

**COVENANTS, CONDITIONS
&
RESTRICTIONS**

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR PRESTON HIGHLANDS NORTH ESTATES

THIS DECLARATION is made on the date hereinafter set forth by Lumbermen's Investment Corporation, a Delaware corporation, hereinafter referred to as the "Declarant".

WITNESSETH

WHEREAS, the Declarant is the owner of certain real property in the City of Frisco, Collin County, Texas, which is described in Exhibit "B" attached hereto and made a part hereof (the "Affected Lots").

WHEREAS, Declarant desires to create an exclusive planned community known as PRESTON HIGHLANDS NORTH ESTATES of which the Affected Lots are a part and such other land as may be added thereto pursuant to the terms and provisions of this Declaration;

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

ARTICLE I
DEFINITIONS

Section 1. "Property" shall mean and refer to the real property described in Exhibit "A", and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to this Declaration.

Section 2. "Association" shall mean and refer to the Preston Highlands North Estates Homeowners Association, Inc., a Texas not-for-profit corporation established for the purpose set forth herein.

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

Section 4. "Affected Lot" shall mean and refer to those lots listed in Exhibit "B", and such other lots as may be added to the membership of the Association from time to time as allowed by this Declaration.

Section 5. "Unit" shall mean and refer to any residential dwelling situated upon any Lot.

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

Section 7. "Declarant" shall mean and refer to Lumbermen's Investment Corporation, a Delaware corporation, its successors and assigns who are specifically designated as the successor-in-interest to the Declarant in writing by the Declarant, and who consent in writing to assume the duties and obligations of the Declarant with respect to the Lots acquired by such successor or assign.

Section 8. "Common Areas" shall mean and refer to (i) the wall(s) and landscaping, as shown on Exhibit "C" attached hereto and incorporated herein by reference for all purposes, (ii) that portion of the property depicted as the "Swim Club" on Exhibit "D" attached hereto, and all related fixtures, machinery, equipment, appliances and utility facilities now or hereafter installed therein or attached thereto and (iii) any and all entry features and entrance monuments, and (iv) all other property hereafter designated by the Declarant as "Common Areas".

Section 9. "Common Maintenance Areas" shall mean and refer to the Common Areas and the entrance monuments, drainage facilities, detention ponds, right-of-way landscaping, and such other areas lying within dedicated public easements or right-of-way as deemed appropriate by the Board of Directors of the Association for the preservation, protection and enhancement of the property values and the general health, safety or welfare of the Owners.

Section 10. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates, and any amendments, annexations and supplements thereto made in accordance with its terms.

ARTICLE II PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.

Section 1. Membership. The Declarant and every other Owner of an Affected Lot listed in Exhibit "B" shall be a member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Affected Lot. Every member shall have the right at all reasonable times during business hours to inspect the books of the Association.

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

Section 3. Assessments.

(a) Units Owned by Class A Members. Subject to the terms of this Article, each Affected Lot is hereby subject to an initial maximum assessment of \$30.00 per month or \$360.00 per annum [until such assessment shall be increased in accordance with the By-Laws of the Association (provided that the maximum annual assessment may be increased each year not more than 10% above the maximum assessment for the previous year without a vote of the membership of the Association, as provided in the By-Laws of the Association)], for the purpose of creating a fund to be designated and known as the "assessment fund", which assessment will be paid by the Owner or Owners of each Affected Lot in advance in monthly, quarterly or annual installments, commencing as to all Affected Lots on which a completed Unit is then located on the conveyance of the first Affected Lot to a Class A Member and as to other Affected Lots as of the completion of the Unit thereon. The rate at which each Affected Lot will be assessed, and whether such assessment shall be payable monthly, quarterly or annually, will be determined by the Board of Directors of the Association at least thirty (30) days in advance of each affected assessment period. Said rate may be adjusted from time to time by the Board of Directors as the needs of the Association may, in the judgment of the Directors, require. The assessment for each Affected Lot shall be uniform. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment has been paid for the assessment period.

(b) Purpose of Assessment Fund. The Association shall establish an assessment fund composed of Owners' annual assessments and shall use the proceeds of such fund providing for normal, recurring maintenance charges for the Common Maintenance Areas for the use and benefit of all members of the Association. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: normal, recurring maintenance of the Common Maintenance Areas (including, but not limited to, cleaning, mowing, edging, watering, clipping, sweeping, pruning, raking, and otherwise caring for existing landscaping and related facilities) and the improvements to such Common Maintenance Areas, such as sprinkler systems, and private streets, if any, provided the Association shall have no obligation (except as expressly provided hereinafter) to make capital improvements to the Common Maintenance Areas; payment of all legal and other costs and expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the property to which the assessment fund applies, including without limitation costs and expenses paid or incurred in connection with insuring such property and the payment of any and all taxes thereon; payment of all reasonable and necessary expenses in connection with the collection and administration of the assessments; employment of policemen and watchmen, if any, engagement of a manager or management firm to operate and/or maintain all or any portion of the Common Maintenance Areas, including without limitation the Swim Club; caring for vacant lots; and doing any other thing or things necessary or desirable in the opinion of the Board of Directors of the Association to keep the Property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board of Directors in the expenditure of said funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith. The Association shall, in addition, establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement

of improvements of the Common Maintenance Area. The fund shall be established and maintained out of regular annual assessments.

(c) Special Assessment for Working Capital Fund, Nonrecurring Maintenance and Capital Improvements. In addition to the annual assessments authorized above, the Association may, by a vote of two-thirds (2/3) of members, in the aggregate, who are voting in person or by proxy at a meeting called for this purpose, levy special assessments as follows: in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Area, including fixtures and personal property related thereto may be assessed. The Association shall not commingle the proceeds of such special assessment with the assessment fund. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or improvements in question.

Section 4. Non-payment of Assessments; Remedies of the Association. Any assessment not paid within ten (10) days after the due date shall bear interest from the due date at the highest non-usurious rate of interest allowed by Texas law or 18% per annum, whichever is less. The Association shall have the authority to impose late charges to compensate for the administrative and processing costs of late payments on such terms as it may establish by duly adopted resolutions and the Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien retained herein against the property, in accordance with the terms and provisions of Section 51.002 of the Texas Property Code, as amended, or otherwise. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his property.

Section 5. Subordinated Lien to Secure Payment and Performance. To secure the payment of the assessments established hereby and to be levied on individual Affected Lots as above provided, and the performance by the Owners of the Affected Lots of all of the duties, obligations and indebtedness of such Owners as set forth herein and in the Bylaws of the Association, there is hereby reserved a lien for the benefit of the Association, said lien to be enforceable through appropriate proceedings at law or in equity by such beneficiary; provided, however, that each such lien shall be specifically made secondary, subordinate and inferior to all liens, present and future, given, granted, and created by or at the insistence and request of the Owner of any such Affected Lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such Affected Lot; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Affected Lot upon which there is an outstanding valid and subsisting first mortgage lien, said beneficiary shall give the holder of such first mortgage sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of the lienholder by prepaid U.S. registered mail, to contain the statement of the delinquent maintenance charges upon which the proposed action is based. Upon the request of any such first mortgage lienholder, any such beneficiary shall acknowledge in writing its obligation to give the foregoing notice with respect to the particular property covered by such first mortgage lien to the holder thereof. Sale or transfer of an Affected Lot shall not affect the assessment lien. However, the sale or transfer of any Affected Lot pursuant to mortgage foreclosure shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer. No sale, foreclosure or transfer shall relieve such Affected Lot from liability for any assessments thereafter becoming due or from the lien thereof. The Association shall have the right to file notices of liens in favor of such Association in the Real Property Records of Collin County, Texas.

Section 6. Voting Rights. The Association shall have two classes of voting membership:

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

(b) Class B. The Class B member shall be the Declarant who shall be entitled to three (3) votes for each unoccupied Affected Lot owned by it. The Class B membership shall cease and be converted to Class A membership one hundred twenty (120) days after the conveyance of the Affected Lot which causes the total votes outstanding in the Class A membership to equal the total votes outstanding in the Class B membership, or ten (10) years after conveyance of the first Affected Lot by Declarant, whichever occurs earlier. Class B membership shall be reinstated at any time before the expiration of twenty (20) years from the date of conveyance of the first Affected Lot if additional Affected Lots owned by a Class B member are annexed to this Declaration in sufficient numbers to restore a ratio of at least one Class B Lot for each three Class A Lots in Property.

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

Section 7. Notice and Quorum. Written notice of any meeting called for the purpose of taking any action authorized herein shall be sent to all members, or delivered to their residences, not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At any such meeting called, the presence of members or of proxies or Voting Representatives entitled to cast two-thirds (2/3) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at such subsequent meeting shall be two-thirds (2/3) of the quorum requirement for such prior meeting. The Association may call as many subsequent meetings as may be required to achieve a quorum (the quorum requirement being reduced for each such meeting in accordance with the terms and provisions of the immediately preceding sentence). No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

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

Section 1. Purpose of Assessment Fund. The Board, for the benefit of the owners, shall provide and shall pay out of the assessment fund provided for in Article II above the following:

(a) Taxes and assessments and other liens and encumbrances which shall properly be assessed or charged against the Common Areas rather than against the individual Owners, if any.

(b) Care and preservation of the Common Maintenance Area and Common Area.

(c) The services of a professional person or management firm to manage the Association or any separate portion thereof to the extent deemed advisable by the Board, (provided that any contract for management of the Association shall be terminable by the Association, with no penalty upon ninety days prior written notice to the managing party) and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager.

(d) Legal and accounting services.

(e) A policy or policies of insurance insuring the Association against any liability to the public or to the Owners (and/or invitees or tenants) incident to the operation of the Association in any amount or amounts as determined by the Board of Directors, including a policy or policies of insurance as provided herein in Article IV.

(f) Workers compensation insurance to the extent necessary to comply with any applicable laws.

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

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

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

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

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

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

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

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

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

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

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

(i) to collect all assessments and enforce all penalties for non-payment including the filing of liens and institution of legal proceedings, as the Board sees fit.

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

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

ARTICLE IV TITLE TO COMMON AREAS

Section 1. Conveyance/Association to Hold. The Declarant may hereafter, in Declarant's sole option, grant and convey unto the Association all of the right, title and interest of the Declarant in and to the Common Areas, whereupon the Association shall assume all maintenance obligations with respect to any Common Areas which may then exist or thereafter be established. Prior to conveying the Common Areas, the Declarant shall provide to the Association, for its use in accordance with the terms and provisions hereof, a reserve fund in an amount not less than \$10,000.00. Nothing contained herein shall create an obligation on the part of Declarant to establish any additional Common Areas.

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

Section 3. Condemnation. In the event of condemnation or a sale in lieu thereof of all or any portion of the Common Areas, the funds payable with respect thereto shall be payable to the Association and shall be used by the Association to purchase additional Common Areas to replace that

which has been condemned or to take whatever steps are it deems reasonably necessary to repair of correct any damage suffered as a result of the condemnation. In the event that the Board of Directors of the Association determines that the funds cannot be used in such a manner due to lack of available land for additional Common Areas or for whatever reason, any remaining funds may be utilized by the Association for the general assessment fund.

ARTICLE V EASEMENTS

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

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

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

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

Section 5. Drainage Easements. Easements for the installation and maintenance of utilities, storm water retention, detention ponds, and/or a conservation area are reserved as may be shown on the recorded plat. Within these easement areas, no structure, plant or material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may hinder or change the direction or flow of drainage channels or slopes in the easements. The easement area of each Affected Lot and all improvements contained therein shall be maintained continuously by the Owner of the Affected Lot, except for those improvements for which a public authority, utility company or the Association is responsible.

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

ARTICLE VI USE AND OCCUPANCY

All Affected Lots and dwellings shall be used and occupied for single-family residence purposes. No Affected Lot or dwelling may be used for commercial, institutional or other non-residential purpose if such use involves the attendance or entry of non-residents upon the Lot or otherwise diminishes the residential character of the Lot or neighborhood. This prohibition shall not apply to "garage sales" conducted with prior written consent of the Association provided that no Owner shall conduct more than two (2) garage sales of no more than two (2) days duration each during any twelve (12) month period.

ARTICLE VII PROPERTY RIGHTS

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

(a) The right of the Association to establish and publish rules and regulations governing the use of the Common Areas (including without limitation the Swim Club) affecting the welfare of Association members;

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

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

(d) The rights of the Association set forth in Section 2 of this Article VII;
and

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

Section 2. Swim Club. Notwithstanding anything set forth or implied herein to the contrary, the rights of the Owners set forth in Section 1 of this Article VII with respect to the Swim Club are nonexclusive, and the Association may elect to permit owners of homes in subdivisions other than the Property to have access to and to use and enjoy the Swim Club upon terms and conditions reasonably established by the Association.

Section 3. Effect of Declaration. Reference in any deed, mortgage, trust deed or any other recorded documents to the easements, restrictions and covenants herein described or to this Declaration shall be sufficient to create and reserve such easements and covenants to the respective grantees, mortgagees, or trustees of said parcels as fully and completely as if those easements, restrictions and covenants were fully related and set forth in their entirety in said documents.

Section 4. Rezoning Prohibited. No Affected Lot shall be rezoned to any classification allowing commercial, institutional or other non-residential use without the express consent of the Association and Declarant (as long as Declarant owns any Affected Lot subject to this Declaration), which may be withheld in Declarant's sole discretion. Declarant or the Association may enforce this covenant by obtaining an injunction against any unapproved rezoning at the expense of the enjoined party.

ARTICLE VIII USE RESTRICTIONS/MINIMUM DWELLING UNIT SIZES

Section 1. Nuisances. No noxious or offensive activity shall be carried on upon any Affected Lot, nor shall anything be done which may be or may become an annoyance or nuisance to the neighborhood.

Section 2. Development Activity. Notwithstanding any other provision herein, Declarant and its successors and assigns shall be entitled to conduct on the Property all activities normally associated with and reasonably convenient to the development of the Property and the construction and sale of dwelling units on the Property, including without limitation the right to place and maintain on the Property construction trailers, model homes, marketing facilities, signage, lighting, construction trucks, equipment and other similar items necessary for the construction on and marketing of the Property.

Section 3. Temporary Structures. Except as otherwise expressly set forth herein, no structures of a temporary character, including, without limiting the generality thereof, any trailer, tent, shack, garage, barn, motor home or mobile home or other outbuilding, shall be used on any Affected Lot at any time as a residence, either temporarily or permanently.

Section 4. Signs and Picketing. No sign or emblem of any kind may be kept or placed upon any Affected Lot or mounted, painted or attached to any Unit, fence or other improvement upon such Affected Lot so as to be visible from public view except the following:

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

(b) Declarant's Signs. Signs or billboards may be erected by the Declarant or builder(s) building houses on any Lots in the ordinary course of such builder's business.

(c) Political Signs. Political signs may be erected upon an Affected Lot by the Owner of such Affected Lot advocating the election of one or more political

candidates or the sponsorship of a political party, issue or proposal provided that such signs shall not be erected more than a reasonable period of time (in no event to exceed one hundred eighty (180) days) in advance of the election to which they pertain and are removed within fifteen (15) days after the election.

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

Section 5. Campers, Trucks, Boats, and Recreational Vehicles. No campers, vans, pickup trucks, boats, boat trailers, recreational vehicles and other types of non-passenger vehicles, equipment, implements or accessories may be kept on any Affected Lot unless the same are fully enclosed within the garage located on such Lot and/or said vehicles and accessories are screened from view by a screening structure or fencing and said vehicles and accessories are in an operable condition.

Section 6. Livestock and Poultry. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Affected Lot, except that dogs, cats, or other household pets may be kept, provided that they are not kept, bred, or maintained for any commercial purpose.

Section 7. Garbage and Refuse Disposal. No Affected Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept except in sanitary containers. All incinerators or other equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition.

Section 8. Sight Distance at Intersections. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain on any corner Affected Lot within the triangular area formed by the street boundary lines and a line connecting them at points twenty-five (25) feet from the intersection of the street boundary lines, or in the case of a rounded property corner, from the intersection of the street boundary lines extended. The same sight line limitations shall apply on any Lot within ten (10) feet from the intersection of a street boundary line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distance of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

Section 9. Parking. No vehicles, trailers, implements or apparatus may be driven or parked in the Common Maintenance Area, Common Area or on any easement.

Section 10. Commercial or Institutional Use. No Affected Lot, and no building erected or maintained on any Affected Lot shall be used for manufacturing, industrial, business, commercial, institutional or other non-residential purposes.

Section 11. Building Standards. No building shall be erected or maintained on any Affected Lot unless it complies with all applicable governmental ordinances, laws, rules and regulations. In addition, no building, structure, fence wall or improvement shall be erected or maintained on any Affected Lot unless same has been approved by the Committee (hereinafter defined) pursuant to the terms and provisions of Section 19 of this Article VIII.

Section 12. Detached Buildings. No detached accessory buildings (including, but not limited to, storage buildings), save and except for any detached garages approved by the Committee (hereinafter defined), or a majority of its members as set forth in Section 19 of this Article VIII, shall

be erected, placed or constructed upon any Affected Lot without prior consent of the Board of Directors.

Section 13. Fences. No fence, wall or hedge shall be erected or maintained on any Affected Lot nearer to the street than the building setback lines for the front and side yards. No fence, wall or hedge shall be erected or maintained on any Affected Lot which shall exceed eight (8) feet in height.

Section 14. Antennae, Satellite Dishes and Solar Collectors. No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar implement or apparatus, or solar collector panels or equipment upon any Affected Lot unless such apparatus is erected and maintained in such a way that it is screened from public view at a point in the center of the public right-of-way directly in front of (and, in the case of a corner lot, also screened from public view at a point in the center of the public right-of-way to the side of) the house erected on such Affected Lot.

Section 15. Chimneys. All fireplaces flues, smoke stacks, and spark arrestors shall be completely enclosed and concealed from public view in finished chimneys of materials architecturally compatible with the principal finish material of the exterior walls of the dwelling.

Section 16. Clothes Hanging Devices. Exterior clothes hanging devices shall not be permitted.

Section 17. Window Treatment. No aluminum foil, reflective film or similar treatment shall be placed on window or glass doors.

Section 18. Water Wells. The drilling, operating or maintaining of any water wells on any Affected Lot shall not be permitted.

Section 19. Architectural Control Committee. The Architectural Control Committee (hereinafter called the "Committee") shall be composed of three (3) individuals selected and appointed by the Association, each generally familiar with residential and community development design matters and knowledgeable about the Association's concern for a high level of taste and design standards within the Property. The Committee shall function as the representative of the Owners of the Affected Lots for the purposes herein set forth as well as for all other purposes consistent with the creation and preservation of a first-class community development. The Committee shall use its best efforts to promote and ensure a high level of taste, design, quality, harmony and conformity throughout the Property.

In the event of the death or resignation of any member of the Committee, the Association shall have full authority to designate and appoint a successor. No member of the Committee shall be liable for, and shall be indemnified against, claims, causes of action or damages (except where occasioned by gross negligence or arbitrary and capricious conduct) arising out of services performed pursuant to this Declaration. The Committee shall be entitled, at any time and from time to time, to seek and obtain professional advice and counsel (including but not limited to architects, attorneys, designers, engineers and landscape technicians) in connection with the performance of its duties and all reasonable costs and expenses related thereto paid for or reimbursed by the Association. The Association shall have the right and power to impose and collect a reasonable fee from each Owner for the review and approval/disapproval process and services rendered by the Committee.

No building, structure, fence, wall or improvement of any kind or nature shall be erected, placed or altered on any Affected Lot until all plans and specifications, a plot plan and one or more surveys have been submitted to and approved in writing by the Committee, or a majority of its members, as to:

(i) quality of workmanship and materials; adequacy of site dimensions; adequacy of structural design; proper facing of main elevation with respect to nearby streets;

(ii) minimum finished floor elevation, mandatory brick shelf 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) location with respect to topography and finished grade elevation and effect of location and use on neighboring Affected Lots and improvements situated thereon; drainage arrangements; and

(v) the other standards set forth within this Declaration (and any amendments hereto) or as may be set forth within bulletins promulgated by the Committee, or matters in which the Committee has been vested with the authority to render a final interpretation and decision.

The Committee is authorized and empowered to consider and review any and all aspects of dwelling construction which may, in the reasonable opinion of the Committee, adversely affect the living enjoyment of one or more Owners or the general value of the Property.

Final plans, specifications and surveys shall be submitted in duplicate to the Committee for approval or disapproval. The Committee is authorized to request the submission of samples of proposed construction materials. At such time as the plans, specifications and surveys meet the approval of the Committee, one complete set of plans, specifications and surveys will be retained by the Committee and the other complete set will be marked "Approved" and returned to the Owner or his designated representative. If found not to be in compliance with this Declaration, one set of such plans, specifications and surveys shall be returned "Disapproved," accompanied by a reasonable statement of items found not to comply with this Declaration. Any modification or change to the approved set of plans, specifications and surveys must again be submitted to the Committee for its inspection and approval. The Committee's approval or disapproval, as required herein, shall be evidenced in writing. If the Committee fails to approve or disapprove such plans, specifications and surveys within fifteen (15) days after the date of submission, then such instruments shall be submitted by such Owner to the Board of Directors of the Association. If the Board of Directors fails to approve or disapprove such plans, specifications and surveys within fifteen (15) days, then the Committee and Association approval shall be presumed. Once any plans and specifications for a house (the "House Plans") have been approved by the Committee or the Board of Directors (or deemed approved), such plans and specifications may continue to be utilized by the party submitting same for other houses to be constructed on other Affected Lots without the necessity of having said House Plans reapproved provided that any material modifications to such previously approved House Plans must once again be submitted to the Committee for approval as hereinabove provided.

The Committee may from time to time publish and promulgate architectural standards bulletins and/or lot information sheets which shall be fair, reasonable and uniformly applied and shall carry forward the spirit and intention of this Declaration. Unless otherwise indicated herein, the Committee shall not have unbridled discretion with respect to taste, design and any standards specified herein, and the Committee shall be responsive to technological advances or general changes in architectural designs and materials and related conditions in future years and use its best efforts to balance the equities between matters of taste and design (on the one hand) and use of private property (on the other hand). Such bulletins and lot information sheets shall supplement this Declaration and are incorporated herein by reference. EACH OWNER SHALL SEEK AND OBTAIN AND BECOME

THOROUGHLY FAMILIAR WITH ANY AND ALL ARCHITECTURAL STANDARDS BULLETINS AND LOT INFORMATION SHEETS PRIOR TO ACQUISITION OF, AND CONSTRUCTION ON, ANY AFFECTED LOT.

Section 20. Dwelling Unit Size.

(a) Single family residential dwelling units ("Unit") constructed (i) on any Lot must comply with all applicable governmental requirements applicable thereto, including, but not necessarily limited to, the City of Frisco, Texas.

(b) The exterior wall surface of the first floor of all Units shall have a minimum of seventy-five percent (75%) masonry exterior, excluding windows, doors and gables.

(c) All retaining walls constructed on the Property must be constructed with properly engineered concrete, masonry or other material(s) approved in writing by the Committee.

Section 21. Oil and Mining Operations. No oil drilling or development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Affected Lot nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Affected Lot. No derrick or other structure designed for use in boring for oil or natural gas or other minerals shall be erected, maintained or permitted upon any Affected Lot.

ARTICLE IX
ANNEXATION

Section 1. Annexation by Declarant. At any time during the initial term of this Declaration, the Declarant may, at its sole option, annex additional property to this Declaration to be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Annexation shall be evidenced by a written Declaration of Annexation executed by Declarant setting forth the legal description of the property being annexed and the restrictive covenants to be applied to such annexed property.

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

Section 3. No Duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any member to annex any property to this Declaration.

Section 4. Effect of Annexation on Class B Membership. In determining the number of Affected Lots owned by Declarant for the purpose of Class B Membership status according to Article II, Section 6, the total number of Affected Lots covered by the Declaration including all Affected Lots

annexed thereto shall be considered. If Class B Membership has previously expired but annexation of additional property restores the ratio of Affected Lots owned by Declarant to the number required for Class B Membership, such Class B Membership shall be reinstated.

ARTICLE X GENERAL

Section 1. Remedies. In the event of any default by any Owner under the provisions of this Declaration, By-Laws or rules and regulations of the Association, the Association and/or any Owner shall have each and all of the rights and remedies which may be provided for in this Declaration, the By-Laws and said rules and regulations, and those which may be available at law or in equity (including without limitation the rights and remedies set forth in Section 51.002 of the Texas Property Code, as amended), and may prosecute any action or other proceedings against such defaulting Owner and/or others for enforcement of any lien, statutory or otherwise, including foreclosure of such lien and the appointment of a receiver for the Affected Lot and ownership interest of such Owner, or for damages or injunction, or specific performance, or for judgment for the payment of the money and collection thereof, or for any combination of the remedies, or for any other relief. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. All expenses of the Association in connection with any such actions or proceedings, including court costs and attorney's fees and other fees and expenses, and all damages, permitted by law from the due date until paid, shall be charged to and assessed against such defaulting Owner, and shall be added to and deemed part of the respective maintenance assessment (to the same extent as the lien provided herein for unpaid assessments) upon the Affected Lot and upon all of his additions and improvements thereto, and upon all of his personal property upon the Affected Lot. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or any Owner.

Section 2. Term and Amendments. The covenants and restrictions of this Declaration shall run with and bind the land for a term of ten (10) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless seventy-five percent (75%) of the total votes, in the aggregate, of the outstanding votes shall have voted to terminate the covenants and restrictions of this Declaration upon the expiration of the initial ten (10) year period or any extension thereof, which termination shall be by written instrument signed by seventy-five percent (75%) of the total Owners, in the aggregate, and properly recorded in the Real Property Records of Collin County, Texas. This Declaration may be amended by an instrument signed by Owners constituting not less than seventy-five percent (75%) of the total votes, in the aggregate, of the Association. Any amendment must be recorded. Notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, (i) modify, amend, or repeal this Declaration at any time prior to the closing of the sale of the first Affected Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Real Property Records of Collin County, Texas and/or (ii) amend this Declaration to cause this Declaration to be in compliance with any and all applicable laws, rules and regulations (including without limitation any and all applicable laws, rules and regulations of the Federal Housing Administration and/or the Veterans Administration).

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

Section 4. Rights and Obligations. The provisions of this Declaration and the Articles of Incorporation and By-Laws and the rights and obligations established thereby shall be deemed to be

covenants running with the land and shall inure to the benefit of, and be binding upon, each and all of the Owners and their respective heirs, representatives, successors, assigns, purchasers, grantees and mortgagees. By the recording or the acceptance of a deed conveying a Affected Lot of any ownership interest in the Affected Lot whatsoever, the person to whom such Affected Lot or interest is conveyed shall be deemed to accept and agree to be bound by and subject to all of the provisions of this Declaration and the Articles of Incorporation and By-Laws, whether or not mention thereof is made in said deed.

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

(a) FHA/VA Approval. If any prospective Owner applies for FHA or VA mortgage financing and receives a commitment therefor, the following actions will require approval of the Federal Housing Administration or the Veterans Administration, as applicable: (1) addition of properties except as set forth in Article X, (2) dedication of Common Areas, and (3) amendment of this Declaration.

(b) The following actions will require notice to all institutional holders of first mortgage liens who have notified the Association in writing of their address to which such notices are to be delivered: (1) abandonment or termination of the Association; or (2) material amendment to the Declaration.

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

(d) Unless at least seventy-five percent (75%) [or such lesser percentage as is allowed or permitted by applicable FHA or VA regulations from time to time] of the first mortgagees (based upon one vote for each mortgage) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

(i) by act or omission seek to abandon, partition, encumber, or transfer the Common Areas, if any, or any portion thereof of interest therein (the granting of easements for public utilities or other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause);

(ii) substantially change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner by the Association;

(iii) by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance of the dwellings or maintenance of the dwellings or Lots;

(iv) fail to maintain liability and extended coverage insurance on insurable property comprising a part of the Common Areas on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs).

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

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

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

Section 8. Floodplain. In the event any of the Affected Lots are located partially within a floodplain or flood prone area, such Affected Lots, and the construction of any improvements thereon, must conform with the rules, regulations and guidelines set forth in all applicable City of Frisco, Texas, flood management ordinance(s) and other applicable laws, rules and regulations.

Section 9. Enforceability by City of Frisco. All rights granted or retained by the Association hereunder shall inure to the benefit of, and be enforceable by, the City of Frisco, Texas.

Section 10. Counterparts. This Declaration may be executed in one or more counterparts, all of which, when taken together, shall constitute one and the same Declaration.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed on its behalf, attested and its corporate seal to be hereunto affixed as of the 8th day of March, 1996.

DECLARANT:

LUMBERMEN'S INVESTMENT CORPORATION,
a Delaware corporation

By: 

Name: Kenneth D. Prater

Title: Vice President

THE STATE OF TEXAS
COUNTY OF DALLAS

§
§
§

This instrument was acknowledged before me on the 8th day of March, 1996 by Kenneth D. Prater, as Vice President of LUMBERMEN'S INVESTMENT CORPORATION, a Delaware corporation, on behalf of said corporation

Barbara D. Losey
Notary Public, State of Texas

My Commission Expires:

(Typed/Printed Name of Notary)

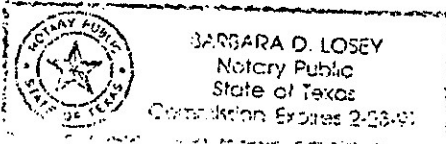


EXHIBIT "A"

TRACT 1
PHASE ONE

STATE OF TEXAS
COUNTY OF COLLIN

WHEREAS, Lumbermen's Investment Inc. is the owner of a tract of land in the JOHN W. COX SURVEY, Abstract No. 159, being all of a 40.000 acre tract of land as described in a Special Warranty Deed as recorded in Collin County, Texas #95-0015500 of the Land Records at Collin County, Texas (LRCCT) and being particularly described as follows:

BEGINNING at a 1/2 inch iron rod set for the northeasterly corner of the FRISCO ELEMENTARY SCHOOL as recorded in Cabinet F, Page 721 of the Map Records of Collin County, Texas (MRCCT) said point being in the southerly right-of-way of FISHER DRIVE (60 foot right-of-way);

THENCE along the southerly right-of-way of said FISHER DRIVE as follows:

South 88°35'22" East, a distance of 350.02 feet to a 1/2 inch iron rod found for the beginning of a curve to the left having a radius of 1,030.00 feet, a chord bearing of North 66°40'16" West, a chord distance of 862.06 feet;

Along said curve to the left through a central angle of 49°28'36", an arc length of 889.44 feet to a 1/2 inch iron rod found for the beginning of a curve to the right having a radius of 970.00 feet, a chord bearing of North 61°37'05" East, a chord distance of 653.50 feet;

Along said curve to the right through a central angle of 39°22'15", an arc length of 666.53 feet to a 5/8 inch iron rod found for corner;

THENCE departing the southerly right-of-way of FISHER DRIVE, South 00°54'33" West, a distance of 536.10 feet to a 1/2 inch iron rod set for corner;

THENCE South 01°01'45" West, a distance of 417.69 feet to a 1/2 inch iron rod set for corner;

THENCE North 89°11'02" West, a distance of 50.00 feet to a 1/2 inch iron rod set for corner;

THENCE South 01°02'39" West, a distance of 549.99 feet to a 1/2 inch iron rod set for corner in the northerly line at PRESTON ESTATES, Second Section as recorded in Cabinet B, Page 330, at the Map Records of Collin County, Texas (MRCCT);

THENCE along the northerly line of said PRESTON ESTATES, Second Section, North 89°05'54" West, a distance of 1,536.24 feet to a 1/2 inch iron rod set for corner, said point being the southeasterly corner of said FRISCO ELEMENTARY SCHOOL;

THENCE along the westerly line of said FRISCO ELEMENTARY SCHOOL as follows:

North 00°55'31" East, a distance of 370.64 feet to a 1/2 inch iron rod set for the beginning of a non-tangent curve to the right having a radius of 175.00 feet, a chord bearing North 34°44'11" West, a chord distance of 206.41 feet;

Along said non-tangent curve to the right through a central angle of 72°16'39", an arc length of 220.76 feet to a 1/2 inch iron rod set for corner;

North 01°24'34" East, a distance of 295.14 feet to the POINT OF BEGINNING;

CONTAINING within these metes and bounds 40,000 acres or 1,742,358 square feet of land, more or less.

EXHIBIT "A"
TRACT 2
PHASE ONE

STATE OF TEXAS
COUNTY OF COLLIN

WHEREAS, Lumbermen's Investment Inc. is the owner of a tract of land in the JOHN W. COX SURVEY, Abstract No. 159, being a portion of 41.09 acre tract of land as described in Special Warranty Deed as recorded in Collin County, Texas #95-0015500 of the Land Records at Collin County, Texas (LRCCT) and being particularly described as follows:

COMMENCING at the POINT OF BEGINNING of Tract 1, a 1/2 inch iron rod set for the northeasterly corner of the FRISCO ELEMENTARY SCHOOL as recorded in Cabinet F, Page 721 Map Records of Collin County, Texas (MRCCT) said point being in the southerly right-of-way of FISHER DRIVE (60 foot right-of-way);

THENCE departing the southerly right-of-way of said FISHER DRIVE, North 01°24'38" East, a distance of 60.00 feet to a point in the northerly right-of-way of said FISHER DRIVE;

THENCE along the northerly right-of-way of FISHER DRIVE as follows:

South 88°35'22" East, a distance of 350.00 feet to a point for the beginning of a curve to the left having a radius of 970.00 feet, a chord bearing of North 79°00'13" East and a chord distance of 416.82 feet;

THENCE along said curve to the left through a central angle of 24°48'51", an arc length of 420.10 feet to a 1/2 inch iron rod set for the POINT OF BEGINNING;

THENCE departing the northerly right-of-way of FISHER DRIVE North 24°52'51" West, a distance of 175.26 feet to a 1/2 inch iron rod set for the beginning of a curve to the right having a radius of 525.00 feet, a chord bearing of North 14°56'34" West, a chord distance of 181.21 feet;

THENCE along said curve to the right through a central angle of 19°52'34", an arc length of 182.13 feet to a 1/2 inch iron rod set for corner;

THENCE North 60°36'20" East, a distance of 219.67 feet to a 1/2 inch iron rod set for corner;

THENCE South 48°38'36" East, a distance of 330.71 feet to a 1/2 inch iron rod set in the northerly right-of-way of FISHER DRIVE, said point being the beginning of a non-tangent curve to the right having a radius of 970.00 feet, a chord bearing of South 55°00'44" West and a chord distance of 389.57 feet;

THENCE along said non-tangent curve to the right through a central angle of 23°10'06", an arc length of 392.23 feet to the POINT OF BEGINNING;

CONTAINING within these metes and bounds 2.523 acres or 109,895 square feet of land, more or less.

EXHIBIT "A"

PHASE TWO

WHEREAS, Lumbermen's Investment, Inc. is the owner of a tract of land in the JOHN W. COX SURVEY, Abstract No. 159, being a portion of 41.09 acre tract of land as described in Special Warranty Deed as recorded in Collin County, Texas #95-0015500 of the Land Records at Collin County, Texas (LRCT) and being particularly described as follows:

BEGINNING at a 1/2 inch iron rod found at the intersection of the northerly right-of-way line of FISHER ROAD (60 foot right-of-way) and the easterly right-of-way line of ROGERS ROAD (60 foot right-of-way);

THENCE along the easterly right-of-way line of ROGERS ROAD, North 01°22'20" East, a distance of 265.33 feet to a 1/2 inch iron rod set for corner;

THENCE North 01°22'34" East, a distance of 358.67 feet to a 1/2 inch iron rod set for corner;

THENCE departing the easterly right-of-way of ROGERS ROAD, South 88°35'22" East, a distance of 262.00 feet to a 1/2 inch iron rod set for corner;

THENCE North 01°22'34" East, a distance of 140.00 feet to a 1/2 inch iron rod set for corner;

THENCE South 88°35'22" East, a distance of 352.83 feet to a 1/2 inch iron rod set for the beginning of a curve to the left having a radius of 1,625.99 feet, a chord bearing North 81°32'04" East and a chord distance of 590.83 feet;

THENCE along said curve to the left through a central angle of 20°56'08", an arc length of 594.13 feet to a 1/2 inch iron rod set for corner in the easterly line of said 41.09 acre tract of land;

THENCE along said easterly line South 01°22'38" West, a distance of 186.09 feet to a 1/2 inch iron rod found for the beginning of a curve to the left having a radius of 185.55 feet, a chord bearing South 23°37'59" East and a chord distance of 156.89 feet;

THENCE along said curve to the left through a central angle of 50°01'14", an arc length of 161.99 feet to a 1/2 inch iron rod found for corner;

THENCE South 48°38'36" East, a distance of 6.29 feet to a 1/2 inch iron rod set for the northeasterly corner of Lot 1, Block E of PRESTON HIGHLANDS NORTH, PHASE I as recorded in Cabinet _____ Page _____ of the Map Records at Collin County, Texas (MRCCT);

THENCE along the northerly line of said Lot 1, Block E, South 60°36'20" West, a distance of 219.67 feet to a 1/2 inch iron rod set for the northwesterly corner of said Lot 1, Block E, said point being the beginning of a non-tangent curve to the left having a radius of 525.00 feet, a chord bearing South 14°56'34" East and a chord distance of 181.21 feet;

THENCE along said non-tangent curve to the left and along the westerly line of said Lot 1, Block E through a central angle of 19°52'34", an arc length of 91.99 feet to a 1/2 inch iron rod set for corner;

THENCE South 24°52'51" East, a distance of 175.26 feet to a 1/2 inch iron rod set for the southwesterly corner of said Lot 1, Block E, said point being in the northerly right-of-way line of said FISHER ROAD and the beginning of a non-tangent curve to the right having a radius of 970.00 feet, a chord bearing South 79°00'13" West and a chord distance of 416.82 feet;

THENCE along said non-tangent curve to the right and along the northerly right-of-way line of FISHER ROAD, through a central angle of 24°48'51", an arc length of 420.10 feet to a 1/2 inch iron rod found for corner;

THENCE North 88°35'22" West, a distance of 800.71 feet to the POINT OF BEGINNING;

CONTAINING within these metes and bounds 19.855 acres or 864,886 square feet of land, more or less.

ADOPTED AT BOARD OF DIRECTORS MEETING ON

AUG 23, 2000

In the interest of the financial health of the Association and in the interest of fairness to all the members, the Board of Directors has outlined a specific policy for collection of any unpaid assessments. Be it resolved that the assessment collection policy will be as follows:

1. The Board of Directors shall fix the date of commencement and the amount of the assessment for each lot for each assessment period at least 60 days in advance if the assessment is being increased and at least 30 days if the assessment is not being increased.
2. If any assessment remains unpaid after ~~thirty (30)~~ ^{thirty (30) MEP HRB (JP)} days after the due date established by the Board of Directors, a late charge of \$25.00 shall be assessed against the non-paying Owner for each month that any portion of the assessment remains unpaid.
3. A service charge in the amount of \$30.00 shall be charged for each check that is returned for non-payment.
4. The Board of Directors will retain the services of an attorney for collection of assessments that remain unpaid after sixty (60) days from the due date. Any and all collection costs incurred by the Association shall be added to the amount of unpaid assessments, late charges or service charges including attorney's fees.

Angry L Ball President 8/23/00

Mark E. Peterson, 8/23/00
VP / Treasurer

[Signature] 8/23/00
VP

AFTER RECORDING, PLEASE RETURN TO:

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

**Certificate of Ratification and
Promulgation of Community Association
Violation Enforcement Policy for the Preston Highlands
North Estates Homeowners Association, Inc.**

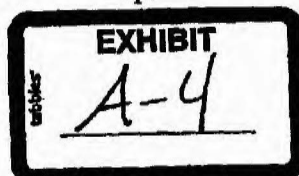
STATE OF TEXAS §
 §
COUNTY OF COLLIN §

WHEREAS, the Board of Directors of the Preston Highlands North Estates Homeowners Association, Inc. (the "Board") is the entity responsible for the operation of the Preston Highlands North Estates Homeowners Association, Inc. (the "Association"), pursuant to and in accordance with that certain Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates, filed of record as Instrument No. 96-0019123 in the Land Records of Collin County, Texas and any and all amendments thereof and supplements thereto (collectively, the "Preston Highlands North Declaration") and the Bylaws of the Association (the "Bylaws"); and

WHEREAS, the Preston Highlands North Declaration affects certain parcels or tracts of real property in the City of Frisco, Collin County, State of Texas (the "Property") which are more particularly described on Exhibit A attached hereto; and

WHEREAS, pursuant to Article X, Section 1 of the Preston Highlands North Declaration, the Association, acting by and through the Board, has the authority to enforce the provisions of the Preston Highlands North Declaration and, pursuant to Article VIII, Section 1 (h) of the Bylaws, the Board has the power to establish and collect penalties and fines for defaults by Owners under the Bylaws and the Preston Highlands North Declaration (collectively, the "Preston Highlands North Governing Documents"); and

WHEREAS, the Board has authority pursuant to the Preston Highlands North Declaration and the Bylaws to determine, in its reasonable discretion, the manner in which violations of the Preston Highlands North Governing Documents are to be remedied; and



FIRST AMENDMENT

**COVENANTS,
CONDITIONS
&
RESTRICTIONS**

**FIRST AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR PRESTON HIGHLANDS NORTH ESTATES**

0049330

THIS FIRST AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PRESTON HIGHLANDS NORTH ESTATES ("First Amendment") is made on the date hereinafter set forth by LUMBERMEN'S INVESTMENT CORPORATION a Delaware corporation (hereinafter referred to as the "Declarant").

WITNESSETH:

WHEREAS, the Declarant is the owner of certain real property in the City of Frisco, Collin County, Texas, more particularly described in Exhibit "A" attached to that certain Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates (the "Original Declaration") dated March 8, 1996, and recorded on March 8, 1996, at 1:38 p.m. in the Official Real Property Records of Collin County, Texas under County Clerk's File No. 96-0019123.

WHEREAS, Declarant is the owner of all of the Property and desires to amend certain terms and provisions of the Original Declaration.

NOW, THEREFORE, for and in consideration of the foregoing premises, Declarant hereby provides as follows:

1. Except to the extent otherwise expressly set forth herein, all capitalized terms shall have the identical meaning as those set forth in the Original Declaration.
2. Declarant declares that the first sentence of Section 3(a) of Article II of the Original Declaration shall be and is hereby amended to read in its entirety as follows:


"(a) Units Owned by Class A Members. Subject to the terms of this Article, each Affected Lot is hereby subject to an initial maximum assessment of \$25.00 per month or \$300.00 per annum [until such assessment shall be increased in accordance with the By-Laws of the Association (provided that the maximum annual assessment may be increased each year not more than 10% above the maximum assessment for the previous year without a vote of the membership of the Association, as provided in the By-Laws of the Association)], for the purpose of creating a fund to be designated and known as the "assessment fund", which assessment will be paid by the Owner or Owners of each Affected Lot in advance in monthly, quarterly or annual installments, commencing as to all Affected Lots on which a completed Unit is then located on the conveyance of the first Affected Lot to a Class A Member and as to other Affected Lots as of the completion of the Unit thereon."

3. The Original Declaration shall continue in full force and effect except to the extent amended hereby (either expressly or by necessary implication) and the terms of this First Amendment and so much of the terms and provisions of the Original Declaration as are not modified and amended hereby, either expressly or by necessary implication.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed on its behalf effective as of the 31st day of May, 1996.

DECLARANT:

LUMBERMEN'S INVESTMENT CORPORATION,
a Delaware corporation

By: 

Name: Kenneth D. Prater
Title: Vice President

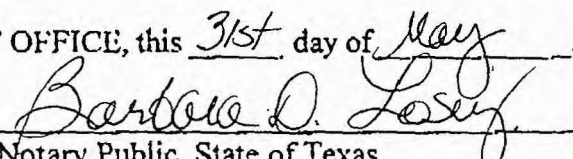
THE STATE OF TEXAS

COUNTY OF DALLAS

§
§
§

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared KENNETH D. PRATER, VICE PRESIDENT of LUMBERMEN'S INVESTMENT CORPORATION, a Delaware corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as a duly authorized officer of such corporation, and as the act and deed of such corporation, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 31st day of May, 1996.


Notary Public, State of Texas



(Typed/Printed Name of Notary)

**FIRST AMENDMENT TO DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR PRESTON HIGHLANDS
NORTHESTATES - Page 2**

RECORDED
FEB 26 1998

DECLARATION OF ANNEXATION
AND
SUPPLEMENTAL DECLARATION NO. 2

THIS DECLARATION OF ANNEXATION AND SUPPLEMENTAL DECLARATION NO.2 (the "Second Supplemental Declaration") is made effective as of the 1st day of November, 1997 by LUMBERMEN'S INVESTMENT CORPORATION (hereinafter referred to as the "Declarant").

WITNESSETH:

WHEREAS, Declarant executed a Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates, Frisco, Collin County, Texas (the "Original Declaration"), dated effective as of the 8th day of March, 1996, applicable to certain real property (the "Original Property") described in EXHIBIT "A" attached thereto and located within the City of Frisco, Collin County, State of Texas, which Original Declaration was filed for record on March 8, 1996 under Clerk's File No. 96-0019123 of the Land Records of Collin County, Texas; and

WHEREAS, Declarant executed a First Amendment to Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates (the "First Amendment"), dated effective as of May 31, 1966 and filed for record on June 13, 1996 under Clerk's File No. 96-0049330 of the Land Records of Collin County, Texas; and

WHEREAS, Declarant executed a Declaration of Annexation and Supplemental Declaration No. 1 (the "First Supplemental Declaration"), dated effective as of October 9, 1996 and filed for record on October 15, 1996 under Clerk's File No. 96-0089630 of the Land Records of Collin County, Texas (with the Original Declaration as amended by the First Amendment and First Supplemental Declaration being hereinafter referred to as the "Declaration").

WHEREAS, Declarant still owns a substantial portion of the Original Property (as modified by the addition of the First Additional Property as defined in the First Supplemental Declaration being hereinafter collectively referred to as the "Property") and has the absolute and unrestricted right to file this Supplemental Declaration pursuant to the terms and provisions of the Declaration; and

WHEREAS, Article IX, Section 1 of the Declaration permits the addition of additional property to the scheme thereof by the filing of record by a Declaration of Annexation in the Land Records of Collin County, Texas; and

WHEREAS, the Declarant desires to add the additional property more particularly described in SUPPLEMENTAL EXHIBIT "A-1" attached hereto and fully incorporated herein by reference for all purposes (the "Second Additional Property"), to the scheme of the Declaration and to provide that all of the applicable terms, provisions, requirements and obligations of the Declaration now apply to both the Property (inclusive of the First Additional Property as defined in the First Supplemental Declaration) and the Second Additional Property.

WHEREAS, Declarant desires to supplement the Declaration in order to clearly identify the lots shown on the Final Plat of Preston Highlands North Estates, Phase 3 (covering a portion of the Second Additional Property), a copy of said Final Plat filed for record on October 20, 1997 under Clerk's File No. 97-0089298 in the Map or Plat Records of Collin County, Texas, and to designate the lots described therein as "Affected Lots" as defined in Article 1, Section 4 of the Declaration for all purposes, said lots being hereinafter referred to as "Supplemental Affected Lots."

NOW, THEREFORE, the Declarant hereby declares as follows:

1. The Second Additional Property described in SUPPLEMENTAL EXHIBIT "A-1", attached hereto and fully incorporated herein by references for all purposes is and shall be subject to the scheme of the Declaration, and

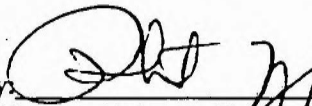
is and shall be held, transferred, sold, conveyed, used and occupied subject to the covenants, restrictions, easements, charges and liens set forth in the Declaration (the Declaration being incorporated herein by reference for all purposes as modified herein). Declarant expressly reserves the right to file a Supplemental Declaration for the purposes of clearly identifying the Affected Lots to located on the portion of the Second Additional Property and not included in the Final Plat of Preston Highlands North Estates, Phase 3 at such time as a final plat or plats are filed of record.

2. The Supplemental Affected Lots described in the Final Plat of Preston Highlands North Estates, Phase 3, recorded on October 20, 1997 under Clerk's File No. 97-0089298 in the Map or Plat Records of Collin County, Texas, are and shall be subject to the scheme of the Declaration and shall constitute "Affected Lots" for all purposes, and are and shall be held, transferred, sold, conveyed, used and occupied subject to the covenants, restrictions, easements, charges and liens set forth in the Declaration (the Declaration being incorporated herein by reference for all purposes as modified herein).

3. The Declaration, except as expressly modified herein, remains in full force and effect and is hereby ratified and confirmed.

EXECUTED as of the day and year first above written.

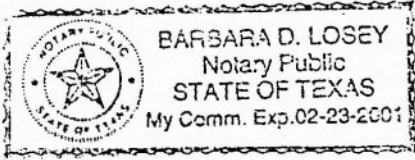
LUMBERMEN'S INVESTMENT CORPORATION,
a Delaware corporation

By: 
Name: Robert Young
Title: Vice President

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Robert Young, Vice President of LUMBERMEN'S INVESTMENT CORPORATION, a Delaware corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as a duly authorized officer of such corporation, and as the act and deed of such corporation and limited partnership, for the purposes and consideration therein expressed, and in the respective capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 2nd day of February, 1998.



Barbara D. Losey

Notary Public, State of Texas

My Commission Expires:

(Typed/Printed Name of Notary)

S:\CLIENT-L\12002\260\SUPP.DEC

SECOND AMENDMENT

COVENANTS, CONDITIONS & RESTRICTIONS

Courtesy

FATCO

2004- 0145122

42⁰⁰

**DECLARATION OF ANNEXATION AND SECOND AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR PRESTON HIGHLANDS NORTH ESTATES**

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

5766-04083

This Declaration of Annexation and Second Amendment to Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates (this "Second Amendment") is entered into this 30th day of July, 2004, by the PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC., a Texas not-for-profit corporation (the "Association"), and PULTE HOMES OF TEXAS, L.P., a Texas limited partnership ("Pulte"). All capitalized terms used in this Second Amendment which are not defined herein shall have the meanings given to such terms in the Declaration (as hereinafter defined).

WHEREAS, on or about March 8, 1996, an instrument entitled Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates (the "Original Declaration") was filed in the Real Property Records of Collin County, Texas under County Clerk's file number 96-0019123;

WHEREAS, the Original Declaration has been amended and supplemented pursuant to the terms of (a) that certain First Amendment to Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates dated effective as of May 31, 1996 and filed for record on June 13, 1996 in the Real Property Records of Collin County, Texas under County Clerk's file number 96-0049330 (the "First Amendment"), (b) that certain Declaration of Annexation and Supplemental Declaration No. 1 dated effective as of October 9, 1996 and filed for record on October 15, 1996 (the "First Supplemental Declaration") in the Real Property Records of Collin County, Texas under County Clerk's file number 96-0089630 (the "First Supplement"), and (c) that certain Declaration of Annexation and Supplemental Declaration No. 2 dated effective as of November 1, 1997 and filed for record on February 2, 1998 in the Real Property Records of Collin County, Texas under County Clerk's file number 98-0012805 (the "Second Supplement"; the Original Declaration, as amended and supplemented by the First Amendment, the First Supplement and the Second Supplement is hereinafter referred to as the "Declaration");

WHEREAS, Pulte is the owner of certain real property (the "Pulte Property") situated adjacent to the property (the "Declaration Property") encumbered by the Declaration, which Pulte Property is more particularly depicted on Exhibit A attached hereto and incorporated herein by reference;

WHEREAS, the Association desires to (a) annex the Pulte Property into the Association and to subject the Pulte Property to the terms and conditions of the Declaration, and (b) amend certain terms of the Declaration; and

WHEREAS, this Second Amendment has been duly approved, adopted and ratified by the requisite number of Owners (as defined in the Declaration) of the Association in accordance with the procedures set forth in Section 2 of Article X of the Declaration.

NOW, THEREFORE, the Association hereby declares and Pulte hereby agrees as follows:

1. Annexation. The Association hereby annexes the Pulte Property into the Association and subjects the Pulte Property to the Declaration, including, without limitation, all of the rights, privileges, duties and liabilities established under the Declaration. Pulte hereby consents to such annexation and the Association and Pulte agree that such Annexation shall be effective upon the recordation of this Second Amendment in the office of the County Clerk of Collin County, Texas.

2. Working Capital Assessments, Conveyance of Land and Waiver of Committee Approval. (a) In addition to any regular annual assessments imposed under the Declaration, as a condition to the sale of every Affected Lot by an Owner (including any builder or developer), a working capital assessment of Two Hundred and No/100 Dollars (\$200.00) shall be charged to the purchaser upon the date(s) title to any such Affected Lot is transferred after the date of this Second Amendment. Notwithstanding the foregoing or anything contained in the Declaration to the contrary, the Association acknowledges and agrees that no portion of the Pulte Property shall be deemed subject to any assessments under the Declaration or this Second Amendment until a Final Plat of the Pulte Property has been recorded in the Real Property Records of Collin County, Texas, whereupon all lots located within the Pulte Property shall be deemed a part of the Affected Lots. Subject to the foregoing, all of the provisions of the Declaration relating to the payment of assessments including, without limitation, the terms of Section 4 and Section 5 of the Declaration, shall apply to the assessments established under this paragraph (a).

(b) Within two (2) business days after a Final Plat of the Pulte Property has been recorded in the Real Property Records of Collin County, Texas (i) the Association shall execute and deliver to Pulte a Special Warranty Deed in the form of **Exhibit B** attached hereto and incorporated herein by reference (the "Association Deed"), and (ii) Pulte shall execute and deliver to the Association a Special Warranty Deed in the form of **Exhibit C** attached hereto and incorporated herein by reference (the "Pulte Deed"). In that regard, the Association and Pulte agree that (A) the property to be conveyed to the Association by Pulte under the Pulte Deed shall be used by the Association as Common Areas (as defined in the Declaration) and shall be conveyed subject only to those exceptions listed on Schedule B of a current title commitment covering such property; provided, however, that in no event shall such property be conveyed subject to any exceptions which would prohibit the Association from using such property for Common Areas, and (B) the property to be conveyed to Pulte by the Association under the Association Deed shall be developed by Pulte as a part of one (1) or more residential lots and shall be conveyed subject only to those exceptions listed on Schedule B of a current title commitment covering such property; provided, however, that in no event shall such property be conveyed subject to any exceptions which would prohibit Pulte from using such property for the construction of its intended houses.

(c) Notwithstanding anything contained in the Declaration to the contrary, the Association hereby acknowledges and agrees that Pulte shall not be required to obtain approval of the Committee (as defined in the Declaration) or any other approvals otherwise required under Section 19 of the Original Declaration in connection with any houses (the "Pulte Houses") to be constructed by Pulte on the Pulte Property so long as such Pulte Houses comply with and satisfy those certain minimum requirements relating to square footage and masonry set forth in Section 20 of Article VIII of the Declaration.

3. Additional Pulte Costs. As consideration for the annexation of the Pulte Property effected hereby, upon execution and recordation by the Association of this Second Amendment, Pulte shall pay and deliver to the Association in cash or other immediately available funds (a) the amount of Thirty Seven Thousand Five Hundred and No/100 Dollars (\$37,500.00), and (b) an amount equal to any and all reasonable expenses relating to mailings and other approved costs incurred by the Association in connection with obtaining the approval of this Agreement by the requisite number of Owners necessary for the adoption and ratification hereof. Furthermore, promptly upon recordation of a Final Plat of the Pulte Property in the Real Property Records of Collin County, Texas, Pulte shall pay and deliver to the Association Pulte's pro rata share of the Annual Assessments (as defined in the Declaration) applicable to the Pulte Property for the year 2004.

4. Authority. The Association hereby represents to Pulte that the Association has full power and authority to enter into this Second Amendment and to effect the terms and provisions contained herein. Without limiting the foregoing, the Association represents and warrants to Pulte that the Association has obtained from the Owners all consents or approvals necessary or appropriate to permit the Association to execute this Second Amendment and that this Second Amendment shall be binding upon all of such Owners.

5. Ratification. Except as provided in this Second Amendment, the Declaration shall continue in full force and effect in accordance with its terms. In that regard, in the event there is a conflict between the terms and provisions contained in this Second Amendment and the terms and provisions contained in the Declaration, the terms and provisions contained in this Second Amendment shall control for all purposes.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to be effective as of the date first written above.

ASSOCIATION:

PRESTON HIGHLANDS NORTH ESTATE HOMEOWNERS ASSOCIATION, INC., a Texas corporation

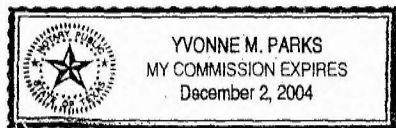
By: Molly M. Crook
Name: Molly M. Crook
President

STATE OF TEXAS §
COUNTY OF Collin §

BEFORE ME, the undersigned authority, on this day personally appeared Molly M. Crook, President of Preston Highlands North Estate Homeowners Association, Inc., a Texas corporation, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 3rd day of July, 2004.

SEAL



Yvonne M. Parks
Notary Public in and for the State of Texas

My Commission Expires:

12-2-04

PULTE:

PULTE HOMES OF TEXAS, L.P.,
a Texas limited partnership

By: PN I, Inc.,
a Nevada corporation,
its General Partner

By: [Signature]
Name: JUSTIN BONO
Title: V.P. FINANCE

STATE OF TEXAS §
 §
COUNTY OF DAWAS §

BEFORE ME, the undersigned authority, on this day personally appeared JUSTIN BONO, V.P. OF FINANCE of PN I, Inc., a Texas corporation, General Partner of PULTE HOMES OF TEXAS, L.P., a Texas limited partnership, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 19 day of AUGUST, 2004.



[Signature]
Notary Public in and for the State of Texas

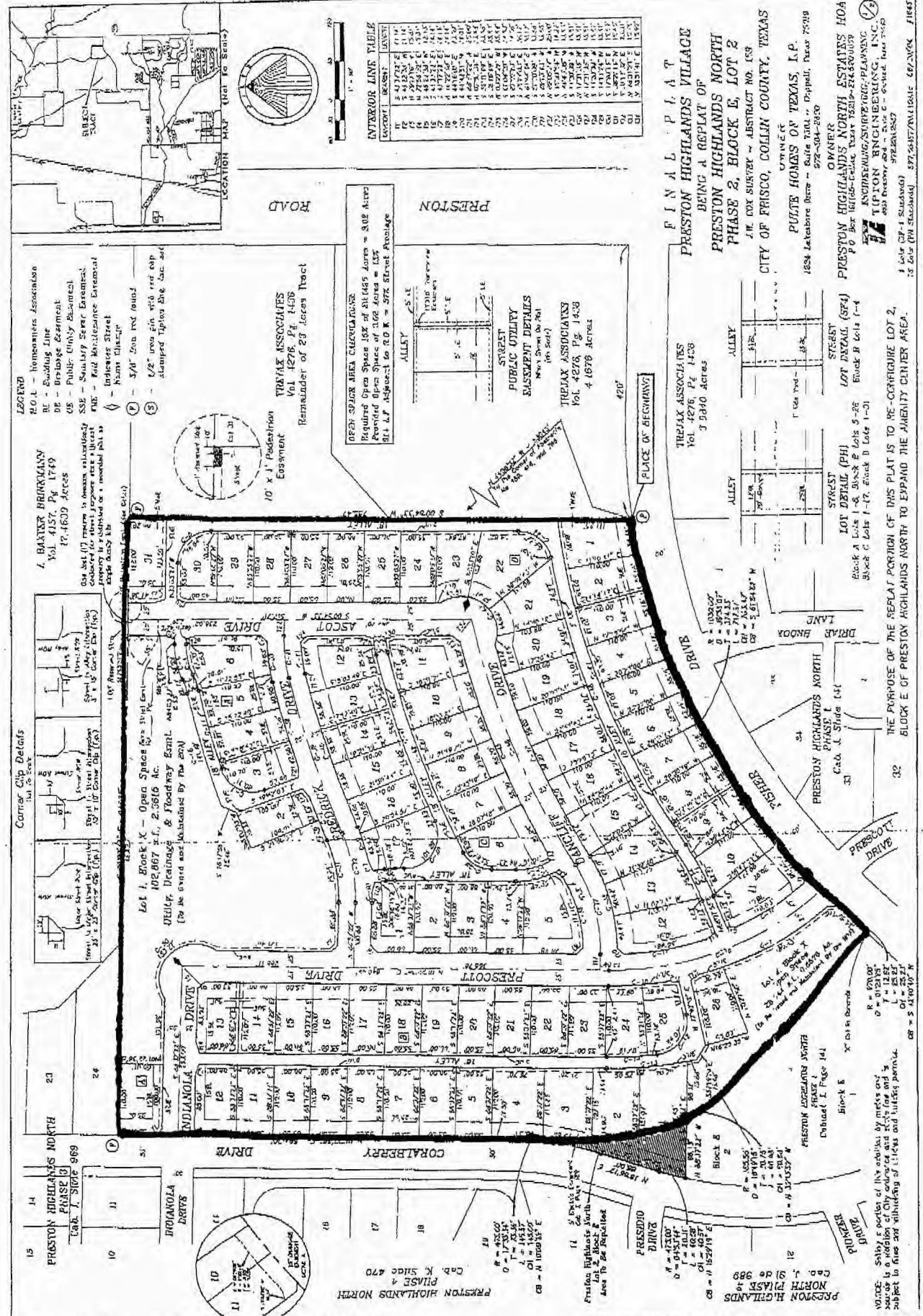
My Commission Expires:

2-21-06

AFTER RECORDING RETURN TO:

Justin Bono
Pulte Homes of Texas, L.P.
1234 Lakeshore Drive, #750A
Coppell, Texas 75019

EXHIBIT A
PULTE PROPERTY



THIRD AMENDMENT

COVENANTS, CONDITIONS & RESTRICTIONS

AFTER RECORDING RETURN TO:

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

THIRD AMENDMENT TO THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PRESTON HIGHLANDS NORTH ESTATES

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

INTRODUCTORY PROVISIONS

WHEREAS, the Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates was filed on March 8, 1996, and is recorded as Instrument No. 96-049123 in the Official Public Property Records of Collin County, Texas, (the "Declaration"); and

WHEREAS, the Declaration was amended by virtue of that certain First Amendment to the Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates, filed on June 13, 1996 and recorded as Instrument No. 96-0049330 in the Official Public Property Records of Collin County, Texas (the "First Amendment"); and

WHEREAS, additional property was subjected to the Declaration by virtue of that certain Declaration of Annexation and Supplemental Declaration No. 1 filed on October, 15, 1996 and recorded as Instrument No. 96-0089630 in the Official Public Property Records of Collin County, Texas (the "First Supplement"); and

WHEREAS, additional property was subjected to the Declaration by virtue of that certain Declaration of Annexation and Supplemental Declaration No. 2 filed on February 11, 1998 and recorded as Instrument No. 98-0012805 and in Volume 4099, Page 0997 of the Official Public

THIRD AMENDMENT TO THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PRESTON HIGHLANDS NORTH ESTATES

Property Records of Collin County, Texas (the “Second Supplement”); and

WHEREAS, the Declaration was amended and additional property was subjected to the Declaration by virtue of that certain Declaration of Annexation and Second Amendment to the Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates, filed on October 4, 2004 and recorded as Instrument No. 2004-0145122 and in Volume 5755, Page 04083 of the Official Public Property Records of Collin County, Texas (the “Second Amendment”); and

WHEREAS, the Declaration, the First Amendment, the First Supplement, the Second Supplement and the Second Amendment are hereinafter referred to, collectively, as the “PHNE Declaration;” and

WHEREAS, the PHNE Declaration affects certain real property in the City of Frisco, Collin County, Texas, more particularly described in Exhibit “A” attached hereto and incorporated herein by reference (the “Property”); and

WHEREAS, pursuant to Section 209.0041 (h) of the Texas Property Code, the PHNE Declaration may be amended or modified by a vote of sixty-seven percent (67%) of the total votes allocated to property owners entitled to vote on an amendment to the PHNE Declaration; and

WHEREAS, no less than sixty-seven percent (67%) of the total votes allocated to property owners entitled to vote on an amendment to the PHNE Declaration have approved of this Third Amendment to the PHNE Declaration.

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

- 1) Article VIII of the PHNE Declaration is hereby amended by adding Section 22, which shall read, in its entirety, as follows:

Section 22. Leasing and Rental Properties.

- (a) **Additional Definitions:**

**THIRD AMENDMENT TO THE DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR PRESTON HIGHLANDS NORTH ESTATES**

- (i) Dedicator Instruments- “Dedicator Instruments” means each governing instrument covering the establishment, maintenance, and operation of the Association. This term includes the Declaration, Bylaws, Policies, and Rules and Regulations of the Association and all amendments thereto.
 - (ii) Effective Date- “Effective Date” shall mean the date an instrument containing this Article VIII, Section 22 is recorded in the Official Public Records of Collin County, Texas.
 - (iii) Landlord- “Landlord” means the Owner leasing a Lot to a third-party, even if that Owner has a management company that is in charge of leasing and/or managing the Lot.
 - (iv) Lease- A “Lease” includes any written or oral agreement between a landlord and a tenant that establishes or modifies the terms, conditions or other provisions regarding the use and occupancy of the Lot and the Unit thereon.
 - (v) Leasing- “Leasing” is defined as the regular, exclusive occupancy of a Unit by any person other than the Owner for which the Owner, or any designee of the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity or emolument. If the Lot is owned by a trust and the beneficiary of the trust is living in the Unit, that Unit shall be considered Owner-occupied rather than leased.
 - (vi) Lessee- “Lessee” shall be considered the same as Tenant for purposes of this Declaration.
 - (vii) Lease to Purchase Agreements & Contracts for Deeds- Shall be considered the same as Leasing for purposes of this Declaration.
 - (viii) Registration- “Registration” means the process where Owners submit a “Lease registration form” to the HOA for each existing tenant/lease, in a form prepared for the HOA by the Board of Directors.
 - (ix) Renting- “Renting” shall be considered the same as Leasing for purposes of this Declaration.
 - (x) Tenant- “Tenant” means the person(s) authorized by the Lease to occupy the Unit, which would include the named lessee(s). There may be more tenants than lessees for a Unit unless the context indicates otherwise.
- (b) Partial Rental Arrangements. Lots and the Unit thereon shall only be leased in their entirety - separate rooms, floors or other areas within a Lot or Unit may not be separately leased, unless approved by the Board. Leasing of a bedroom may be

**THIRD AMENDMENT TO THE DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR PRESTON HIGHLANDS NORTH ESTATES**

permitted, upon written request to and approval by the Board, for a term of at least thirty (30) consecutive days in an Owner-occupied Unit.

- (c) *Maximum Leases Allowed.* *From and after the Effective Date, no more than fifteen percent (15%) of the Lots in the Association shall be subject to a Lease at any given time unless otherwise provided by law.*
- (d) *Minimum Leasing Duration.* *Any Lease must be for a term of at least six (6) consecutive months unless otherwise approved by the board in writing. Short term house swapping, renting or leasing arrangements, including agreements (anything less than the minimum leasing duration) through Airbnb, VRBO or otherwise are specifically and expressly prohibited. Month-to-month terms are permitted at the end of the current lease if the lease, which has reached its stated end date, had a one year or greater original term, and the month-to-month terms does not last more than six months.*
- (e) *Ownership Requirement.* *Upon acquiring an ownership interest in a Lot or Unit, the Owner may not lease the Lot, Unit, or any portion thereof, until the expiration of twelve (12) months from the date of the closing of the sale of the Lot or recording of the deed to the Lot which conveys title, whichever is earlier; provided that the Owner may lease the Unit thereon pursuant to Board approval of a hardship. After the expiration of the twelve (12) month period, the Owner may lease the Lot and the Unit thereon subject to the other terms contained in herein.*
- (f) *Rental to Registered Sex Offenders is Prohibited.* *No Owner may rent their Lot to a Tenant or allow the occupancy of a Unit by a Tenant that is a registered sex offender. For purposes of this provision, a "registered sex offender" is a person who is registered as a Level 3 (High Risk) or Level 2 (Moderate Risk) sex offender pursuant to Chapter 62 of the Texas Code of Criminal Procedure (Sex Offender Registration Program as it now exists or as it may be amended in the future), or pursuant to any other law of the State of Texas, or any local municipal or county ordinance, or pursuant to any other state or federal law or regulation. "Registered sex offender" for purposes of this Section also includes a person who is required to register as a sex offender and who is required to have a risk assessment but who has not been assigned a risk assessment level by the applicable authority or for whom such a risk assessment level is not yet available to the public via the applicable registry program.*
- (g) *Registration and Compliance*
 - (i) *All lease agreements must be submitted to the HOA upon execution by the Owner and/or upon written demand by the Board, but the Owner or tenant may redact sensitive personal information defined as a social security number, driver's license number, government issued identification number, account/credit card/debit card number.*

**THIRD AMENDMENT TO THE DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR PRESTON HIGHLANDS NORTH ESTATES**

- (ii) *Owners must submit a "Lease registration form" to the HOA for each existing tenant/lease, in a form prepared for the HOA by the Board of Directors. The HOA may charge a reasonable administration fee concerning the above as established by the Board and the Board is authorized to establish other such policies and procedures to register lease arrangement as they see fit.*
- (iii) *Each Landlord must provide their Tenant with a copy of the Dedicatory Instruments. For the purposes of this provision, Landlords may comply by providing digital copies to their Tenants.*
- (iv) *A Landlord may not use the Amenities of the Association if that Landlord's Tenant is using the amenities.*

(h) **Hardship**

- (i) *Notwithstanding any provision to the contrary, the Board shall be empowered to allow leasing of Units that do not comply with one or more of the stated leasing restrictions upon the Owner's written application for an exception because of undue hardship on the Owner. Requests for hardship exemptions shall be reviewed by the Board on a case-by-case basis. Upon the termination of that lease, the Board will again review whether the hardship still exists to warrant an extension of the exception.*
- (ii) *By way of illustration and not by limitation, circumstances which would constitute undue hardship: (i) Owner must relocate and his or her Lot cannot, within ninety (90) days from the date the Lot was placed on the market, sell the Lot while offering it for sale at a reasonable price no greater than its current appraised market value; (ii) Owner dies and the Lot is being administered by his estate; (iii) Owner takes a leave of absence or temporarily relocates and intends to return to reside in the Unit; (iv) the Lot is to be leased to a member of the Owner's immediate family, which shall be deemed to encompass children, grandchildren, grandparents, brothers, sisters, parents and spouses; (v) Deployment or activity military duty status in any branch of the United States of America military; (vi) Acquisition of the Home by a relocation company; and (vii) Lease-to-own transaction with the Owner.*

(i) **Grandfathering**

- (i) *All Owners as of the Effective Date are exempt from the 15% leasing or rental cap, the minimum leasing duration of 6 months, and the 12-month ownership requirement. All new Members after the adoption of the amendment must comply with the entirety of this Section.*
- (ii) *With respect to a Lot which is subject to a valid written Lease as of the Effective*

Date, the Owner's only obligations are to submit the current lease arrangement upon request, a "lease registration form," registration fee and provide their Tenant with a copy of the Dedicatory Instruments. Notwithstanding this exemption for Lots already subject to a valid written Lease on the Effective Date, upon termination, extension or renewal of that Lease, the Owner must comply with the entirety of this Section.

- (j) ***Enforcement and Board Authority.*** *For any Owner in violation of this Section, the Association may impose reasonable monetary penalties as determined by the Board, in addition to other remedies available under the Dedicatory Instruments and Texas law. The Association may also suspend an Owner's ability to Lease his Lot for a period of twelve (12) months. The Board is hereby authorized to promulgate, enforce and amend, from time to time, reasonable rules which govern the leasing of Lots.*

The terms and provisions of the PHNE Declaration, except as modified herein, are hereby declared to be in full force and effect with respect to the Property. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings set forth in the PHNE Declaration. The Property shall continue to be held, occupied, sold and conveyed subject to the terms and conditions of the PHNE Declaration and now this Third Amendment, which shall run with title to the Property and are binding on all parties having any right, title or interest in and to the Property or any part thereof, including their heirs, representatives, successors, transferees and assigns, and shall inure to the benefit of each Owner thereof.

IN WITNESS WHEREOF, the members of Preston Highlands North Estates Homeowners Association, Inc. have caused this Third Amendment to the PHNE Declaration to be effective when filed with the Office of the Collin County Clerk.

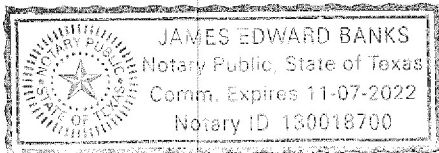
[SIGNATURE TO FOLLOW]

**PRESTON HIGHLANDS NORTH ESTATES
HOMEOWNERS ASSOCIATION, INC.**

By: *James Thomas*
James Thomas, President

**STATE OF TEXAS §
 §
COUNTY OF COLLIN §**

This instrument was acknowledged before me on the 31ST day of JANUARY, 2022, by James Thomas, President of the Preston Highlands North Estates Homeowners Association, Inc, on behalf of said corporation.



James Banks
Notary Public, State of Texas

CERTIFICATE OF AMENDMENT

As President of the Preston Highlands North Estates Homeowners Association, Inc., I have read the foregoing Third Amendment to the Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates, do certify that it is true and correct, that it was approved upon the express written consent or vote of sixty-seven percent (67%) of the total votes allocated to property owners entitled to vote on an amendment to the Preston Highlands North Estates Declaration, and do hereby approve same for recording in the Official Public Records of Collin County, Texas.

James Thomas
James Thomas, President

**THIRD AMENDMENT TO THE DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR PRESTON HIGHLANDS NORTH ESTATES**

EXHIBIT A

Those tracts and parcels of real property located in the City of Frisco, Collin County, Texas and more particularly described as follows:

- (a) **All lots and tracts of land situated in PRESTON HIGHLANDS NORTH, PHASE ONE, an addition to the City of Frisco, Collin County, Texas, according to the Plat recorded in Cabinet J, Slide 141, Map Records, Collin County, Texas; and**
- (b) **All lots and tracts of land situated in PRESTON HIGHLANDS NORTH, PHASE TWO, an Addition to the City of Frisco, Collin County, Texas, according to the Map or Plat thereof recorded in Volume J, Page 389, Map Records, Collin County, Texas; and**
- (c) **All lots and tracts of land situated in PRESTON HIGHLANDS NORTH, PHASE THREE, an Addition to the City of Frisco, Collin County, Texas, according to the Map or Plat thereof recorded in Volume J, Page 969, Map Records, Collin County, Texas; and**
- (d) **All lots and tracts of land situated in PRESTON HIGHLANDS NORTH, PHASE FOUR, an Addition to the City of Frisco, Collin County, Texas, according to the Plat recorded in Cabinet K, Slide 470, Map Records, Collin County, Texas.**



Filed and Recorded
Official Public Records
Stacey Kemp, County Clerk
Collin County, TEXAS
02/01/2022 09:19:47 AM
\$54.00 DFOSTER
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Stacey Kemp