

**Documents For
Inspiration
Residential
Association, Inc.**

Charter

**FIRST AMENDMENT TO THE COMMUNITY CHARTER
FOR
INSPIRATION**

STATE OF TEXAS

COUNTY OF COLLIN

NOTE TO CLERK: Please cross-reference to
Community Charter at Instrument No.
20150109000028030

This First Amendment to the Community Charter for Inspiration ("Amendment") is made by HC-INSPIRATION ONE, LLC, a Texas limited liability company (the "Founder").

Background Statement

The Founder is the developer of the planned community located in Collin County, Texas, known as Inspiration. The Founder executed and filed that Community Charter for Inspiration, recorded on January 9, 2015 as Instrument No. 20150109000028030 in the County Clerk Official Records of Collin County, Texas (as it may be amended and supplemented, the "Charter").

Pursuant to Section 21.2 of the Charter, the Founder reserved the right to amend the Charter unilaterally during the Founder Control Period. The Founder Control Period has not expired and the Founder desires to amend the Charter as set forth herein.

Amendment

NOW, THEREFORE, the Founder hereby amends the Charter as follows:

1.

Section 12.2(a) of the Charter is amended by deleting the second paragraph of subsection (a) and substituting the following in its place:

The estimated expenses in each budget shall include, in addition to any operating reserves, a contribution to a reserve fund, in such amount as the Board determines appropriate pursuant to this subsection, for repair and replacement of any capital items to be maintained by the Association as a Common Expense or as a Service Area Expense of the Service Area for whom the budget is prepared, as applicable. In determining the

amount of such reserve contribution, the Board shall take into account the number and nature of replaceable assets, the expected useful life of each, the expected repair or replacement cost, and the contribution required, if any, to provide adequate funding for repairs needed to extend the useful life of each asset and/or replace each asset at the end of its useful life. In determining the amount of reserve contribution to be included in the General Budget and Base Assessment levied thereunder, the Board may also consider reserve funding provided from other sources, including such amounts, if any, as may be collected pursuant to Section 12.9 and 12.11 and directed to such reserve account.

2.

Section 12.9 is amended by deleting that Section and replacing it with the following:

12.9. Capitalization of Association.

The first Owner of each Unit other than the Founder, a Founder Affiliate, or a Builder designated by the Founder, shall pay to the Association, upon taking title to the Unit, an amount equal to 20% of the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment, and any Service Area Assessment levied on the Unit and shall not be considered an advance payment of such assessments. This amount shall be due and payable to the Association immediately upon transfer of title for its use in covering initial start-up expenses, operating expenses, and other expenses it incurs pursuant to this Charter and the By-Laws which, in the Board's discretion, may include funding of capital reserves for repairs and replacements to property which the Association maintains as a Common Expense for the primary benefit of the Members.

3.

Section 12.11 is amended by deleting the first paragraph of subsection (b) and replacing it with the following:

(b) *Purpose.* Lifestyle Fees shall be placed in a segregated account and used exclusively to provide funding for reserves for capital repairs and replacements to property which the Association maintains as a Common Expense for the primary benefit of the Members and activities, programs, and other uses, as the Board may determine appropriate, which enhance and provide a "direct benefit" to the Community, as the term "direct benefit" is defined in rules of the Federal Housing Finance Agency at 12 C.F.R. Part 1228.1, as it may be amended. For example, Lifestyle Fees, or such portion thereof as are not used to fund reserves, might be used to sponsor or fund, or to assist one or more tax-exempt entities in sponsoring or funding, cultural, educational, charitable, recreational, environmental, conservation, or other similar activities that are conducted in or protect the Community or adjacent or contiguous property, or are conducted on Common Area or other property primarily used by residents of the Community. Lifestyle Fees shall not be used to engage in any political activity, including lobbying, protesting, or taking or asserting a position in any zoning matter. The Board may appoint a Lifestyle Committee in accordance with the By-Laws to develop a budget for and make recommendations to the

Board as to use of any Lifestyle Fees which the Board allocates for purposes other than funding reserves for capital repairs and replacements hereunder.

4.

Section 12.11 is further amended by deleting subsection (c) and replacing it with the following:

(c) **Fee Determination.** The Lifestyle Fee shall be in an amount equal to the annual Base Assessment levied by the Association pursuant to Section 12.2 for the year in which the transfer of title occurs. This amount shall be in addition to, not in lieu of, the annual Base Assessment and any Service Area Assessment levied on the Unit and shall not be applied to payment of such assessments.

IN WITNESS OF the foregoing, the Founder has executed this Amendment on the 3 day of FEBRUARY, 2015.

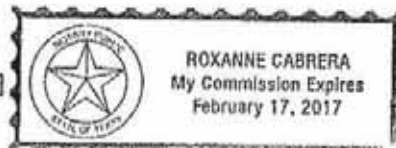
FOUNDER: HC INSPIRATION ONE, LLC a Texas limited liability company

By: Phillip W. Huffines
Name: Phillip Huffines Phillip W. Huffines
Its: Managing Director

STATE OF TEXAS §
COUNTY OR Dallas §
§

This instrument was acknowledged before me on this 3 day of Jan, 2015, by Phillip Huffines, as Managing Director of HC INSPIRATION ONE, LLC, a Texas limited liability company, on behalf of said company, for the purposes therein stated.

[Notarial Seal]



Roxanne Cabrera
Notary Public, State of Texas

Prepared by:

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COMMUNITY CHARTER

FOR

INSPIRATION

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COMMUNITY CHARTER FOR INSPIRATION

PREAMBLE

Inspiration is a master planned community located in Collin County, Texas ("Inspiration"). HC Inspiration One, LLC, a Texas limited liability company, as the founder of Inspiration (together with its successors and assigns, the "Founder"), together with Parker Lakeside, LLC, a Texas limited liability company and Union Valley Ranch, L.P., a Texas limited partnership, each being the initial owner of a portion of the property made or to be made subject to this Charter ("Initial Owners"), have established and recorded this Community Charter for Inspiration (the "Charter"), to provide a governance structure and a flexible system of standards and procedures for the development, expansion, administration, maintenance, and preservation of property within Inspiration.

An integral part of the development plan for Inspiration is the formation of Inspiration Residential Association, Inc., a Texas nonprofit corporation (the "Association"), to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Charter and the other Governing Documents referenced in this Charter. This document does not, and is not intended to, create a condominium under Texas law.

DECLARATION

The property described in Exhibit "A" and any additional property made subject to this Charter in the future by amendment or supplement, shall constitute "Inspiration" or the "Community," as such terms are used in this Charter. This Charter shall run with the title to such property, shall govern the development and use of such property, and shall be binding upon the Founder and the current and future owners of any portion of the property made subject to this Charter, their respective heirs, successors, successors-in-title, and assigns, and any other person or entity that now or hereafter has any legal, equitable, or beneficial interest in any portion of such property. This Charter shall also be binding upon the Association, its successors and assigns.

PART ONE: INTRODUCTION TO THE COMMUNITY

ARTICLE 1 GOVERNING DOCUMENTS

A community is guided and governed by certain principles that each owner and resident, by choosing to own property or reside in the community, agree to uphold. Those principles are set forth in the community's governing documents, which bind the community together, give it structure, and provide guidance to all who participate in its growth, evolution, and administration.

1.1. Scope and Applicability.

The Community has been established and is administered pursuant to various documents that have a legal and binding effect on all owners and occupants of property in the Community, as well as on anyone else that may now or in the future have an interest in any portion of the property comprising the Community. Such documents, referred to in this Charter as the "**Governing Documents**," include this Charter and the other documents described in Table 1.1, as they may be amended. All owners and occupants, as well as their tenants, guests, and invitees, are required to comply with the Governing Documents. All owners and occupants shall be held accountable and liable for the actions of their tenants, guests, and invitees.

1.2. Conflicts and Ambiguities.

If there are conflicts between any of the Governing Documents and applicable federal or state law, federal or state law shall control, as applicable. If there are conflicts between or among any of the Governing Documents, then the Charter, the Certificate of Formation, and the By-Laws (in that order) shall control. If there is a conflict between the Governing Documents and any additional covenants (or the rules or policies adopted pursuant to any such additional covenants) recorded on any property within the Community after the date such property is made subject to this Charter, the Governing Documents shall control.

The Governing Documents use diagrams, tables, and keynotes (text set apart in boxes with "key" icons) to emphasize or explain concepts and highlight certain key points. If there is a conflict between any diagram and the text of the Governing Documents, the text shall control.

If any court determines that any provision of this Charter is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision in other instances.

1.3. Definitions.

Capitalized terms used in the Governing Documents have the meaning ascribed to them in the paragraph where they first appear in bold print. An index to defined terms may be found following the

Table of Exhibits at the beginning of this document. All other terms used in the Governing Documents have their natural, commonly accepted definitions.

GOVERNING DOCUMENTS	
Charter: (recorded)	this Community Charter for Inspiration, which creates obligations that are binding upon the Association and all current and future owners of property in the Community
Supplement: (recorded)	a recorded Supplement to this Charter, which may submit additional property to this Charter, create easements over the property described in the Supplement, impose additional obligations or restrictions on such property, designate special areas as described in Article 3, or any of the foregoing
Certificate of Formation: (filed with the Texas Secretary of State; copy attached as <u>Exhibit "D"</u>)	the Certificate of Formation of Inspiration Residential Association, Inc., as it may be amended, which establishes the Association as a nonprofit corporation under Texas law
By-Laws: (Board adopts; copy attached as <u>Exhibit "E"</u>)	the By-Laws of Inspiration Residential Association, Inc. adopted by its Board of Directors, as they may be amended, which govern the Association's internal affairs, such as voting, elections, meetings, etc.
Architectural Guidelines: (Founder adopts; initial set attached as <u>Exhibit "F"</u>)	the design guidelines and any supplemental architectural and aesthetics standards adopted pursuant to Article 5, as they may be amended, which govern new construction and modifications to Units, including structures, landscaping, and other items on Units
Rules: (initial set attached as <u>Exhibit "C"</u>)	the rules of the Association adopted pursuant to Article 7, which regulate use of property, activities, and conduct within the Community
Board Resolutions: (Board adopts)	the resolutions adopted by the Association's board of directors establishing rules, policies, and procedures for internal governance and for operation and use of property which the Association owns or controls

Table 1.3 - Governing Documents

1.4. Interpretation of Certain References.

Community-Wide Standard. Where the Governing Documents require compliance with the "Community-Wide Standard," the standard to be applied is the highest of: (a) the standard of use, conduct, architecture, landscaping, or aesthetic matters generally prevailing in the Community; or (b) the minimum standards described in this Charter, the Architectural Guidelines, the Rules, and Board resolutions. The Community-Wide Standard may contain objective elements, such as specific maintenance requirements, and subjective elements, such as matters subject to the discretion of the Board or the Reviewer (as defined in Article 5). The Community-Wide Standard may or may not be set out in writing. The Founder initially shall establish such standard; however, the Community-Wide Standard may evolve as development progresses and as the Community matures.

Consent or Approval. All references in the Governing Documents to "consent" or "approval" shall refer to permission or approval which, unless otherwise expressly qualified in the specific provision, may be granted or withheld in the discretion of the Person whose consent or approval is required.

Discretion and Determination. All references in the Governing Documents to "discretion" or to the right to "determine" any matter shall refer to the sole and absolute power or right to decide or act. Unless otherwise expressly limited in the Governing Documents or by law, anyone authorized in the Governing Documents to exercise its discretion or make a determination may do so without regard to the reasonableness of, and without the necessity of justifying, the decision, determination, action, or inaction.

Maintenance. All references in this Charter to "maintenance" shall refer to maintenance, repair, and replacement.

Person. References in the Governing Documents to a "Person" or "Persons" shall refer to an individual or to a corporation, partnership, limited liability company, trust, or other legal entity.

Notice. All references in this Charter to "notice" shall refer to notice delivered in accordance with the provisions for notice set forth in the By-Laws.

Recording. All references in the Governing Documents to a "recorded" legal instrument, or to "recordation" or the "recording" of a legal instrument, shall refer to an instrument filed in, or the filing of a legal instrument in, the Office of the County Clerk of Collin County, Texas or such other place designated as the official location for filing documents affecting title to real estate in Collin County in order to make them a matter of public record.

ARTICLE 2

COMMUNITY ADMINISTRATION

Vibrant communities depend upon all of their stakeholders working together to uphold community standards and achieve the vision and goals for the community. The Founder, the Association, the owners, the builders, and others have a role in the functioning of the Community and in helping to fulfill that vision. This Article identifies these stakeholders and describes their roles in administering the Community.

2.1. The Founder.

The Founder has established the vision for Inspiration and for the Community and, through the Governing Documents, has set forth the founding principles that will continue to guide the Community during the development and sale period and thereafter. The Founder's proposed plan of development encompasses all of the property described in Exhibit "A" and all or a portion of the property described in Exhibit "B" (the "Master Plan"). However, the Founder is not obligated to submit property shown on the Master Plan to this Charter. In addition, the Founder may submit property to this Charter that is not shown on the Master Plan.

The Founder has reserved various rights in the Governing Documents with respect to development and administration of the Community. The Founder may exercise certain of these rights throughout the "Development and Sale Period," which is the period of time during which the Founder, any "Founder Affiliate," or any "Builder" (defined in Section 2.4) owns real property in the Community or has an

unexpired option to expand the Community pursuant to Article 17. A "Founder Affiliate" is any Person that controls, is controlled by, or is under common control with the Founder, and any Person that is an owner, a member, a partner, or a shareholder of the Founder.

The Founder has reserved other rights that may be exercised only during the "Founder Control Period," which is the period of time that the Founder is entitled to appoint a majority of the members of the Association's board of directors ("Board"). The Founder Control Period begins on the date this Charter is recorded and terminates upon the first of the following to occur:

(a) when 85% of the total number of Units permitted by applicable zoning for the property described in the Master Plan have certificates of occupancy issued thereon and have been conveyed to persons other than Builders holding title for purposes of construction and resale;

(b) December 31, 2050; or

(c) when, in its discretion, the Founder so determines and declares in a recorded instrument.

The Founder has certain approval rights for a limited period as provided in the By-Laws after the termination of the Founder Control Period.

The Founder may assign its status and rights as the Founder under the Governing Documents to any person who takes title to any portion of the property described in Exhibit "A" or "B" for the purpose of development and/or sale. Such assignment shall be made only in a recorded instrument signed by both parties.

 **THE FOUNDER RETAINS VARIOUS RIGHTS TO FACILITATE THE DEVELOPMENT AND SALE OF THE COMMUNITY, INCLUDING THE RIGHT TO APPOINT A MAJORITY OF THE MEMBERS OF THE ASSOCIATION'S BOARD OF DIRECTORS DURING THE "FOUNDER CONTROL PERIOD."**

2.2. The Association and its Board.

The Founder has established the Association as the primary entity responsible for administering the Community in accordance with the Governing Documents. On most matters, the Association acts through the Board. However, in some instances the Governing Documents or applicable law limit the Board's ability to act without the approval of the Association's members. Unless the Governing Documents or Texas law specifically provide otherwise, the Board may exercise the Association's rights and powers without a vote of the membership.

The Association may exercise all rights and powers which the Governing Documents and Texas law expressly grant to it, as well as any rights and powers that may reasonably be implied under the Governing Documents. It may also take any action reasonably necessary to effectuate any such right or privilege. However, the Board has no legal duty to institute litigation or any other proceeding on behalf of or in the name of the Association or its members.

In exercising the Association's rights and powers, making decisions on the Association's behalf (including, without limitation, deciding whether to file a lawsuit or take other legal action under any

circumstances), and conducting the Association's affairs, Board members and the Association's officers are required to comply with, and shall be judged by, the standards set forth in the By-Laws.

2.3. The Owners.

Each Person that holds record title to a "Unit" (as defined in Section 3.1) is referred to in the Governing Documents as an "Owner." However, a Person who holds title merely as security for the performance of an obligation (such as a lender holding a deed of trust, mortgage, or similar security instrument) is not considered an "Owner." If a Unit is sold under a recorded contract of sale, and the contract specifically so states, the purchaser (rather than the holder of fee simple title) will be considered the Owner. If a Unit has more than one Owner, all co-Owners are jointly and severally obligated to perform the responsibilities of the Owner under the Governing Documents. Where the Governing Documents or applicable law require notice to an Owner or member of the Association, notice given to any co-Owner of a Unit shall be deemed notice to all co-Owners of such Unit.

Every Owner has a responsibility to comply with the Governing Documents and uphold the Community standards described in Part Two of this Charter. Each Owner also has an opportunity to participate in the administration of the Community through membership in the Association and through service to the Community in various committee and leadership roles, as described in Articles 3 and 4 and in the By-Laws.

2.4. Builders.

Much of the responsibility and credit for helping to create the Community rests with the "Builders" – those Persons who purchase one or more unimproved Units or parcels of land within the Community for further subdivision or development and resale in the ordinary course of their business. The Builders have the same privileges and responsibilities as Owners during the time that they own Units for construction and resale, including the privileges of membership in the Association. In addition, the Founder may extend any of the rights it has reserved under the Governing Documents with respect to development, marketing, and sale of property in the Community to such Builders as it may designate.

2.5. Neighborhood Associations.

Portions of the Community may have special features or requirements that lead the responsible Builder or the Founder to establish another owners association to administer additional covenants applicable to that particular area (a "Neighborhood Association"). However, nothing in this Charter requires the creation of a Neighborhood Association. If created, the Owners of Units within the jurisdiction of a Neighborhood Association shall be members of both the Neighborhood Association and the Association.

A Neighborhood Association shall be responsible for administering the additional covenants applicable to the property within its jurisdiction and for maintaining, in accordance with the Community-Wide Standard, any property it owns or which is designated pursuant to such additional covenants as being for the common benefit of its members. However, the Neighborhood Association may contract with others, including the Association, to perform various services on its behalf.

2.6. Mortgagees.

If a Unit is made subject to a recorded deed of trust or other form of security instrument affecting title to a Unit (a "Mortgage"), then the holder or beneficiary of that Mortgage (a "Mortgagee") also has an

interest in the administration of the Community. The Governing Documents contain various provisions for the protection of Mortgagees, including those set forth in Article 16.

2.7. Water Control Improvement District.

Inspiration is located within Collin County Water Control and Improvement WCID #3 (the "WCID"), a special taxing district created pursuant to Section 59, Article XVI, and Section 52, Article III, of the Texas Constitution, to acquire, construct, finance, issue bonds for, improve, own, operate, maintain, and repair water and sewer infrastructure, roads, storm drainage, and certain related improvements within Inspiration. The WCID may impose and levy ad valorem taxes or assessments, or both, on all or portions of the property within Inspiration. Such taxes and assessments are in addition to assessments and fees levied by the Association pursuant to this Charter or by Collin County and any other taxes and assessments authorized by law. The WCID may also issue general obligation or revenue bonds to finance its operations.

The WCID has or will levy ad valorem taxes or assessments on portions of the property within Inspiration in connection with constructing certain infrastructure and improvements, which taxes or assessments may be collected by the WCID in the same manner as an ad valorem property tax levied against real property may be collected by Collin County. Each Owner waives: (1) any and all defects, irregularities, illegalities or deficiencies in the proceedings establishing the WCID; (2) any and all notices and time periods provided by law, including, but not limited to, notice of the establishment of the WCID and notice of public hearings regarding the levy of ad valorem taxes or assessments by the governing body of the WCID; and (3) any and all defects, irregularities, illegalities or deficiencies in the adoption of the assessment ordinance or the service and assessment plan for the WCID by its governing body. The WCID is intended as a third-party beneficiary of this Section and shall have the authority to enforce the Owners' obligations and waivers pursuant to this Section.

Although the WCID may own real property and/or improvements subject to this Charter, and shall be obligated to comply with this Charter and as to any such property, the WCID shall not be a member of the Association nor shall it have any seat on the Association's Board. The WCID has no voting rights in or obligation to pay assessments to the Association, except to the extent that the property it owns constitutes a Unit as defined in Section 3.1.

At any time, and from time to time, the Founder or the Association may transfer ownership and/or maintenance responsibility for properties within the Community to the WCID and vice versa. As a result of any such transfer, the scope of the Association's maintenance responsibilities under this Charter may be reduced or expanded.

ARTICLE 3 COMMUNITY STRUCTURE AND ORGANIZATION

The Community consists of homes and home sites intended for the exclusive use of the Owners or their tenants and members of their respective households, parcels of land intended for further subdivision, as well as property intended for common use. Units may be assigned to "Neighborhoods" to facilitate voting on Association matters. Units may be assigned to Service Areas to enable the Association to provide special services and benefits to particular areas of the Community.

3.1. Designations of Properties Comprising the Community.

Units. The Governing Documents refer to the homes and home sites in the Community as "Units." A "Unit" is a portion of the Community depicted as a separately identified lot or parcel of land or airspace in a recorded subdivision plat, survey, or condominium instrument, which portion may be independently owned and conveyed and is zoned or otherwise intended for development, use, and occupancy as a residence for a single family or household. However, any property conveyed to the Association as "Common Area" (as described below) shall not be considered a "Unit," even though such property may be identified as a separate lot on a recorded subdivision plat and originally intended for construction of a dwelling. Likewise, the common property of any Neighborhood Association and property dedicated to the public, or the WCID, shall not be considered a "Unit." The term "Unit" refers to the land, if any, which is part of the Unit, as well as to any structures or other improvements on such land. In the case of a building comprising a condominium or other structure containing multiple dwellings, each dwelling shall be considered a separate Unit. A parcel of land intended for development as one or more Units shall be treated as a single Unit until a subdivision plat, survey, or condominium instrument is recorded dividing it into more than one Unit. The subdivision and combination of Units is subject to the provisions of Section 7.1(d).

Common Area. Any property and facilities that the Association owns or in which it otherwise holds possessory or use rights for the common use or benefit of more than one Unit is referred to as "Common Area." The Common Area also includes any property that the Association holds under a lease and any easements in favor of the Association. The Founder and others may establish and convey Common Area to the Association as provided in Section 9.1.

Limited Common Area. Certain portions of the Common Area may be designated as "Limited Common Area" and assigned for the exclusive use or primary benefit of two or more Units in specified portions of the Community. Limited Common Areas might include such things as entry features, private streets, alleys, paseos, and recreational facilities, among other things, that benefit only a portion of the Community.

The Founder may designate property as Limited Common Area and assign it to particular Units on the recorded plat depicting such property, in the deed conveying such property to the Association, or in the Supplement by which the property is submitted to the terms of this Charter. At any time during the Development and Sale Period, the Founder may assign use of the same Limited Common Area to additional Units.

Area of Common Responsibility. All of the properties and facilities for which the Association has responsibility under the Governing Documents, or for which the Association otherwise agrees to assume responsibility, are collectively referred to in the Governing Documents as the "Area of Common Responsibility," regardless of who owns them. The Area of Common Responsibility includes all of the Common Area and may also include Units or portions of Units, property owned by any Neighborhood Association and property dedicated to the public, such as public rights-of-way and public parks. The initial Area of Common Responsibility is described in Article 9.

Other Properties. In addition to the above, the Community may include property dedicated to the public and property owned or controlled by the WCID, another governmental or quasi-governmental entity, or by another owners association for the common use and enjoyment of its members (collectively, "Other Properties"). Any Other Properties shall be subject to the provisions of this Charter, including, without limitation, the provisions of Part Two of this Charter relating to Community Standards, the

easements set forth in Article 13, and the rights of the Founder described in Article 18, except to the extent that applicability of such provisions is specifically limited to Units; however, Other Properties shall not be subject to assessment by the Association for Common Expenses and the owners of Other Properties shall have no membership or voting rights in the Association by virtue of ownership of such Other Properties, unless such property would fall within the definition of a "Unit" under this Section 3.1 if owned by any other Person.

3.2. Neighborhoods.

Units will be grouped into "**Neighborhoods**" to facilitate a system of representative voting on matters as to which the Governing Documents require approval of the Association's membership. A Neighborhood may be comprised of any number of Units and may include Units of more than one housing type, as well as Units that are not contiguous to one another. Each Neighborhood will elect one "Voting Delegate" to cast the votes allocated to Units in that Neighborhood on matters requiring a vote of the Owners, as described in Article 4.

The Founder will assign Units to a specific Neighborhood (by name or other identifying designation) in a Supplement. During the Development and Sale Period, the Founder may unilaterally record a Supplement, or an amendment to this Charter or any previously recorded Supplement, to designate or change Neighborhood boundaries. Thereafter, the Board may amend this Charter or any Supplement to re-designate Neighborhood boundaries; however, the Board may not combine two or more existing Neighborhoods without the consent of the Owners of a majority of the Units in the affected Neighborhoods.

3.3. Service Areas.

Units may also be part of one or more "**Service Areas**" in which the Units share Limited Common Areas or receive special benefits or services from the Association that it does not provide to all Units within the Community. A Unit may be assigned to more than one Service Area, depending on the number and types of special benefits or services it receives. A Service Area may be comprised of Units of more than one housing type and may include Units that are not contiguous.

The Founder may initially designate Service Areas (by name or other identifying designation) and assign Units to a particular Service Area either in Exhibit "A" or in a Supplement. During the Development and Sale Period, the Founder may unilaterally amend this Charter or any Supplement to designate or change Service Area boundaries.

In addition, the Board may, by resolution, designate Service Areas and assign Units to them upon petition of Owners of at least 67% of the Units affected by the proposed designation pursuant to Section 10.2.

The Owners of Units within each Service Area may elect a "**Service Area Committee**" in accordance with the By-Laws to represent and act on behalf of the Owners within that Service Area, but only with respect to the services and benefits that the Association provides to the Service Area. References to Service Areas in the Governing Documents shall also refer to such Service Area Committees, if appropriate from the context.

ARTICLE 4

ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

The Association is an entity through which each Owner can participate in the governance and administration of the Community. While many powers and responsibilities are vested in the Board in order to facilitate day-to-day management and operation, the membership and voting rights vested in the Owners allow the Owners to participate in administration of the Community and influence the outcome of major decisions.

4.1. Membership.

The Association initially has two classes of membership: the Owner Membership, which is comprised of all Owners, including Builders, and the Founder Membership, which consists solely of the Founder.

(a) **Owner Membership.** Every Owner is automatically a "**Member**" of the Association. However, there shall be only one membership per Unit. Thus, if a Unit has more than one Owner, all co-Owners of the Unit shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth below and in the By-Laws. If an Owner is a corporation, a partnership, or other legal entity, its membership rights may be exercised by any officer, director, partner, or trustee, or by an individual the Owner designates from time to time in a writing to the Association's Secretary, except that only the individuals residing in the Unit shall be entitled to use any Common Area recreational facilities available for use by Owners.

(b) **Founder Membership.** The Founder holds the sole Founder membership. The Founder membership shall terminate two years after expiration of the Founder Control Period, or on such earlier date as the Founder determines and declares in a recorded instrument.

In any Supplement submitting additional property to the terms of this Charter, the Founder may establish additional classes of membership comprised of the owners of Units within any portion of the additional property described in such Supplement. The Founder shall specify in any such Supplement the rights, privileges, and obligations of the members of any class of membership created by that Supplement.

4.2. Voting.

Each Unit is assigned one equal vote, subject to the limitations on voting set forth in this Charter and the other Governing Documents. No vote shall be exercised for any property exempt from assessment under Section 12.8.

Due to the number of Units that may be developed in the Community, the Governing Documents provide for a representative system of voting. The Owners of Units in each Neighborhood elect a "**Voting Delegate**" and an alternate Voting Delegate, in the manner provided in the By-Laws, to cast the votes of all Units in the Neighborhood, other than Units owned by the Founder, on matters requiring a vote of the membership, except where the Governing Documents specifically require a vote of the Owners. However, until such time as the Board first calls for election of a Voting Delegate for a particular Neighborhood, each Owner of a Unit in such Neighborhood shall be considered a "Voting Delegate" and may personally cast the vote allocated to such Owner's Unit on any issue requiring a vote of the Voting Delegates under the Governing Documents. The Founder shall be considered the Voting Delegate for, and may personally cast the vote(s) allocated to, Units which it owns.

It is the duty of a Voting Delegate, or in his or her absence, the alternate Voting Delegate, to attend Association meetings and cast the votes allocated to the Units that he or she represents on any matters as to which such Voting Delegate is entitled to vote under the Governing Documents. A Voting Delegate may, but is not required to, conduct a poll of the Owners of Units in the Neighborhood which he or she represents prior to voting. If such a poll is conducted, the Voting Delegate shall cast the votes in accordance with the result of the poll. Any votes not accounted for in the poll may be cast in the Voting Delegate's discretion. The Voting Delegate shall not be entitled to fractionalize any single vote.

Voting Delegates are subordinate to the Board, and their responsibility and authority as Voting Delegates does not extend to policymaking, supervising, or otherwise being involved in Association governance beyond voting on matters put to a vote of the membership.

In any situation in which the Governing Documents or applicable law authorize an Owner personally to exercise the vote for such Owner's Unit, or grant or withhold consent or approval to any action, if there is more than one Owner of the Unit, the right to vote, consent, or grant approval for such Unit shall be exercised as the co-Owners holding a majority of the ownership interest in the Unit determine among themselves; provided, any co-Owner may cast the vote for the Unit or grant consent or approval as the Owner of the Unit and majority agreement shall be conclusively presumed unless another co-Owner of the Unit protests promptly to the President or other person presiding over the meeting or the balloting, in the case of a vote taken, or consent or approval granted, outside of a meeting. In the absence of majority agreement, the Unit's vote, and the right to grant consent or approval of a proposed action, shall be suspended if two or more co-Owners seek to exercise it independently.

PART TWO: COMMUNITY STANDARDS

ARTICLE 5

ARCHITECTURE, LANDSCAPING, AND AESTHETIC STANDARDS

The Community derives its unique character from a mix of compatible architectural styles and from the cooperation of all Builders and Owners in upholding minimum design, landscaping, and aesthetic standards. This Article explains how those standards are established and how they are applied and maintained through a process requiring prior approval for construction on and exterior modifications to improvements on Units.

5.1. General.

All site work, landscaping, structures, improvements, modifications, and items placed on a Unit or on Other Properties in a manner or location visible from outside of any existing structures on the Unit or Other Properties ("**Improvements**") are subject to standards for design, development, landscaping, and aesthetics adopted pursuant to this Article ("**Architectural Guidelines**") and the approval procedures set forth in this Article, except to the extent that Tex. Prop. Code Chapter 202, this Article, or the Architectural Guidelines may otherwise provide.

No prior approval is necessary to repaint the exterior of existing structures using the most recently approved color scheme or to rebuild or restore any damaged structures in a manner consistent with the plans and specifications most recently approved for such structures; however, the Owner shall notify the

Association before undertaking such activities. Generally, no approval is required for work done to the interior of a structure; however, modifications to the interior of screened porches, patios, and any other portions of a structure visible from outside of the structure do require prior approval.

Any dwelling constructed on a Unit shall be designed by and built in accordance with the plans and specifications of a licensed architect unless the Founder or its designee in its sole discretion otherwise approves.

Approval under this Article is not a substitute for any approvals or reviews required by Collin County, Texas, or any other municipality or governmental agency or entity having jurisdiction over architectural or construction matters.

This Article shall not apply to the Founder's design and construction activities or to the Association's activities during the Founder Control Period.

5.2. Design Review Authority.

(a) *Founder.* The Founder shall have exclusive authority to review and act upon all applications for review of proposed Improvements until the later of (i) the expiration of the Development and Sale Period, or (ii) such time as all Units planned for the property described in Exhibits "A" and "B" have been improved with dwellings that are substantially complete and occupied or ready for occupancy. The Founder may designate one or more persons to act on its behalf in reviewing any application. The Founder may also establish a committee comprised of such persons as the Founder deems appropriate (which may but need not include Builders, architects, engineers, or other professionals), to review applications and make recommendations to the Founder of approval or disapproval during the period of time that the Founder holds reviewing authority under this Article. In reviewing and acting upon any request for approval, the Founder and its designee act solely in the Founder's interest and owe no duty to any other Person.

From time to time, the Founder may delegate any or all of its rights under this Article to other Persons or committees, including the committee appointed pursuant to Section 5.2(b). Any such delegation shall be in writing, shall specify the scope of responsibilities delegated, and shall be subject to (i) the Founder's right to revoke such delegation at any time and reassume its prior control, and (ii) the Founder's right to veto any decision which it determines, in its discretion, to be inappropriate or inadvisable. So long as the Founder has any rights under this Article, the jurisdiction of others shall be limited to such matters as the Founder specifically delegates.

(b) *Architectural Review Committee.* Upon the Founder's delegation of authority pursuant to Section 5.2(a), or upon expiration or termination of the Founder's rights under this Article, the Board shall appoint an Architectural Review Committee ("**Architectural Review Committee**" or "**ARC**") to assume jurisdiction over matters within the scope of the delegated authority or this Article, respectively. The ARC shall consist of at least three, but not more than five, persons who shall serve and may be removed and replaced in the Board's discretion. ARC members need not be Owners or representatives of Owners. The ARC may, but need not, include architects, engineers, or similar professionals. The Association may compensate ARC members in such manner and amount, if any, as the Board may determine appropriate consistent with applicable law.

Until expiration of the Founder's rights under this Article, the ARC shall notify the Founder in writing within seven business days of any action (i.e., approval, partial approval, or disapproval) it takes under this Article. A copy of the application and any additional information the Founder may require shall

accompany the notice. The Founder shall have 10 business days after receipt of such notice to veto any such action, in its discretion, by written notice to the ARC.

Unless and until such time as the Founder delegates all or a portion of its reserved rights to the ARC or the Founder's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

(c) *Reviewer.* For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "Reviewer."

(d) *Fees; Assistance.* The Reviewer may establish and charge reasonable fees for its review of applications and may require that such fees be paid in advance. Such fees may also include reasonable costs incurred in having professionals review any application and conduct a final inspection for compliance with approved plans. The Board may include the compensation of such persons in the Association's annual operating budget.

(e) *Construction Deposit.* As a condition of approval of any application hereunder, the Reviewer may require the applicant to post a construction deposit. The Association shall be entitled to draw upon the construction deposit to cover costs which it incurs in cleaning up dirt or debris and repairing damage to any subdivision improvements or Common Areas which the Board determines, after notice to the applicant and an opportunity for a hearing in accordance with the By-Laws, is attributable to the construction activities of the applicant or its contractors, subcontractors, suppliers, or others providing goods or services in conjunction with the construction activities on the applicant's property. The applicant shall provide funds to restore the construction deposit to its original amount within 10 days after written request from the Association notifying the applicant of the amount of any disbursement from the applicant's construction deposit. Upon completion of all work in accordance with the approved plans, the applicant shall be entitled to a refund of the applicant's construction deposit (or if any portion has been applied to cover the Association's costs pursuant to this section and not restored, then the balance remaining, if any).

5.3. Guidelines and Procedures.

(a) *Architectural Guidelines.* The initial Architectural Guidelines are attached as Exhibit "F," but are subject to amendment as provided in this section. The Architectural Guidelines may contain general provisions applicable to the entire Community as well as specific provisions that vary among uses or locations within the Community and may also include rules governing construction activities within the Community. The Architectural Guidelines are intended to provide guidance to Owners and contractors regarding matters of particular concern to the Reviewer. The Architectural Guidelines are not the exclusive basis for the Reviewer's decisions, and compliance with the Architectural Guidelines does not guarantee approval.

The Founder shall have sole and full authority to amend the Architectural Guidelines for so long as it has review authority under Section 5.2(a). The Founder's right to amend the Architectural Guidelines shall continue even if it delegates reviewing authority to the ARC, unless the Founder also delegates the power to amend to the ARC. Upon termination or delegation of the Founder's right to amend, the ARC may amend the Architectural Guidelines with the Board's consent. No amendment shall be inconsistent with the provisions of Tex. Prop. Code Chapter 202, as it may be amended.

Amendments to the Architectural Guidelines shall apply prospectively only. They shall not require modifications to, or removal of, any structures previously approved once the approved construction or

modification has begun. However, any new work on such structures must comply with the Architectural Guidelines as amended. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may eliminate requirements previously imposed or otherwise make the Architectural Guidelines less restrictive. Any amendment to the Architectural Guidelines shall be effective upon recording.

The Reviewer shall make the Architectural Guidelines, as they may be amended, available to Owners and their contractors upon request.

(b) **Procedures.** Unless the Architectural Guidelines provide otherwise, no activities within the scope of this Article (as described in Section 5.1) may begin on any portion of the Community until a written application is submitted to and approved by the Reviewer. The application must be accompanied by plans and specifications and such other information as the Reviewer or the Architectural Guidelines require.

In reviewing each application, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of the proposed external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner and other applicant acknowledges that such determinations are purely subjective and that opinions may vary as to the desirability and/or attractiveness of particular improvements.

Subject to the provisions of Tex. Prop. Code Chapter 202, as it may be amended, and this Charter, the Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment, and such determinations shall not be subject to the procedures in Article 19 or judicial review so long as they are made in good faith and in accordance with required procedures, Tex. Prop. Code Chapter 202, and applicable laws and restrictive covenants.

The Reviewer shall make a determination on each application after receipt of a completed application with all required information. The Reviewer may permit or require that an application be submitted or considered in stages, in which case a final decision shall not be required until after the final, required submission. The Reviewer may: (i) approve the application with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

The Reviewer shall notify the applicant in writing of the final determination on any application no later than 30 business days after its receipt of a completed application and all required submissions; however, with respect to any ARC determination subject to the Founder's veto right under Section 5.2(b), the Reviewer shall notify the applicant of the final determination within 40 business days after its receipt of the final determination and all required submissions. Notice shall be deemed given at the time the envelope containing the response is deposited in the U.S. mail. Hand delivery, facsimile, electronic mail, or similar delivery of such written notice also shall be sufficient and shall be deemed given at the time of confirmed delivery to the applicant.

If the Reviewer fails to respond in a timely manner, the applicant may notify the Reviewer in writing by certified mail, return receipt requested, demanding a response and, if the Reviewer fails to respond within 14 days after receipt of such demand, approval shall be deemed given, but only to the extent that the application is in conformance with the Architectural Guidelines. No approval, whether expressly granted or deemed granted, shall be inconsistent with the Architectural Guidelines unless a written variance has been granted pursuant to Section 5.5.

As part of any approval, the Reviewer may require that construction commence within a specified time period. If construction does not commence within the required period, the approval shall expire, and the Owner must reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the Reviewer, in its discretion, grants an extension in writing.

Upon completion of all work for which approval has been granted, the applicant shall notify the Reviewer in writing that construction is complete. The Reviewer may conduct an inspection within 30 days thereafter and notify the applicant in writing as to any deviations or deficiencies noted from the approved plans. If deviations or deficiencies are noted, the applicant shall promptly take such action as the Reviewer has specified in such notice to conform the work to the approved plans.

The Reviewer may exempt certain activities from the application and approval requirements of this Article if such activities are undertaken in compliance with the Architectural Guidelines and the Community-Wide Standard.

5.4. No Waiver of Future Approvals.

The people reviewing applications under this Article will change from time to time, and opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. It may not always be possible to identify objectionable features until work is completed. However, the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans shall not constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

5.5. Variances.

The Reviewer may authorize variances from compliance with any of the Architectural Guidelines and any procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require. However, no variance shall: (a) be effective unless in writing; (b) be contrary to this Charter; or (c) prevent the Reviewer from denying a variance in other circumstances. Any variance requires the Founder's written consent during the Development and Sale Period and, thereafter, requires the Board's written consent.

5.6. Limitation of Liability.

This Article establishes standards and procedures as a mechanism for maintaining and enhancing the overall aesthetics of the Community; they shall not create any duty to any Person. Review and approval of any application pursuant to this Article may be based purely on aesthetic considerations. The Reviewer is not responsible for the structural integrity or soundness of approved construction or modifications, for compliance with building codes and other governmental requirements, or for ensuring that all dwellings are of comparable quality, value, size, or design, or are aesthetically pleasing or otherwise acceptable to other Owners.

The Founder, the Association, its officers, the Board, any committee, and members of any of the foregoing shall not be liable for: (a) soil conditions, drainage, or other general site work; (b) any defects in plans revised or approved hereunder; (c) any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not the Founder has approved or featured such contractor as a Builder; or (d) any injury,

damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters arising under this Article, the Association shall defend and indemnify the Board, the ARC, and the members of each, as provided in the By-Laws.

5.7. Certificate of Compliance.

Any Owner may request in writing that the Reviewer issue a certificate of compliance certifying that there are no known violations of this Article or the Architectural Guidelines. The Association shall either grant or deny such written request within 30 days after receipt and may charge a reasonable administrative fee. Issuance of such a certificate shall prevent the Association from taking enforcement action against an Owner for any condition known to the Association on the date of such certificate.

ARTICLE 6

MAINTENANCE, REPAIR, AND REPLACEMENT

One of the advantages of owning property in a planned community is the commitment among neighbors to maintain their property in a neat, attractive, and well-landscaped condition to enhance the overall beauty and aesthetic appeal of the community. This Article describes the Owners' responsibilities for maintenance and repair of their Units and for insuring their Units against property damage so that funds will be available for repair and restoration if needed.

6.1. Maintenance of Units.

Each Owner shall maintain such Owner's Unit, including all structures, landscaping, and other improvements comprising the Unit, in a manner consistent with the Governing Documents and the Community-Wide Standard, unless such maintenance responsibility is otherwise assumed by or assigned to the Association or a Neighborhood Association pursuant to this Charter, any Supplement, any additional covenants administered by a Neighborhood Association, or by law.

Each Owner shall also be responsible for maintaining and irrigating the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the Unit boundary and any wall, fence, or curb located on the Common Area or public right-of-way within 20 feet of the Unit boundary. However, Owners may not remove trees, shrubs, similar vegetation, or other improvements from this area without prior approval pursuant to Article 5.

6.2. Maintenance of Other Properties.

The WCID, any Neighborhood Association, or any other entity which owns or has responsibility for Other Properties (as described in Section 3.1) shall maintain such Other Properties in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants. Such maintenance shall, at a minimum, comply with those standards set forth on Exhibit "G" to this Charter.

Such maintenance shall include responsibility for maintaining and irrigating the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the boundary of its property and any wall, fence, or curb located on the Common Area or public right-of-way within 20 feet of its boundary. No Person shall remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article 5.

The Association may assume maintenance responsibility for any property in the Community, either upon designation of such property as part of a Service Area pursuant to Section 3.3 or upon the Board's determination, pursuant to Article 8, that the level and quality of maintenance then being provided is not consistent with the Community-Wide Standard. The Association may assess the cost of such maintenance against the benefited property as a Specific Assessment pursuant to Section 12.4, or if authorized by a recorded Supplement designating a Service Area, against all Units in the benefited Service Area as a Service Area Assessment, as provided in Section 12.2(c). The Association need not treat all similarly situated Neighborhood Associations or properties the same.

6.3. Responsibility for Repair and Replacement.

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement necessary to maintain the property to a level consistent with the Community-Wide Standard.

Each Owner shall carry property insurance for the full replacement cost of all insurable improvements on such Owner's Unit, less a reasonable deductible, unless either a Neighborhood Association (if any) or the Association carries such insurance (which they may but are not obligated to do). Likewise, any entity which owns Other Properties shall carry property insurance for the full replacement cost of all insurable improvements on such Other Properties, less a reasonable deductible. The Association may, but shall have no obligation to, monitor compliance with this requirement. Each Owner or entity required to maintain insurance hereunder shall furnish a certificate of insurance to the Association within 10 days of the Association's request. If the Association assumes responsibility for insuring any property hereunder, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit or other property and the owner thereof, or if authorized by a recorded Supplement designating a Service Area, against all Units in the benefited Service Area as a Service Area Assessment, as provided in Section 12.2(c).

Within 90 days after any damage to or destruction of a structure on a Unit or Other Properties, the Owner or Person responsible for repair and replacement thereof shall promptly repair or reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved pursuant to Article 5 unless the Board, in its discretion, agrees to extend such period. Alternatively, the Unit shall be cleared of debris and thereafter maintained in a neat and attractive landscaped condition consistent with the Community-Wide Standard. The Owner or Person responsible for repair and replacement of Other Properties requiring repair or replacement hereunder shall pay any costs that insurance proceeds do not cover.

Additional recorded covenants applicable to any Neighborhood Association or Service Area may establish additional insurance requirements and more stringent standards for rebuilding or reconstructing structures on Units and for clearing and maintaining the Units in the event the structures are not rebuilt or reconstructed.

This section shall apply to a Neighborhood Association with respect to common property of the Neighborhood Association and to the WCID and any other Person which owns or is responsible for maintaining Other Properties, in the same manner as if the Neighborhood Association, WCID, or other Person were an Owner and its property were a Unit.

6.4. Maintenance and Repair of Party Walls and Similar Structures.

(a) *Original Construction.* Each wall, fence, driveway, or similar structure built as part of the original construction on Units which serves and/or separates any two or more adjoining Units, and any replacement thereof, shall be considered a party structure. Except as may otherwise be provided in any applicable Supplement or in any additional covenants administered by a Neighborhood Association having jurisdiction, if any necessary maintenance, repair or replacement of a party structure affects both sides of the structure, it shall be the joint responsibility of the Owners of the Units served or separated by the party structure and any such Owner may perform the necessary maintenance or repair and, within 30 days after receipt of written evidence of the total cost incurred, the other Owner(s) shall reimburse the Owner who has incurred such cost for an equal share of the reasonable cost he or she has incurred in performing such maintenance or repair.

Notwithstanding the above or anything to the contrary in this Charter, if maintenance or repairs to a party structure are necessitated by the conduct of the Owners, occupants or guests of only one of the Units that share such party structure, then the Owner of such Unit shall be responsible for the necessary maintenance or repairs.

The right to and the obligation of contribution for party walls and similar structures between Owners, as provided in this section, shall be appurtenant to the land and shall pass to such Owner's successor-in-title.

To the extent not inconsistent with the provisions of this section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to any party structure. Any dispute concerning a party structure shall be subject to the provisions of Article 19.

(b) *Fence Additions.* If an Owner installs, constructs, or erects a fence on the common boundary line between such Owner's Unit and an adjacent Unit, and the Owner of the adjacent Unit thereafter attaches another section of fence to it or otherwise makes use of such fence for the purpose of enclosing all or a portion of the adjacent Unit, then such fence shall become a party structure for the purpose of each Owner's responsibility for contributing to the maintenance, repair, and replacement of such fence. However, nothing herein shall confer any ownership interest in or right to remove any such fence on the Owner of the adjacent Unit.

(c) *Failure to Maintain.* In the event that the Owners who share a party structure fail to provide necessary maintenance or repairs to a party structure within 10 days after the date of written notice from the Association advising of the need for such maintenance or repairs, the Association shall have the right to provide the necessary maintenance or repairs and assess the costs incurred against the responsible Owners and their Units.

ARTICLE 7 USE AND CONDUCT

In order to maintain a residential environment that encourages respect for and courtesy among neighbors and minimizes the potential for disputes, this Article sets forth basic standards regarding use, occupancy, and transfer of interests in Units. In addition, it provides a procedure by which the rules regulating use, conduct,

and activities within the Community may be expanded and modified to address particular needs and desires of the Community over time.

7.1. Use, Occupancy, and Transfer of Interests in Units.

(a) **Residential and Related Uses.** Units may be used only for residential and related purposes, except as the Founder may otherwise authorize with respect to construction, marketing, and sale activities of the Founder and Builders it designates. A business activity shall be considered "related" to a residential use and thus permitted under this section only if conducted by a person or persons residing in the Unit and only if the business activity:

(i) is not apparent or detectable by sight, sound, or smell from outside of a permitted structure;

(ii) complies with applicable zoning requirements;

(iii) does not involve regular visitation of the Unit by employees who do not reside in the Unit, clients, customers, suppliers, or other business invitees, or door-to-door solicitation within the Community; and

(iv) is consistent with the Community's residential character and does not constitute a nuisance or a hazardous or offensive use, or threaten the security or safety of others, as the Board determines in its discretion.

"Business" shall have its ordinary, generally accepted meaning and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves providing goods or services to Persons other than the family of the producer and for which the producer receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required.

Provision of child care on a limited basis for a fee shall not be considered a "business" within the meaning of this subsection so long as the child care provider: (i) resides in the home where the child care is provided; (ii) does not employ other persons to assist in the provision of child care; and (iii) does not provide child care to more than two children at a time who do not reside in the home where the child care is provided, or more than four children total, including the children of the child care provider. The Board is specifically authorized to adopt rules regulating child care operations within the Community, including rules limiting parking of vehicles, traffic flow, and use of recreational facilities in connection with child care operations, in order to minimize the impact of such operations upon any portion of the Community.

(b) **Leasing.** For purposes of this Charter, the terms "**Lease**" and "**Leasing**" shall refer to the granting of a right of exclusive occupancy of a Unit to any Person other than the Owner for which the Owner receives any consideration or benefit. Leasing of Units shall be subject to strict compliance with the following:

(i) Any Unit that is leased shall be leased only in its entirety; separate rooms, floors, or other areas within a dwelling may not be separately leased; however, any detached "in-law suite" or "guest house" approved pursuant to Article 5 may be leased separate from the main dwelling;

(ii) The leasing of multiple Units by a single Owner, or the leasing of multiple Units by two or more Owners related by blood, adoption, or marriage, or by Owners with a common ownership interest, or by a group of Owners under the control or direction of a single Owner, shall be prohibited, except that this prohibition shall not apply to restrict the leasing of two or more Units by an institutional lender upon taking title following foreclosure of its security interest in the Unit or upon acceptance of a deed in lieu of foreclosure;

(iii) No signs shall be posted in Inspiration or on the right-of-way adjacent to Inspiration advertising the availability of the Unit for rent, except that the Owner of a Unit being offered for lease may post one standard real estate sign on such Unit advertising the Unit for rent during any period that the Unit is vacant and within the 90 day period immediately prior to expiration of the term of any lease which is not being renewed, provided that such sign complies with the Architectural Guidelines adopted pursuant to Section 5.3 and any applicable sign ordinances;

(iv) Any lease shall be in writing and shall provide for a minimum initial term of at least 12 months. The Unit may not be subleased and the lease may not be assigned during the initial 12-month term. In the event of termination of the lease after the tenant has taken occupancy and prior to the end of such six-month minimum initial term, the Owner may not enter into a new lease with a term commencing prior to the date on which the previous lease would have expired without prior approval from the Board, which shall not be granted unless the Board determines, after consideration of the facts and circumstances, that the Owner acted in good faith, with no intent to circumvent the requirements of this subsection (b), and could not reasonably have anticipated the early termination of the previous lease at the time the lease was signed; and

(v) All leases shall disclose that the tenants and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents. However, the Governing Documents shall apply regardless of whether such a provision is specifically set forth in the lease.

Within 10 days of a lease being signed, the Owner of the leased Unit shall notify the Board or the Association's managing agent of the lease and provide an alternate mailing address for the Owner, a copy of the signed lease, and such additional information the Board may reasonably require. The Owner shall give the tenant copies of the Governing Documents prior to the tenant taking occupancy of the Unit.

In addition to, but consistent with this subsection, the Association or the Board may adopt Rules governing leasing and subleasing. Such Rules may require that Owners use Board-approved lease forms (or include specific lease terms) in any lease.

If and to the extent that any provision of this subsection (b) would disqualify a Unit for a federally-insured or federally-guaranteed Mortgage loan, any Unit that would otherwise be eligible for such a Mortgage loan shall be exempt from such provision during any period that: (i) any application for such a Mortgage loan is pending; (ii) such Mortgage is insured or guaranteed under any federal program providing insurance for repayment of or guaranteeing such Mortgage loan, or (iii) the Unit is owned by the Mortgage holder or by any federal agency pursuant to such federal program following the exercise of the Mortgage holder's remedies due to the borrower's default under the terms of the Mortgage.

(c) *Transfer of Title; Resale Certificate.* Any Owner other than the Founder desiring to sell or otherwise transfer title to such Owner's Unit shall give the Board at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other

information as the Board may reasonably require. The Person transferring title shall continue to be jointly and severally responsible with the Person accepting title for all obligations of the Owner, including assessment obligations, until the date upon which the Board receives such notice, notwithstanding the transfer of title. The Person transferring title shall also be responsible for payment of the Lifestyle Fee required under Section 12.11 of this Charter, as applicable.

Within 10 business days after the Association's receipt of a written request from an Owner, an Owner's agent, a purchaser of a Unit, a purchaser's agent, or a title insurance company acting on behalf of the Owner or purchaser of a Unit, specifying the name and address of the person to whom it is to be delivered, the Association shall deliver to the person specified in such request a resale certificate containing all information required by Tex. Prop. Code Section 207.003(b) ("Resale Certificate"), along with a current copy of the Governing Documents. If the requestor is a purchaser or purchaser's agent, the Association may require reasonable evidence that the purchaser has a contractual or other right to acquire the Unit prior to preparing the Resale Certificate. The Resale Certificate shall be prepared as of a date which is not more than 60 days prior to the date of delivery and delivered by mail, hand delivery, or such alternative method of delivery as may be specified in the written request. At any time within 180 days after the date of the initial request, the requestor may request an update to such certificate, which update shall contain the information required by Tex. Prop. Code Section 207.003(f) and shall be delivered not later than the seventh business day after the date of such request. The Association may charge a reasonable fee to prepare, assemble, copy, and deliver a Resale Certificate and accompanying information and any update thereto, and may require such fee to be paid before preparing the Resale Certificate or update.

If the Resale Certificate indicates that there are known conditions on the Unit which violate the Governing Documents, or that there are amounts due and unpaid to the Association on account of the Unit, the Owner shall be responsible for curing such violations and paying any such amounts due prior to transfer of title and, upon doing so, may request an update to the Resale Certificate to reflect such action. If the transferring Owner fails to cure violations or pay amounts due prior to transfer of title, the new Owner shall be jointly and severally responsible with the prior Owner for curing such violations and paying any amounts due and unpaid.

Upon acceptance of title to a Unit, the new Owner of the Unit shall pay to the Association a reasonable administrative fee in such amount as the Board may determine necessary to cover the costs the Association incurs to update the Association's records.

(d) Subdivision and Combination of Units. No Person, other than the Founder and Builders whom the Founder may authorize in writing, shall subdivide or change the boundary lines of any Unit or combine Units without the Board's prior written approval. Any such action that the Board approves shall be effective only upon recording of a plat or other legal instrument reflecting the subdivision or new boundaries of the affected Unit(s). In the absence of such recorded instrument, adjacent Units owned by the same Owner shall continue to be treated as separate Units for purposes of voting and assessment, even though such Units may be improved with a single dwelling.

(e) Transient Use; Timesharing. No Unit shall be used for hotel or transient purposes, nor for overnight lodging of employees or guests when the Owner is not in residence, except that if a Unit is owned by a legal entity, such entity may permit the Unit to be occupied on a long-term or short-term basis by any director, officer, partner, or employee of such entity which the Owner identifies in advance by written notice to the Association, provided that no more than one such person is permitted to occupy the Unit in any 30-day period. No Unit shall be used for operation of any type of timesharing, fraction-sharing, residence club, vacation club, destination club, or similar program whereby the right to exclusive use of the

Unit rotates among participants in the program on a fixed or floating time schedule, on a reservation basis, or on such other basis as may be set forth in the terms of the program.

7.2. Rulemaking Authority and Procedures.

The Governing Documents establish a framework of covenants and conditions that govern the Community. The initial Rules attached as Exhibit "C" are a part of that framework. However, within that framework, the Association must be able to respond to unforeseen issues and changes affecting the Community. Therefore, the Board and the Voting Delegates are authorized to change the Rules in accordance with the following procedures, subject to the limitations set forth in Section 7.3.

(a) **Founder Authority.** So long as the Founder has the right unilaterally to amend this Charter pursuant to Section 21.2, the Founder may unilaterally amend Exhibit "C" to add new Rules or to modify or rescind existing Rules.

(b) **Board Authority.** Subject to the notice requirements in subsection (d) and the Board's duty to exercise judgment and reasonableness on behalf of the Association and its Members, the Board may adopt new Rules and modify or rescind existing Rules by majority vote of the directors at any Board meeting. However, during the Development and Sale Period, any such action shall also be subject to the Founder's approval.

(c) **Membership Authority.** Subject to the notice requirements in subsection (d), the Voting Delegates representing at least 67% of the votes in the Association may also adopt new Rules and modify or rescind existing Rules at any meeting of the Association duly called for such purpose, regardless of the manner in which the original Rule was adopted. However, during the Development and Sale Period, any such action shall also be subject to the Founder's approval.

(d) **Notice.** The Board shall send notice to all Owners or publish notice in a community newsletter or on a community intranet or website concerning any Rule change proposed under subsections (b) or (c) above at least five business days prior to the meeting of the Board or the Voting Delegates at which such action is to be considered. At any such meeting, Voting Delegates shall have a reasonable opportunity to be heard before the proposed action is put to a vote.

(d) **Effective Date.** A Rules change under this Section 7.2 shall be reflected in an amendment to Exhibit "C" executed by the Founder or the Association, or both, as applicable, and recorded. Any such amendment shall take effect upon recording or 30 days after the date on which written notice of the Rules change is given to the Owners, whichever is later.

(e) **Administrative and Operating Policies.** The procedures set forth in this section do not apply to administrative and operating policies that the Board may adopt relating to the Areas of Common Responsibility, such as hours of operation of a Common Area recreational facility, speed limits on private roads, safety regulations, or the method of allocating or reserving use of a facility (if permitted) by particular individuals at particular times, notwithstanding that such policies may be published as part of the Rules.

(f) **Conflicts.** No action taken under this section shall have the effect of modifying or repealing the Architectural Guidelines or any provision of this Declaration other than the Rules. In the event of a conflict between the Architectural Guidelines and the Rules, the Architectural Guidelines shall control. In the event of a conflict between the Rules and any provision of this Charter (exclusive of the Rules), the Charter shall control.

7.3. Protection of Owners and Others.

Except as may be set forth in this Charter (either initially or by amendment) or in the initial Rules set forth in Exhibit "C," all Rules shall comply with the following provisions:

(a) *Similar Treatment.* Similarly situated Units shall be treated similarly; however, the Rules may vary by phase, neighborhood, Service Area, housing type, location, or other distinct characteristics of areas within Inspiration.

(b) *Flags and Other Displays.* No Rule shall abridge the right of the Owner or occupant of a Unit to display the official flag of the United States of America in accordance with 4 U.S.C. Sections 5-10, the flag of the State of Texas in accordance with Chapter 3100 of the Texas Government Code, or an official or replica flag of any branch of the United States armed forces, on the Unit owned or occupied by such Owner, except that Rules may regulate the location, size, use and manner of display of such flags and flagpoles and associated lighting to the extent permitted by Tex. Prop. Code Chapter 202.

No Rule shall abridge an Owner's right to display other political, religious, or holiday symbols and decorations on such Owner's Unit of the kinds normally displayed in single-family residential neighborhoods, nor shall any Rule regulate the content of political signs, except that the Association may adopt time, place, and manner restrictions with respect to such signs, symbols, and displays as are visible from outside structures on the Unit, including reasonable limitations on size, number, and time period within which they may be displayed, consistent with Tex. Prop. Code Chapter 202 and any other applicable provisions of Texas law.

(c) *Household Composition.* No Rule shall interfere with an Owner's freedom to determine household composition, except that the Association may impose and enforce reasonable occupancy limitations and conditions based on Unit size and facilities and its fair share use of the Common Area.

(d) *Activities Within Dwellings.* No Rule shall interfere with the activities carried on within a dwelling, except that the Association may prohibit activities not normally associated with residential property. It may also restrict or prohibit activities that create monetary costs for the Association or other Owners, that create a danger to anyone's health or safety, that generate excessive noise or traffic, that create unsightly conditions visible from outside the dwelling, or that are an unreasonable source of annoyance.

(e) *Allocation of Burdens and Benefits.* No Rule shall alter the allocation of financial burdens among the various Units or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who are delinquent in paying assessments, abuse the Common Area, or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Article 12.

(f) *Leasing and Transfer of Units.* No Rule shall prohibit leasing or transfer of any Unit or require approval prior to leasing or transferring a Unit, except as provided in Section 7.1(b).

(g) *Abridging Existing Rights.* No Rule shall require that an Owner dispose of personal property kept in or on a Unit in compliance with the Rules in effect at the time such personal property was brought onto the Unit. This exemption shall apply only during the period of such Owner's ownership of the Unit and shall not apply to subsequent Owners who take title to the Unit after adoption of the Rule.

(h) *Reasonable Rights to Develop.* No Rule may unreasonably interfere with the Founder's ability to develop, market, and sell property in the Community.

(i) *Interference with Easements.* No Rule may unreasonably interfere with the exercise of any easement.

7.4. Owners' Acknowledgment and Notice to Purchasers.

By accepting title to a Unit, each Owner acknowledges and agrees that the use, enjoyment, and marketability of such Owner's Unit is limited and affected by the Rules, which may change from time to time. All Unit purchasers are hereby notified that the Association may have adopted changes to the Rules and that such changes may not be set forth in a recorded document. A copy of the current Rules and all administrative policies are available from the Association upon request. The Association may charge a reasonable fee to cover its reproduction cost.

ARTICLE 8 COMPLIANCE AND ENFORCEMENT

The covenants, standards, and rules set forth in the Governing Documents are for the benefit of all Owners and occupants of the Community. However, if they are to have any real meaning, there must be a commitment by the Owners in the Community to comply with them and there must be a mechanism in place to enforce that compliance in the event that someone fails or refuses to do so. This Article sets forth the obligation to comply and the remedies available to the Association for noncompliance.

8.1. Compliance.

Every Owner, occupant, and visitor to a Unit or other property within the Community, and every Person which owns or controls Other Properties must comply with the Governing Documents and shall be subject to sanctions for violations as described in this Article. In addition, each Owner shall be responsible for, and may be sanctioned for, all violations of the Governing Documents by the occupants, tenants, guests, or invitees to their Units, and for any damage to the Area of Common Responsibility that such Persons may cause.

8.2. Remedies for Non-Compliance.

The Association, the Founder, the WCID, and every affected Owner shall have the right to file suit at law or in equity to enforce the Governing Documents, subject to the terms of Article 19, as applicable; provided, prior to the Association filing suit against an Owner, other than a suit to collect assessments or foreclose the Association's lien under Article 12, the Association shall provide written notice to the alleged violator and an opportunity for a hearing in accordance with the By-Laws. In addition, the Board may impose sanctions for violation of the Governing Documents, including those listed below and any others described elsewhere in the Governing Documents.

(a) *Sanctions Requiring Prior Notice and Hearing.* After written notice and an opportunity for a hearing in accordance with the By-Laws, the Board may:

(i) impose reasonable monetary fines, which shall constitute a lien upon the violator's Unit. In the event that any occupant, tenant, guest, or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine may, but need not, first be assessed against the violator; provided, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board;

(ii) suspend any Person's right to use any Common Area facilities (A) for any period during which any charge against such Owner's Unit remains delinquent, and (B) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation (except that no notice or hearing is required if the Owner is more than 60 days delinquent in paying any assessment or other charge owed to the Association); provided, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit. This subsection (a)(ii) shall not preclude Association personnel or pool staff from immediately ejecting from a Common Area facility any person who violates safety rules or threatens the safety of other users;

(iii) suspend services the Association provides to the Unit (except that no opportunity for a hearing is required if the Owner is more than 60 days delinquent in paying any assessment or other charge owed to the Association);

(iv) exercise self-help or take action to abate any violation of the Governing Documents in a non-emergency situation (including removing personal property that violates the Governing Documents);

(v) without liability to any Person, preclude any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article 5, including the Architectural Guidelines, from continuing or performing any further activities in Inspiration;

(vi) levy Specific Assessments to cover costs the Association incurs in bringing a Unit or Other Properties into compliance with the Community-Wide Standard or other requirements under the Governing Documents or to reimburse the Association for property loss or damage arising from the conduct of the Owner or occupants of the Owner's Unit; and

(vii) record a notice of violation with respect to any Unit or Other Properties on which a violation exists.

If, after notice and an opportunity for a hearing, the violation continues or recurs within 12 months after the date of such notice, the Board may impose any of the above sanctions without further notice or opportunity for another hearing.

(b) Other Sanctions. The Board may take the following actions to obtain compliance with the Governing Documents without prior notice or a hearing:

(i) exercise self-help or take action to abate a violation on a Unit or Other Properties in any situation which requires prompt action to avoid potential injury or damage or unreasonable inconvenience to other persons or their property (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations);

(ii) exercise self-help or take action to abate a violation on the Common Area under any circumstances;

(iii) require an Owner, Neighborhood Association, or other Person responsible for maintenance under Article 6, at its own expense, to perform maintenance or to remove any structure or improvement on such Owner's Unit or on the property for which such Person is responsible, that is in violation of the Community-Wide Standard or other requirements under the Governing Documents, to correct deficiencies or deviations from the plans approved pursuant to Article 5, and in an appropriate case, to restore the property to its previous condition; or

(iv) enter the property and exercise self-help to remove or cure a violating condition if an Owner, Neighborhood Association, or other Person responsible for maintenance pursuant to Article 6 fails to take action as required pursuant to subsection (iii) above within 10 days after receipt of written notice to do so, and any such entry shall not be deemed a trespass.

(c) *Additional Powers Relating to Neighborhood Associations.* In addition to the foregoing sanctions, the Association shall have the power to require specific action to be taken by any Neighborhood Association in connection with its obligations and responsibilities, such as requiring specific maintenance or repairs or aesthetic changes to be effectuated and requiring that a proposed budget include certain items and that expenditures be made therefor.

A Neighborhood Association shall take appropriate action required by the Association in a written notice within the reasonable time frame set by the Association in the notice. If the Neighborhood Association fails to comply, the Association shall have the right to effect such action on behalf of the Neighborhood Association and levy Specific Assessments to cover the costs, as well as an administrative charge and sanctions.

8.3. Board Decision to Pursue Enforcement Action.

The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. For example, the Board may determine that, in a particular case:

- (a) the Association's position is not strong enough to justify taking any or further action;
- (b) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;
- (c) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or
- (d) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

A decision not to enforce a particular provision shall not prevent the Association from enforcing the same provision at a later time or prevent the enforcement of any other covenant, restriction, or rule.

8.4. Attorneys' Fees and Costs.

In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

8.5. Enforcement of Ordinances.

The Association, by contract or agreement, may enforce applicable county and municipal ordinances. In addition, Collin County and any municipality or other governmental division within the jurisdiction of which any portion of the Community lies may enforce its ordinances within such portion of Inspiration, as applicable.

PART THREE: ASSOCIATION OPERATIONS

ARTICLE 9 PROPERTY MANAGEMENT

One of the Association's primary functions is maintaining and operating property and facilities for the common benefit of the Owners and residents of the Community. This Article establishes the Association's obligation to accept property that the Founder designates as Common Area or Limited Common Area and to maintain, operate, and insure it, along with certain other properties, for the benefit of the Community.

9.1. Acceptance and Control of Association Property.

(a) *Transfers and Conveyances by Founder.* The Founder and its designees may transfer or convey to the Association interests in real or personal property within or for the benefit of the Community, and the Association shall accept such transfers and conveyances. Such property may be improved or unimproved and may consist of fee simple title, easements, leases, licenses, or other real or personal property interests.

Upon the Founder's written request, the Association shall reconvey to the Founder, or any Founder Affiliate or Builder, any unimproved real property that the Founder, Founder Affiliate, or Builder, as applicable, originally conveyed to the Association for no payment, to the extent conveyed in error or needed to make minor adjustments in property lines or accommodate changes in the development plan.

The Founder shall have the right to convey any property to the Association as Common Area subject to easements permitting persons who are not members of the Association to use and enjoy such Common Area upon payment to the Association of reasonable use fees.

The Founder may also transfer and assign to the Association any continuing obligations and responsibilities under development agreements or conditions of development approvals relating to Inspiration, including any obligation to post or maintain maintenance bonds on improvements within public rights-of-way or other portions of the Area of Common Responsibility. The Association shall accept, assume, and fulfill all such obligations and responsibilities as the Founder shall assign to it.

(b) *Management and Control.* The Association is responsible for management, operation, and control of the Common Area, subject to any covenants set forth in the deed or other instrument transferring the property to the Association. The Association may enter into leases, licenses, or operating agreements with respect to portions of the Common Area, for payment or no payment, as the Board deems appropriate. The Association may permit use of Common Area facilities by persons other than Owners and occupants of Units and may charge use fees, in such amount as the Board may establish, for such use.

9.2. Maintenance of Area of Common Responsibility.

The Association shall maintain the Area of Common Responsibility in accordance with the Community-Wide Standard, which shall, at a minimum, comply with the standards set forth on Exhibit "G". The Area of Common Responsibility includes, but is not limited to:

- (a) the Common Area and all improvements thereon; and
- (b) any private streets and alleys within the Community that serve two or more Units, to the extent such streets or alleys are not the responsibility of the WCID or another governmental or quasi-governmental body, or are not maintained to the Community-Wide Standard by the responsible party; and
- (c) landscaping, street furniture (i.e., benches, trash cans, etc.), community identification, and directional and traffic signage installed within public rights-of-way and public parks within or abutting the Community, to the extent that the same are not the responsibility of the WCID, another governmental or quasi-governmental body, or the Owner of the adjacent property pursuant to Section 6.1, or are not maintained to the Community-Wide Standard by the responsible party; and
- (d) street lights installed within public rights-of-way and public parks within or abutting the Community, to the extent that they are not the responsibility of the WCID or electric service provider; and
- (e) landscaping on any public school site within Inspiration, if and to the extent required by the terms of any agreement entered into between the Founder and/or the Association and the school district, and then subject to the terms of such agreement; and
- (f) such portions of any additional property as may be dictated by the Founder, this Charter, any Supplement, any Covenant to Share Costs recorded pursuant to Section 9.5, or any covenant or agreement for maintenance entered into by, or otherwise binding on the Association; and
- (g) any property and facilities that the Founder owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its members. The Founder shall identify any such property and facilities by written notice to the Association and they shall remain part of the Area of Common Responsibility until the Founder revokes such privilege of use and enjoyment by written notice to the Association.

The Association may maintain other property it does not own, including, without limitation, Units, property dedicated to the public, or property owned or maintained by a Neighborhood Association, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard. The Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, property it does not own except to the extent that it has been negligent in performing its maintenance responsibilities.

The Association shall specifically be authorized to enter into agreements with Collin County, the WCID, and other owners of property in or near Inspiration for the sharing of maintenance responsibility and/or costs associated with any property or services which the Board deems to benefit the Association and its members.

9.3. Discontinuation of Operation.

The Association shall maintain the Common Area facilities in continuous operation unless the Founder, during the Development and Sale Period, and Voting Delegates representing 75% of the total votes in the Association, consent in writing to discontinue such operation. If the property is Limited Common Area, any discontinuation shall also require the approval in writing of at least 75% (or such higher percentage as a Supplement may require) of the Owners to whom such Limited Common Area is assigned. This section shall not apply to restrict the Board's ability to establish reasonable operating hours, which may vary by season, nor to preclude temporary closures or interruptions in operation, as the Board may determine appropriate to perform cleaning, maintenance or repairs.

9.4. Restoring Damaged Improvements.

In the event of damage to or destruction of any portion of the Area of Common Responsibility for which the Association has insurance responsibility, the Board or its duly authorized agent shall file and adjust all insurance claims; provided, the Board may use its judgment in determining whether to file an insurance claim or repair the damage out of available funds in order to avoid deductibles and potential negative impact on the Association's claims history. Whether or not the Board elects to file a claim, the Board shall obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially its condition prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

The Association shall repair or reconstruct damaged Common Area improvements unless:

- (a) this Charter has terminated pursuant to Section 21.1;
- (b) repair or restoration would be illegal under any state or local statute or ordinance governing health or safety; or
- (c) the Founder, during the Development and Sale Period, and Voting Delegates entitled to cast at least 67% of the total votes in the Association, or in the case of damage or loss to Limited Common Area, Owners of at least 67% of the Units to which such Limited Common Area is assigned, decide within 60 days after the loss not to repair or reconstruct. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. No Mortgagee shall have the right to participate in determining whether the damage or destruction to the Common Area shall be repaired or reconstructed, except that nothing herein shall limit the contractual rights of any holder of a deed of trust encumbering the Common Area to participate in such determination under the terms of such deed of trust or any security agreement referenced therein.

If a decision is made not to restore the damaged improvements and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive condition consistent with the Community-Wide Standard.

The insurance proceeds attributable to any Units or Limited Common Areas that are not rebuilt shall be distributed to the Owners of the damaged Units or the Units to which such Limited Common Areas were assigned, or their respective lien holders, as their interests may appear, in proportion to their relative liability for Association expenses. The Association shall retain and place in a capital improvements account for the benefit of all Owners, or the Owners of Units within the affected Service Area, as appropriate, any

insurance proceeds remaining after paying the costs of repair or reconstruction or after such settlement as is necessary and appropriate. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Voting Delegates, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 11.4.

9.5. Relationships with Other Properties.

The Founder may prepare, execute, and record a document creating a covenant to share costs obligating the Association to provide, or to contribute to the cost of providing, maintenance or other services for the mutual benefit of the Association's members and properties owned by Persons who are not Association members (a "Covenant to Share Costs"). In addition, the Association may contract with other entities, including the Founder, the WCID, any governmental body, any owners association, or the owner of any neighboring property, to provide for sharing of costs associated with (a) maintenance and operation of mutually beneficial properties or facilities, or (b) provision of mutually beneficial services.

ARTICLE 10 PROVISION OF SERVICES

In addition to its property management role, the Association is a vehicle for providing a variety of services for the benefit of the Community at large and individual Units. This Article describes some of the services the Association may provide and the mechanism by which it may provide varying levels and types of services to different areas of the Community.

10.1. Provision of Services to Units.

The Association may arrange for or provide services to Owners and their Units, directly or through contracts with the Founder or other third parties. The Association may enter into bulk service agreements by which a particular service is provided to all Units, or only to Units which have been improved with a completed dwelling and are occupied or have been conveyed to a Person other than the Founder or a Builder ("Occupied Units"), or it may offer various services at the option of each Owner, or any of the foregoing. By way of example and not limitation, such services might include such things as cable television, utilities, fire protection, security, trash and recycling collection, landscape maintenance, pest control, caretaker services, and technology services.

Any Association contract for services may require individual Owners or occupants to execute separate agreements directly with the Persons providing components or services in order to gain access to or obtain specified services. Such contracts and agreements may contain terms and conditions that, if violated by the Owner or occupant of a Unit, may result in termination of services provided to such Unit. Any such termination shall not relieve the Owner of the continuing obligation to pay assessments for any portion of the charges for such service that are assessed against the Unit as part of the Base Assessment or Service Area Assessment levied on the Unit, or as a Specific Assessment levied pursuant to Article 12.

In its discretion, the Board may discontinue offering particular services and may modify or cancel existing contracts for services, subject to the contract terms and any provision that may exist elsewhere in the Governing Documents requiring the Association to provide such services.

10.2. Provision of Services to Service Areas.

(a) *Service Areas Designated by Founder.* The Association shall provide services to Units within any Service Area designated by the Founder pursuant to Section 3.3 as required by the terms of any Supplement applicable to the Service Area.

(b) *Service Areas Designated by Board.* In addition to Service Areas which the Founder may designate pursuant to Section 3.3, any group of Owners may petition the Board to designate their Units as a Service Area for the purpose of receiving from the Association (i) special benefits or services that are not provided to all Units, or (ii) a higher level of service than the Association otherwise provides. Any such petition shall be signed by Owners of a majority of the Units within the proposed Service Area. Upon receipt of such petition, the Board shall investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Service Area of such terms and the initial fees for providing the requested service, which may include a reasonable administrative charge. If the Board determines that the proposed boundaries of the Service Area are reasonable and logical and the Owners of at least 67% of the Units within the proposed Service Area approve the proposal in writing, the Board shall designate the Units as a Service Area and include the fees for such service as a line item in the Service Area budget pursuant to Section 12.2(c).

10.3. Community Technology.

(a) *Technology Systems.* Without limiting the generality of Sections 10.1 and 10.2, the Founder is specifically authorized to provide, or to enter into and assign to the Association or to cause the Association to enter into contracts with other Persons to provide, central telecommunication receiving and distribution systems (e.g., cable television, high speed data/Internet/intranet services, telephone, and security monitoring), and related components, including associated infrastructure, equipment, hardware, and software, to serve the Community ("Technology Systems"). Any such contracts may provide for installation, operation, management, maintenance, and upgrades or modifications to the Technology Systems as the Founder or the Board determines appropriate. The Association shall have no obligation to utilize any particular provider(s).

(b) *Opportunities for Community Interaction.* The Association may make use of computers, the Internet, and expanding technology to facilitate community interaction and encourage participation in Association activities. For example, the Association may sponsor a community cable television channel, create and maintain a community intranet or Internet home page, maintain an "online" newsletter or bulletin board, and offer other technology-related services and opportunities for Owners and residents to interact and participate in Association-sponsored activities. To the extent Texas law permits, and unless otherwise specifically prohibited in the Governing Documents, the Association may send notices by electronic means, hold Board or Association meetings and permit attendance and voting by electronic means, and send and collect assessment and other invoices by electronic means.

ARTICLE 11 ASSOCIATION INSURANCE

The Association is responsible for insuring against various types of risks, including property damage, personal injury, and liability. This Article describes the minimum types and amounts of coverage that the Association must obtain, the specific requirements for such policies, and the handling of deductibles and premiums for such insurance.

11.1. Required Coverages.

The Association shall obtain and maintain in effect the following insurance coverage, if reasonably available, or if not reasonably available, the most nearly equivalent coverage as is reasonably available:

(a) Blanket property insurance covering "risks of direct physical loss" for all insurable improvements on:

- (i) the Common Area;
- (ii) other portions of the Area of Common Responsibility, to the extent that the Association has responsibility for repair or replacement in the event of a casualty; and
- (iii) any Service Area, to the extent specified or authorized by any applicable Supplement.

The limits of Association property insurance policies shall be sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes.

(b) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its members for damage or injury caused by the negligence of the Association or any of its members, employees, or agents while acting on its behalf. If generally available at reasonable cost, such coverage shall have a limit of at least \$2,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage. Such coverage may be provided through a combination of primary and umbrella policies. However, if additional coverage and higher limits are available at reasonable cost that a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(c) If the Association has employees, workers compensation insurance and employers liability insurance, if and to the extent required by law;

(d) Automobile (hired and non-owned) liability and physical damage insurance;

(e) Directors and officers liability coverage with a minimum limit of \$1,000,000.00 per occurrence; and

(f) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-fourth of the annual Base Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation.

The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in Texas. In the exercise of its business judgment, the Board may obtain additional insurance coverage and higher limits than this section requires.

11.2. Deductibles.

 **THE BOARD MAY HOLD ANY PERSONS WHO CAUSES DAMAGE TO INSURED IMPROVEMENTS RESPONSIBLE FOR SUCH DAMAGE, AS WELL AS THE INSURANCE DEDUCTIBLE PAYABLE ON ANY INSURANCE CLAIM RELATED TO SUCH DAMAGE.**

The Association's policies may contain a reasonable deductible, which shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 11.1. In the event of an insured loss, the deductible shall be treated as a Common Expense or a Service Area Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment pursuant to Section 12.4. The Association shall have no duty to file an insurance claim and nothing herein shall be construed to relieve the person responsible for the damage from liability for his or her actions or the full amount of the resulting damages.

11.3. Policy Requirements.

All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Owner. The Association may charge to the requesting Owner any costs which it incurs for issuance of such certificate upon request of the Owner, which costs may be assessed against the Owner and the Owner's Unit as a Specific Assessment pursuant to Section 12.4.

To the extent available at reasonable cost and terms, all Association insurance shall:

(a) be written with a company authorized to do business in Texas which satisfies the requirements of the Federal National Mortgage Association ("Fannie Mae"), or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(b) be written in the name of the Association as trustee for the benefited parties. All policies shall be for the benefit of the Association and its Members, except that policies on Limited Common Area shall be for the benefit of the Owners of Units within the Service Area to which the Limited Common Area is assigned and their Mortgagees, as their interests may appear;

(c) be primary and not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(d) contain an inflation guard endorsement;

(e) include an agreed amount endorsement, if the policy contains a co-insurance clause;

(f) provide that each Owner is an insured person with respect to liability arising out of such Owner's status as a member of the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a member);

(g) provide a waiver of subrogation against any Owner or household member of an Owner;

(h) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any act or omission of one or more Owners, unless acting on the Association's behalf within the scope of their authority, or on account of any curable defect or violation, without prior written demand to the Association and allowance of a reasonable time to cure the defect or violation; and

(i) satisfy any insurance requirements imposed by the Federal Home Loan Mortgage Corporation ("Freddie Mac") on planned unit developments.

In addition, the Board shall use reasonable efforts to secure insurance policies that list the Owners (as a class) as additional insureds and provide:

(a) a waiver of subrogation as to any claims against the Association's directors, officers, employees, and manager;

 ***SUBROGATION IS A LEGAL CONCEPT BY WHICH ONE PERSON IS SUBSTITUTED IN THE PLACE OF ANOTHER WITH RESPECT TO A LAWFUL CLAIM OR RIGHT. FOR EXAMPLE, ONCE THEY HAVE PAID A CLAIM BY AN INSURED PARTY, INSURANCE COMPANIES GENERALLY HAVE THE RIGHT TO STEP INTO THE SHOES OF THE INSURED PARTY AND SUE ANY ONE THAT THE INSURED PARTY COULD HAVE SUED.***

(b) a waiver of the insurer's right to repair and reconstruct instead of paying cash;

(c) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

(d) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(e) a cross liability provision; and

(f) a provision vesting in the Board exclusive authority to adjust losses. However, Mortgagees having an interest in such losses may not be precluded from participating in the settlement negotiations, if any, related to the loss.

11.4. Insurance Premiums.

Premiums for all Association insurance shall be a Common Expense, except that premiums for property insurance on Units within, or Limited Common Areas assigned to, a particular Service Area shall be a Service Area Expense unless the Board reasonably determines that other treatment of the premiums is more appropriate.

ARTICLE 12

ASSOCIATION FINANCES

This Article provides for various types of funding to cover expenses that the Association incurs or expects to incur in exercising its authority and performing its responsibilities under the Governing Documents. The primary source of funding is the assessments which this Article authorizes the Association to levy against the Units and collect from the Owner of each Unit. Assessments are secured by a lien on each Unit as described in this Article.

12.1. Association Expenses.

(a) **Common Expenses.** Except as the Governing Documents otherwise specifically provide, all of the expenses that the Association incurs, or expects to incur, in connection with the ownership, maintenance, and operation of the Area of Common Responsibility and otherwise for the general benefit of the Owners, are considered "Common Expenses." Common Expenses include such operating reserves and reserves for repair and replacement of capital items within the Area of Common Responsibility as the Board finds necessary or appropriate.

Common Expenses shall not include any expenses incurred during the Founder Control Period for new development or original construction costs unless Voting Delegates representing a majority of the Units owned by persons other than the Founder approve such expenditure. This approval requirement shall not apply to payments due under any leases of capital improvements which are commonly leased in lieu of purchasing, such as street lights.

The characterization of a particular expense as a "Common Expense" shall not preclude the Association from seeking reimbursement for, or a contribution toward, such expenses from other Persons who may be responsible for the expenses incurred or for sharing such expenses pursuant to this Charter, any Supplement, or any other recorded covenants or agreements.



Diagram 12.1

(b) **Service Area Expenses.** All expenses that the Association incurs or expects to incur in connection with the ownership, maintenance, and operation of Limited Common Areas, or in providing other benefits and services to a Service Area, including any operating reserve or reserve for repair and replacement of capital items maintained for the benefit of the Service Area, are considered "Service Area Expenses." Service Area Expenses may include a reasonable administrative charge in such amount as the Board deems appropriate, provided that any such administrative charge is applied at a uniform rate per Unit among all Service Areas receiving the same service.

12.2. Budgeting for and Allocating Association Expenses.

(a) **Preparation of Budget.** At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year ("General Budget"). In addition,

the Board shall prepare a separate budget for each Service Area reflecting the estimated Service Area Expenses that the Association expects to incur for the benefit of such Service Area in the coming year ("**Service Area Budget**").

The estimated expenses in each budget shall include, in addition to any operating reserves, a reasonable contribution to a reserve fund for repair and replacement of any capital items to be maintained as a Common Expense or as a Service Area Expense of the Service Area for whom the budget is prepared, as applicable. In determining the amount of such reserve contribution, the Board shall take into account the number and nature of replaceable assets, the expected useful life of each, the expected repair or replacement cost, and the contribution required to fund the projected needs by annual contributions over the useful life of the asset.

Each budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units (including amounts to which the Association is entitled pursuant to any Covenant to Share Costs established pursuant to Section 9.5 or other agreement), and the amount to be generated through the levy of Base Assessments and Service Area Assessments pursuant to subsections (b) and (c).

(b) *Calculation of Base Assessments.* The total budgeted Common Expenses, less any income anticipated from sources other than assessments against the Units (including any Covenant to Share Costs established pursuant to Section 9.5), shall be allocated equally among all Units subject to assessment under Section 12.5 and levied as a "**Base Assessment**," subject to the provisions of subsection (c).

(c) *Calculation of Service Area Assessments.* The total Service Area Expenses budgeted for each Service Area shall be allocated among all Units in the Service Area that are subject to assessment under Section 12.5 and levied as a "**Service Area Assessment**," subject to the provisions of subsection (e). Unless otherwise specified in any Supplement applicable to a Service Area, Service Area Assessments shall be set at a uniform rate per Unit in the Service Area, except that any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures may be levied on each of the benefited Units in proportion to the benefit received, as the Board may reasonably determine.

All amounts the Association collects as Service Area Assessments shall be held in trust for and expended solely for the benefit of the Service Area for which they were collected and shall be accounted for separately from the Association's general funds.

(d) *Founder's Subsidy Option.* The Founder may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by the Founder under Section 12.6(b)). Any such subsidy may be treated as a contribution, an advance against future assessments due from the Founder, or a loan, in the Founder's discretion. Any such subsidy and the characterization thereof shall be conspicuously disclosed as a line item in the income portion of the budget. Payment of such subsidy in any year shall not obligate the Founder to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Founder.

(e) *Notice of Budget and Assessment; Right to Disapprove.* The Board shall send a copy or summary of each applicable budget, together with notice of the amount of the Base Assessment and any Service Area Assessment to be levied pursuant to such budgets, to each Owner at least 30 days prior to the due date of

the assessments to be levied pursuant to such budget. The General Budget shall automatically become effective unless disapproved at a meeting by Voting Delegates representing at least 75% of the total votes in the Association and by the Founder Member, if such exists. Each Service Area Budget shall automatically become effective unless disapproved at a meeting by Owners of at least 67% of the Units within the Service Area and by the Founder Member, if such exists, except that the right to disapprove a Service Area budget shall apply only to those line items which are attributable to services or benefits requested by the Service Area and shall not apply to any item which the Governing Documents require to be assessed as a Service Area Expense.

There shall be no obligation to call a meeting for the purpose of considering any budget except, in the case of the General Budget, on petition of the Voting Delegates as provided for special meetings in the By-Laws, and in the case of a Service Area Budget, on petition of Owners of at least 2/3 of the Units within the Service Area. Any such petition must be presented to the Board within 10 days after delivery of the budget and notice of any assessment.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

(f) **Budget Revisions.** The Board may revise the budget and adjust the Base Assessment or Service Area Assessments anytime during the year, subject to the same notice requirements and rights to disapprove set forth in subsection (e) above.

12.3. Special Assessments.

The Association may levy "Special Assessments" to cover Common Expenses or Service Area Expenses that are non-routine, unanticipated, or in excess of those anticipated in the applicable budget. Except as otherwise specifically provided in this Charter, any Special Assessment for Common Expenses shall require the affirmative vote or written consent of Voting Delegates representing more than 50% of the votes attributable to Units subject to assessment under Section 12.5 and shall be allocated equally among all such Units. Any Special Assessment for Service Area Expenses shall require the affirmative vote or written consent of Owners representing more than 50% of the total votes allocated to Units in the benefited Service Area and shall be allocated in the same manner as Service Area Assessments under Section 12.1(c). In addition, as long as the Founder Membership exists, any Special Assessment shall also be subject to the Founder's written consent. Special Assessments shall be payable in such manner and at such times as the Board determines and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

12.4. Specific Assessments.

The Association may levy "Specific Assessments" against a particular Unit or Other Properties as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to the Unit or Other Properties upon request of the owner thereof pursuant to any menu of optional services which the Association may offer (which might include the items identified in Section 10.1). Specific Assessments for optional services may be levied in advance of the provision of the requested service;

(b) in the case of an Occupied Unit, to cover the charges for services provided to all Occupied Units pursuant to any bulk service or similar agreement which the Association has entered into pursuant to Section 10.1;

(c) to cover costs incurred in bringing the Unit or Other Properties into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; however, the Board shall give the Unit Owner or Person responsible for maintenance of Other Properties prior written notice and an opportunity for a hearing in accordance with the By-Laws, before levying any Specific Assessment under this subsection (c);

(d) to cover the Unit's pro rata share of any costs that the Association incurs in bringing the Service Area of which the Unit is a part into compliance with the provisions of the Governing Documents; however, the Board must give prior written notice to the Owners of Units in the Service Area and an opportunity for such Owners to be heard before levying any such assessment;

(e) to cover any deductible assessed against the Owner of Unit pursuant to Section 11.2; and

(f) to cover any other amounts that the Governing Documents authorize the Association to charge to a particular Owner or levy against any particular Unit.

12.5. Authority to Assess Owners; Time of Payment.

(a) The Founder hereby establishes and the Association is hereby authorized to levy assessments as provided for in this Article and elsewhere in the Governing Documents. Except as otherwise provided in Section 12.6(b) with respect to Units owned by the Founder, the obligation to pay assessments shall commence as to each Unit on the first day of the month following the date on which the Unit is made subject to this Charter or the effective date of the Association's first General Budget, whichever is later. The first annual Base Assessment and Service Area Assessment, if any, levied on a Unit which has been made subject to this Charter after assessments have been levied on other Units shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

(b) Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessment and any Service Area Assessment shall be due and payable in advance on the first day of each fiscal year.

(c) If any Owner is delinquent in paying any assessments or other charges levied on such Owner's Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately. However, if requested by the delinquent Owner, the Board shall establish an alternative payment schedule by which the Owner may make payments to the Association to satisfy the delinquency over a period of not less than three months nor more than 18 months from the date of such Owner's request without accruing additional monetary penalties (reasonable costs associated with administering the payment plan or interest are not considered monetary penalties hereunder), except that the Association shall not be required to enter into a payment plan with an Owner who has defaulted under the terms of a previous payment plan entered into within the preceding two years. The Board shall adopt and record guidelines for establishing the payment schedule under an alternative payment plan pursuant to this Section. It shall be a condition of any alternative payment plan that the Owner keep current on all assessments accruing after the date of

commencement of the alternative payment plan. If an alternative payment plan is requested and agreed to by a delinquent Owner, the Association shall not sue to collect any delinquent amounts or to foreclose its lien under Section 12.7 so long as the Owner is not in default under the terms of such alternative payment plan.

(d) Payments received from an Owner by the Association shall be applied to the amounts owed by such Owner in the following order of priority:

- (i) first to delinquent assessment;
- (ii) then to any current assessment;
- (iii) then to any attorney's fees or third party collection costs incurred by the Association associated solely with assessments or any other charge that could provide the basis for foreclosure;
- (iv) then to any other attorney's fees incurred by the Association which the Association is entitled to charge to such Owner's account;
- (v) then to any fines assessed by the Association against such Owner or the occupants of such Owner's Unit; and
- (vi) then to any other amount owed by such Owner to the Association.

Notwithstanding the above, if the Owner is in default under a payment plan entered into pursuant to subsection (c) at the time the Association receives a payment from an Owner, the Association shall not be required to apply the payment in the order of priority specified herein. However, in applying the payment, a fine assessed by the Association may not be given priority over any other amount due.

12.6. Obligation for Assessments.

(a) **Personal Obligation.** By accepting title to a Unit or entering into a recorded contract to purchase any Unit, each Owner covenants and agrees to pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of 10% per annum or such higher rate as the Board may establish, subject to the limitations of Texas law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of each Owner and a lien upon each Unit until paid in full; provided, an Owner shall not be liable for fees of a collection agent retained by the Association except as provided in Tex. Prop. Code §209.0064. Upon a transfer of title to a Unit, the new Owner shall be jointly and severally liable with the previous Owner for any assessments and other charges due at the time of conveyance, except as otherwise provided in Section 12.7(c).

The Board's failure to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Service Area Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfall.

 **BY BUYING A UNIT IN THE COMMUNITY EACH OWNER AGREES TO PAY ALL ASSESSMENTS LEVIED AGAINST SUCH OWNER'S UNIT. IF THE OWNER DOES NOT PAY ON TIME, THAT OWNER WILL BE CHARGED LATE FEES ON ALL PAST DUE AMOUNTS. OWNERS MAY NOT CLAIM A REDUCTION IN THEIR ASSESSMENTS DUE TO ACTION OR INACTION BY THE ASSOCIATION.**

No Owner may exempt himself or herself from liability for assessments due hereunder by non-use of Common Area, abandonment of such Owner's Unit, or non-use of services provided to all Units or to all Units within the Service Area to which the Unit is assigned. The obligation to pay such assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

(b) *Founder's Financial Obligations to Association.* Notwithstanding anything to the contrary herein, the Founder shall not be liable for Base Assessments or Special Assessments for Common Expenses on any Units it owns during any period for which the Founder elects to fund the shortfall, if any, under the Association's general operating budget, such shortfall to be calculated as the amount by which the sum of general operating expenses incurred by the Association and budgeted contributions to reserves exceeds the Base Assessments receivable from other Owners plus other income received by the Association during the period from sources other than Service Area Assessments and Special Assessments for Service Area Expenses. Amounts collected and expended pursuant to Section 12.11 shall not be considered in the foregoing calculation. The Founder shall not be liable for Service Area Assessments or Special Assessments for Service Area Expenses on any Units it owns within a Service Area during any period for which the Founder elects to fund the shortfall, if any, under the Service Area budget, such shortfall to be calculated as the amount by which the sum of Service Area Expenses incurred by the Association and budgeted contributions to reserves under the Service Area's budget exceeds the Service Area Assessments and Special Assessments for Service Area Expenses receivable from other Owners of Units in such Service Area.. To the extent that the cumulative shortfalls funded by the Founder pursuant to this subsection (b) exceed the assessments that would otherwise be payable by the Founder on Units which it owns, such excess shall be treated as an advance against future assessments levied on Units owned by the Founder during any period for which the Founder elects to pay assessments in lieu of funding shortfalls. The Founder shall be deemed to have elected to fund shortfalls unless and until it otherwise advises the Association in writing and may change such election, to be effective prospectively or retroactively, at any time.

Regardless of the Founder's election under this section, any of the Founder's financial obligations to the Association may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these.

(c) *Assessment Statement.* Within seven days after receipt of a written request from any Owner, Mortgagee, prospective Mortgagee, or prospective purchaser of a Unit, delivered personally or sent by certified mail, first-class postage prepaid, return receipt requested to the Association's registered agent or designee, the Association shall issue a written statement setting forth the amount of any unpaid assessments with respect to such Unit, the amount of current periodic assessments, and the date on which such assessment becomes or became due, and any credit for advanced payments or prepaid items.

The Association may require the payment of a reasonable processing fee for issuance of such statement. Such statement shall be binding upon the Association as to Persons who rely thereon in good faith.

12.7. Lien for Assessments.

(a) *Existence of Lien.* The Association shall have a lien against each Unit to secure payment of assessments due hereunder, as well as interest, late charges (subject to the limitations of Texas law), and

costs of collection (including attorneys' fees and expenses). Such lien shall be superior to all other liens except (i) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (ii) the lien or charge of any recorded Mortgage made in good faith and for value having first priority over any other Mortgages on the Unit.

Although no further action is required to create or perfect the lien, the Association may, as further evidence and notice of the lien, execute and record a document setting forth as to any Unit the amount of the delinquent sums due the Association at the time such document is executed and the fact that a lien exists to secure the repayment thereof. However, the failure of the Association to execute and record any such document shall not affect the validity, enforceability, or priority of the lien.

(b) *Enforcement of Lien.* Subject to Section 12.5 and this subsection (b), the Association's lien may be foreclosed through judicial or, to the extent allowed by law, nonjudicial foreclosure proceedings in accordance with Tex. Prop. Code Section 51.002, as it may be amended, in like manner of any deed of trust on real property, after compliance with the procedures set forth in Chapters 51 and 209 of the Tex. Prop. Code, if applicable. Each Owner hereby grants to the Association, whether or not it is so expressed in the deed or other instrument conveying such Unit to the Owner, a power of sale to be exercised in accordance with Tex. Prop. Code Section 51.002, as it may be amended. The Association shall not foreclose its lien if the debt secured by the lien consists solely of (i) fines or attorneys' fees associated with fines; or (ii) charges related to the compilation, production, or reproduction of information requested pursuant to the Owner's right to inspect the Association's books and records under the By-Laws.

The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (i) no right to vote shall be exercised on its behalf; (ii) no assessment shall be levied on it; and (iii) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association.

Subject to Section 12.5, the Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same, in addition to pursuing any and all remedies allowed by law to enforce the lien.

(c) *Effect of Sale or Transfer.* Sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments, except that a sale or transfer pursuant to a foreclosure of a first mortgage shall extinguish the Association's lien for assessments which became payable prior to such sale or transfer. A purchaser at a foreclosure sale or subsequent Owner of the foreclosed Unit shall not be personally liable for assessments on such Unit due prior to such foreclosure. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 12.5, including such acquirer, its successors and assigns.

Any such sale or transfer pursuant to foreclosure shall not relieve the purchaser or transferee of the Unit from liability for, nor the Unit so sold or transferred from the lien of, any assessments thereafter becoming due.



IF AN OWNER DOES NOT PAY THE ASSESSMENTS LEVIED BY THE ASSOCIATION ON TIME, THE ASSOCIATION MAY FORECLOSE ITS LIEN ON THE OWNER'S UNIT, CAUSING IT TO BE SOLD TO PAY THE PAST DUE ASSESSMENTS. THE ASSOCIATION MAY ALSO SUE THE OWNER IN COURT TO RECOVER PAST DUE ASSESSMENTS.

12.8. Exempt Property.

The following property shall be exempt from payment of Base Assessments, Service Area Assessments, and Special Assessments:

(a) All Common Area and such portions of the property owned by the Founder or a Founder Affiliate as are included in the Area of Common Responsibility;

(b) Any property owned by the WCID or dedicated to and accepted by any governmental authority or public utility for public purposes; and

(c) Property owned by any Neighborhood Association for the common use and enjoyment of its members or owned by the members of a Neighborhood Association as tenants-in-common.

In addition, the Association may, by resolution, grant exemptions to certain Persons qualifying for tax-exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Charter for purposes listed in Section 501(c) of the Internal Revenue Code; provided, no income-producing property for which the Owner or occupant derives income shall be exempt from the payment of assessments, even though such property may be owned by a governmental authority, public utility, or a tax-exempt Section 501(c) organization. For example, a Unit owned by a governmental authority that is leased to a tenant for which the authority earns rental income shall not be exempted from assessments.

12.9. Capitalization of Association.

The first Owner of each Unit other than the Founder, a Founder Affiliate, or a Builder designated by the Founder shall make a contribution to the working capital of the Association in an amount equal to one-sixth of the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment, and any Service Area Assessment levied on the Unit and shall not be considered an advance payment of such assessments. This amount shall be due and payable to the Association immediately upon transfer of title for its use in covering initial start-up expenses, operating expenses, and other expenses it incurs pursuant to this Charter and the By-Laws.

12.10. Use and Consumption Fees.

The Board may charge use and consumption fees to any Person electing to use Association services or facilities and may determine the amount and method of determining such fees. Different fees may be charged to different classes of users (e.g., Owners and non-Owners).

12.11. Lifestyle Fees Upon Transfer of Title.

(a) **Authority.** As an additional funding source, the Board may establish and collect a Lifestyle Fee upon each transfer of title to a Unit, except such transfers as are exempt under Section 12.11(d). The fee

shall be in an amount determined pursuant to Section 12.11(c), shall be charged to the seller of the Unit and shall be payable to the Association at the closing of the transfer. The fee shall constitute an assessment against the Unit being transferred and shall be secured by the Association's lien for assessments under Section 12.7. Each Owner shall notify the Association's Secretary or designee at least seven days prior to the scheduled closing and provide the name of the buyer, the date of title transfer, and other information the Board may reasonably require.

(b) *Purpose.* Lifestyle Fees shall be placed in a segregated account and used exclusively to provide funding for activities, programs, and other uses, as the Board may determine appropriate, which enhance and provide a "direct benefit" to the Community, as the term "direct benefit" is defined in rules of the Federal Housing Finance Agency at 12 C.F.R. Part 1228.1, as it may be amended. For example, Lifestyle Fees might be used to sponsor or fund, or to assist one or more tax-exempt entities in sponsoring or funding, cultural, educational, charitable, recreational, environmental, conservation, or other similar activities that are conducted in or protect the Community or adjacent or contiguous property, or are conducted on Common Area or other property primarily used by residents of the Community. Community Enhancement Fees shall not be used to engage in any political activity, including lobbying, protesting, or taking or asserting a position in any zoning matter. The Board may appoint a Lifestyle Committee in accordance with the By-Laws to develop a budget for and make recommendations to the Board as to use of the Lifestyle Fees.

Subject to this Section 12.11, the Board's judgment in determining the allocation and expenditure of such funds shall be final so long as such judgment is exercised in good faith, and the Association, its directors, and officers shall not be liable to any Person for any error in judgment or any action or inaction relating to the expenditure of such funds, except that nothing in this Section shall relieve any person of liability for gross negligence or willful misconduct in the handling of such funds.

(c) *Fee Determination.* The Board shall have the sole discretion to determine the amount of and method of calculating the Lifestyle Fee. The fee may be fixed or based upon a sliding scale that varies according to the "gross sales price" of the Unit or any other factor the Board deems appropriate; provided, if based on the gross sales price, the Lifestyle Fee may not exceed one-quarter of one percent (0.25%) of the Unit's gross sales price, if an arms-length transaction with a bona fide purchaser at a negotiated price, and in the case of any other transfer, shall be based upon the average of the Lifestyle Fee paid upon the five most recent non-exempt transfers. The "gross sales price," for purposes of this section, shall mean the total amount paid by the purchaser for the real property, excluding customary closing costs.

(d) *Exempt Transfers.* Notwithstanding the above, no Lifestyle Fee shall be levied upon transfer of title to a Unit:

- (i) by or to the Founder or a Founder Affiliate;
- (ii) by a Builder designated by the Founder who held title solely for purposes of development and resale;
- (iii) by a co-Owner to any Person who was a co-Owner immediately prior to such transfer;
- (iv) to the Owner's estate, surviving spouse, or heirs at law upon the death of the Owner;

(v) to an entity wholly owned by the grantor or to a family trust created by the grantor for the benefit of grantor, his or her spouse, and/or heirs at law; provided, upon any subsequent transfer of an ownership or beneficial interest in such entity, the Lifestyle Fee shall become due;

(vi) to an institutional lender pursuant to the terms of its Mortgage or upon foreclosure of its Mortgage, and to the first purchaser of the Unit from such institutional lender;

(vii) to a person who purchased the Unit at the foreclosure sale upon foreclosure of a Mortgage held by an institutional lender; or

(viii) to the Association upon foreclosure of its lien for assessments under Section 12.7, or to another purchaser at such foreclosure sale;

(ix) under circumstances which the Board, in its discretion, deems to warrant classification as an exempt transfer (e.g., a transfer made solely for estate planning purposes may be, but is not required to be, deemed exempt from payment of the Lifestyle Fee).

PART FOUR: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

ARTICLE 13 EASEMENTS

The easements created in this Article establish the rights of Owners to use the Common Area and create various rights for the benefit of Owners, the Founder, the Association, and others over property within the Community. Some of these rights are related to development and construction within the Community and on adjacent property, while others relate to the Association's rights to come upon property of others to fulfill its responsibilities and the interrelationships between the Community and the owners of adjacent property.

13.1 Easements in Common Area.

 ***AN EASEMENT IS ONE PERSON'S RIGHT TO GO ONTO THE PROPERTY OF ANOTHER.***

The Founder grants to each Owner a nonexclusive right and easement appurtenant to such Owner's Unit for use, access, and enjoyment in and to the Common Area, subject to:

- (a) The Governing Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) Certain Owners' rights to the exclusive use of those portions of the Common Area designated as Limited Common Area; and
- (d) The Board's right to:

- (i) adopt rules regulating Common Area use and enjoyment, including rules limiting the number of guests who may use the Common Area, and to charge use fees for such use;
 - (ii) suspend an Owner's right to use Common Area facilities pursuant to Article 8;
 - (iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Charter;
 - (iv) impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area, except as otherwise specifically provided in this Charter or any deed conveying the Common Area to the Association;
 - (v) rent or grant a license to use any portion of any clubhouse or other Common Area facility on an exclusive or non-exclusive short-term basis to any Person on such terms as the Board may determine;
 - (vi) permit use of any recreational facilities situated on the Common Area by the general public, which use may be subject to admission charges, membership fees, or other user fees established in the Board's discretion; and
 - (vii) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; and
- (e) the rights of the Founder and its designees under Section 18.2.

The Founder also grants to Donald Huffines and Phillip Huffines, during their respective lifetimes, an easement in gross for use and enjoyment of the Common Areas without charge, subject to the matters set forth in subsections (a) through (e) above. Such easement shall not be assignable, but shall include the right to be accompanied by their respective family members and guests in using and enjoying the Common Area. This Section 13.1 may not be amended without the written consent of Donald Huffines and Phillip Huffines during their respective lifetimes.

Any Owner may extend the Owner's right of use and enjoyment to the members of such Owner's family, lessees, and social invitees, as applicable, subject to reasonable Board regulation. An Owner who leases such Owner's Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

13.2. Easements of Encroachment.



AN ENCROACHMENT OCCURS WHEN A PERSON'S HOME, FENCE, OR OTHER STRUCTURE EXTENDS ONTO HIS OR HER NEIGHBOR'S PROPERTY. THIS SECTION PERMITS MINOR, INADVERTENT ENCROACHMENTS TO REMAIN.

The Founder grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area and between adjacent Units. A permitted encroachment is a structure or fixture that extends unintentionally from one person's property onto another's a distance of less than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. An encroachment easement shall not exist if the

encroachment results from willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

13.3. Easements for Utilities, Etc.

(a) *Installation and Maintenance.* During the Development and Sale Period, the Founder reserves for itself and grants to the Association and all utility providers, perpetual non-exclusive easements throughout the Community (but not through a structure) to the extent reasonably necessary to:

(i) install utilities and infrastructure to serve the Community, other Technology Systems, security and similar systems, and drainage systems;

(ii) install walkways, pathways and trails, street lights, and signage on property the Founder or the Association owns or within public rights-of-way or easements reserved for such purpose on a recorded plat;

(iii) inspect, maintain, repair, and replace the utilities, infrastructure, and other improvements described above; and

(iv) access and read utility meters.

Notwithstanding the above, the Founder reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) *Specific Easements.* The Founder also reserves the nonexclusive right and power to grant and record such specific easements consistent with Section 13.3(a) as it deems necessary to develop the property described in Exhibits "A" and "B." The location of the specific easement shall be subject to the written approval of the Owner of the burdened property, which approval shall not unreasonably be withheld, delayed, or conditioned.

(c) *Minimal Interference.* All work associated with the exercise of the easements described in subsections (a) and (b) of this section shall be performed so as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to the condition existing prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

13.4. Easements to Serve Additional Property.

The Founder hereby reserves for itself and its duly authorized agents, successors, assigns, and Mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Charter. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. The Person exercising such easement rights shall be responsible for any damage caused to the Common Area as a result of their actions in connection with development of such property. This easement shall also include, without limitation, the right to make any or all of the Common Area facilities available on a temporary or permanent basis to owners of any portion of the property described on Exhibit "B."

If the above easement grants permanent access to and from any property which is not submitted to this Charter, or permanent use privileges to the owners of any property which is not submitted to this Charter, the Founder, or its successors or assigns, shall establish, by agreement with the Association or covenant on the benefited property, a reasonable arrangement by which the owners of the benefited property or any mandatory membership owners Association having jurisdiction over such property shall (a) share on a reasonable basis the costs which the Association incurs in connection with the ownership, maintenance, repair, replacement, operation, and insurance, of the Common Area facilities of which use is shared pursuant to this easement, including any management fees; or (b) provide reciprocal rights to the Association's Members to use comparable facilities within such portion of the Additional Property, or (c) a combination of (a) and (b). The shared maintenance costs may include maintenance to or along any roadway providing access to the benefited property. Notwithstanding the foregoing, the Founder and the Association may grant easements to the general public for use of property or facilities owned or maintained by the Association without seeking compensation or reimbursement for use by the general public.

13.5. Easements for Maintenance, Emergency, and Enforcement.

By this Charter, the Founder grants to the Association easements over the Community as necessary to enable the Association to fulfill its maintenance responsibilities under Sections 6.2 and 9.2 and its enforcement rights under Section 8.2. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance, to inspect for compliance with the Governing Documents, and to enforce the Governing Documents. Any member of the Board and its duly authorized agents and assignees and all emergency personnel in the performance of their duties may exercise such right. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

13.6. Easement for Fence and Landscape Maintenance.

The Founder reserves for itself, the Association, the WCID, and their successors, assigns, and designees a perpetual, nonexclusive right and easement for the purpose of constructing, installing, maintaining, repairing, and replacing perimeter fencing or walls and landscaping:

- (a) within 20 feet of the perimeter boundary of the Community;
- (b) within 20 feet of the back-of-curb of public or private streets and alleys within the Community; and
- (a) between any fence or wall easement shown on a recorded plat of any portion of the Community and the back-of-curb of the nearest street running generally parallel to such fence or wall easement.

Nothing in this section shall obligate the Founder, the Association, the WCID or any Builder to install fencing, walls, or landscaping, the installation of such items being in the sole discretion of the Founder, the Association, the WCID and Builders, as applicable, subject to such approvals as may be required under Article 5 of this Charter.

13.7. Easements for Lake, Creek and Pond Maintenance and Flood Water.

The Founder reserves for itself, the Association, and their respective successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon bodies of water and wetlands located within the Area of Common Responsibility to: (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with

the Community-Wide Standard. The Founder, the Association, and their respective successors, assigns, and designees shall have an access easement over and across any portion of the Community which abuts or contains bodies of water or wetlands, to the extent reasonably necessary to exercise their rights under this section.

The Founder further reserves for itself, the Association, and their respective successors, assigns, and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Units (but not the dwellings thereon) adjacent to or within 50 feet of bodies of water and wetlands within the Community, in order to: (i) temporarily flood and back water upon and maintain water over such property; (ii) alter in any manner and generally maintain the bodies of water and wetlands within the Area of Common Responsibility; and (iii) maintain and landscape the slopes and banks pertaining to such areas. All Persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make the Founder or any other Person liable for damage resulting from flooding due to weather events or other natural occurrences.

13.8. Private Streets and Alleys.

(a) *Rights of Association and Owners.* From the date of completion of construction and final inspection of any street or alley within the Community which has not been dedicated or conveyed to and accepted by a local governmental authority ("Private Street") until the Founder conveys it to the Association or dedicates it to the WCID or to the general public, the Private Street shall be subject to a temporary, nonexclusive easement for access, ingress, and egress for the benefit of the Association, each Unit and the Owner thereof, and each other portion of the Community.

Use of any Private Street shall be subject to and in accordance with any rights and easements set forth in this Charter, on the recorded plat, and in any law, ordinance, or regulation governing the use of such street. Use of any Private Street may be restricted by plat or Supplement to the Owners of Units shown on the plat depicting such Private Street and their guests and invitees.

(b) *Service Easements.* The Founder hereby creates a perpetual, nonexclusive easement for access, ingress, and egress over any Private Street for law enforcement, fire fighting, paramedic, rescue, and other emergency vehicles, equipment, and personnel; for school buses; for U.S. Postal Service delivery vehicles and personnel; and for vehicles, equipment, and personnel providing garbage and/or recycling collection service to the Community, provided that such easement shall not authorize any such Persons to enter the Private Streets except while acting in their official capacities.

The existence of these easements shall not preclude the Association from maintaining gates or other devices or systems designed to limit general vehicular access over any Private Street to portions of the Community, provided that the Association at all times maintains systems and/or procedures to permit the uncontested entry of Persons authorized to exercise the easements granted in this subsection (b) without unreasonable interference or delay.

13.9. Easements Over Property of WCID.

The Founder may designate for conveyance and convey to the WCID certain property within the Community for development, use, and operation as a lake, pond, park, open space, trail system, and/or related amenities and improvements (collectively, the "WCID Facilities"). The Founder hereby reserves to itself and grants to the Association and its members, for the benefit of the Owners and occupants of Units

and their guests, a nonexclusive right and easement of use, access, and enjoyment over any WCID Facilities designed and intended for recreational use, whether owned by the Founder, the WCID, or their successors, successors-in-title, or assigns, subject to (a) such reasonable rules and operating policies as the owner of the respective WCID Facilities may establish and apply uniformly to all authorized users of the WCID Facilities; and (b) such Rules as the Association may establish governing conduct and activities within Inspiration.

ARTICLE 14

PRIVATE AMENITIES

A private park and various other recreational facilities may be located within or in the vicinity of the Community that are privately owned and operated by Persons other than the Association. Those facilities are not part of the Common Area of the Community, and ownership of property in the Community does not give any person the right to use them. This Article explains the right of the owners of those facilities to determine if and on what terms they wish to make their facilities available for use by Owners. It also establishes certain rights for the benefit of the owners of such facilities.

Any property and facilities located within, adjacent to, or near the Community which are not public property and which a Person or Persons other than the Association own and operate for recreational and related purposes are "Private Amenities." No Person gains any right to enter or to use any Private Amenity by virtue of membership in the Association or ownership or occupancy of a Unit. Access to and use of any Private Amenity is strictly subject to the rules and procedures of the owner of such Private Amenity.

All Persons are hereby advised that no representations or warranties have been or are made by the Founder, the Association, any Builder, or by any Person acting on behalf of any of the foregoing with regard to the continuing ownership or operation of the Private Amenities. No purported representation or warranty in such regard, written or oral, shall be effective unless specifically set forth in a written instrument which the record owner of the Private Amenity executes.

Ownership or operation of any Private Amenity may change at any time. No consent of the Association, any Neighborhood Association, any Voting Delegate, or any Owner shall be necessary to effectuate any change in ownership or operation of any Private Amenity, except as the owner of such Private Amenity may otherwise agree in writing.

Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined by their respective owners. Such owners shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities and to terminate use rights altogether.

ARTICLE 15

DISCLOSURES AND WAIVERS

This Article discloses some important information about the Community for the benefit of prospective purchasers of property in the Community. Each home buyer or new Owner, by accepting title to property in

the Community, and each occupant or guest of a Unit, by occupying the Unit or entering the Community, also accepts and agrees to the matters set forth in this Article.

15.1. Public Access.

Many of the streets within the Community will be public streets, and, as a result, the general public may be able to gain access to Common Areas, including, but not limited to, sidewalks, parks, trails and paths, and other neighborhood spots conducive to gathering and interaction. Other areas within or adjacent to the Community will also be open to the general public, including Lavon Lake and properties controlled by the U.S. Army Corps of Engineers. The Association may, but shall have no obligation to, control public access or police Common Areas or other portions of the Community to identify and eject unauthorized persons. Neither the Founder nor the Association shall have any obligation to construct or install walls or fences or to implement any other measures to secure the perimeter boundaries of the Community or any part of the Community in order to prevent or restrict entry by the general public.

In addition, certain facilities and areas within the Community, including some facilities which are part of the Common Area, may specifically be open for use and enjoyment by the public and for special events, which may increase traffic and the number of vehicles being parked on Common Areas and other designated parking areas in the Community. The Founder may designate such facilities and areas as open to the public at the time the Founder makes them a part of the Area of Common Responsibility, or the Board may so designate at any time thereafter.

15.2. Nonresidential and Neighboring Uses.

Inspiration may include a commercial area or areas with nonresidential uses in close proximity to residential Units. There is no guarantee as to the specific retailers or types of businesses that may choose to locate in Inspiration or the hours that such businesses may be open. The particular mix of non-residential uses within Inspiration may change from time to time. Such uses could include restaurants, bars, and other establishments that draw crowds and generate traffic, noises, odors, and light which may affect surrounding properties. By accepting title to or taking occupancy of a Unit, each Owner and occupant expressly assumes the risk of such Unit being affected by traffic, parking, noise, odors, and lights from the existence or operations of any permitted non-residential use and Persons providing service or supplies in connection with such permitted use.

Every neighborhood is impacted by conditions which different people may find objectionable. Each Owner and occupant of a Unit, by taking title to or occupying a Unit, acknowledges and agrees that there may be conditions within and outside of the Community which he or she may find objectionable and that it shall be the Owner's or occupant's sole responsibility to become acquainted with conditions within and surrounding Inspiration which could affect the use and enjoyment of the Unit. No representations are made regarding the use or zoning of adjacent property or that the category to which adjacent property is zoned may not change in the future.

Each Owner agrees that the Founder, the Association, and any Founder Affiliate or agents shall not be liable to any Owner or any other Person claiming any loss or damage, including, without limitation, indirect, special, or consequential loss or damage arising from personal injury, death, destruction of property, trespass, loss of enjoyment, or any other alleged wrong or entitlement to remedy based upon, due to, arising from, or otherwise related to the proximity of the Owner's Unit to any nonresidential use or other objectionable uses outside within or outside of Inspiration, including without limitation, any claim arising in whole or in part from the negligence of the Founder, any Founder Affiliates, or their agents, or

the Association. The Owner agrees to indemnify and hold harmless the Founder, Founder Affiliates and agents, and the Association against any and all such claims by Owner's visitors, tenants, and others upon such Owner's Unit.

15.3. Safety and Security.

Each Owner and occupant of a Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in the Community. The Association may, but shall not be obligated to, maintain or support certain activities within the Community designed to promote or enhance the level of safety or security which each person provides for himself or herself and his or her property. **However, neither the Association nor the Founder shall in any way be considered insurers or guarantors of safety or security within the Community, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.**

No representation or warranty is made that any systems or measures, including security monitoring systems or any mechanism or system for limiting access to the Community cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. **Each Owner acknowledges, understands, and shall be responsible for informing any tenants and other occupants of such Owner's Unit, that the Association, its Board and committees, and the Founder are not insurers or guarantors of security or safety and that each Person within the Community assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.**

15.4. Changes in Master Plan.

Each Owner acknowledges that Inspiration is a master planned community, the development of which is likely to extend over many years, and agrees that neither the Association, nor or any Neighborhood Association shall engage in, or use Association funds to support, any protest, challenge, or other form of objection to (a) changes in uses or density of property within the Community, or (b) changes in the Master Plan as it relates to property outside the Community, without the Founder's prior written consent.

15.5. View Impairment.

Neither the Founder nor the Association guarantee or represent that any view over and across the Units, any open space within Inspiration, any body of water, property controlled by the U.S. Army Corps of Engineers, or any Private Amenity will be preserved without impairment. Neither the Founder, the Association, the WCID, or the owner or operator of any Private Amenity shall have any obligation to relocate, prune, or thin trees or other landscaping to provide or maintain views except as may otherwise be required under a separate covenant or agreement. The Association (with respect to the Common Area) and the owners of any Private Amenities (with respect to their Private Amenities) shall have the right to add trees and other landscaping from time to time, subject to applicable law. There shall be no express or implied easements for view purposes or for the passage of light and air.

15.6. Interruptions in and Conformance to Technology Systems and Services.

Each Owner acknowledges that interruptions in cable television and other Technology Systems and services will occur from time to time. The Founder or any of their respective successors or assigns shall not be liable for, and no Technology System or service user shall be entitled to refund, rebate, discount, or

offset in applicable fees for, any interruption in Technology Systems and services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

The Owner of each Unit shall be responsible for ensuring that the dwelling on such Unit is pre-wired to connect to any Technology System installed by or at the request of the Founder pursuant to Section 10.3. If such wiring is installed by a party other than the provider of the Technology System, the Owner shall be responsible for contacting the provider of the Technology Systems upon completion of such installation to arrange for an inspection of the wiring to ensure compatibility with the Technology System. If authorized by the Founder, the provider of the Technology System may charge the Owner of the Unit a reasonable fee for such inspection. If it is determined that the wiring is not compatible, the Owner of the Unit shall promptly arrange for such wiring to be replaced with wiring that is compatible with the Technology System.

15.7 Notices and Disclaimers as to Future Development Activity.

Each Owner acknowledges that construction and development activities will be taking place in Inspiration until Inspiration is completely built out and thereafter as properties are improved, repaired, and modified from time to time. There may be some inconvenience and disturbance during the course of such activities, including such things as construction noise, traffic diversions, and dust and noise emanating from the property upon which such activities are occurring. Neither the Founder nor the Association shall have any duty to take action to abate such inconveniences or disturbances, nor shall either have any liability for personal injury or property damage resulting from such activities or entry into such areas.

15.8. Water Management; Protected Buffers.

Each Owner acknowledges that wetlands, ponds, streams, and drainage and detention facilities within or adjacent to the Community are part of the stormwater drainage system for the Community and not designed as aesthetic features. Water levels may fluctuate dramatically and at times may flood or be muddy or dry. Neither the Founder nor the Association has any control over such water levels. Each Owner agrees to release and discharge the Founder, Founder Affiliates, and the Association from and against any and all losses, claims, demands, damages, costs, and expenses of whatever nature or kind, including reasonable attorneys' fees and costs at all tribunal levels, related to or arising out of any claim relating to such fluctuations in water levels. No person shall alter, modify, expand, or fill any wetlands, ponds, streams, drainage or detention facilities, swales, or culverts located within or in the vicinity of the Community without the prior written approval of the Founder and any local, state, or federal regulatory or permitting authorities as may have relevant jurisdiction over such matters.

Owners and occupants of Units have no right to erect fences, attach docks, build retaining walls, anchor or store boats or other watercraft, or landscape, clear, or otherwise disturb natural vegetation within any portion of a Unit designated as a stream buffer or nondisturbance buffer on a recorded plat, nor within any property situated between the Unit boundary and the bank or shoreline of any body of water, except as may specifically be authorized in writing by the Association, the WCID, or other governmental or quasi-governmental agency having jurisdiction over such area.

15.9. High Voltage Power Lines; Radio and Telecommunication Towers.

Every Owner and occupant of a Unit is hereby advised that high voltage power transmission lines and radio and telecommunication towers and related equipment are located within or in the vicinity of Inspiration. While various studies have failed to establish any causal relationship between living in

proximity to high voltage power transmission lines or radio towers and cancer or other diseases, there remains some speculation that such a relationship may exist. Every Owner and occupant of a Unit must evaluate such risk for themselves prior to making a decision to purchase and occupy a Unit. The Founder, any Founder Affiliate, Builders, the Association, and their respective members, partners, affiliates, officers, directors, agents, and employees, shall not be liable for any damage or injury to any person or property arising out of or related to the construction, installation, maintenance, or operation of, or proximity to, high voltage power transmission lines and/or radio or telecommunication towers, or any such towers that may now or hereafter be located in or in the vicinity of Inspiration.

15.10. Use of Nonpotable Water for Irrigation.

Each Owner and occupant of a Unit, and their respective guests and invitees, are advised that the water used to irrigate property within or adjacent to the Community may be well water or treated effluent, re-use water or "gray" water. Although such water is considered safe for irrigation and limited contact, it is not suitable for human or animal consumption and should not be used for drinking, bathing, swimming, or any purpose other than irrigation.

15.11. Natural Conditions.

The Community contains a number of manmade, natural, and environmentally sensitive areas that may serve as habitats for a variety of native plants and wildlife, including insects, venomous and non-venomous snakes and other reptiles, alligators, and other animals, some of which may pose hazards to persons or pets coming in contact with them. Each Owner and occupant of a Unit, and every person entering the Community: (i) acknowledges that such plants and wildlife are indigenous to the area and are not restrained or restricted in their movement within or throughout the Community; and (ii) assumes all risk of personal injury arising from the presence of such plants and wildlife in the Community. Neither the Association, the Founder, any Builder, nor the members, partners, affiliates, officers, directors, agents, or employees of any of them, shall have any duty to take action to control, remove, or eradicate any plant or wildlife in the Community, nor shall they have any liability for any injury resulting from the presence, movement, or propagation of any plant or wildlife within or through the Community.

The natural areas described in this section may also contain creeks, ponds, streams, and other bodies of water or intermittent pools of water, muddy areas, and underbrush, among other things, all of which are important to the ecological balance and maintenance of the area as a wildlife habitat. No Owner or occupant of a Unit shall enter upon or disturb, or permit their guests or any other person acting in their behalf to enter upon or disturb, such areas in any way without the Association's or the Founder's prior written approval.

15.12. Utility Easements.

Portions of the Community may be subject to easements for power transmission lines, natural gas pipelines, and other utility transmission devices. The Association shall have no responsibility for providing maintenance to such areas or improving them to the Community-Wide Standard.

15.13. High Pressure Gas Lines and Drill Sites.

There may be high pressure gas lines and natural gas drill sites located in the vicinity of Inspiration. Drill sites may be activated at any time in the sole discretion of the property owner or applicable easement holder, and no prior approval of or notice to any Owner shall be required except as may be required by Texas law. Such drill sites are not necessarily identified as such and may be open space or used for

recreational purposes until drilling activity commences. High pressure gas lines and gas-producing drill sites can pose a risk of rupture, explosion, fire, or other safety hazards to persons in the vicinity of such gas lines or drill sites. When active, drill sites may operate 24 hours per day and generate noise audible to persons in homes in the vicinity of the drill site. When no longer in use, they may continue to emit hissing sounds or other noises. Neither the Founder, Builders, the Association, nor the members, partners, affiliates, officers, directors, agents, or employees of any of the foregoing, have the ability to control the location or operation of such gas lines or drill sites, and none of them shall have any liability for any damages or injury to any person or property arising out of or related to the location, operation, or existence of such gas lines or drill sites.

15.14. Schools.

No representations are made regarding the future or continued operation of public or private schools, daycare centers, or early childhood programs that currently or may in the future serve the Community, and the Founder makes no commitment to construct or organize any such school or program.

15.15. Animal Control.

Neither the Association, the Town of St. Paul, nor any other municipality in whose extraterritorial jurisdiction any portion of the Community lies, shall have any responsibility for animal control within the Community. Collin County, Texas provides animal control services within unincorporated areas of Collin County. The Association shall publish from time to time and make available to Owners and residents upon request contact information for Collin County animal control services.

15.16. Restrictions in Favor of Seis Lagos Utility District.

Units and Common Areas which share a boundary with the Seis Lagos Utility District ("SLUD") are restricted to use for single family residences or private amenity centers, as appropriate. No wooden privacy fences may be erected along such shared boundary; fencing along such boundary shall be restricted to tubular steel, and then subject to the Architectural Guidelines and such approvals as are required pursuant to Article 5 of this Charter. Any open space within the Community which shares a boundary with residential lots located within the SLUD shall be screened with live plantings, including greenery or shrubbery. This restriction may not be altered, amended or terminated without a public hearing before the SLUD's board of directors. This restriction is for the express benefit of SLUD, which shall have the right to take action, at law and in equity, against any person violating or attempting to violate this Section, either to prevent such person from so doing, to correct such violation, or both.

15.17. Extraterritorial Jurisdiction.

Portions of the Community may be located within the extraterritorial jurisdiction of the City of Wylie, the Town of St. Paul, and/or the City of Lucas. Such designation gives the respective municipalities certain rights to regulate development of land within its extraterritorial jurisdiction and certain rights with respect to future annexation of the land within its extraterritorial jurisdiction.

15.18. WCID Disclosure Upon Transfer of Unit.

Prior to transfer of title to a Unit, the Owner shall provide to the purchaser or other transferee the statutory notification relating to the WCID required by Texas Water Code Section 49.452.

ARTICLE 16

RIGHTS OF LENDERS

In order to enhance each Owner's ability to obtain financing for the purchase of a Unit, this Article sets forth various provisions for the benefit of lenders who make mortgage loans and for the benefit of those agencies which guarantee and insure mortgage loans made by institutional lenders.

16.1. Provision of Mortgagee Information.

Upon the Association's request, each Owner shall provide the Association with the name and street address of the holder or guarantor of any Mortgage encumbering such Owner's Unit. If the Association has not been notified of the name and street address of the holder or guarantor of a Mortgage on a Unit, the Association may send any notice to Mortgagees to the Owner at the Unit address with a request that the Owner provide such notice to its Mortgagee, and such act shall be deemed sufficient notice to the Mortgagee of such Unit for all purposes under this Charter and the By-Laws.

16.2. FHA Provisions.

Notwithstanding anything to the contrary herein, any Unit which is subject to a Mortgage insured by the Federal Housing Administration (FHA) shall be exempt from any provision of this Charter or the By-Laws to the extent that such provision would cause a lease or conveyance of such Unit to:

- (a) Be void or voidable by a third party;
- (b) Be the basis of contractual liability of the Owner for breach of any right of first refusal, pre-emptive right or option, or other agreement not to convey;
- (c) Terminate or make subject to termination all or a part of the Owner's interest in the Unit if a conveyance is attempted;
- (d) Be subject to the consent of a third party;
- (e) Be subject to limits on the amount of sales proceeds retainable by the Owner upon resale.

16.3. No Priority.

No provision of this Charter or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards.

16.4. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Association to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 60 days after the Mortgagee actually receives proper notice of the proposal by certified or registered mail, return receipt requested.

16.5. Amendment by Board.

The purpose of this Article 16 is to facilitate financing of Unit purchases by compliance with secondary mortgage market requirements or standards. Should any institutional or governmental lender, purchaser, insurer, or guarantor of residential mortgage loans, including, for example, Fannie Mae, Freddie Mac, the Department of Housing and Urban Development, or the Department of Veterans Affairs, hereafter eliminate, create, or otherwise revise any of their respective requirements to make, purchase, insure, or guarantee mortgage loans on Units, the Board, without approval of the Owners or Mortgagees, may cause an amendment to this Article to be recorded to comply with such revised requirements. Each Owner, by accepting title to a Unit, and each Mortgagee, by accepting a Mortgage on a Unit, acknowledges and agrees to such amendments and grants to the Board the authority to make changes to this Article 16 as contemplated by this Section.

PART FIVE: COMMUNITY DEVELOPMENT

ARTICLE 17

EXPANSION OF THE COMMUNITY

Due to the anticipated size of the Community when fully developed, the Community will be developed in phases. The Founder or the Association may expand the initial property submitted to the Charter as set forth in this Article.

17.1. Expansion by Founder.

From time to time, the Founder may submit to the terms of this Charter all or any portion of the property described in Exhibit "B" by recording a Supplement describing the additional property to be submitted. The Founder may record such a Supplement without the consent of any Person except the owner of such property, if not the Founder.

The Founder's right to expand the Community under this section expires when all property described in Exhibit "B" has been submitted to this Charter or 40 years after this Charter is recorded, whichever is earlier. Until then, the Founder may transfer or assign this right to any Person who is the developer of at least a portion of the real property described in Exhibit "A" or "B." Any such transfer shall be described in a recorded instrument executed by the Founder.

Nothing in this Charter shall require the Founder or any successor to submit additional property to this Charter or to develop any of the property described in Exhibit "B" in any manner whatsoever. The Founder may submit different parcels of property to this Charter at different times. The Founder gives no assurances as to the boundaries of the parcels that may be submitted to this Charter, to the order in which the Founder may submit parcels of property to this Charter, or to whether buildings erected on any additional property submitted to this Charter will be compatible with other buildings in the Community in terms of architectural style, quality of construction, principal materials employed in construction, size, or price.

17.2. Expansion by the Association.

The Association also may submit additional property to this Charter by recording a Supplement describing the additional property. Any Supplement which the Association records must be approved by Voting Delegates representing more than 50% of the total votes in the Association and by the owner of the property to be submitted. In addition, during the Development and Sale Period, the Founder's consent is required. The Association's President and Secretary, the owner of the property, and the Founder, if the Founder's consent is required, shall sign the Supplement.

17.3. Additional Covenants and Easements.

Any Supplement that the Founder records may impose additional covenants and easements on the property described in such Supplement, such as covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Service Area Assessments. Such provisions may be included in a Supplement submitting new property to this Charter or may be set forth in a separate Supplement applicable to property previously submitted to this Charter. If someone other than the Founder owns the property, then the Supplement must be signed by such owner evidencing such owner's consent. Any Supplement may add to, create exceptions to, or otherwise modify the terms of this Charter as it applies to the property described in the Supplement, in order to reflect the different character and intended use of such property.

17.4. Effect of Filing a Supplement.

A Supplement shall be effective upon recording unless otherwise specified in the Supplement. On the effective date of the Supplement, any additional property made subject to this Charter shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Charter.

ARTICLE 18 ADDITIONAL RIGHTS RESERVED TO THE FOUNDER

This Article reserves various rights to the Founder, in addition to those specifically reserved elsewhere in the Governing Documents, in order to facilitate the Founder's development and sale of property in the Community, to enable the Founder to respond to Owners' concerns, and to protect various property rights and other interests of the Founder.

18.1. Special Development Rights.

In addition to the rights specifically reserved to the Founder under Article 17 with respect to expanding the Community, the Founder reserves the right, during the Development and Sale Period to:

- (a) subdivide and create Units, Common Areas, Limited Common Areas, and roadways, within any portion of Inspiration which it owns;
- (b) grant or reserve easements over any portion of Inspiration which it owns;
- (c) combine any Unit or Units which it owns in order to create larger or additional Units, Common Areas, and/or Limited Common Areas;

(d) adjust the boundaries of any Units that it owns;

(e) cause the Association to convey or reconvey portions of any Common Area or Limited Common Area which is not improved with structures as necessary to make minor adjustments in boundary lines between such Common Area or Limited Common Area and adjacent properties;

(f) amend this Charter or any Supplement to withdraw property from the Community and the coverage of this Charter, provided that such property has not been improved with a dwelling. Any such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Founder. If the property is Common Area, the Association shall consent to such withdrawal; and

(g) authorize any Builder to exercise any of the above rights with respect to property owned by such Builder.

18.2. Marketing and Sales Activities; Capture and Use of Images.

(a) Notwithstanding anything in the Governance Documents to the contrary, during the Development and Sale Period the Founder and its designees or assigns may construct, use, and maintain upon portions of the Common Area and other property they own, such facilities and activities as, in the Founder's opinion, may reasonably be required, convenient, or incidental to the construction or sale of Units. Such permitted facilities and activities shall include business offices, signs, flags (whether hung from flag poles or attached to a structure), model homes, sales offices, information centers, holding or sponsoring special events, and exterior lighting features or displays. In addition, if reasonably required, convenient, or incidental to construction or sales activities, the Founder and its employees, agents, and designees may park vehicles in designated parking areas. The rights described in this Section 18.2 shall specifically include the right of the Founder and its designees to use Common Area facilities at no charge and to restrict use or access to such facilities by the Association, its Members and others so long as they are being used for the purposes described in this Section 18.2. The Founder may authorize Builders to use similar privileges. There shall be no limit on the number or location of such facilities, except as otherwise restricted by applicable zoning or other applicable law.

(b) The Founder reserves for itself and its designees the right, without the consent of or payment of compensation to any Person, to take photographs and to capture, produce, and reproduce, by any method and in any format or media, images of any structures, streetscapes, landscapes, signage, public spaces, or other elements located on Units, Common Area, or public property within the Community which are visible from public streets or Common Area, and to use such images in advertising, marketing materials, displays, presentations, and publications of any kind relating to the Community, including, without limitation, newspaper, internet, television, and other media. Each Owner, by accepting a deed to any Unit, shall be deemed to have consented to the exercise by Founder and its designees of the rights described in this subsection (b) and to have waived any personal or proprietary right such Owner may have in connection with such images.

18.3. Right to Make Improvements, Replat.

During the Development and Sale Period, the Founder and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area and streets and alleys within the Community for the purpose of:

(a) making, constructing, and installing any improvements indicated on recorded subdivision maps or plats of the Community and such improvements to the Common Area and to the Exhibit "B" property as it deems appropriate;

(b) exercising any rights reserved to the Founder under this Charter; and

(c) making repairs or correcting any condition on the Common Area or any Unit.

In addition, during the Development and Sale Period, the Founder may replat property that it owns and convert Units it owns into Common Area.

18.4. Right to Approve Changes in Community Standards.

During the Development and Sale Period, no amendment to or modification of any Rules or Architectural Guidelines shall be effective without prior notice to and the written approval of the Founder.

18.5. Additional Covenants and Restrictions.

During the Development and Sale Period, no one other than the Founder may record any additional covenants or restrictions affecting any portion of the Community without the Founder's written consent. Any instrument recorded without the required consent shall be void and of no force and effect.

18.6. Exclusive Rights to Use Name of Development.

No Person other than the Founder or a Founder Affiliate shall use the name "Inspiration" or any derivative of such name, or any logo or depiction associated with Inspiration, in any printed or promotional material or any Internet website without the Founder's prior written consent. However, Owners may use the name "Inspiration" in printed or promotional matter where such term is used solely to specify that particular property is located within the Community, and the Association shall be entitled to use the word "Inspiration" in its name.

18.7. Technology Systems.

The Founder reserves for itself and its respective successors and assigns, a perpetual right and easement over those portions of Units lying within 10 feet of the boundaries on any Unit to install and operate such Technology Systems as the Founder, in its discretion, deems appropriate to serve any portion of the Community. Such right shall include, without limitation, the Founder's right to select and contract with companies licensed to provide telecommunications, cable television, and other Technology Systems services in the region. The Founder also has the right to charge or authorize any provider to charge individual users a reasonable fee not to exceed the maximum allowable charge for such service, as from time to time is defined by the laws, rules, and regulations of the relevant government authority, if applicable. Notwithstanding the above, there is no guarantee or representation that any particular Technology System will be made available.

18.8. Easement to Inspect and Right to Correct.

The Founder reserves for itself and others it may designate the right, but not the obligation, to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of the property within the Community, including Units, and a perpetual nonexclusive easement of access throughout the Community to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner, and no entry into an

enclosed structure shall be permitted without the Owner's consent. The person exercising this easement shall promptly repair, at such person's own expense, any damage he or she causes. Nothing in this paragraph shall relieve an Owner of the responsibility for the maintenance and repair of such Owner's Unit.

 **THE FOUNDER, OR SOMEONE IT DESIGNATES, MAY ENTER ONTO EXTERIOR PORTIONS OF ANY UNIT TO INSPECT AND CORRECT PROBLEMS WITH THE UNIT. THE FOUNDER MUST GIVE THE OWNER OF THE UNIT PRIOR NOTICE OF SUCH ENTRY UNLESS IT IS AN EMERGENCY.**

18.9. Right to Notice of Design or Construction Claims.

Neither the Association, any Owner, or any other Person shall initiate the dispute resolution procedures under Article 19, nor retain an expert for the purpose of inspecting the design or construction of any structures or improvements within the Community in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless the Founder and any Builder involved in the design or construction have been first notified in writing, by certified mail, and given an opportunity to meet with the Association and/or the Owner of any affected Unit to discuss the concerns, conduct their own inspection, and take action to remedy any problem in accordance with this section. Any notice to the Founder under this section shall include a description of the alleged defect in design or construction ("Defect"), a description of any damage suffered as a result of the Defect, the date on which the Defect was discovered, and dates and times during ordinary business hours that the Founder and any Builder may meet with the Owner or the affected Unit or representative of the Association to conduct an inspection.

Nothing in this section shall obligate the Founder or any Builder to inspect, repair, replace, or cure any alleged Defect. However, if the Founder or Builder elects to repair any alleged Defect, it will so notify the Association (if the alleged Defect involves Common Area) or the Owner of the affected Unit (if the alleged Defect is in a Unit) within 30 days after conducting such inspection and the Association or Owner shall permit the Founder and Builder, and their respective contractors, subcontractors, and agents, access as needed during ordinary business hours to make such repairs as they deem appropriate which, once begun, shall be completed within a reasonable time, subject to the nature of the repair and unforeseen circumstances. All applicable statutes of limitations shall be tolled during the period of inspection and cure under this Section 18.9, not to exceed the earlier of: (i) 120 days after the date the Founder receives written notice of the alleged Defect in accordance with this section; or (ii) the Founder's delivery to the claimant of written notice that the Founder does not intend to take any action or further action to remedy the alleged Defect.

In the event there is any dispute as to the adequacy of the proposed repairs to resolve the alleged Defect or as to whether repairs that the Founder, any Builder, or their respective contractors or subcontractors have performed have remedied the Defect, the Founder may appoint a third-party inspector who is knowledgeable and experienced in construction of the type at issue to inspect the alleged Defect and make a determination as to whether any proposed solution is adequate or as to whether the Defect has been remedied.

If the Association or any Owner fails to comply with this Section 18.9, neither the Founder nor any Founder Affiliate or Builder shall be liable for any general, special, or consequential damages, costs, or

diminution in value that might have been avoided had the Founder been given the notice and opportunity to repair described in this section. Nothing herein and no action taken by the Founder or any Builder pursuant to this Section shall be construed as an admission that an alleged Defect actually exists or as an admission of liability for any alleged Defect or otherwise create liability for the Founder or Builder.

18.10. Right to Transfer or Assign the Founder's Rights.

Any or all of the Founder's special rights and obligations set forth in this Charter or the By-Laws may be transferred in whole or in part, temporarily or permanently, to other Persons. However, such a transfer shall not reduce an obligation nor enlarge a right beyond that which Founder has under this Charter or the By-Laws. No such transfer or assignment shall be effective unless it is in a recorded instrument the Founder signs. The foregoing sentence shall not preclude the Founder from permitting other Persons to exercise, on a one-time or limited basis, any right reserved to the Founder in this Charter where the Founder does not intend to transfer such right in its entirety. In such case, it shall not be necessary to record any written assignment unless necessary to evidence the Founder's consent to such exercise.

18.11. Rights to Stormwater Runoff and Water Reclamation.

The Founder reserves, for itself and its designees, the exclusive right to capture and reuse all rain water, surface water, and storm water runoff from the Community, except that the right to capture and reuse water from Units shall be limited to water that falls on or enters stormwater drainage or retention facilities, streets, alleys, Common Areas or public property. Each Owner agrees, by acceptance of title to a Unit, that the Founder and its designees shall have such right. Such right shall include an easement over the Community for access and for installation and maintenance of facilities and equipment to capture and transport such water and runoff.

The Founder or its designees may establish programs for reclamation of storm water runoff and waste water for appropriate uses within or outside the Community and may require Owners and occupants of Units to participate in such programs to the extent reasonably practical. No Owner or occupant of a Unit shall have any right to be compensated for water claimed or reclaimed from such Owner's or her Unit. The Board shall have the right to establish restrictions on or prohibit outside use of potable water within the Community.

18.12. Termination of Rights.

Except as otherwise specified above, the rights contained in this Article shall not terminate until the earlier of: (a) termination of the Development and Sale Period; or (b) the Founder's recording of a written statement that all sales activity has ceased.

ARTICLE 19

DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

From time to time, disputes may arise between Owners or between an Owner and the Association, the Founder, or others involved in the Community. This Article commits the parties to any such dispute to work together in an attempt to resolve the dispute without litigation, in order to facilitate the prompt resolution of such disputes in a manner that respects and builds upon the relationships between the parties. It also requires

substantial support of the Association's membership before the Association can engage in certain types of litigation that could result in significant legal and emotional costs to the Community.

19.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) **Bound Parties.** The Founder, the Association, any Neighborhood Association, the WCID, and their respective officers, directors, trustees and committee members, all other Persons subject to this Charter, and any Person not otherwise subject to this Charter who agrees to submit to this Article (collectively, "**Bound Parties**"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Community without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 19.2 in a good faith effort to resolve such Claim.

(b) **Claims.** As used in this Article, the term "**Claim**" shall refer to any claim, grievance, or dispute arising out of or relating to:

- (i) the interpretation, application, or enforcement of the Governing Documents;
- (ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or
- (iii) the design or construction of Improvements within the Community, other than matters of aesthetic judgment under Article 5, which shall not be subject to review and shall not be subject to this Article;

except as otherwise provided in subsection (c).

(c) **Exceptions.** The following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 19.2:

- (i) any suit by the Association to collect assessments or other amounts due from any Owner;
- (ii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Charter (relating to creation and maintenance of Community standards);
- (iii) any suit that does not include the Founder or the Association as a party, if such suit asserts a Claim that would constitute a cause of action independent of the Governing Documents;
- (iv) any suit which affects the material rights or obligations of a party who is not a Bound Party and has not agreed to submit to the procedures set forth in Section 19.2;
- (v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 19.2(a), unless the party or parties against whom the Claim is made agree to toll, or extend, the Claim's statute of limitations to comply with this Article; and

(vi) any suit by the Association to enforce the Governing Documents where the Association has given the violator notice and either a hearing or an opportunity to cure the violation, or both, prior to the Association filing suit; and

(vii) any suit by the holder of a deed of trust recorded prior to this Charter and encumbering any portion of the Community to enforce the terms of such deed of trust or such holder's rights under this Charter.

19.2. Dispute Resolution Procedures.

(a) **Notice.** The Bound Party asserting a Claim ("**Claimant**") against another Bound Party ("**Respondent**") shall give written notice ("**Notice**") by mail or personal delivery to each Respondent and to the Board, stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;
- (ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);
- (iii) the Claimant's proposed resolution or remedy; and
- (iv) the Claimant's desire to meet with the Respondent to discuss, in good faith, ways to resolve the Claim.

(b) **Negotiation.** The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) **Mediation.** If the parties have not resolved the Claim through negotiation within 30 days of the date of the Notice (or within such other agreed upon period), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Dallas-Fort Worth metropolitan area. Each Bound Party shall present the mediator with a written summary of the Claim.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for and participate in good faith in the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Bound Party shall bear its own costs of the mediation, including attorneys' fees, and each Bound Party shall pay an equal share of the mediator's fees.

(d) **Settlement.** Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to comply again with the procedures set forth in this section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

19.3. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Voting Delegates entitled to cast 75% of the total votes in the Association, except that no such approval shall be required for actions or proceedings:

- (a) initiated during the Founder Control Period;
- (b) initiated to enforce the provisions of this Charter, including collection of assessments and

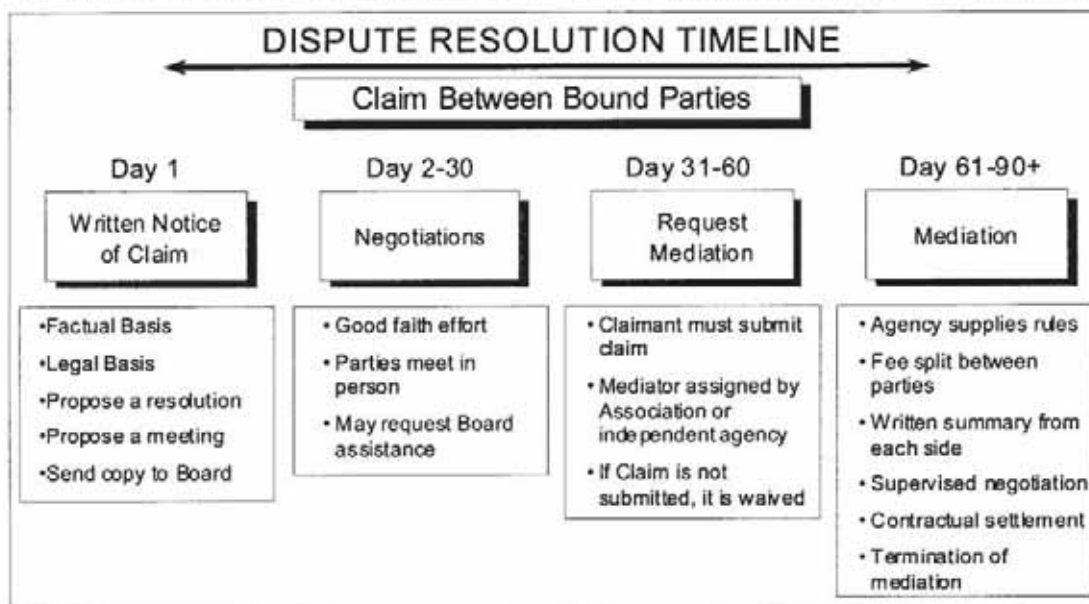


Diagram 19.2

foreclosure of liens;

- (c) initiated to challenge *ad valorem* taxation or condemnation proceedings;
- (d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or
- (e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

PART SIX: PROCEDURES FOR AND LIMITATIONS ON CERTAIN ACTIONS

ARTICLE 20 CHANGES IN THE COMMON AREA

Various influences and circumstances within and outside the Community may give rise to a need or desire to make changes in the ownership of or rights to use Common Area. This Article explains the procedures for dealing with matters such as changing use rights in Common Area or Limited Common Area, partition of the Common Area, and condemnation.

20.1. Assignment and Reassignment of Limited Common Area.

The Board may designate a portion of the Common Area as Limited Common Area, and may reassign Limited Common Area, upon approval of the Board and the vote of Voting Delegates representing a majority of the total votes in the Association, including a majority of the votes attributable to Units to which the Limited Common Area is proposed to be assigned or reassigned. During the Development and Sale Period, any such assignment or reassignment shall also require the Founder's written consent.

Upon approval of a majority of Owners of Units to which any Limited Common Area is assigned, the Association may permit Owners of other Units to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Service Area Expenses attributable to such Limited Common Area.

20.2. Condemnation.

If any part of the Common Area is taken by any authority having the power of condemnation or eminent domain, or conveyed by the Association in lieu of and under threat of condemnation with such approval as may be required under Section 20.4, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as follows:

(a) If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking the Founder, during the Development and Sale Period, and Members representing at least 75% of the total votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 9.4 regarding funds for restoring improvements shall apply; or

(b) If the taking or conveyance does not involve any improvements on the Common Area, if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be treated in the same manner as proceeds from the sale of Common Area under Section 20.4.

20.3. Partition.

No Person shall bring any action for judicial partition of the fee title to any portion of the Common Area without the written consent of all Owners and Mortgagees. This section shall not prohibit the Board from acquiring and disposing of tangible personal property or from acquiring and disposing of real property that may or may not be subject to this Charter, with such approval as may be required under Section 20.4.

20.4. Transfer, Mortgaging, or Dedication of Common Area.

The Association may transfer or dedicate portions of the Common Area or subject Common Area to a security interest:

- (a) upon request of the Founder pursuant to Section 9.1 or Article 18;
- (b) if Common Area other than Limited Common Area, upon the written direction of Voting Delegates representing at least 67% of the total votes in the Association, and the Founder during the Development and Sale Period; or
- (c) if Limited Common Area, upon written approval of Owners of at least 75% of the Units to which such Limited Common Area is assigned.

The proceeds from the sale or mortgaging of Common Area other than Limited Common Area shall be an asset of the Association to be used as the Board determines, unless otherwise directed by Voting Delegates at the time such sale or mortgage is authorized pursuant to Section 20.4(a). The proceeds from the sale or mortgaging of Limited Common Area shall be disbursed in the manner approved by the Owners of Units to which the Limited Common Area is assigned at the time such sale or mortgage is authorized.

No conveyance or encumbrance of Common Area may deprive any Unit of rights of access or support.

ARTICLE 21 TERMINATION AND AMENDMENT OF CHARTER

As the Community matures and grows, the rules by which it is governed must be flexible enough to adapt to changes in the development plan, as well as changes in the needs and desires of the Community that inevitably will occur. This Article sets out procedures by which either the Founder or the Owners as a group may amend this Charter to address such changes.

21.1. Term and Termination.

This Charter shall be effective and remain in effect for 50 years from the date of recording. Thereafter, this Charter shall be extended automatically for successive 10-year periods unless at least 50% of the then Owners sign a document stating that the Charter is terminated and that document is recorded within the year before any extension. In such case, this Charter shall terminate on the date specified in the termination document.



THERE IS AN OLD CONCEPT OF LAW KNOWN AS THE "RULE AGAINST PERPETUITIES" WHICH RESTRICTS HOW LONG COVENANTS CAN AFFECT THE TITLE TO LAND. MANY JURISDICTIONS NO LONGER OBSERVE SUCH RULE; HOWEVER, WHERE THE RULE APPLIES, THE TERM OF THE COVENANTS CANNOT EXCEED 21 YEARS AFTER THE DEATH OF A NAMED PERSON WHO IS LIVING AT THE TIME THE COVENANTS ARE RECORDED.

If any provision of this Charter would be unlawful, void, or voidable by reason of any rule restricting the period of time that covenants can affect title to property, that provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

This section shall not permit termination of any easement created in this Charter without the consent of the holder of such easement.

21.2. Amendment.

(a) **By the Founder.** In addition to the specific amendment rights granted elsewhere in this Charter, during the Founder Control Period, the Founder may unilaterally amend this Charter for any purpose.

(b) **By Owners.** Except as otherwise specifically authorized above or elsewhere in this Charter, this Charter may be amended only by affirmative vote or written consent, or any combination thereof, of Voting Delegates representing at least 67% of the total votes in the Association or such greater percentage as required by other provisions of this Charter; provided, no amendment to Exhibit "G" of this Charter adopted pursuant to this subsection (b) shall be effective without the written consent of the WCID, as long as it exists. In addition, during the Development and Sale Period, any amendment pursuant to this subsection (b) shall also require the Founder's written consent.

Any amendment pursuant to this subsection (b) shall be prepared, executed, certified, and recorded on behalf of the Association by any officer designated for such purpose or, in the absence of such designation, by the Association's President.

(c) **Validity and Effective Date.** Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. No amendment may remove, revoke, or modify any right or privilege of the Founder or the Founder Member without the written consent of the Founder or the Founder Member (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Charter or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon recording unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Charter.

(d) **Exhibits.** Exhibits "A," "B," and "G" are incorporated by this reference, and this Article shall govern amendment of those exhibits, except as otherwise specifically provided in this Charter. Exhibit "C" is

attached for informational purposes only and may be amended as provided in Article 7 or pursuant to this Section 21.2. Exhibits "D" and "E" are attached for information purposes only and may be amended as provided in those exhibits, respectively. Exhibit "F" is attached for informational purposes only and may be amended as provided in Section 5.3.

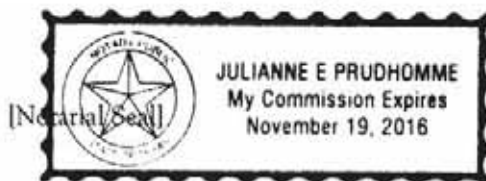
In witness of the foregoing, the Founder and Initial Owners have executed this Charter this 29 day of December, 2014.

FOUNDER: HC INSPIRATION ONE, LLC a Texas limited liability company

By: *Phillip W. Huffines*
Name: Phillip Huffines
Its: Managing Director

STATE OF TEXAS §
COUNTY OF Dallas §
§

This instrument was acknowledged before me on this 29 day of Dec., 2014, by Phillip Huffines, as Managing Director of HC INSPIRATION ONE, LLC, a Texas limited liability company, on behalf of said company, for the purposes therein stated.



Julianne E Prudhomme
Notary Public, State of Texas

[signatures continued on next page]

JOINDER AND CONSENT OF MORTGAGEE

The undersigned holder of that certain Deed of Trust dated March 20, 2014, and recorded March 21, 2014 as Instrument No. 20140321000266430 in the Real Property Records of Collin County, Texas, executed by Parker Lakeside, LLC, a Texas limited liability company, to Collateral Services, Inc., Trustee, for the benefit and security of TREZ CAPITAL (2014) CORPORATION, a corporation formed under the laws of British Columbia (the "Mortgage"), which Mortgage encumbers all or a portion of the property described on Exhibit "A" of this Charter, hereby joins in the execution of this Community Charter for Inspiration to evidence its consent to such instrument and to subordinate its interest under the Mortgage to such instrument.

This 5th day of January, 2015.

TREZ CAPITAL (2014) CORPORATION, a
British Columbia corporation

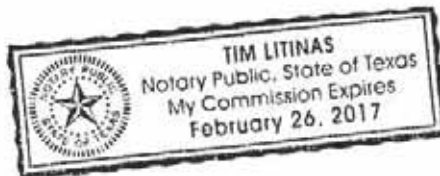
BY: Trez Capital Funding II, LLC, a Delaware
limited liability company, as Administrative
Agent

By: [Signature]
Name: John D. Hutchinson
Its: President

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on this 5th day of JANUARY, 2015, by JOHN D. HUTCHINSON, PRESIDENT of Trez Capital Funding II, LLC, a Delaware limited liability company, acting in its capacity as administrative agent for the benefit and security of TREZ CAPITAL (2014) CORPORATION, a British Columbia corporation, on behalf of said corporation, for the purposes therein stated.

[Notarial Seal]



[Signature]
Notary Public, State of Texas

My commission expires: 2/26/2017

EXHIBIT "A"

Land Initially Submitted to the Charter

Being a 22.741-acre tract of land out of the in the L. Farmer survey, Abstract No. 334 and the M. Morris Survey, Abstract No. 561, in the Town of St. Paul E.T.J., Collin County, Texas and being more particularly described on that certain final plat of Inspiration Phase 1A-1 filed of record in the Office of the County Clerk of Collin County, Texas on November 5, 2014, and recorded as Instrument No. 201405010003720, Plat Records, as such plat may be further revised and amended (as amended, the "Phase 1A-1 Plat"); and

Being a 16.691-acre tract of land out of the L. Farmer survey, Abstract No. 334 and the M. Morris Survey, Abstract No. 561, in the Town of St. Paul E.T.J., Collin County, Texas and being more particularly described on that certain final plat of Inspiration Phase 1A-1 filed of record in the Office of the County Clerk of Collin County, Texas on November 5, 2014, and recorded as Instrument No. 20140501003710, Plat Records, as such plat may be further revised and amended (as amended, the "Phase 1A-2 Plat"); and

Being a 41.620-acre tract of land out of the L. Farmer survey, Abstract No. 334 and the M. Morris Survey, Abstract No. 561, in the Town of St. Paul E.T.J., Collin County, Texas and being more particularly described on that certain final plat of Inspiration Phase 1B filed of record in the Office of the County Clerk of Collin County, Texas on November 5, 2014, and recorded as Instrument No. 20140501003730, Plat Records, as such plat may be further revised and amended (as amended, the "Phase 1B Plat"); and

Neighborhood Assignments:

The Lots shown on the Phase 1A-1 Plat and the Phase 1A-2 Plat are hereby assigned to Neighborhood No. 1. The Lots shown on the Phase 1B Plat are hereby assigned to Neighborhood No. 2.

EXHIBIT "B"

Land Subject to Annexation

All those tracts or parcels of land lying and being in Collin County, Texas, and being more particularly described in Exhibit "B-1" attached hereto;

LESS AND EXCEPT that property described on Exhibit "A".

Note to clerk and title examiners:

This Charter is not intended to create an encumbrance on title to the property described in this Exhibit "B." Such title may be encumbered only with the consent of the owner by filing a Supplement in accordance with Article 17 of this Charter.

EXHIBIT "B-1"

BEING A 592.744 ACRE TRACT OF LAND SITUATED IN THE LEROY FARMER SURVEY, ABSTRACT NO. 334, THE MARK MORRIS SURVEY, ABSTRACT NO. 561, THE ORPHA SHELBY SURVEY, ABSTRACT NO. 799, AND THE JOSIAH TURNHAM SURVEY, ABSTRACT NO. 919, COLLIN COUNTY, TEXAS, AND BEING ALL OF A CALLED 592.9988 ACRE TRACT OF LAND, DESCRIBED IN TRUSTEES DEED TO W.W. CARUTH, JR. AS RECORDED IN VOLUME 2684, PAGE 944, LAND RECORDS, COLLIN COUNTY, TEXAS, AS AFFECTED BY LAST WILL AND TESTAMENT OF W.W. CARUTH, JR. AS RECORDED IN COUNTY CLERKS FILE NO. 92-0054539 REAL PROPERTY RECORDS OF COLLIN COUNTY, TEXAS, SAID 592.744 ACRE TRACT WITH BEARING BASIS BEING GRID NORTH, TEXAS STATE PLANE COORDINATES, NORTH CENTRAL ZONE, NAD83, BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 3/4 INCH IRON ROD FOUND IN THE SOUTH LINE OF A 164.68 ACRE TRACT OF LAND DESCRIBED IN A DEED TO CONSOLIDATED PARTNERSHIP, LTD. AS RECORDED IN VOLUME 3433, PAGE 874, LAND RECORDS, COLLIN COUNTY, TEXAS;

THENCE, NORTH 89 DEGREES 12 MINUTES 19 SECONDS EAST, ALONG THE SOUTH LINE OF SAID 164.68 ACRE TRACT, A DISTANCE OF 3004.80 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-26" FOUND IN THE WEST LINE OF A TRACT OF LAND DESCRIBED IN A DEED TO THE UNITED STATES OF AMERICA AS RECORDED IN VOLUME 736, PAGE 833, DEED RECORDS, COLLIN COUNTY, TEXAS;

THENCE, ALONG THE WEST LINES OF SAID UNITED STATES OF AMERICA TRACT, THE FOLLOWING COURSES AND DISTANCES:

SOUTH 04 DEGREES 22 MINUTES 22 SECONDS EAST, A DISTANCE OF 756.97 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-25" FOUND FOR CORNER;

NORTH 65 DEGREES 28 MINUTES 27 SECONDS WEST, A DISTANCE OF 833.99 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET FOR CORNER;

SOUTH 00 DEGREES 26 MINUTES 51 SECONDS WEST, A DISTANCE OF 549.35 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-23" FOUND FOR CORNER;

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EXHIBIT "B-1"
(continued)

SOUTH 69 DEGREES 55 MINUTES 58 SECONDS WEST, A DISTANCE OF 1077.15 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-22" FOUND FOR CORNER;

SOUTH 50 DEGREES 39 MINUTES 17 SECONDS WEST, A DISTANCE OF 1405.27 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-21" FOUND FOR CORNER;

SOUTH 08 DEGREES 18 MINUTES 33 SECONDS EAST, A DISTANCE OF 73.65 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-20" FOUND FOR CORNER;

NORTH 88 DEGREES 26 MINUTES 57 SECONDS EAST, A DISTANCE OF 2464.68 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-19" FOUND FOR CORNER;

SOUTH 28 DEGREES 47 MINUTES 08 SECONDS WEST, A DISTANCE OF 2603.00 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-18" FOUND FOR CORNER;

SOUTH 89 DEGREES 28 MINUTES 49 SECONDS EAST, A DISTANCE OF 573.44 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET FOR CORNER;

NORTH 49 DEGREES 05 MINUTES 38 SECONDS EAST, A DISTANCE OF 1752.84 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-16" FOUND FOR CORNER;

NORTH 61 DEGREES 25 MINUTES 18 SECONDS EAST, A DISTANCE OF 1093.35 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-15" FOUND FOR CORNER;

SOUTH 33 DEGREES 38 MINUTES 41 SECONDS EAST, A DISTANCE OF 1419.53 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-14" FOUND FOR CORNER;

SOUTH 65 DEGREES 00 MINUTES 17 SECONDS EAST, A DISTANCE OF 651.14 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-13" FOUND FOR CORNER;

SOUTH 43 DEGREES 36 MINUTES 57 SECONDS WEST, A DISTANCE OF 470.76 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-12" FOUND FOR CORNER;

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EXHIBIT "B-1"
(continued)

NORTH 76 DEGREES 43 MINUTES 10 SECONDS WEST, A DISTANCE OF 1056.25 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-11" FOUND FOR CORNER;

SOUTH 29 DEGREES 18 MINUTES 01 SECOND WEST, A DISTANCE OF 903.25 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-10" FOUND FOR CORNER;

NORTH 78 DEGREES 51 MINUTES 09 SECONDS EAST, A DISTANCE OF 757.78 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-9" FOUND FOR CORNER;

SOUTH 06 DEGREES 19 MINUTES 32 SECONDS WEST, A DISTANCE OF 907.25 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-8" FOUND FOR CORNER;

SOUTH 75 DEGREES 00 MINUTES 06 SECONDS EAST, A DISTANCE OF 83.77 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-7" FOUND FOR CORNER;

NORTH 64 DEGREES 41 MINUTES 43 SECONDS EAST, A DISTANCE OF 806.05 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-6" FOUND FOR CORNER;

SOUTH 33 DEGREES 12 MINUTES 35 SECONDS EAST, A DISTANCE OF 297.17 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-5" FOUND FOR CORNER;

NORTH 83 DEGREES 38 MINUTES 01 SECOND EAST, A DISTANCE OF 255.23 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-4" FOUND FOR CORNER;

NORTH 41 DEGREES 14 MINUTES 52 SECONDS EAST, A DISTANCE OF 367.27 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-3" FOUND FOR CORNER;

NORTH 76 DEGREES 45 MINUTES 34 SECONDS EAST, A DISTANCE OF 1317.38 FEET TO A CORPS OF ENGINEERS MONUMENT STAMPED "4424-2" FOUND FOR CORNER;

SOUTH 10 DEGREES 01 MINUTE 29 SECONDS WEST, A DISTANCE OF 800.79 FEET TO A 5 CORPS OF ENGINEERS MONUMENT STAMPED "4424-1" FOUND FOR CORNER;

SOUTH 65 DEGREES 03 MINUTES 22 SECONDS WEST, A DISTANCE OF 1718.75 FEET TO A CORPS OF ENGINEERS MONUMENT FOUND AT THE

[continued on next page]

EXHIBIT "B-1"

(continued)

MOST NORTHERLY NORTHEAST CORNER OF A 19.338 ACRE TRACT OF LAND DESCRIBED AS TRACT B IN A DEED TO H. STEVEN HUFSTETLER AS RECORDED IN COLLIN COUNTY CLERK'S FILE NO. 93-0088439, LAND RECORDS, COLLIN COUNTY, TEXAS;

THENCE, NORTH 89 DEGREES 21 MINUTES 35 SECONDS WEST, ALONG THE NORTH LINE OF SAID TRACT B AND A 19.338 ACRE TRACT OF LAND DESCRIBED AS TRACT A IN A DEED TO H. STEVEN HUFSTETLER AS RECORDED IN COLLIN COUNTY CLERK'S FILE NO. 93-0088439, LAND RECORDS, COLLIN COUNTY, TEXAS, A DISTANCE OF 849.87 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET FOR CORNER;

THENCE, SOUTH 00 DEGREES 17 MINUTES 42 SECONDS EAST, ALONG THE WEST LINE OF SAID TRACT A, A DISTANCE OF 1309.73 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET FOR CORNER;

THENCE, NORTH 89 DEGREES 30 MINUTES 12 SECONDS WEST, A DISTANCE OF 299.40 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET FOR CORNER;

THENCE, SOUTH 00 DEGREES 26 MINUTES 33 SECONDS EAST, A DISTANCE OF 285.89 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET ON THE NORTH RIGHT-OF-WAY LINE OF ST. PAUL ROAD;

THENCE, SOUTH 89 DEGREES 41 MINUTES 31 SECONDS WEST, ALONG THE NORTH RIGHT-OF-WAY LINE OF SAID ST. PAUL ROAD, A DISTANCE OF 1790.28 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET FOR CORNER;

THENCE, SOUTH 00 DEGREES 51 MINUTES 52 SECONDS EAST, A DISTANCE OF 4.00 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET ON THE NORTH RIGHT-OF-WAY LINE OF F.M. 2514 (PARKER ROAD);

THENCE, SOUTH 89 DEGREES 08 MINUTES 08 SECONDS WEST, ALONG THE NORTH RIGHT-OF-WAY LINE OF SAID F.M. 2514, A DISTANCE OF 1571.30 FEET TO A 5/8" IRON ROD WITH YELLOW PLASTIC CAP STAMPED "CARTER & BURGESS" SET AT THE BEGINNING OF A CORNER-CLIP BETWEEN THE NORTH RIGHT-OF-WAY LINE OF SAID F.M. 2514 AND THE EAST RIGHT-OF-WAY LINE OF AZTEC TRAIL;

THENCE, NORTH 44 DEGREES 56 MINUTES 54 SECONDS WEST, ALONG SAID CORNER-CLIP, A DISTANCE OF 41.22 FEET TO A WOODEN MONUMENT FOUND ON THE EAST RIGHT-OF-WAY LINE OF SAID AZTEC TRAIL;

[continued on next page]

EXHIBIT "B-1"
(continued)

THENCE, NORTH 01 DEGREE 30 MINUTES 56 SECONDS WEST, ALONG THE EAST RIGHT-OF-WAY LINE OF SAID AZTEC TRAIL, A DISTANCE OF 1822.87 FEET TO A 5/8" IRON ROD FOUND AT THE SOUTHEAST CORNER OF A 10.00 ACRE TRACT OF LAND DESCRIBED IN A DEED TO NORMAN R. MORROW AND WIFE, LUZIA M. MORROW AS RECORDED IN VOLUME 1531, PAGE 279, LAND RECORDS, COLLIN COUNTY, TEXAS;

THENCE, NORTH 00 DEGREES 09 MINUTES 24 SECONDS WEST, ALONG THE EAST LINE OF SAID 10.00 ACRE TRACT AND THE EAST LINE OF A 41.391 ACRE TRACT OF LAND DESCRIBED IN A DEED TO EDWARD H. HOBBS AS RECORDED IN VOLUME 4191, PAGE 715, LAND RECORDS, COLLIN COUNTY, TEXAS, A DISTANCE OF 1886.05 FEET TO A 1" IRON ROD FOUND AT THE NORTHEAST CORNER OF SAID 41.391 ACRE TRACT;

THENCE, SOUTH 89 DEGREES 14 MINUTES 23 SECONDS WEST, ALONG THE NORTH LINE OF SAID 41.391 ACRE TRACT OF LAND, A DISTANCE OF 1111.20 FEET TO A 5/8" IRON ROD FOUND FOR CORNER;

THENCE, NORTH 01 DEGREE 00 MINUTES 20 SECONDS WEST, A DISTANCE OF 4428.92 FEET TO THE POINT OF BEGINNING AND CONTAINING 592.744 ACRES OF LAND, MORE OR LESS.

EXHIBIT "C"

Initial Rules

The following initial Rules shall be subject to amendment or modification in accordance with Section 7.2 of the Community Charter for Inspiration.

1. **General**. All Units shall be subject to the restrictions on use, occupancy, and transfer of Units set forth in Section 7.1 of the Charter, except as otherwise provided in that Section.

2. **Restricted Activities**. Unless expressly authorized by, and then subject to such conditions as may be imposed by the Board, the following activities are prohibited within the Community:

(a) repair or maintenance of motor vehicles, except that an occupant of a Unit may perform minor, routine maintenance to the occupant's passenger vehicle while parked inside the garage on the Unit;

(b) parking of any boat trailer, recreational vehicle, camping unit, bus, commercial use truck or van, or self-propelled or towable equipment or machinery of any sort, or any inoperable vehicles, on any public or private street within the Community or on any Unit unless in an enclosed structure or behind a solid fence approved pursuant to Article 5 so as not to be visible from the street, and parking of any other vehicle on a Unit in places other than the garage or driveway serving the Unit, except that (i) service and delivery vehicles and, during the construction of Improvements on a Unit, necessary construction vehicles, may be parked in the driveway of the Unit or on adjacent streets during daylight hours for any period of time reasonably necessary to provide service or to make a delivery to the Unit or the Common Area; and (ii) the Founder and authorized Builders may park and use construction vehicles, trailers, and other equipment on a Unit or Common Area in connection with their construction, development, marketing, and sale of property in the Community.

(c) use of any garage for storage or other activities that preclude its use for parking of that number of vehicles for which it was designed;

(d) parking of any vehicle in such manner as to block or obstruct any public or private street, sidewalk, driveway, or mailbox, or the view of traffic;

(e) parking of any vehicle in the Community, regardless of size, that transports inflammatory or explosive cargo;

(f) parking of any vehicle on a public or private street within the Community unless all available spaces in both the garage and driveway serving the Unit are occupied with vehicles;

(g) raising, breeding, or keeping animals, except that dogs or cats, not to exceed a total of three, and a reasonable number of other small common household pets of the type typically confined to cages or tanks (e.g., birds, hamsters, fish, etc.) may be kept in the dwelling on a Unit. This shall not preclude the occupant of a Unit from taking a dog or cat outside the dwelling; however, those pets which are permitted to roam free or, in the Board's sole discretion, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Units shall be removed upon the Board's request. If the pet owner fails to honor such request, the Board may remove the pet.

EXHIBIT "C"
(continued)

Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Pets shall be registered, licensed, and inoculated as required by law.

(h) any activity that emits foul or obnoxious odors outside the Unit or creates noise or other conditions that tend to disturb the peace or threaten the safety of the occupants of other Units;

(i) any activity that violates local, state, or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation;

(j) pursuit of hobbies or other activities that tend to cause an unclean, unhealthy, or untidy condition to exist outside of enclosed structures on the Unit, or involves erection of structures which are visible from property outside of the Unit;

(k) any noxious or offensive activity that in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants of other Units;

(l) outside burning of trash, leaves, garbage, debris, or other materials, except such debris as may be permitted to be burned during the normal course of constructing a dwelling on a Unit;

(m) use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Units, except alarm devices used exclusively for security purposes;

(n) use and discharge of firecrackers and other fireworks;

(o) accumulation of rubbish, trash, or garbage except between regular garbage pick ups, and then only in approved containers (this provision shall not restrict composting of grass clippings, leaves, brush, or other vegetation in a manner approved pursuant to Article 5 of the Charter;

(p) discharge of firearms; provided, the Board shall have no obligation to take action to prevent or stop such discharge;

(q) on-site storage of fuel, except that a reasonable amount of fuel may be stored on each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment;

(r) hunting of birds, reptiles, or mammals, and fishing in lakes or ponds on Common Area;

(s) any activities that materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within the Community or that use excessive amounts of water or which result in unreasonable levels of sound or light pollution;

(t) conversion of any carport or garage to finished space for use as an apartment or other integral part of the living area on any Unit without prior approval pursuant to Article 5;

(u) outdoor storage of any kind, except in areas, if any, approved pursuant to Article 5 and screened in an approved manner from view of neighboring property and streets;

EXHIBIT "C"
(continued)

(v) outdoor airing or drying of clothes, rugs, bedding, or similar items unless screened from view of other properties in the Community by a screening method approved pursuant to Article 5;

(w) excavation of sand, gravel, or soil, except in connection with a grading and/or building plan approved pursuant to Article 5;

(x) garage sales or estate sales or other sales of personal or business property, except as part of an annual or semi-annual Community-wide event sponsored or sanctioned by the Association, if any. No signs, balloons, banners, or other items shall be placed in the Community or on adjacent rights-of-way advertising such sale, except that one sign, not to exceed four square feet per side or five feet in height, may be posted on the Unit on which the sale is being conducted to identify the location and hours of the sale;

(y) installation and removal of trees, shrubs and other landscaping, and any modification of any thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article 5 of the Charter. This shall include, without limitation, signs, basketball hoops, and swing sets and similar sports and play equipment; garbage cans; woodpiles; above-ground swimming pools; docks, piers, and similar structures; hedges; walls; dog runs; animal pens; storage sheds, and satellite dishes or antennas, except that:

(i) an antenna designed to receive direct broadcast satellite services, including direct-to-home satellite services, that is one meter or less in diameter; or

(ii) an antenna designed to receive video programming services via multipoint distribution services, including multi-channel multipoint distribution services, instructional television fixed services, and local multipoint distribution services, that is one meter or less in diameter or diagonal measurement; or

(iii) an antenna that is designed to receive television broadcast signals;

(collectively, "**Permitted Antennas**") shall be permitted on Units, subject to such reasonable requirements as to location and screening as may be set forth in the Architectural Guidelines, consistent with applicable law, in order to minimize obtrusiveness as viewed from streets and adjacent property. The Founder and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of the Community, should any master system or systems be utilized by the Association and require such exterior apparatus; and

(z) operation of a golf cart on public or private streets within the Community, except as the Association may specifically authorize and then subject to Texas law and such additional rules as the Board may adopt, which may include, without limitation, specific requirements as to registration, licensing, and size, type, color, and equipping of any golf carts operated within the Community and requirements as to the minimum age of operators.

EXHIBIT "C"
(continued)

3. **Prohibited Conditions.** The following shall be prohibited in the Community:

(a) Plants, animals, devices, or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Community; and

(b) Structures, equipment, or other items on the exterior portions of a Unit that have become rusty, dilapidated, or otherwise fallen into disrepair.

EXHIBIT "D"

Certificate of Formation of Inspiration Residential Association, Inc.

[see attached]



Office of the Secretary of State

CERTIFICATE OF FILING OF

Inspiration Residential Association, Inc.
File Number: 802099860

The undersigned, as Secretary of State of Texas, hereby certifies that a Certificate of Formation for the above named Domestic Nonprofit Corporation has been received in this office and has been found to conform to the applicable provisions of law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the secretary by law, hereby issues this certificate evidencing filing effective on the date shown below.

The issuance of this certificate does not authorize the use of a name in this state in violation of the rights of another under the federal Trademark Act of 1946, the Texas trademark law, the Assumed Business or Professional Name Act, or the common law.

Dated: 11/12/2014

Effective: 11/12/2014



NANDITA BERRY

Nandita Berry
Secretary of State

NOV 12 2014

CERTIFICATE OF FORMATION
OF
INSPIRATION RESIDENTIAL ASSOCIATION, INC. Corporations Section

I, the undersigned, being of the age of eighteen years or more, acting as incorporator of a corporation under the Texas Nonprofit Corporation Law, do hereby adopt the following Certificate of Formation for such corporation.

Article 1. Name. The name of the corporation is Inspiration Residential Association, Inc. (the "Association").

Article 2. Principal Office. The initial principal office of the Association is located at 8200 Douglas Ave, Suite 300, Dallas, Texas 75225.

Article 3. Duration. The Association shall have perpetual duration.

Article 4. Applicable Statute. The corporation is organized pursuant to the provisions of the Texas Nonprofit Corporation Law, as set forth in Chapters 20 and 22, and the provisions of Title 1 applicable to nonprofit corporations, of the Texas Business Organizations Code, as it may be amended (the "Act").

Article 5. Defined Terms. Capitalized terms used in this Certificate of Formation and not otherwise defined in this Certificate shall have the meanings set forth in the Community Charter for Inspiration, recorded or to be recorded by HC Inspiration One, LLC, a Texas limited liability company (the "Founder"), in the Office of the County Clerk of Collin County, Texas, as it may be amended (the "Charter").

Article 6. Purposes and Powers. The Association does not contemplate pecuniary gain or profit, direct or indirect, to its members.

(a) By way of explanation and not limitation, the purposes for which the Association is formed are:

(i) to be and constitute the Association to which reference is made in the Charter, to perform all obligations and duties of the Association, and to exercise all rights and powers of the Association, as specified therein, in the By-Laws of the Association ("By-Laws") and as provided by law; and

(ii) to provide an entity for the furtherance of the interests of the owners of that real property that is made subject to the terms of the Charter (the "Community").

(b) In furtherance of its purposes, the Association shall have the following powers, which, unless indicated otherwise by the Charter or By-Laws, may be exercised by its board of directors:

(i) all of the powers conferred upon nonprofit corporations by common law and the statutes of the State of Texas in effect from time to time;

(ii) all of the powers necessary or desirable to perform the obligations and duties and to exercise the rights and powers set out in this Certificate of Formation, the By-Laws, or the Charter, including, without limitation, the following:

(1) to fix and to collect assessments and other charges to be levied pursuant to the Charter;

(2) to manage, control, operate, maintain, repair, and improve property subject to the Charter or any other property as to which the Association has a right or duty to provide such services pursuant to the Charter, By-Laws, or any covenant, easement, contract, or other legal instrument;

(3) to enforce covenants, conditions, or restrictions affecting any property to the extent the Association may be authorized to do so under the Charter, By-Laws, or other recorded covenant;

(4) to engage in activities which will actively foster, promote, and advance the common interests of all owners of property subject to the Charter;

(5) to buy or otherwise acquire, sell or otherwise dispose of, mortgage or otherwise encumber, exchange, lease, hold, use, operate, and otherwise deal in and with real, personal, and mixed property of all kinds and any right or interest therein for any purpose of the Association;

(6) to borrow money for any purpose;

(7) to enter into, make, perform, or enforce contracts of every kind and description, and to do all other acts necessary, appropriate, or advisable in carrying out any purpose of the Association, with or in association with any other association, corporation, or other entity or agency, public or private;

(8) to act as agent, trustee, or other representative of other corporations, firms, or individuals, and as such to advance the business or ownership interests of such corporations, firms, or individuals;

(9) to adopt, alter, and amend or repeal such By-Laws as may be necessary or desirable for the proper management of the affairs of the Association; provided, however, such By-Laws may not be inconsistent with or contrary to any provisions of the Charter; and

(10) to provide any and all services to the Community as the Board of Directors may determine to be necessary or desirable to supplement the services provided by local government.

(c) The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and the powers specified in each of the paragraphs of this Article 6 are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provisions of this Article 6. None of the objects or purposes set out above shall be construed to authorize the Association to do any act in violation of the Act, and all such objects or purposes are subject to the Act.

Article 7. Membership. The Association shall be a membership corporation without certificates or shares of stock. The Founder, for such period as is specified in the Charter, and each Person who is the Owner of a Unit within the Community, shall be a member of the Association and shall be entitled to such voting rights and membership privileges as are set forth in the Charter and the By-Laws.

Article 8. Board of Directors. The business and affairs of the Association shall be conducted, managed, and controlled by a Board of Directors. The Board may delegate its operating authority to such corporations, individuals, and committees as it, in its discretion, may determine.

The Board of Directors shall consist of not less than three nor more than seven directors, as determined in accordance with the By-Laws. The initial Board of Directors shall consist of three directors. The names and addresses of the members of the initial Board of Directors, who shall hold office until their successors are elected and have qualified, or until their resignation or removal, are as follows:

Phillip Huffines	8200 Douglas Ave, Suite 300, Dallas, Texas 75225	USA
Sue Blankenship	8200 Douglas Ave, Suite 300, Dallas, Texas 75225	USA
Elvio Bruni	8200 Douglas Ave, Suite 300, Dallas, Texas 75225	USA

The number, the method of selection, removal, and filling of vacancies on the Board of Directors, and the term of office of members of the Board of Directors, shall be as set forth in the By-Laws.

Article 9. Indemnification of Directors. The Association shall indemnify its officers, directors and committee members as, and to the extent required by the By-Laws. No amendment to or repeal of this Article shall apply to or have any effect on the liability or alleged liability of any director of the Association for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

Article 10. Action by Less Than Unanimous Consent. The Association and the Board of Directors shall be authorized to take action without holding a meeting or providing notice by less than unanimous consent of the Voting Delegates or directors, as applicable, in accordance with the provisions of the By-Laws, except where a meeting is required by Texas law.

Article 11. Dissolution. The Association may be dissolved only upon a resolution duly

adopted by its Board of Directors and approved by the affirmative vote of Voting Delegates representing not less than two-thirds (2/3) of the Units subject to the Charter. In addition, so long as the Founder owns any property subject to the Charter or which the Founder may unilaterally make subject to the Charter pursuant to the provisions of the Charter, the written consent of the Founder shall be required. The Association is authorized, upon its winding up, to distribute its assets in a manner other than as provided by Section 22.304 of the Texas Business Organizations Code, in accordance with a plan of distribution adopted pursuant to Chapter 22 of the Texas Business Organizations Code, which plan may, but shall not be required to, provide for distribution of the remaining property of the Association for tax-exempt purposes to an organization exempt under Section 501(c)(3) of the Internal Revenue Code, or described by Section 170(c)(1) or (2) of the Internal Revenue Code.

Article 12. Merger and Consolidation. The Association may merge or consolidate only upon a resolution duly adopted by its Board of Directors and the affirmative vote of Voting Delegates representing not less than two-thirds (2/3) of the Units subject to the Charter. In addition, so long as the Founder owns any property subject to the Charter or which it may unilaterally make subject to the Charter, the written consent of the Founder shall be required.

Article 13. Amendments. This Certificate of Formation may be amended only upon a resolution duly adopted by the Board of Directors and approved by the affirmative vote of Voting Delegates representing at least two-thirds (2/3) of the total eligible votes of the membership; provided, the Voting Delegates shall not be entitled to vote on any amendment to this Certificate of Formation adopted for the sole purpose of complying with the requirements of any governmental or quasi-governmental entity or institutional lender authorized to fund, insure or guarantee mortgages on individual Units, which amendments may be adopted by the Board of Directors. In addition, so long as the Founder owns any property subject to the Charter or which it may unilaterally make subject to the Charter, the consent of the Founder shall be required for any amendment.

Article 14. Registered Agent and Office. The business address of the initial registered agent and registered office of the Association is 8200 Douglas Ave, Suite 300, Dallas, Dallas County, Texas 75225. The initial registered agent at such address is an organization by the name of HC Inspiration One, LLC.

Article 15. Effective Date. This Certificate of Formation shall become effective when filed by the Secretary of State for the State of Texas.

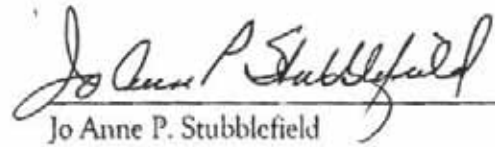
Article 16. Organizer. The name and address of the organizer are as follows:

Jo Anne P. Stubblefield
Hyatt & Stubblefield, P.C.
233 Peachtree Street, N.E., Suite 1200
Atlanta, Georgia 30303

IN WITNESS WHEREOF, the undersigned affirms that the person designated as

registered agent herein has consented to the appointment. The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized to execute this filing instrument.

Date: November 11, 2014


Jo Anne P. Stubblefield

602401/CADocs/Cert of Filing-Inspiration HQA-111014jpw

EXHIBIT "E"

By-Laws of Inspiration Residential Association, Inc.

[see attached]