into any contract with the Declarant and the reasonable judgment and resolution of the Board to enter into any such contract with the Declarant shall be final and conclusive and binding upon the Association and all of its Members.

Section 2. Board Powers. The Board shall have the right and obligation to perform the functions of the Board on behalf of the Association. In the event or if for any reason the Board is not deemed authorized to act for and on behalf of the Association and the Members, then the Declarant may exercise its power and authority under Article XI, Section 1, to act for and on behalf of the Association and the Members, and the Association shall reimburse the Declarant for any and all reasonable expenses incurred in so acting.

Section 3. Maintenance Contracts The Board, on behalf of the Association, shall have full power and authority to contract with any Owner, Member or Resident (including, without limitation, the Declarant) for performance, on behalf of the Association, of services which the Association is otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interests of the Association.

Section 4 Liability Limitations. Neither any Resident nor the directors and officers and managers of the Association shall be personally liable for debts contracted for or otherwise incurred by the Association or for any torts committed by or on behalf of the Association or for a tort of another Resident, whether such other Resident was acting on behalf of the Association or otherwise. Neither the Declarant, the Association, its directors, officers, managers, agents, employees or other Affiliates shall be liable for any actual incidental or consequential damages for failure to inspect any premises, improvements or portion thereof or for failure to repair or maintain the same. The Declarant, the Association or any other person, firm or corporation responsible for making such repairs or maintenance shall not be liable for any personal injury or other actual, incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any premises, improvements or portion thereof.

Section 5. Reserve Funds. The Board may establish reserve funds which may be maintained and/or accounted for separately from other funds maintained for annual operating expenses and may establish separate, irrevocable trust accounts or any other recognized bookkeeping or tax procedures in order to better demonstrate that the amounts deposited therein are capital contributions and not net or taxable income to the Association.

ARTICLE VII.

INSURANCE: REPAIR: RESTORATION

Section 1 Right to Purchase Insurance. The Association shall have the right to purchase, carry and maintain in force insurance covering any or all portions of the Common Properties, any improvements thereon or appurtenant thereto, for the interest of the Association, its Board of Directors, officers, managers, agents and employees, and of all Members of the Association, in such amounts and with such, endorsements and coverage as shall be deemed appropriate by the Board. Such insurance may include, but need not be limited to.

(a) Insurance against loss or damage by fire and hazards covered by a standard extended coverage endorsement in an amount which shall be equal to the maximum insurable replacement value, excluding foundation and excavation costs;

(b) Comprehensive public liability and property damage insurance on a broad form basis, including coverage of personal liability (if any) of the Declarant and the Board, Owners, Residents and Members with respect to the Common Properties;

(c) Fidelity bonds for all officers and employees of the Association having control over the receipt or disbursement of funds; and

(d) Liability insurance regarding the errors and omissions of the Declarant, and the directors; officers, managers, employees and representatives of the Association.

Section 2. Insurance and Condemnation Proceeds. The Association shall be the exclusive representative of the Members in any proceedings, negotiations, settlements or agreements concerning insurance or condemnation related to the Common Properties, other Association property, or other property held jointly by the Members, but excluding matters related to any Lot, which shall be the sole province and responsibility of the Owner(s) of such Lot. The Association and the Members may use the net insurance or condemnation proceeds to repair and replace any damage or destruction of property, real or personal, covered by such insurance or condemnation. Any balance from the proceeds of insurance or condemnation paid to the Association, remaining after satisfactory completion of repair and replacement or after, the Board has elected to waive the repair, restoration or replacement, shall be retained by the Association as part of a general reserve fund for repair and replacement of the Common Properties.

Section 3. Insufficient Proceeds. If the insurance or condemnation proceeds are insufficient to repair or replace any loss or damage, the Association may levy a special group assessment as provided for in Article V of this Declaration to cover the deficiency

Section 4. Owner's Insurance: Security. The Association will not carry any insurance pertaining to, nor does it assume any liability or responsibility for, the real or personal property of the Owners, Residents and Members (and their respective family members and guests). NEITHER THE ASSOCIATION NOR THE DECLARANT IS INSURING THE REAL OR PERSONAL PROPERTY OF THE OWNERS, RESIDENTS OR MEMBERS, AND NO SECURITY SERVICES ARE BEING PROVIDED.

Each Owner, Resident and Member expressly understands, covenants and agrees with the Declarant and the Association that:

(a) Neither Declarant nor the Association has any responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and/personal property of each Owner, Resident and Member,

(b) Each Owner, Resident and Member shall, from time to time and at various times, consult with reputable insurance industry representatives of each Owner's, Resident's and Member's own selection to select, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of insurance deemed satisfactory to each Owner, Resident and Member covering his or her real and personal property and insuring against bodily injury, death or property damage, and general liabilities; however, each Owner, Resident and Member must purchase, obtain and maintain not less than an insurance policy (such as a homeowner's insurance policy) which covers all improvements on the Lot for their full insurable value as determined when the policy is issued and renewed, and which contains public liability and property damage insurance applicable to the property being insured in the amount of at least \$1,000,000.00 per person and \$3,000,000.00 per accident, and in the case of property damage, \$1,000,000.00 (or in such other amounts as may be established from time to time by the Association) This provision may be satisfied on a "per Lot" basis if all Owners, Members and Residents connected with such Lot are joined in a single insurance policy satisfying the above requirements and naming each Owner, Member and Resident as insured persons.

(c) All insurance carried by each Owner, Resident and Member shall name as additional insureds, the Declarant, the Association, and such other parties as the Declarant or the Association shall designate to the Owners, Residents or Members, who have an insurable interest in the Properties, the Common Properties, or any Lot. Insurance carried by each Owner, Resident and Member shall contain appropriate cross-liability endorsements denying the Owner's, Resident's or Member's insurer's rights of subrogation against the Declarant and the Association and their officers, directors, shareholders, general partners, limited partners, members, agents, employees, representatives, attorneys and other persons acting on behalf of said entities, as to risks covered by such insurance, without prejudice to any waiver or indemnity provisions applicable to the Owner, Resident or Member and any limitation of liability provisions applicable to the Declarant and the Association as contained in this Declaration, of which provisions the Owner, Resident or Member shall notify all insurance carriers

(d) EACH OWNER, RESIDENT AND MEMBER SHALL TAKE SUCH ACTION AS EACH OWNER, RESIDENT AND MEMBER DEEMS NECESSARY TO PROTECT AND SAFEGUARD PERSONS AND PROPERTY.

ARTICLE VIII.

ARCHITECTURAL REVIEW

Section 1. Architectural Review Committee. The Architectural Review Committee ("ARC") shall be composed of at least three (3) individuals, each generally familiar with residential and community development design matters and knowledgeable about the Declarant's concern for a consistent approach to and construction of improvements within Verrado Estates. Members of the ARC shall serve for terms of two (2) years and may be reappointed to successive terms without limitation. During the Development Period, Declarant shall select and appoint the members of the ARC and may remove a member at any time in Declarant's sole and absolute discretion

After the Development Period, the Board shall select and appoint members of the ARC. Appointment at the beginning of each term or the filling of any vacancy by the Board shall be accomplished by the affirmative vote of a simple majority of a quorum of the Board. The Board may remove a member of the ARC at any time by the affirmative vote of at least two-thirds (2/3) of the entire membership of the Board. In the event of the death, incapacity or resignation of any member of the ARC, the Declarant (during the Development Period) shall have full authority to designate and appoint a successor. From and after conclusion of the Development Period, the ARC members shall be appointed, and replaced in the event of death, incapacity or resignation, by the Board.

Section 2. ARC Jurisdiction. No building, Structure, fence, wall, Dwelling Unit, or Improvement of any kind or nature shall be erected, placed or altered on any Lot until all plans and specifications (the "Plans") have been submitted to and approved in writing by the ARC, or a majority of its members, as to:

- (i) quality of workmanship and materials, adequacy of site dimensions, adequacy of structural design, and proper facing of main elevation with respect to nearby streets, all in accordance with this Declaration and/or the Design Guidelines and/or bulletins;
- (ii) minimum finished floor elevation and proposed footprint of the dwelling;
- (iii) conformity and harmony of the external design, color, type and appearance of exterior surfaces and landscaping;
- (iv) drainage solutions;
- (v) the observance of and compliance with applicable setback lines and easement areas and the enhancement of aesthetic views and visual corridors to and from the Common Properties, and
- (vi) the other standards set forth within this Declaration (and any amendments hereto) or as may be set forth within the Design Guidelines, bulletins promulgated by the ARC, or matters in which the ARC has been vested with the authority to render a final interpretation and decision.

The Plans to be submitted to the ARC will include:

- (i) a site plan showing the location, description of materials and architectural treatment of all walks, driveways, fences, walls, the Dwelling Unit and any other Structures and Improvements;
- (ii) floor plan showing the exact window and door locations, exterior wall treatment and materials, and the total square feet of air conditioned living area,
- (iii) exterior elevations of all sides of any Structure must be included, the type of roofing materials must be indicated, and the type, use and color of exterior wall materials must be clearly indicated throughout;
- (iv) front, rear, and side elevations must show all ornamental and decorative details;
- (v) specifications of materials may be attached separately to the plans or written on the plans themselves (plans will not be approved without specifications - specifications must include type, grade of all exterior materials, and color of all exposed materials); and
- (vi) landscaping plan.

The ARC is authorized and empowered to consider and review any and all aspects of construction, location and landscaping, which may, in the reasonable opinion of the ARC, adversely affect the living enjoyment of one, or more Owners or Residents or the general value of the Properties. Also, the ARC is permitted to consider

technological advances and changes in design and materials, and comparable or alternative techniques, methods or materials may or may not be permitted, in accordance with the reasonable opinion of the ARC.

The ARC may require as a condition precedent to any approval of the Plans, that the applicant obtain and produce an appropriate building permit from the City of Lubbock, Texas. The ARC is also authorized to coordinate with the City and County of Lubbock in connection with the applicant's observance and compliance of the construction standards set forth in this Declaration, the Design Guidelines, and any bulletins or lot information sheets promulgated thereunder. However, the mere fact that the City of Lubbock issues a building permit with respect to a proposed structure does not automatically mean that the ARC is obliged to unconditionally approve the Plans. Similarly, the ARC's approval of any Plans does not mean that all applicable building requirements of the City or County of Lubbock have been satisfied.

Section 3 Design Guidelines. The ARC may, from time to time, publish and promulgate additional or revised Design Guidelines, and such design guidelines shall be explanatory and illustrative of the general intent of the proposed development of the Properties and are intended as a guide to assist the ARC in reviewing plans and specifications.

PRIOR TO ACQUIRING ANY INTEREST IN A LOT, EACH PROSPECTIVE
PURCHASER, TRANSFEREE, MORTGAGEE AND OWNER OF ANY LOT
IN THE SUBDIVISION IS STRONGLY ENCOURAGED TO CONTACT THE
DECLARANT OR ASSOCIATION OR THE ARC TO OBTAIN AND REVIEW
THE MOST RECENT DESIGN GUIDELINES WHICH WILL CONTROL THE
DEVELOPMENT, CONSTRUCTION AND USE OF THE LOT

Section 4. Plan Submission and Approval Within thirty (30) days following the effective date of receipt of the Plans, the ARC shall advise the submitting Owner whether or not the Plans are approved. If the ARC shall fail to approve or disapprove the Plans in writing within said 30-day period, the Plans shall be regarded as disapproved and the Owner shall be free to commence an appeal under Section 5 hereof. If the Plans are not sufficiently complete or are otherwise inadequate, the ARC may reject them as being inadequate or may approve or disapprove certain portions of the same, whether conditionally or unconditionally. The ARC shall not approve any Plans unless it deems that the construction, alterations or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding Lots, that the appearance of any structures affected thereby will be in harmony with surrounding structures and that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the subdivision or the enjoyment thereof by the Owners. Approval shall be based, among other things, on adequacy of site dimensions, structural design, proximity with and relation to existing neighboring structures and sites, as well as proposed and future neighboring structures and sites, relation of finished grades and elevations to existing neighboring site and conformity to both specific and general intent of the terms of this Declaration. The ARC may adopt rules or guidelines setting forth procedures for the submission of Plans and may require a reasonable fee to accompany each application for approval in order to defray the costs of having the same reviewed. The ARC may require such details in Plans submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings and descriptions or samples of exterior materials and colors. **UNTIL RECEIPT BY THE ARC OF THE PLANS AND ANY OTHER INFORMATION OR MATERIALS REQUESTED BY THE ARC, THE ARC SHALL NOT BE DEEMED TO HAVE RECEIVED SUCH PLANS OR BE OBLIGATED TO REVIEW THE SAME.**

Section 5. Appeal. Upon disapproval of any Plans by the ARC, the submitting Owner may, within thirty (30) days of the disapproval, appeal the determination by either, but not both, of the following means:

- (a) Resubmission to the ARC. The submitting Owner may resubmit disapproved Plans to the ARC for reconsideration by the ARC. The permitted time for appeal notwithstanding, all resubmissions must be determined by the end of the current term of the ARC. Any resubmitted Plans which have not been approved by the end of the term shall be regarded as disapproved. If a Plan is resubmitted to the ARC, it may not be appealed to the Board, regardless of the basis for disapproval.

- (b) Appeal to the Board. In lieu of resubmission to the ARC, the submitting Owner may request review and determination of disapproved Plans by the Board. A request for review may be granted or denied by the Board in its sole discretion. If review is granted, the Plans and the ARC determination may be reviewed and determined by the Board without regard to the term of the ARC. Approval by the Board of any Plans disapproved by the ARC shall require the affirmative vote of at least two-thirds (2/3) of the entire membership of the Board. If the Board does not approve the Plans within thirty (30) days after the request for review is granted, the Plans shall be regarded as disapproved.

Section 6. Moratorium on Resubmission. For any disapproved Plans, the submitting Owner or any other Owner or Resident of the same Lot may not submit substantially similar Plans until the later of one hundred eighty (180) days from the final disapproval of the Plans or the first day of the succeeding term of the ARC. The ARC or any member or staff thereof is empowered to summarily disapprove any Plan submitted in violation of this Section. Disapproval of Plans and the moratorium created by this Section shall have no effect on the Owners' duty to promptly construct improvements under Article IX, Section 11 of this Declaration.

Section 7. Liability. Neither Declarant, nor the Association, nor the ARC, nor the Board nor the officers, directors, managers, members, employees and agents of any of them, shall be liable in damages to anyone submitting Plans and specifications to any of them for approval, or to any Owner of property affected by these restrictions by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such Plan or specifications. No approval of Plans and specifications and no publication of any Design Guidelines, architectural bulletins or lot information sheets shall be construed as representing or implying that such Plans, specifications, guidelines, bulletins or sheets will if followed result in properly designed improvements and/or improvements built in a good and workmanlike manner. Every person or entity who submits Plans or specifications, and every Owner of each and every Lot, agrees that he will not bring any action or suit against Declarant, the Association, the ARC, the Board, or the officers, directors, managers, members, employees and agents of any of them, to recover any such damages and hereby releases, remises and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given.

Section 8. No Waiver. No approval by the ARC of any Plans for any work done or proposed to be done shall be deemed to constitute a waiver of any rights on the part of the ARC to withhold approval or consent to any similar Plans which subsequently are submitted to the ARC for approval or consent.

Section 9. Construction. Upon approval of the Plans by the ARC, the Owner submitting such Plans for approval promptly shall commence construction of all Improvements and Structures described therein and shall cause the same to be completed in compliance in all material respects with the approved Plans, and in compliance with Article IX, Section 11 of these Covenants. If an Owner shall vary materially from the approved Plans in the construction of any Improvements and Structures, the ARC shall have the right to order such Owner to cease construction and to correct such variance so that the Improvement will conform in all material respects to the Plan as approved. If an Owner shall refuse to abide by the ARC's request, the ARC shall have the right to take appropriate action to restrain and enjoin any further construction on a Lot that is not in accordance with approved Plans.

In the event of a violation or threatened violation of this Article by an Owner, the parties agree that Declarant, the Association, and other Owners, Members and Residents would suffer irreparable harm and would not have an adequate remedy at law. In recognition of this fact, in the event of violation or threatened violation, in addition to any other remedy available to Declarant or the Association, at law or in equity, Declarant or the Association shall be entitled to obtain, without posting any bond (which each Owner hereby waives), and each Owner agrees not to oppose (other than denying on purely factual grounds that a violation has occurred or is threatened) equitable relief in the form of specific performance, temporary restraining order, temporary injunction or permanent injunction or any other equitable remedy which may then be available to Declarant or the Association.

Section 10. Variances. The ARC may authorize variance from compliance with any of the provisions of this Declaration relating to construction of Improvements and Structures on a Lot, including restrictions upon height, size, floor area or replacement of Structures, or similar restrictions, when circumstances such as

governmental code changes, topography, natural obstructions, hardship, aesthetic or environmental considerations may require. Such variances must be evidenced in writing, must be signed by at least a majority of the members of the ARC and shall become effective upon their execution. Such variances may be recorded. If such variances are granted, no violation of any of the provisions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular Lot and particular provisions hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the use of the Lot.

ARTICLE IX.

USE OF LOTS IN THE SUBDIVISION: PROTECTIVE COVENANTS

The Subdivision (and each Lot situated therein) shall be constructed, developed, occupied and used as follows:

Section 1. Residential Lots. All Lots within the Subdivision shall be used, known and described as residential Lots, unless otherwise indicated on the Subdivision plat. Lots shall not be further subdivided and, except for the powers and privileges herein reserved by the Declarant, the boundaries between Lots shall not be relocated without the prior express written consent of the ARC. No building or Structures shall be ejected, altered, placed or permitted to remain on any residential Lot other than one (1) single-family Dwelling Unit and, if any, its customary and usual accessory Structures (unless otherwise prohibited herein). No building or Structure intended for or adapted to business or commercial purposes shall be erected, placed, permitted or maintained on such premises, or any part thereof, save and except those related to development, construction and sales purposes of a Homebuilder, the Declarant or the Association. No Owner, Resident or Member shall conduct, transmit, permit or allow any type or kind of home business or home profession or hobby on any Lot or within any Dwelling Unit which would: (i) attract automobile, vehicular or pedestrian traffic to the Lot; (ii) involve lights, sounds, smells, visual effects, pollution and the like which would adversely affect the peace and tranquility of any one or more of the Residents within the Subdivision. The restrictions on use herein contained shall be cumulative of, and in addition to, such restrictions on usage as may from time to time be applicable under and pursuant to the statutes, rules, regulations and ordinances of the City and County of Lubbock, Texas or any other governmental authority having jurisdiction over the Subdivision, as used in this Article IX, the following words shall be deemed to have the following meanings;

- (i) "rear yard" shall mean that portion of a Lot existing from the rear of the Dwelling Unit located thereon to the rear property line, and from side property line to side property line;
- (ii) "front yard" shall mean that portion of a Lot existing from the front of the Dwelling Unit located thereon to the front property line, and from side property line to side property line; and
- (iii) "side yard" shall mean that portion of a Lot existing between the front and rear of the Dwelling Unit located thereon, and from, the side of such Dwelling Unit to the side property line.

The "front" property line shall be the property line abutting a street or county road, and the "rear" property line shall be the property line abutting the shared rear property line.

For Lots 1 through 21, the front property line will be the property line abutting County Road 6845

For Lots 190 through 204 the front property line will abut County Road 6875.

Use of all Lots within the Subdivision shall comply with the following:

- (a) No noxious or offensive activity shall be carried on upon any Lot nor shall anything be done thereon which may become an annoyance, danger, or nuisance to the neighborhood. The Association, acting through

its Board of Directors, shall have exclusive right and discretion to determine what constitutes a nuisance or annoyance.

(b) Except as may be otherwise permitted herein, no Structure or Improvement of a temporary character, including, but not limited to, a trailer, recreational vehicle, mobile home, modular home, prefabricated home, manufactured home, tent, shack, barn or any other Structure or building (other than the Dwelling Unit to be built thereon) shall be placed on any Lot either temporarily or permanently. No Dwelling Unit, garage or other Structure appurtenant thereto, shall be moved upon any Lot from another location. However, the Declarant reserves the right to erect, place, maintain, and to permit Homebuilders to erect, place and maintain such facilities in and upon any Lot as in its discretion may be necessary or convenient during the period of or in connection with the improvement and/or sale of any Lots.

(c) No animals of any kind shall be raised, bred, or kept on any Lot except that not more than three (3) dogs, cats, or other similar domesticated household pets may be kept, provided that they are not kept, bred, or maintained for any commercial purpose. Domesticated household pets are allowed. Equine and bovine are not allowed. The keeping of any animal or other pet shall be subject to rules and regulations adopted by the Association through its Board of Directors. The Association, acting through its Board of Directors, shall have standing and the power to enforce such standards. No animals shall be permitted which are obnoxious, offensive, vicious (e.g. pit bull terriers shall not be permitted within the Properties) or dangerous. All animals must be kept and maintained in the rear yard of the Lot, or on a leash.

(d) No rubbish, trash, garbage, debris or other waste shall be dumped or allowed to remain on any Lot.

(e) No clothesline may be maintained on any Lot, unless enclosed by a hedge or other type of screening enclosure as approved by the ARC.

(f) No antenna, tower, or other similar vertical structure shall be erected on any Lot for any purpose; however, a flagpole will be permitted where approved in writing by the ARC. No antenna or tower shall be affixed to the outside of any Dwelling Unit on any Lot without the prior written consent of the ARC. No satellite reception device or equipment used in the reception of satellite signals shall be allowed on any Lot or structure unless approved in writing by the ARC and approval will be granted only where the devices are reasonably concealed from view of any street, public areas and neighboring Lots, and structures. No satellite dishes will be permitted which are larger than one meter in diameter.

(g) No oil drilling, oil development operation, oil refining, or quarrying or mining operations of any kind shall be permitted on or in any Lot, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted on or in any Lot. No derrick or other structure designed for use of boring for oil and/or natural gas shall be erected, maintained or permitted on any Lot.

(h) No sign of any kind shall be displayed to the public view on any Lot, except one professional sign of not more than five (5) square feet advertising the property for sale, or a sign used by Declarant or a Homebuilder to advertise the building of Improvements on such property during the construction and sales period.

Section 2 Minimum Floor Space. Each one (1) story dwelling and each one-and-one half (1.5) and two (2) story dwelling constructed on any Lot shall contain such minimum square feet of air-conditioned floor area (exclusive of all porches, garages or breezeways attached to the main dwelling) as may be specified by the Design Guidelines and/or the ARC for the first and/or second stories and/or the total; however, in no event shall any Dwelling Unit have less than the number of square feet of air conditioned floor area as shown on Exhibit "B". No Structure will be in excess of two (2) stories (however, a Dwelling Unit may have a basement and two aboveground stories).

Section 3. Garages: Parking. Each single-family residential dwelling erected on any Lot shall provide garage space for a minimum of two (2) conventional automobiles, unless otherwise specifically approved by the ARC. Each Owner, Member and Resident shall use their respective best efforts to park and store their automobiles within the garage. All garage doors shall be closed at all times when not in use. Carports are not

encouraged but may be permitted under limited rigid circumstances if, as and when, in the absolute discretion of the Architectural Review Committee, the exterior surface and appearance will substantially compare with a garage and if absolutely no storage of items, which would otherwise be visible, will occur thereunder. Any and all proposed garage or carport plans and specifications must be submitted to the Architectural Review Committee for review and approval. A garage will be situated on the Lot in such a manner that the garage door or entry will face not less than a forty-five degree (45°) angle away from the street upon which the Lot is situated. The ARC may adjust this angle as necessary to accommodate the particular dimensions of each Lot; however, an effort must be made to face the garage doors away from the abutting street. On corner Lots, no garage will face either the front street or the side street, and no driveway will be permitted from a side street. Each Owner, Resident and Member shall use their respective best efforts to refrain from:

- (a) habitually parking any automobile or vehicle on any Lot outside of an approved garage area between any Dwelling Unit and an abutting front street or between any Dwelling Unit and an abutting side street; and
- (b) performing, permitting or allowing repair or maintenance work to any automobile or other vehicle outside the garage and visible to the abutting street(s).

Under no circumstances or conditions shall any automobile, boat or other vehicle be parked on a non-paved portion of any Lot, except that a trailer, motor home, boat or recreational vehicle may be parked at a location to the side or rear of the Dwelling Unit provided that it is concealed from view of all other Lots and from public streets which border such Lot. Any Structure designed to house, store or conceal a trailer, motor home, boat or recreational vehicle shall be subject to approval by the ARC, and such approval will be limited to such Structures which use designs and materials which are compatible with the Dwelling Unit.

Section 4. Setback Requirements. Each Dwelling Unit will face the street which abuts the front of the Lot upon which the Dwelling Unit is to be situated; however, for all corner Lots, the ARC will determine the location of the Dwelling Unit in accordance with the Plans submitted by each Owner. No Structure shall be placed within the following setback lines:

- (a) 80 feet minimum from the front property line of the Lot.
- (b) 25 feet from any public street or right-of-way (other than a street abutting the front property line of the Lot);
- (c) 20 feet from the rear property line of the Lot;
- (d) 15 feet from any side property line of the Lot; except that if an Owner owns two or more adjacent Lots and desires to construct one Dwelling Unit on such Lots, construction of which Dwelling Unit would violate the side lot setback lines provided herein, the ARC may waive, in writing, said side lot setback line as to such Dwelling Unit, and such Lots shall be considered to be one Lot solely for purposes of determining the setback lines, but shall remain multiple lots for all other purposes including voting rights and assessments;

The following Structures are expressly excluded from the setback restrictions:

- (i) structures below and covered by the ground;
- (ii) steps, walks, below ground-level swimming pools, uncovered patios, driveways and curbing;
- (iii) landscaping as approved by the ARC pursuant to Article VIII hereof,
- (iv) planters, walls, fences or hedges, not to exceed 8 feet in height, and which comply with the restrictions set forth in this Declaration;

- (v) any other Structures exempted from the setback restrictions by the ARC on a case-by-case basis and as provided in Article VIII hereof.

In no event shall the ARC exempt from the setback restrictions, any roofed structure other than swimming pool equipment houses, Cabanas, greenhouses, barns and storage sheds; and, in the case of swimming pool equipment houses, cabanas, greenhouses, barns and storage sheds, such structures may in no event be exempted from side setback restrictions, and such structures may in no event be situated within ten (10) Feet of the rear property line of the Lot; and further, such structures must be situated wholly within a fence on the Lot, and must meet any other design and construction requirements as established by the ARC

Section 5 Fences Any fence to be constructed on a Lot must conform to the following requirements.

(a) A perimeter fence shall be constructed (i) across the rear property line of each Lot and (ii) along the side property line of each Lot from the rear fence corner to a point which is not behind the rear building line of the Dwelling Unit on the Lot nor in front of the front building line of such Dwelling Unit. The side perimeter fences shall be connected to the Dwelling Unit by a fence running from the front corner of such side perimeter fence to the Dwelling Unit. If not sooner constructed, all such fences must be constructed within one (1) year following the date on which construction of the Dwelling Unit is completed on the Lot. No fence, wall or hedge (which serves as a barrier) shall be erected, placed or altered on any Lot without the approval of the ARC. Notwithstanding the foregoing, no fence shall be constructed within a twenty-five foot "visibility triangle." As used herein, a "visibility triangle" shall mean a triangle sight area, at all street and county road intersections, which shall include that portion of public right-of-way and any corner Lot within a triangle formed by a diagonal line extending through points on the two property lines twenty-five feet from the street or county road corner intersection of the property line (or that point of intersection of the property lines extended) and intersecting the curblines.

(b) Fences and walls shall not be permitted within the front yard of any Lot; provided, however, decorative fences and walls shall be allowed which do not exceed thirty inches in height and which are approved by the ARC. Notwithstanding the preceding sentence, Lots 104, 105, 106, and 107 which abut County Road 6860 are each required to have a fence along the front property line of the Lot (except where driveways are located) to be constructed per Declarant specifications in order to create a uniform entrance them for the subdivision. Declarant will coordinate with the owners of these lots and may contribute to the cost of the fence. The area of each Lot between the boundary line of the Lot and the fence shall be landscaped as approved by the ARC and maintained by the Owner or Resident of the Lot. Although Declarant or the Association may, but shall not be required to, plant or provide trees on selected Lots, each Owner will maintain, water and care for the trees located on his or her Lot, and neither Declarant nor the Association shall have any duty or obligation to maintain or replace the trees which it may have provided or planted.

(c) Except as otherwise provided in this Section 5, all perimeter fences located on a Lot which face or abut a street or county road (as shown by the recorded plat of the Subdivision) shall be constructed of brick, stone, masonry, or flat-top cedar pickets (provided that any fence constructed of flat-top cedar pickets shall incorporate stone or brick columns spaced not more than 25 ft. apart on center), and shall be of such design and construction as conform to the design of the Dwelling Unit, and as are approved by the ARC. Fences not otherwise provided for in this Section 5 shall be constructed of such materials and design as approved by the ARC; however, the ARC shall not approve a fence constructed of chain link, barbed wire, pipe or other material not expressly permitted and approved by the ARC.

(d) Except as otherwise provided in this Declaration, and except as prohibited by City or County ordinances and regulations, no fence constructed on a Lot shall be less than six feet (6') nor more than eight feet (8') in height.

(e) All perimeter fences shall be located wholly within the boundaries of a Lot and shall not encroach across such boundaries; provided, however, that the Owners of adjoining Lots may agree to construct a fence along the common boundary of such Lots which extend onto each Lot. Any such agreement must be in writing and must be recorded in the Lubbock County Clerk's office in Lubbock, Texas. To the extent any such common perimeter

fence is constructed, the Owners of the Lots on which it is located shall be jointly and severally responsible for the maintenance and repair thereof.

Section 6 Construction Standards for Lots In addition to meeting all applicable building codes, all Improvements and Structures on each Lot shall meet with the following requirements (except as may be modified in writing by the ARC):

(a) **EXTERIOR WALLS:** The exposed exterior wall area, exclusive of doors, windows and covered porch area, shall be at least 80 percent brick, stone, or other materials approved by the ARC. Any exposed exterior area not covered by brick or stone shall be covered by wood or siding (metal or synthetic) having the appearance of wood, and as approved by the ARC. The ARC is specifically authorized to require a continuous uniform surface with respect to all Structures which directly face the street or county road or another Lot.

(b) **ROOFING DESIGN AND MATERIAL:** Flat roofs, mansard roofs and other “exotic” roof forms shall not be permitted. All roofing materials utilized on any Structure on a Lot must be approved by the ARC. The ARC will not approve of a roof of crushed stone, marble or gravel, it being intended that each roof shall be constructed only of metal, composition or wood shingles (provided that any composition shingles must be at least 300-pound shingles), tile, slate, or other materials approved by the ARC taking into account harmony, conformity, color, appearance, quality and similar considerations.

(c) **CHIMNEYS** All fireplace chimneys shall be constructed of the same brick, stone, or stucco, as appropriate, used for the dwelling Unit.

(d) **GARAGES:** In addition to meeting the requirements stated in Article IX, Section 3, all garages shall be given the same architectural treatment as the Dwelling Unit located on such Lot. All garage doors shall remain closed when not in use. The interior walls of all garages must be finished (taped, floated and painted as a minimum). No garage shall be enclosed for living area or utilized for any other purpose than storage of automobiles and related normal uses.

(e) **EXTERIOR LIGHTING:** No exterior light shall be installed or situated such that neighboring Lots are unreasonably lighted by the same, and all exterior lighting to be located within the front yard or side yard of a Lot must be approved by the ARC. All freestanding exterior lights located between the property lines and the Dwelling Unit shall be architecturally compatible with the Dwelling Unit, and shall be approved by the ARC

(f) **DRIVEWAYS:** Driveways shall be a minimum of 12-feet wide. The driveway shall be constructed of concrete, or other material as may be approved by the ARC. Any concrete or other material utilized must have a minimum strength of 2500 psi with steel reinforcing.

(g) **WINDOW UNITS:** No Structure shall utilize window mounted or wall-type air conditioners or heaters.

(h) **SKYLIGHTS:** Skylights shall be permitted on the roof of a Dwelling Unit, subject to approval by the ARC. No other equipment, including without limitation, heating or air conditioning units, solar panels, solar collection units, satellite dishes, and antennas, shall be located on the roof of any Dwelling Unit or Structure, unless the same are concealed from view from adjoining Lots and public streets, and do not materially alter the roof line of the Dwelling Unit or Structure, and further, plans and designs for such equipment to be located on a roof must be submitted with the Plans required pursuant to Article V hereof, and the design, plans, and installation of skylights, and all equipment located on the roof, are subject to the approval of the ARC.

(i) **SWIMMING POOLS:** No above-ground swimming pools shall be permitted on any Lot. However, an above-ground spa or hot tub may be constructed on a Lot provided that the same is located on a porch or deck associated with the Dwelling Unit. Any in-ground swimming pool shall be located in the rear yard of the Lot, and shall be securely enclosed by a fence and gates designed to prevent children and animals from accidentally entering the pool enclosure. An enclosed in-ground pool may be constructed at the rear of the Dwelling Unit (either attached to the Dwelling Unit or as a separate structure), provided that the enclosure for such pool shall be of the same materials used on, and in the same architectural style, as the Dwelling Unit. All swimming pools, and all swimming pool enclosures, must be approved by the ARC.

(j) **TENNIS COURTS:** No tennis court shall be constructed on any Lot unless and until the design, plans and specifications for the tennis court have been approved by the ARC. Approval will be limited to those tennis courts which are located only in the rear yard of the Lot, and which (i) utilize only "low profile" lighting, (ii) have no chain-link fencing or chain-link backstops; (iii) are fenced with material compatible with those materials utilized on the exterior of the Dwelling unit, and (iv) are concealed to the greatest extent possible from view from any street, neighboring Lot, or other public area.

(k) **SEPTIC SYSTEMS:** No cesspool, outhouse or outside toilet shall be permitted on any Lot. Toilets located in any Structure, shall be connected to either an approved public sewage disposal system or to a septic tank located in the back yard of the Lot on which such Structure is constructed. Sewage disposal facilities and septic tanks must comply in all respects with all applicable state, county and/or other governmental laws, rules and regulations. Septic tanks on each Lot shall be restricted to the back yard of each Lot

(l) **WATER WELLS:** Water wells on a Lot must comply in all respects with all applicable state, county and/or governmental laws, rules and regulations. Water wells on a Lot shall be restricted to the front yard of each Lot, and shall be located not closer than 50 feet to any side property line or the front property line. Only submersible pumps having not more than one and one-half (1 ½) horsepower in capacity shall be used in any water wells located on the Lot. Under no circumstances shall any above-ground irrigation motors or similar devices (whether gasoline or electric) be located on a Lot and/or used in connection with providing water to that Lot for household use and watering of landscaping. All water wells shall be cased from the surface to the water formation. Owners and Residents may utilize water from a water well for domestic purposes only, and all water produced from a well shall be utilized solely on the Lot from which the water is removed. No Owner or Resident may remove or sell water from their Lot to the public, or to any person or entity, provided however that, upon request of Declarant or the Association, any Owner or Resident may sell water to Declarant, the Association or a third party designated by either for use in furtherance of the purposes of this Declaration.

(m) **LOTS FRONTING 50th STREET:** All Lots fronting 50th street will construct no driveways and any other access from 50th street to the Lot.

(n) **MAILBOXES:** Mailbox location and design will be subject to approval by the ARC, and all mailboxes must be harmonious with the Dwelling Unit

(o) **APPROVED STRUCTURES OTHER THAN DWELLING UNIT:** No Structure or Improvement shall be permitted on any Lot other than the Dwelling Unit and such permanent Structures and Improvements as are approved in writing by the ARC, such as swimming pool equipment houses, cabanas, greenhouses, barns and storage sheds; however, in no event will the ARC approve a Structure or Improvement that is not of the same architectural design as the Dwelling Unit, and constructed of the same materials as used on the Dwelling Unit. Further, such Structure or Improvement must be of the same percentage of brick, stucco, stone or other material as required for the Dwelling Unit

Section 7. Landscaping of Lots. Construction of each and every Dwelling Unit within the Properties shall include the installation and placement of appropriate landscaping. All landscaping shall be completed by no later than one year after final completion of the Dwelling Unit, weather permitting. Landscaping must (i) permit reasonable access to public and private utility lines and easements for installation and repair, (ii) provide an aesthetically pleasing variety of trees, shrubs, groundcover and plants; and (iii) provide for landscaping of all portions of the Lot not covered by Improvements. Landscaping shall include, groundcover, trees, shrubs, vegetation and other plant life. Landscaping shall not include gravel, concrete, timber or rocks except where used as borders, walkways, accent pieces, or as otherwise approved by the ARC. A swimming pool, where approved by the ARC, may be considered landscaping. Except for typical garden hoses having a diameter of not more than one-inch, and common portable yard sprinklers that may be attached to such hoses, no. pipes, hoses, sprinklers, or other parts of any irrigation system for watering of landscaping on a Lot shall be located above the ground. An under-ground irrigation system adequate to suitably water all landscaping located in the front yard and side yard of each Lot shall be installed at the time the Dwelling Unit is constructed.

Section 8. Screening. All utility meters, equipment, air conditioning compressors, swimming pool filters, heaters and pumps and any other similar exposed mechanical devices on any Lot must be screened so that the same are not visible from other Lots or any public street or county road on which the Lot borders. All Screens must be solid and constructed in the same architectural style and of the same material as the Dwelling Unit on a Lot.

Section 9. Utilities. All public or private utility and service connections including, but not limited to gas, water, electricity, telephone, cable television or security system, or any wires, cables, conduits or pipes used in connection therewith, located upon any Lot shall be underground, except that fire plugs, gas meters, supply pressure regulators, electric service pedestals, pad mount transformers, and street lights may be located above ground only when necessary to furnish the service required by the use of such utilities. In no event shall any poles be permitted, other than for street lights or as otherwise permitted herein, and no wires or transmission lines to or from such street lights shall exist above the ground.

Section 10. Trash Container. All dumpsters and other trash containers shall be located out of the view of the public. Declarant and the Association reserve the right to place dumpsters and other trash containers within any appropriate area in the Subdivision, or on the Common Properties. Such containers shall be placed in area suitably appropriate as to not compromise the aesthetic of the subdivision. Trash containers shall remain hidden from public view until the trash collection day and shall be removed from view by Owner once the trash has been collected. The Declarant and/or home owners association may elect to contract with a city or regional waste management company for the purpose of providing a unified service for all residents of the subdivision and to decrease the amount of traffic generated by multiple waste management companies entering the subdivision. Each resident will be responsible for initiating an account with and paying their bill directly to the contracted waste management company. If Declarant and/or home owners association does not contract for community trash service, each Owner, at Owner's expense, shall contract with a public or private trash service for the regular pickup of all trash and other debris, all of which shall be placed in the dumpsters or other trash containers specified by Declarant or home owners association, it being understood that at no time shall any Owner pile or stack trash or other debris in or on a Lot.

Section 11. General.

(a) CONSTRUCTION DEBRIS: During the construction or installation of any Improvement or Structure on any Lot, construction debris shall be removed from the Lot on a regular basis and the Lot shall be kept as clean as possible.

(b) INITIATION OF CONSTRUCTION: Owner shall commence construction of a Dwelling Unit and other necessary Improvements to the Lot within twelve months of transfer of title. Owner acknowledges that failure to construct a Dwelling Unit on the Lot will cause significant harm to Declarant, to the Association and to other Owners, Members and Residents. If Owner fails to begin construction within said time period, Declarant may invoke any or all of the following remedies:

(1) Declarant may demand and Owner irrevocably offers and agrees to offer the Lot for sale to Declarant for an amount equal to the lesser of (i) Eighty percent (80%) of the Owner's purchase price for the Lot (excluding the Owner's closing costs, finance charges and other fees minus all escrow fees, title insurance costs, and other closing costs and fees incurred in Declarant's repurchase; or (ii) the average cost of the last three (3) Lots "sold" (defined as escrow closed and transfer completed) or at Declarant's discretion, the average of all Lots sold within the ninety (90) day time period immediately preceding the exercise of the buy-back option, either average sum minus all escrow fees, title insurance costs, and other closing costs and fees incurred in Declarant's repurchase; if any improvement has been constructed on the Lot since the Owner's purchase of the Lot and, in the sole and absolute discretion of Declarant, the removal of such improvement would improve the value or resale potential of the Lot or otherwise advance the purposes of this Declaration, Declarant may order the improvement removed and deduct the cost thereof from the repurchase price to be paid to Owner. Any deficiency created thereby shall remain a personal obligation of the Owners for which Declarant shall be entitled to recovery.

(2) Declarant may enforce the construction obligation by specific performance requiring diligent construction of a Dwelling Unit and other necessary Improvements in full compliance with this Declaration; or,

(3) Declarant may allow Owner to complete construction and charge Owner the sum of five-hundred dollars per month (\$500/mo.) as a liquidated damage for failure to timely complete construction.

(c) **STOPPAGE OF CONSTRUCTION:** Once commenced, construction shall be diligently pursued to the end that it will be completed within 18 months from transfer of title. If construction is not completed as required hereby, Declarant shall have the same remedies as provided in subsection (b) above for failure to initiate construction.

Section 12. Easements: Utilities. Easements for the installation and maintenance of utilities and drainage facilities are reserved in this Declaration and as shown on the recorded subdivision plat. Utility service may be installed along or near the front and/or side Lot lines and each Lot Owner shall have the task and responsibility of determining the specific location of all such utilities. Except as may be otherwise permitted by the ARC (e.g. fencing, flatwork, landscaping, etc.), no Owner shall erect, construct or permit any obstructions or permanent Improvements or Structures of any type or kind to exist within any easement area, nor shall anything be done or permitted within an easement area which would restrict or adversely affect drainage. Electrical (and possibly other utility) easements are likely to be located at or near or along the front Lot line(s), and each Lot Owner assumes full, complete and exclusive liability and responsibility for all cost and expense related to damage, repair, relocation and restoration of such improvements. Except as to special street lighting or other aerial facilities which may be required by the City or County of Lubbock, Texas or which may be required by the franchise of any utility company or which may be installed by the Declarant pursuant to its development-plan, no aerial utility facilities shall be erected or installed on the Subdivision whether upon individual Lots, easements, streets or rights-of-way of any type, either by the utility company or any other person or entity, including, but not limited to, any person owning or acquiring any part of the Subdivision, and all utility service facilities (including, but not limited to, water, sewer, gas, electricity and telephone) shall be buried underground unless otherwise required by a public utility. All utility meters, equipment, air conditioning compressors, water wells and similar items must be visually screened and located in areas designated by the Architectural Review Committee. The Association or the Architectural Review Committee shall have the right and privilege to designate the underground location of any CATV or fiber optic-related cable.

Each Owner shall assume full and complete responsibility for all costs and expenses arising out of or related to the repair, replacement or restoration of any utility equipment damaged or destroyed as a result of the negligence or mischief of any Resident of the Owner. Each Owner agrees to provide, at the sole cost and expense of each Owner, such land for equipment and apparatus as are necessary and appropriate to install and maintain additional lighting and security-related measures which becomes technologically provident in the future.

Section 13. Duty of Maintenance Each Owner of any Lot shall have the responsibility, at his or her sole cost and expense, to keep such Lot, vacant or otherwise, including any Improvements thereon, in a well maintained, safe, clean and attractive condition at all times. Such maintenance shall include, but is not limited to, the following:

- (a) Prompt removal of all litter, trash, refuse and waste, and regular cutting of weeds and grasses on the Lot, including prior to and during construction of any Improvements;
- (b) Regular mowing of grasses;
- (c) Tree and shrub pruning;
- (d) Keeping landscaped areas alive, free of weeds, and attractive;
- (e) Watering, in accordance with applicable conservation initiatives;
- (f) Keeping parking areas and driveways in good repair;
- (g) Complying with all government health and police requirements;
- (h) Repainting of Structures and Improvements;
- (i) Repair of exterior damages to Improvements.

Each Owner of any Lot shall have the responsibility, at his or her sole cost and expense, to keep all areas located between the boundaries of such Lot and the paved portion of any streets or roads on which such Lot borders in a well maintained, safe, clean and attractive condition. This provision is not intended and shall not be construed to establish, enlarge or otherwise alter any tort liability on the part of any Owner or other person.

The Association, and its agents, during normal business hours, shall have the right (after 5 days written notice to the Owner of any Lot involved, setting forth the specific violation or breach of this covenant and the action required to be taken, and if at the end of such time reasonable steps to accomplish such action have not been taken by the Owner), to enter on the subject premises (without any liability whatsoever for damages for wrongful entry, trespass or otherwise to any person or entity) and to take the action specified in the notice to remedy or abate said violation(s) or breach(es). The cost of such remedy or abatement will be paid by the Owner to the Association upon demand and if not paid within thirty(30) days thereof, shall become a charge and obligation upon the Lot affected secured by the Payment and Performance Lien described in Article V hereof. The Association, or its agent, shall further have the right (upon like notice and conditions), to trim or prune, at the expense of the Owner, any hedge, tree or any other planting that, in the written opinion of the Association, by reason of its location on the Lot, or the height, or the manner in which it is permitted to grow, is detrimental to the adjoining Lots, is dangerous or is unattractive in appearance.

ARTICLE X

EASEMENTS AND TELECOMMUNICATION SERVICES: UTILITY SERVICES

Section 1. Utility Easements. Non-exclusive easements for installation, maintenance, repair and removal of utilities and drainage facilities over, under and across an area not less than two feet (2') nor more than five foot (5') wide perimeter of each Lot are reserved by Declarant for itself, the Association, and all such utility and CATV companies and their respective successors and assigns, serving the Subdivision as Declarant or the Association may from time to time grant access to such easements (hereinafter "Franchised Utilities") No Improvement or Structure shall be constructed or placed thereon without the express prior written consent of the ARC. Full rights of ingress and egress shall be had by Declarant, the Association, and all Franchised Utilities, at all times over the Subdivision for the installation, operation, maintenance, repair or removal of any utility together with the right to remove any obstruction (excluding, however, any driveway, fence or other Improvement or Structure which has been theretofore specifically approved by the ARC) that may be placed in such easement that would constitute interference with the use of such easement, or with the use, maintenance, operation or installation of such utility.

Section 2 Ingress, Egress and Maintenance by the Association. Full rights of ingress and egress shall be had by the Association at all times over and upon the front, rear and side setback areas applicable for each Lot for the carrying out by the Association of its functions, duties and obligations hereunder; provided, however, that any such entry by the Association upon any Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be repaired by the Association at the expense of the Association's maintenance fund.

Section 3 Telecommunication Services The Declarant and/or the Association (with the prior approval of the Board of Directors, may (but without obligation) provide, either directly or by contracting with other parties, various telecommunication services to the Lots and Common Properties within the Subdivision. The Board of Directors of the Association shall have the sole discretion to determine whether or not such telecommunication services are to be provided by the Association, and if the Association is to provide such services the Board shall have the sole discretion to determine the types of services to provide, the manner in which such services will be provided, the amounts to be charged, and the method of paying for such services. The amount charged for such services shall not exceed those authorized or required by any regulatory authority with jurisdiction over such matters.

(a) **Types of Services.** The types of telecommunication services that may be provided by or through the Declarant or the Association shall include, but not be limited to, the following, (i) local and long-distance telephone service; (ii) voice mail service; (iii) cable television service; (iv) private television channels for education

and community purposes; (v) security monitoring of streets and other Common Properties, (vi) central home security systems for fire and burglary detection, (vii) electronic utility meter reading systems; (viii) electronic mail systems; and (ix) such other similar telecommunication services the Declarant or the Board of Directors determines to be necessary or beneficial for the safety, welfare or enjoyment of the Association Members or the Subdivision.

(b) Common Area Facilities The telecommunication equipment, wiring and other facilities that are necessary to provide the telecommunication services for the Common Properties in the Subdivision shall either be owned by the Association or the Association shall contract with other parties to provide such facilities on behalf of the Association. The cost and expense of constructing, installing, operating, maintaining, repairing and replacing such facilities shall be paid by the Association, and may be included as part of the annual assessments and special assessments to the Members

Section 4. Water and/or Sewer Services. Declarant reserves for itself and for its successors and assigns, the exclusive right, but not the obligation or duty, to create, own or have an interest in, and/or operate a "retail public utility" or a "water supply or sewer service corporation" (as "retail public utility" and "water supply or sewer service corporation" are defined in the Texas Water Code, Section 13.002, as now existing or hereafter amended), for the purpose of providing "retail water or sewer utility service" (as "retail water or sewer utility service" is defined by the Texas Water Code, Section 13.002 to all Owners and Residents of the Subdivision and to any other persons or entities as desired by Declarant. "Retail public utility" and "water supply or sewer service corporation" are hereinafter sometimes collectively referred to as "the Utility" If the Utility is created under the authority herein reserved to Declarant, and if a certificate of public convenience and necessity (the "Certificate") is obtained by the Utility in accordance with the provisions of the Texas Water Code, then each Owner who thereafter purchases a Lot within an area being serviced by the Utility will purchase all water and/or sewer services (as are then being provided by the Utility) from the Utility, and no Owner may drill a water well or install a septic tank on a Lot receiving said service from the Utility. The provisions of this Section 4 shall not apply to any Owner who drills a water well and installs a septic tank prior to the Utility being created and obtaining a Certificate; however, the provisions of this Section 4 shall apply to any subsequent Owner who, after the Utility has been created and obtains a Certificate, purchases a Lot within the service area of the Utility, on which a water well or septic tank is in existence. If an Owner purchases a Lot after the Utility has been created and the Certificate obtained, and if the Lot has an existing water well and septic tank, the Owner will discontinue use of the water well if the Utility is providing water, and will discontinue use of the septic tank if sewer service is being provided by the Utility; and, at the time of the purchase of the Lot, water and/or sewer service shall be provided to the Lot on such terms and conditions as are then in effect for such service by the Utility. To the extent that the provisions of this Section 4 conflict with the provisions of Article IX, Section 6, (k) and (l), the provisions of this Section 4 shall control Any Owner who drills a water well and installs a septic tank prior to the Utility being created and obtaining a Certificate, may elect, upon creation of the Utility, to discontinue use of the water well and/or septic tank, and instead receive water and/or sewer service (as may then be available) from the Utility and upon such terms and conditions as are then in effect for such service by the Utility. Nothing within this Section 4 shall be construed as an obligation, duty, or representation by Declarant to create the Utility. If the Utility is created, the Utility may utilize the Common Properties and any Lot then owned by Declarant to drill and maintain water wells for use by the Utility in providing water service, and the Utility shall have such access to the Common Properties as is necessary for the purpose of drilling and maintaining the water wells, tanks, equipment and underground pipelines as are related to such water wells. The utility easements described in Article X, Section 1 may be utilized by the Utility in providing the services of the Utility. Declarant may use any Lot or other property which it owns within the Subdivision for the purpose of drilling and maintaining water wells, tanks, equipment and pipeline related to the utility.

ARTICLE XI.

GENERAL PROVISIONS

Section 1. Power of Attorney. Each and every Owner, Member and Resident hereby makes, constitutes and appoints Declarant as his/her true and lawful attorney-in-fact, coupled with an interest and irrevocable, for him/her and in his/her name, place and stead and for his/her use and benefit, to do the following,

(a) to exercise, do or perform any act, right, power, duty or obligation whatsoever in connection with, arising out of, or relating to any matter whatsoever involving this Declaration and the Properties;

(b) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, or abandon the terms within this Declaration, or any part hereof, with such clause(s), recital(s), covenant(s), agreement(s) and restriction(s) as Declarant shall deem necessary, proper and expedient under the circumstances and conditions as may be then existing; and

(c) to sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the subdivision plat(s) of the properties, or any part thereof, with any easements and rights-of-way to be therein contained as the Declarant shall deem necessary, proper and expedient under the conditions as may then be existing.

The rights, powers and authority of said attorney-in-fact to exercise any and all of the rights and powers herein granted shall commence and be in full force upon recordation of this Declaration in the Lubbock County Clerk's Office and shall remain in full force and effect thereafter until conclusion of the Development Period.

Section 2. Further Development During the Development Period, each and every Owner, Resident and Member waives, relinquishes and shall not directly or indirectly exercise any and all rights, powers or abilities, and the Association shall not devote or expend any monies or personnel, regarding the following: to contest, object, challenge, dispute, obstruct, hinder or in any manner disagree with the proposed or actual development (including, without limitation, zoning or rezoning efforts or processes) pertaining to residential uses of any real property owned by the Declarant or by the affiliates, assignees or successors of the Declarant within a one mile radius of the Subdivision.

Section 3. Duration. The Covenants of this Declaration shall run with and bind the land subject to this Declaration, and shall inure to the benefit of and be enforceable by the Association and/or the Owner and Resident of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for an original forty (40) year term expiring on the fortieth (40th) anniversary of the date of recordation of this Declaration, after which time these Covenants shall be automatically extended for successive periods of ten (10) years unless an instrument is signed by the Owners of at least fifty-one percent (51%) of all Lots within this Subdivision and all Lots of any additions added or annexed to the scheme of this Declaration as provided in Article II of this Declaration, which instrument is recorded in the Official Real Property Records of Lubbock County, Texas, and which contains and sets forth an agreement to abolish these Covenants; provided, however, no such agreement [where approved by less than seventy-five percent (75%) of the Owners of all Lots within this Subdivision and all Lots of any additions added or annexed to the scheme of this Declaration] to abolish shall be effective unless made and recorded one (1) year in advance of the elective date of such abolishment.

Section 4. Amendments. The Covenants set forth herein are expressly subject to change, modification and/or deletion by means of amendment at any time and from time to time as provided herein. Notwithstanding Section 3 of this Article, these Covenants may be amended and/or changed in part as follows

(a) During the Development Period, for the purposes of clarifying or resolving any ambiguities or conflicts herein, or correcting any inadvertent misstatements, errors or omissions herein (and provided that any such amendment shall be consistent with and in furtherance of the purposes of this Declaration and shall not materially adversely affect the vested property or other rights of any Owner or his or her mortgagee). Declarant reserves to itself and shall have the continuing right, at any time, and from time-to-time, without the joinder or consent of any party, to amend this Declaration by any instrument in writing duly executed, acknowledged and filed for record in the Official Real Property Records of Lubbock County, Texas. Furthermore, during the Development Period, Declarant reserves the right (on application and request of the Owner of any Lot) to waive, vary or amend (by an appropriate letter to that effect, addressed and delivered to such applicant Owner by Declarant for filing in the Official Real Property Records of Lubbock County, Texas) any of these covenants and restrictions to any particular Lot, if, in the sole discretion of the Declarant, such action is necessary to relieve hardship or permit better architectural planning to be effected; provided however, these actions will not impair or materially adversely affect the vested property or other rights of any Owner or his or mortgagee.

(b) During the Development Period, and for reasons other than as stated above in Article XI, Section 4(a), Declarant may amend or change, but not terminate, these Covenants by exercising its powers under Article XI, Section 1 hereinabove; or, with the affirmative vote of Members representing a majority of the total number of votes of the Association (with the voting rights being determined as set forth in Article III, Sections 1 and 2 of this Declaration).

(c) From and after conclusion of the Development Period these Covenants may be amended or changed, but not terminated, with the affirmative vote of Members representing a majority of the total number of votes of the Association (with the voting rights being determined as set forth in Article III, Sections 1 and 2 of this Declaration).

Any and all amendments shall be recorded in the Office of the County Clerk of Lubbock County, Texas.

Section 5. Enforcement. Each Owner of each Lot shall be deemed and held responsible and liable for the acts, conduct and omission of each and every Resident, Member, guest and invitee affiliated with such Lot, and such liability and responsibility of each Owner shall be joint and several with their Resident(s), Members, guests and invitees. The Payment and Performance Lien shall extend to, cover and secure the proper payment and performance by each and every Resident, Member, guest and invitee affiliated with each Owner. Each Owner may, upon appropriate application to and approval by the Association, impose greater or additional restraints and restrictions on the good standing qualifications of the Residents and Members of such Owner's Lot. Unless otherwise prohibited or modified by law, all parents shall be liable for any and all personal injuries and property damage proximately caused by the conduct of their children (under the age of 18 years) within the Properties. Enforcement of these Covenants may be initiated by any proceeding at law or in equity against any person or persons violating or attempting to violate them, whether the relief sought is an injunction or recovery of damages, or both, or enforcement of any lien created by these Covenants; but failure by the Association or any Owner to enforce any Covenant herein contained shall in no event be deemed a waiver of the right to do so thereafter. The City of Lubbock, Texas is specifically authorized (but not obligated) to enforce these Covenants. With respect to any litigation hereunder, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, from the non-prevailing party.

Section 6. Validity. Violation of or failure to comply with these Covenants shall not affect the validity of any mortgage, bona fide lien or other similar security instrument which may then be existing on any Lot. Invalidation of any one or more of these Covenants, or any portions thereof, by a judgment or court order shall not affect any of the other provisions or covenants herein contained, which shall remain in full force and effect. In the event any portion of these Covenants conflicts with mandatory provisions of any ordinance or regulation promulgated by the City or County of Lubbock, Texas (including, without limitation, the Zoning Ordinance), then such municipal or county requirement shall control.

Section 7. Proposals of Declarant. The proposals of the Declarant, as set forth in various provisions hereinabove, are mere proposals and expressions of the existing good faith intentions and plans of the Declarant and shall not be deemed or construed as promises, solicitations, inducements, contractual commitments or material representations by the Declarant upon which any person or entity can or should rely. Nothing contained in or inferable from, this Declaration shall ever be deemed to impose upon any other land owned or to be owned by the Declarant, or any related entity, any covenants, restrictions, easements or liens or to create any servitudes, negative reciprocal easements or other interests in any such land in favor of any person or entity other than the Declarant. Declarant owns and intends in the future to develop certain property adjacent to or in the vicinity of the Properties. Such adjacent property may be subject to restrictions materially varying in form from those contained in this instrument. Nothing contained in this instrument shall be deemed to impose upon Declarant any obligation with respect to such adjacent property, including, without limitation, any obligation to enforce any covenants or restrictions applicable hereto.

Section 8. Additional Restrictions. Declarant may make additional restrictions applicable to any Lot by appropriate provision in the deed conveying such Lot to the Owner, without otherwise modifying the general plan set forth herein, and any such other restrictions shall inure to the benefit of and be binding upon the parties to such deed in the same manner as if set forth at length herein.

Section 9. Headings. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration. Words of any gender used herein shall be held and construed to include any other gender, and words in the singular shall be held to include the plural and vice versa, unless the context requires otherwise. Examples, illustrations, scenarios and hypothetical situations mentioned herein shall not constitute an exclusive, exhaustive or limiting list of what can or cannot be done.

Section 10. Notices to Resident/Member/Owner. Any notice required to be given to any Resident, Member or Owner under the provisions of this Declaration shall be deemed to have been properly delivered when (i) deposited in the United States Mail, postage prepaid, addressed to the last known address of the person who appears as the Resident, Member or Owner on the records of the Association at the time of such mailing, or when (ii) delivered by hand or by messenger to the last known address of such person within the Properties, or when (iii) posted on the Association's bulletin board for at least thirty (30) consecutive calendar days.

Section 11. Notices to Mortgagees. The holder(s) of a mortgage may be furnished with written notification from the Association of any default by the respective mortgagor/Member/Owner in the performance of such mortgagor's/Member's/Owner's obligation(s) as established by this Declaration, provided that the Association has been theretofore furnished, in writing, with the correct name and address of such mortgage holder(s) and a request to receive such notification and a reasonable supply of self-addressed, stamped envelopes.

Section 12. Disputes. Matters of dispute or disagreement between Owners, Residents, Members, the Association, or the offices of the Association with respect to interpretation or application of the provisions (excluding Article VIII architectural matters and issues concerning substantial completion) of this Declaration or the Association Bylaws, shall be determined by the Board of Directors. Matters pertaining to Article VIII architectural matters and issues concerning substantial completion shall be determined by the Architectural Review Committee. These respective determinations (absent arbitrary and capricious conduct or gross negligence) shall be final and binding upon all Owners, Residents and Members.

(a) Mediation. Except as otherwise provided herein, any controversy or claim between or among any Owner, Resident, Member, the Association, the Board of Directors, officers in the Association, or the Declarant, or any combination of said parties, including any claim based on or arising from an alleged tort or from Declarant's sale or development of (or failure to develop) the Properties, shall be settled informally, and said parties shall make every effort to meet and settle their dispute in good faith informally. If said parties cannot agree on a written settlement to the dispute within fourteen days after it arises, then the matter in controversy shall be submitted to non-binding mediation (except that disputes between Owners that are not regulated by the Declaration shall not be subject to the dispute resolution process), and the dispute resolution process shall be conducted as follows:

- (1) Outside Mediator. In a dispute between any of the above entities or individuals, the parties must voluntarily submit to the following mediation procedures before commencing any judicial or administrative proceeding. Each party will represent himself/herself individually or through an agent or representative, or may be represented by counsel. The dispute will be brought before a mutually selected mediator. Such mediator will be an attorney-mediator skilled in community association law. In order to be eligible to mediate a dispute under this provision, a Mediator may not reside in the Subdivision, work for any of the parties, represent any of the parties, nor have any conflict of interest with any of the parties. The Board shall maintain a list of five (5) potential mediators, but the parties will be in no way limited to their choice by this list. Costs for such mediator shall be shared equally by the parties. If the parties cannot mutually agree upon the selection of a mediator after reasonable efforts (not more than thirty (30) days, each party shall select their own mediator and a third will be appointed by the two selected mediators. If this selection method must be used, each party will pay the costs of their selected mediator and will share equally the costs of the third appointed mediator.
- (2) Mediation is Not a Waiver. By agreeing to use this Dispute Resolution process, the parties in no way waive their rights to extraordinary relief including, but not limited to,

temporary restraining orders or temporary injunctions, if such relief is necessary to protect or preserve a party's legal rights before a mediation may be scheduled

- (3) Assessment Collection. The provisions of this Declaration dealing with Alternate Dispute Resolution (mediation) shall not apply to the collection of assessments or the enforcement of any lien by the Association as set out in the Declaration. Further, the provisions of this Declaration dealing with Alternate Dispute Resolution (mediation) shall not apply in the circumstances described in Article XI, Section 12(b)(2), below.

(b) Arbitration. If a matter in controversy cannot be resolved by mediation as set forth in Article XI, Section 12.(a) above, then the matter in controversy shall be determined by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state law), the Rules of Practice and Procedure for the Arbitration of Commercial Disputes of Endispute, Inc., doing business as J.A.M S./Endispute ("J.A.M S"), as amended from time to time, and the "Special Rules" set forth below. In the event of any inconsistency, the Special Rules shall control. Judgment upon any arbitration award may be entered in any court having jurisdiction. Any Owner, Resident, Member, the Association or the Declarant may bring an action, including a summary or expedited proceeding, to compel arbitration of any controversy or claim to which this Declaration applies in a court having jurisdiction over such action.

- (1) Special Rules. The arbitration shall be conducted in the City of Lubbock Texas and administered by J.A M S. who will appoint an arbitrator; if J.A.M.S. is unable or legally precluded from administering the arbitration, then the American Arbitration Association will serve. All arbitration hearings will be commenced within 90 days of the demand for arbitration; further, the arbitrator shall only, upon a showing of cause, be permitted to extend the commencement of such hearing for up to an additional 60 days.
- (2) Reservation of Rights. The provisions of this Declaration dealing with mediation and arbitration shall not apply to the collection of assessments or the enforcement of any lien by the Association as set out in this Declaration. Further, nothing in this Declaration shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation or repose and any waiver contained in this Declaration; or (ii) limit the right of any party to enforce the Covenants contained in this Declaration through a proceeding at law or in equity against any person or persons violating or attempting to violate them,, whether the relief sought is an injunction or recovery of damages, or both; or (iii) limit the right of any party to enforce any lien created in this Declaration, including any Payment and Performance Lien, and to foreclose said liens by exercise of the power of sale hereunder or by judicial foreclosure in a court having jurisdiction; or (iv) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunction relief or the appointment of a receiver and, in the previously described situations, mediation and arbitration shall not be required. The Association or the Declarant may exercise any self help rights, foreclose upon such property, or obtain such provisional or ancillary remedies before, during or after the pendency of any mediation or arbitration proceeding brought pursuant to this Declaration. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any Owner, Resident, Member, the Association or the Declarant in any such action, to arbitrate the merits of the controversy or claim occasioning resort to such remedies.

Section 13. ASSUMPTION OF RISK. DISCLAIMER, RELEASE AND INDEMNITY

(a) Assumption of Risk. Each Owner and Homebuilder, by his or her purchase of a Lot within the Subdivision, and each Resident and Member, by his or her residence within or use of the Subdivision, hereby expressly assumes the risk of personal injury, property damage, or other loss caused by use, maintenance, and operation of the Properties, including but not limited to the Common Properties, and any Lot, and including but not

limited to. (i) noise from maintenance equipment or persons utilizing the Common Properties; (ii) view restrictions caused by maturation of trees and shrubs; (iii) reduction in privacy caused by use of the Common Properties or any portion of the Properties; and (iv) the design, development and construction of the Subdivision.

(b) Disclaimer and Release. Except as specifically stated in this Declaration or in any Deed, Declarant and the Association hereby specifically disclaim any warranty, guaranty, or representation, oral or written, expressed or implied, past, present or future, of, as to, or concerning (i) the nature and condition of the Subdivision, the Properties, the Common Properties, and any Lot, including but not by way of limitation, the water (either quantity or quality), soil, subsurface, and geology and the suitability thereof and of the Subdivision, the Properties, the Common Properties, and any Lot within the Subdivision, for any and all activities and uses which Owner, Resident, Member, or Homebuilder may elect to conduct thereon; (ii) the manner, construction, design, condition, and state of repair or lack of repair of any improvements located on the Properties, the Common Properties and any Lot; (iii) except for any warranties contained in the Deed delivered from Declarant to an Owner or Homebuilder, the nature and extent of any right-of-way, possession, reservation, condition or otherwise that may affect the Properties, the Common Properties, and any Lot; and (iv) the compliance of the Properties, the Common Properties, and any Lot with any laws, rules, ordinances or regulations of any governmental or quasi-governmental body (including without limitation, zoning, environmental and land use laws and regulations).

Declarant's sale of each Lot within the Subdivision is on an "AS IS, WHERE IS, WITH ALL FAULTS" basis, and each Owner or Homebuilder purchasing a Lot within the Subdivision expressly acknowledges that, as part of the consideration for the purchase of the Lot, and except as expressly provided in this Declaration or in any Deed, Declarant makes NO WARRANTY OR REPRESENTATION EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF CONDITION, HABITABILITY, SUITABILITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTIES, THE COMMON PROPERTIES OR ANY LOT WITHIN THE SUBDIVISION.

Each Owner Homebuilder, Resident and Member hereby waives, releases, acquits und forever discharges Declarant, any successor or assign of Declarant, the Association, and the Declarant's and the Association's directors, officers, shareholders, general partners, limited partners, members, agents, employees, representatives, attorneys and any other person or entity acting on behalf of Declarant or the Association (sometimes referred to in this Section II as the "Released Parties"), of and from, any claims, actions, causes of action, demands, rights, damages, liabilities, costs and expenses whatsoever (including court costs und attorney's fees), direct or indirect, known or unknown, foreseen or unforeseen, which Owner, Homebuilder, Resident, or Member now has or which may arise in the future, on account of or in any way growing out of or in connection with the design or physical condition of the Subdivision, the Properties, the Common Properties or any Lot, or any law, rule, order, statute, code, ordinance, or regulation applicable thereto

Each Owner, Homebuilder, Resident, and Member waives and releases the Released Parties from any liability to said Owner, Homebuilder, Resident, and Member and to said Owner's, Homebuilder's, Resident's and Member's respective heirs, successors and assigns, for the design and/or condition of the Subdivision, Properties, Common Properties, or any Lot, known or unknown, present and future, including liabilities, if any, due to the existence, now or hereafter, of any hazardous materials or hazardous substances, on the Properties, Common Properties, or any Lot, and due to the existence, now or hereafter, of a violation, if any, of any environmental laws, rules, regulations or ordinances

EACH OWNER, HOMEBUILDER, RESIDENT, AND MEMBER EXPRESSLY WAIVES THE RIGHT TO CLAIM AGAINST THE RELEASED PARTIES BY REASON OF, AND RELEASES THE RELEASED PARTIES FROM ANY LIABILITY WITH RESPECT TO, ANY INJURY TO PERSON OR DAMAGE TO OR LOSS OF PROPERTY (INCLUDING CONSEQUENTIAL DAMAGES) RESULTING FROM ANY CAUSE WHATSOEVER (EXPRESSLY INCLUDING THE RELEASED PARTIES OWN NEGLIGENCE).

(c) Indemnity. Each Owner, Homebuilder, Resident and Member agrees to indemnify and hold harmless the Released Parties from all claims, suits, actions, liabilities and proceedings whatsoever and of every kind, known or unknown, fixed or contingent (the "Claims") which may be brought or asserted against any Owner, Homebuilder, Resident, Member or Released Parties, on account of or growing out of any and all injuries or damages, including death, to persons or properly relating to the use, occupancy, ownership, construction, operations,

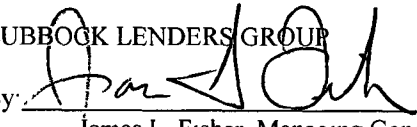
maintenance, design, repair or condition of the Subdivision, the Properties, the Common Properties, any Lot, or any improvements located thereon, prior to this date of this Declaration or after the date of this Declaration, even if such Claims arise from or are caused in whole or in part by the sole or concurrent negligence (whether active or passive, gross negligence or strict liability) of the Released Parties, and all losses, liabilities, judgments, settlements, costs, penalties, damages and expenses relating thereto, including, but not limited to, attorney's fees and other costs of defending against, investigating and settling the Claims. The indemnity agreement provided herein includes without limitation all Claims, whether from: (i) the design, maintenance, operation or supervision of the Subdivision, the Properties, the Common Properties, any Lot, or any improvement located thereon, (ii) the activities on the Subdivision, the Properties, the Common Properties, any Lot, or any improvement located thereon; (iii) the existence, now or hereafter of hazardous materials or substances on the Properties, the Common Properties, or any Lot, or (iv) due to a violation, now or hereafter, of any environmental laws, rules, regulations or ordinances, or otherwise. Each Owner, Homebuilder, Resident, and Member does assume on behalf of the Released Parties and will conduct with due diligence and in good faith the defense of all Claims against any of the Released Parties. Maintenance of any insurance as required by this Declaration shall not affect the obligations of any Owner, Homebuilder, Resident or Member under this Section.

Section 14. Joinder of Lender. Lubbock Lenders Group, holder of a lien of record against the Properties, joins in this Declaration for the sole purpose of showing its assent thereto and that it has no objections to the filing of this Declaration. No violation of any covenant contained within this Declaration shall defeat or render invalid the lien of any mortgage made in good faith and for value upon any portion of the Properties; providing however, that any mortgagee in actual possession, or any purchaser at any mortgagee's foreclosure sale, as well as all other owners, shall be bound by and subject to this Declaration as fully as any other Owner of any portion of the Properties

Witness the hand of an authorized representative of Declarant on the acknowledgment date noted below.

DECLARANT.
DOUBLE RM, LLC an Arizona Limited Liability Corporation

By: _____
Mark G. Sandeno, Managing Member

LUBBOCK LENDERS GROUP
By:  _____
James L. Fisher, Managing General Partner

THE STATE OF COLORADO

COUNTY OF OURAY

BEFORE ME, the undersigned, being a Notary Public in and for the State of Colorado, on this day personally appeared Mark G Sandeno, known to me, or proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that Mark G executed the instrument on behalf of the corporation for the purposes and consideration expressed, and in the capacity hereinabove stated; said corporation acting as Managing Member on behalf of DOUBLE RM, LLC, an Arizona limited liability company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on _____, 2008.

SEAL _____
Notary Public, State of Colorado

THE STATE OF CALIFORNIA

COUNTY OF San Bernardino

On May 6, 2008 before me, TL Sillert, Notary Public
personally appeared James L Fisher

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Signature TL Sillert

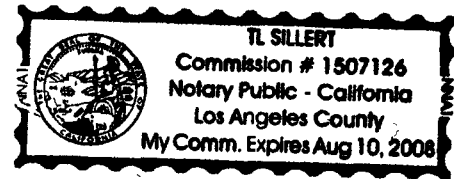


EXHIBIT "A"

PROPERTY SUBJECT TO DECLARATION

FIELD NOTES on the proposed Plat Limits of Lots 1-64 and Tract A, Verrado Estates, a Subdivision out of Section 7, Block D-6, Lubbock County Texas being an 85.4 acre tract and being further described by metes and bounds as follows:

BEGINNING at a nail with washer marked Abacus Eng. RPLS 4460 set for the most Southerly Southeast corner of this tract which bears N88° 09' 07" W, 441.80 feet from a found ½" rod accepted as the Southeast corner of Section 7, Block D-6;

THENCE N88° 09' 07" W, 2311.77 feet to set nail with washer for the Southwest corner of this tract;

THENCE N01° 50' 53" E, 55.00 feet to set ½" rod with cap;

THENCE Northeasterly, with a curve to the left, having a radius of 30.00 feet, a central angle of 90° 03' 33", a chord distance of 42.45 feet, and a chord bearing of N46° 49' 06" E, to set ½" rod with cap at a point of tangency,

THENCE N01° 47' 20" E, 69.97 feet to set ½" rod with cap;

THENCE N03° 53' 20" E, 115.08 feet to set ½" rod with cap;

THENCE N42° 07' 54" W, 20.83 feet to set ½" rod with cap;

THENCE N02° 36' 30" E, 52.00 feet to set ½" rod with cap;

THENCE N46°49'06" E, 21.20 feet to set ½" rod with cap;
 THENCE N01°47'20" E, 434.00 feet to set ½" rod with cap;
 THENCE N43°10'54" W 21.22 feet to set ½" rod with cap;
 THENCE N01°47'20" E, 56.00 feet to set ½" rod with cap;
 THENCE N46°49'06" E, 21.20 feet to set ½" rod with cap;
 THENCE N01°47'20" E 184.99 feet to set ½" rod with cap;
 THENCE N40°36'50" W, 22.15 feet to set ½" rod with cap;
 THENCE Northwesterly, with a curve to the right, having a radius of 160.00 feet, a central angle of 82°07'09", a chord distance of 210.19 feet, and a chord bearing of N39°16'14" W to set ½" rod with cap at a point of tangency;
 THENCE N01°47'20"E, 74.32 feet to set ½" rod with cap;
 THENCE N43°10'54" W, 21.22 feet to set ½" rod with cap;
 THENCE N01°47'20" E, 52.00 feet to set ½" rod with cap;
 THENCE N46°49'06" E, 21.20 feet to set ½" rod with cap;
 THENCE N01°47'20" E, 73.68 feet to set ½" rod with cap;
 THENCE Northeasterly, with a curve to the right, having a radius of 160.00 feet, a central angle of 82°07'09", a chord distance of 210.19 feet, and a chord bearing of N 42°50'54" E to set ½" rod with cap;
 THENCE N44°11'31" E, 22.15 feet to set ½" rod with cap;
 THENCE S88°12'40" E, 64.00 feet to set ½" rod with cap;
 THENCE S40°36'50" E, 22.15 feet to set ½" rod with cap;
 THENCE Southeasterly, with a curve to the right, having a radius of 160.00 feet, a central angle of 41°03'34", a chord distance of 112.22 feet, and a chord bearing of S59°48'01" E, to set ½" rod with cap;
 THENCE N75°25'35" E, 130.47 feet to set ½" rod with cap,
 THENCE S88°09'07" E, 1948.00 feet to set ½" rod with cap;
 THENCE S01°50'53" W, 745.00 feet to set ½" rod with cap;
 THENCE S88°09'07" E, 393.89 feet to set ½" rod with cap;
 THENCE N46°51'03" E, 21.21 feet to set ½" rod with cap;
 THENCE S88°08'46" E, 60.00 feet;
 THENCE S01°51'14" W, 90.00 feet;
 THENCE N88°08'46" W, 60.00 feet to set ½" rod with cap;

THENCE N43°08'57" W, 21.21 feet to set ½" rod with cap;

THENCE N88°09'07" W, 393.88 feet to set ½" rod with cap;

THENCE S01°50'53" W, 744.00 feet to set ½" rod with cap;

THENCE S88°09'07" E, 27.00 feet to set ½" rod with cap,

THENCE S01°50'53" W, 55 00 feet to the PLACE of BEGINNING and containing 85.40 Acres, including any Right of Way.

These Notes are based on a Survey Made on the Ground and shown on the Proposed Final Plat of Lots 1-64 and Tract A, Verrado Estates
Johnathan M. Cieszinski RPLS # 4460
May 18th, 2007

EXHIBIT "B"

MINIMUM SQUARE FOOTAGE REQUIREMENTS

In accordance with Article IX, Section 6 of the Declaration, the air conditioned floor area of the Dwelling Unit located on each Lot, exclusive of porches and garages, shall have the minimum of square footage as set forth below.

<u>LOTS</u>	<u>MINIMUM SQUARE FOOTAGE</u>
1-204	2,500

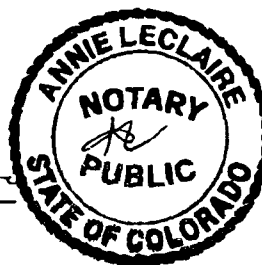
maintenance, design, repair or condition of the Subdivision, the Properties, the Common Properties, any Lot, or any improvements located thereon, prior to this date of this Declaration or after the date of this Declaration, even if such Claims arise from or are caused in whole or in part by the sole or concurrent negligence (whether active or passive, gross negligence or strict liability) of the Released Parties, and all losses, liabilities, judgments, settlements, costs, penalties, damages and expenses relating thereto, including, but not limited to, attorney's fees and other costs of defending against, investigating and settling the Claims. The indemnity agreement provided herein includes without limitation all Claims, whether from (i) the design, maintenance, operation or supervision of the Subdivision, the Properties, the Common Properties, any Lot, or any improvement located thereon, (ii) the activities on the Subdivision, the Properties, the Common Properties, any Lot, or any improvement located thereon, (iii) the existence, now or hereafter of hazardous materials or substances on the Properties, the Common Properties, or any Lot, or (iv) due to a violation, now or hereafter, of any environmental laws, rules, regulations or ordinances, or otherwise. Each Owner, Homebuilder, Resident, and Member does assume on behalf of the Released Parties and will conduct with due diligence and in good faith the defense of all Claims against any of the Released Parties. Maintenance of any insurance as required by this Declaration shall not affect the obligations of any Owner, Homebuilder, Resident or Member under this Section.

Section 14 Joinder of Lender Lubbock Lenders Group, holder of a lien of record against the Properties, joins in this Declaration for the sole purpose of showing its assent thereto and that it has no objections to the filing of this Declaration. No violation of any covenant contained within this Declaration shall defeat or render invalid the lien of any mortgage made in good faith and for value upon any portion of the Properties, providing however, that any mortgagee in actual possession, or any purchaser at any mortgagee's foreclosure sale, as well as all other owners, shall be bound by and subject to this Declaration as fully as any other Owner of any portion of the Properties.

Witness the hand of an authorized representative of Declarant on the acknowledgment date noted below

DECLARANT
DOUBLE RM, LLC, an Arizona Limited Liability Corporation

By Mark G. Sandeno
Mark G. Sandeno, Managing Member



LUBBOCK LENDERS GROUP

By James L. Fisher
James L. Fisher, Managing General Partner

THE STATE OF COLORADO

COUNTY OF San Miguel

BEFORE ME, the undersigned, being a Notary Public in and for the State of Colorado, on this day personally appeared Mark G. Sandeno, known to me, or proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that Mark G. executed the instrument on behalf of the corporation for the purposes and consideration expressed, and in the capacity hereinabove stated, said corporation acting as Managing Member on behalf of DOUBLE RM, LLC, an Arizona limited liability company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on May 7, 2008

SEAL

Annie LeClaire
Notary Public, State of Colorado

My Commission Expires
8/12/11

36

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS



Kelly Pinion

Kelly Pinion, County Clerk

Lubbock County TEXAS

May 19, 2008 03:06.51 PM

FEE: \$184.00

2008018648